新鴻基地產發展有限公司
Sun Hung Kai Properties Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 16)
(Warrant Code: 1441)

2015 / 16 Interim Results

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the six months ended 31 December 2015, excluding the effect of fair-value changes on investment properties, amounted to HK$9,298 million, compared to HK$8,463 million for the corresponding period last year. Underlying earnings per share were HK$3.23, compared to HK$3.08 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$14,724 million and HK$5.11 respectively, compared to HK$15,696 million and HK$5.71 for the corresponding period last year. The reported profit for the period included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK$5,531 million, compared to HK$7,654 million for the same period last year.

DIVIDEND

The directors have declared an interim dividend payment of HK$1.05 per share for the six months ended 31 December 2015, an increase of 10.5% from the corresponding period last year.

BUSINESS REVIEW

Property Sales and Rental Income

Property Sales

Revenue from property sales for the period under review as recorded in the financial statements, including revenue from joint-venture projects, was HK$9,494 million. Profit generated from property sales was HK$2,474 million, as compared to HK$2,285 million over the corresponding period last year. Contracted sales during the period amounted to about HK$14,400 million in attributable terms.

Rental Income

Gross rental income, including contributions from joint-venture projects, rose 7% year-on-year to HK$10,351 million while net rental income increased 7% year-on-year to HK$7,943 million during the period under review. The satisfactory performance was attributable to higher rents for new leases and renewals both in Hong Kong and on the mainland as well as contributions from new investment properties.

Property Business – Hong Kong

Land Bank

During the period under review, the Group acquired three sites through public tenders, with an aggregate gross floor area of about 1.7 million square feet. Of the acquisitions, one is a large-scale development sitting atop MTR Yuen Long Station that comprises about 1.4 million square feet of residential premises, mostly small- to medium-sized flats, and about 107,000 square feet of retail space. The project is expected to create significant synergy with the Group's neighbouring YOHO residential enclave and YOHO Mall. Details of the acquired sites are shown in the following table:

Location	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Yuen Long Station Development	Residential/ Shopping Centre	Joint Venture	1,468,000
Sha Tin Town Lot No. 617	Office/Shops	100	174,000
Pak Tai Street / San Shan Road, Ma Tau Kok	Residential/Shops	Joint Venture	105,000
Total			**1,747,000**

Acquisitions during the period brought the Group's land bank in Hong Kong to 52.2 million square feet in terms of attributable gross floor area as at the end of December 2015, comprising 19.0 million square feet of residential properties and 4.4 million square feet of retail, office, hotel and industrial space all under development as well as 28.8 million square feet of completed investment properties. In addition, the Group has a total of over 30 million square feet of agricultural land in terms of site area in various stages of land use conversions, located primarily along existing or planned railway lines in the New Territories.

<u>Property Development</u>

Sentiments in the residential market have softened since the fourth quarter of 2015. During the period under review, primary market transactions hovered within a reasonable range while transactions in the secondary market declined to a subdued level. Favourable demographics, together with healthy income growth, a solid labour market, low interest rates and reasonable mortgage-repayment affordability, continued to support overall private housing demand, especially for small- to medium-sized flats.

Embracing its long-standing core value of Building Homes with Heart, the Group strives to excel itself in the provision of products and services of excellent standards. The Group's developments feature carefully crafted architecture, layout and interior design coupled with well-equipped clubhouses as well as attentive after-sale and property management services, underscoring its resolve to apply people-oriented concepts to every dimension of its business. With concerted efforts from all levels of staff, the Group continues to deliver quality products that keep abreast of market changes while achieving reasonable development margins with effective cost management. This has further reaffirmed the Group's strong, premium brand and enhanced public recognition of the value and appeal of its developments.

During the period under review, the Group continued to put up new projects for sale as planned and achieved contracted sales of about HK$11,300 million, mainly from additional batches of luxury residences in the first phase of Ultima in Ho Man Tin and new launches including Century Link II in Tung Chung, King's Hill in Island West and Park Vista 1A in Yuen Long.

The first phase of Ultima with over 400,000 square feet of residential gross floor area was completed during the period. The Group's completion is expected to increase meaningfully in the second half of the financial year to about 2.8 million square feet, of which about 2.7 million square feet will be residential premises for sale. Of the scheduled residential completion for the current financial year, a substantial majority has been pre-sold.

Property Investment

The Group has established a leading role in Hong Kong leasing market with a diversified rental portfolio of 28.8 million square feet. During the period under review, the Group's rental business in Hong Kong continued to deliver satisfactory results with overall occupancy sustaining at a high level of around 95%. Gross rental income from Hong Kong, including contributions from joint-venture projects, increased by 8% year-on-year to HK$8,276 million, mainly attributable to positive rental reversions and higher rents for new leases.

Retail portfolio

Standing in the forefront of the leasing market, the Group's retail properties continued to perform well despite a challenging operating environment, due to its extensive network of regional malls that mainly focus on domestic consumption. With a size of over 10.7 million square feet, the Group's retail portfolio achieved high occupancies and positive rental reversions during the period under review.

The opening of YOHO Mall I in September 2015 marked a significant milestone for the gradual opening of YOHO Mall that will total around 1.1 million square feet. The final phase of the renovation at YOHO Mall II, formerly Sun Yuen Long Centre, will be completed in the first quarter of 2016. A variety of popular fashion brands and restaurants has been introduced, some being new to the district. Situated at the transportation hub in Yuen Long, the mall with its unique market position has successfully attracted a large volume of customers who are looking for a modern lifestyle and new shopping experience.

Over 450,000 square feet of retail space in the YOHO Mall extension underneath the new residential development Grand YOHO is slated for completion by the end of 2016. The 107,000-square-foot retail space at Yuen Long Station Development will also be included in YOHO Mall, generating much synergy within the entire development. Ample parking lots will be available to meet the needs of shoppers. Emulating the leading position and success of New Town Plaza in eastern New Territories, YOHO Mall is expected to become a prominent shopping hub for residents of western New Territories upon its full completion.

Spanning from the adjacent MTR station to the planned waterfront park, PopWalk comprises a total retail space of 240,000 square feet from the Group's development projects in Tseung Kwan O South. The first phase, a 66,000-square-foot retail podium under The Wings II, has been almost fully pre-leased and is scheduled to open in the first half of 2016. Targeting young families in the neighborhood, PopWalk will house a variety of quality retailers as well as specialty dining outlets and is expected to benefit from the expanding population following the gradual completion of residential projects in the area.

Other projects in the pipeline include Harbour North in North Point and the premium shopping mall atop MTR Nam Cheong Station. Harbour North will offer residents, office workforce and tourists in Island East a diverse trade mix including a number of much sought-after eateries on a waterfront promenade. With an exclusive positioning in an old district that is being revitalized, the regional mall under development at MTR Nam Cheong Station will serve residents with a chic lifestyle and trendy environment for shopping and entertainment.

Regional malls spanning across the territory constitute a major part of the Group's retail portfolio. Serving mainly domestic consumers, these well-established malls such as New Town Plaza, Tai Po Mega Mall, Landmark North and V City continued to perform satisfactorily during the period. With its premium brand, IFC Mall in Central which attracts both locals and tourists remained fully leased, though affected by softening visitor spending. The Group has been refining tenant mix on an ongoing basis to better cater for customers' needs and changing consumption trends.

Continuous enhancement to its retail portfolio has always been one of the Group's priorities in order to provide better environment for shoppers and boost tenants' business. MOKO atop MTR Mong Kok East Station has recorded notable growth in rents following the conclusion of its large-scale reconfiguration in August 2015. Several malls are also undergoing renovations or upgrades to bolster their competitiveness. Upon the completion of a large-scale upgrading project currently under way, APM in Kwun Tong will gain additional retail space converted from over 150,000 square feet of office area in the same tower. Metroplaza in Kwai Fong introduced more quality restaurants and cosmetic brands during the period while its layout will be reconfigured to enhance its market position.

Office portfolio

The Group's office portfolio of about 10 million square feet spreads over convenient locations in various business districts, mainly along railway lines. Its premium brand has been well established on the back of high standard of specifications, comprehensive facilities and professional property management services, making it the preferred choice for diverse tenants. During the period under review, high occupancies and higher rents for new leases and renewals were recorded. As a major office landlord in Hong Kong, the Group is well positioned to benefit from the positive market conditions due to limited supply and low vacancy.

The Group's International Finance Centre (IFC) is one of the most prestigious commercial developments in Hong Kong. With its outstanding building specifications, premium brand and unique location, IFC continued to lead the Central office market with almost full occupancy and healthy positive rental reversions recorded throughout the period. Spot rents have seen an uptrend amid keen demand from quality tenants.

International Commerce Centre (ICC) at the commercial hub of West Kowloon registered strong reversions with increased rental levels and achieved an occupancy of 96%. Robust demand from multinationals and mainland financial institutions has underpinned its rental performance. With the West Kowloon Cultural District taking shape gradually over the next few years and the anticipated improvements in transportation network, the appeal of ICC to tenants is expected to be further enhanced over time.

The Group has also maintained a strong presence in the office markets outside prime business districts. Millennium City in Kwun Tong stands to benefit from the rapid transformation of Kowloon East into a new core business district. This office cluster attracted tenants from various sectors including fashion, information technology and financial services, leading to high occupancies and higher rents for new leases and renewals. Other premium office buildings including Sun Hung Kai Centre and Central Plaza in Wan Chai, Grand Century Place in Mong Kok and Grand Central Plaza in Sha Tin continued to perform well.

The Group is committed to further improving the quality of its office properties to enhance the working environment of its tenants and maintain the competitiveness of its portfolio. Refurbishments for One IFC and Grand Century Place have been recently completed, while Grand Central Plaza will undergo renovations later this year.

Property Business – Mainland

Land Bank

As at the end of December 2015, the Group's total land bank on the mainland amounted to an attributable 70.4 million square feet. This portfolio included 11.7 million square feet of completed investment properties, about 80% of which were located strategically in first-tier cities such as Shanghai, Beijing and Guangzhou. In addition, the Group held 58.7 million square feet of properties under development, of which over 60% will be for high-end residential units or serviced apartments, while the rest will be for upmarket shopping malls, quality offices and premium hotels. The Group has a sufficient land bank on the mainland for future development needs and will continue to selectively explore investment opportunities in first-tier cities.

Property Development

During the period under review, the mainland residential market performed well, benefitting from policy support and monetary stimulus. Registering brisk home sales, first-tier cities continued to enjoy better supply and demand dynamics while lower-tier cities saw meaningful progress in destocking.

The Group achieved contracted sales of about RMB 2,500 million in attributable terms during the period. The outstanding quality and design of the Group's products and exceptional services have continued to be acclaimed by customers while its brand name has been increasingly recognized. The Group's two signature projects, Shanghai Arch and Shanghai Cullinan in Pudong and Puxi respectively, maintained solid sales performance. New batches of The Woodland in Zhongshan and Park Royale in Huadu, Guangzhou were also well received by the market. In addition, the second office tower in Tianhui Plaza in Zhujiang New Town, Guangzhou, in which the Group owns a 33.3% stake, was launched with warm market response.

During the period under review, the Group completed an attributable gross floor area of about 700,000 square feet of residential units in Oriental Bund in Foshan, in which its stake was reduced from 80% to 50% in July 2015. The completion of several projects, including Phase 2C in the 40%-owned Hangzhou MIXC and the 33.3%-owned International Grand City (IGC) mall in Guangzhou, is expected in the second half of this financial year, offering a combined attributable gross floor area of over 900,000 square feet. Over a million square feet of quality apartments in terms of gross floor area in Phase 2C in Hangzhou MIXC have recently been completed while IGC, a shopping mall in Tianhui Plaza, will offer a million square feet of retail space upon completion.

Property Investment

The Group's emphasis on premium quality and professional management continued to support the satisfactory performance of its rental business, despite the competitive operating environment on the mainland. During the period under review, gross rental income from the Group's mainland investment property portfolio, including contributions from joint-venture projects, rose by 11% to RMB 1,440 million. The increase was mainly due to positive rental reversions as well as contributions from new investment properties. As at 31 December 2015, the Group's completed investment property portfolio amounted to an attributable 11.7 million square feet, with a focus on such prime cities as Shanghai and Beijing.

The Group's rental performance on the mainland is expected to be boosted by upcoming projects, particularly from those in Guangzhou in the near term. The soft opening of the 50%-owned Parc Central in the traditional Tianhe Road shopping district is expected in the first quarter of 2016. This 900,000-square-foot mall is set to earn an iconic status given its unique design – a mega garden plaza and double-ring architecture – which will offer an extensive facade exposure. Pre-leasing is progressing well with an array of international brands and gourmet restaurants hand-picked to suit the needs of the middle-class population.

As part of the Tianhui Plaza complex located in the central business district of Zhujiang New Town, IGC will be opened in the second half of 2016. This million-square-foot shopping mall will house affordable luxury brands, appealing entertainment facilities and quality eateries with spectacular river views. Given its convenient location atop Liede metro station and surrounded by a cluster of high-end commercial establishments and leading hotels, IGC is poised to be a one-stop mall for the well-to-do community. Pre-leasing has been progressing smoothly.

The 100%-owned Xujiahui Centre project under construction will be developed into a new landmark in Shanghai with the urban building complex concept comprising high-end retail space, grade-A offices and a luxury hotel. The mega development is expected to be 'a city within a city' which will transform the precinct into a new hub for Shanghai. The three-million-square-foot retail space will bring a variety of renowned international retail flagships, al fresco dining and exceptional entertainment facilities to the city, creating a new lifestyle and one-stop shopping delight for consumers. The integrated development will also feature a 370-metre office skyscraper which is slated for completion at the earliest by 2020.

Given its excellent quality, the office tower is expected to be a much sought-after address in Xuhui District. The complex will be connected to other major properties within the Xujiahui commercial hub by an extensive network of footbridges and podiums. It will also be directly linked to Xujiahui metro station that serves as an interchange for three metro lines, of which line 11 will provide convenient access to other popular attractions including a renowned theme park to be opened later this year.

Construction of Xujiahui Centre project is progressing on schedule. About 180,000 square feet of office space in Lot 1 located on Huashan Road is expected to be handed over to tenants in the first half of 2017 while the 330,000-square-foot premium shopping mall will open in 2018. Upon its full completion, the scale of this 7.6-million-square-foot development will be comparable to the combined size of the Group's Shanghai ICC and Shanghai IFC in the city.

The Group's premium brand has received increasing recognition in Shanghai with the success of its two signature projects – Shanghai ICC and Shanghai IFC. The upscale IAPM shopping mall within Shanghai ICC complex recorded almost full occupancy during the period. Tenant sales continued to ramp up strongly as a result of the mall's dedication to innovation, which enhances shopping experience with digital convenience and fun-filled entertainment. The recent opening of line 12 extension gives IAPM direct connection to three metro lines and draws increasing traffic. Leasing at Two ICC office tower is progressing well while One ICC is fully let.

With a diverse blend of luxury brands and specialty restaurants, the flagship Shanghai IFC Mall has established its reputation over the years as one of the must-go shopping hotspots in the city for both local residents and tourists. During the period under review, continued growth in tenant sales and positive rental reversions were recorded. Connections between Shanghai IFC and nearby buildings will be completed from 2016 onwards, providing customers with increased ease of access. Both of the office towers are virtually fully occupied, given their advantageous location in the Lujiazui Finance and Trade Zone.

Located at the heart of Wangfujing, Beijing APM represents the Group's presence in the capital. During the period under review, the mall introduced new zones for beauty and children. The competitiveness of the mall has been enhanced and traffic flow continued to rise to a high level. The mall's continuous asset enhancement works will include the introduction of a zone dedicated to affordable luxury brands.

Other projects in the pipeline which are located in prime areas of other major cities will gradually come on stream and this expanding investment property portfolio will boost the Group's recurring income over time. Situated in the heart of Hexi Central Business District, the mall at Nanjing IFC covers over one million square feet, and is expected to become an iconic landmark in Nanjing with modern design and comprehensive facilities. Construction work is progressing smoothly and keen enquiries have been received from a number of international tenants.

Other Businesses

<u>Hotel</u>

The hotel sector in Hong Kong became uninspiring with a decline in the number of inbound visitors during the period under review. Proactive marketing campaigns that effectively attracted new customers have supported the performance of the Group's hotels, although room rates were under pressure. Meanwhile, the hotels' food and beverage business continued to register satisfactory profit growth due to their renowned restaurants and solid local consumption.

Performance of the Group's deluxe hotels including Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong was relatively resilient backed by strong brand recognition and premium services. The Crowne Plaza Hong Kong Kowloon East and adjacent Holiday Inn Express Hong Kong Kowloon East saw the average occupancy rise to about 95%, partly benefitting from their complementary roles in capturing more conference- and exhibition-related businesses. The Group's four hotels under the Royal brand also managed to maintain a high average occupancy of about 95%.

As a top choice for high-spending tourists and corporate travellers, The Ritz-Carlton Shanghai, Pudong continued to perform well. Supported by its superior services and excellent location, respectable growth was seen in room rates as well as food and beverage related businesses of the hotel.

The Group's upcoming hotels in Hong Kong over the next few years will include a premium establishment in Sha Tin as a sister project of the Royal Park Hotel and a waterfront hotel as part of the Group's integrated development in North Point that will also house the Harbour North shopping mall and high-end residences. Both will provide close to 700 rooms. On the mainland, the Group will selectively develop hotels within integrated projects in first-tier cities.

<u>Telecommunications and Information Technology</u>

SmarTone

SmarTone's core mobile service business continued to improve, reporting a notable increase in service operating profits compared with the same period last year. Nonetheless, lower handset margins contributed to a reduction in the company's net profit for the period under review. SmarTone will continue to deliver superior customer experiences with its extensive network, functional apps and attentive service. The Group is confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

With its data centre as the core business, SUNeVision performed satisfactorily and recorded healthy growth in revenue during the period. The company also continued to work on several major enhancement and expansion projects to maintain its position as a leading carrier-neutral data centre operator in Hong Kong. In particular, the transformation of the entire MEGA Two facility in Sha Tin into a top-tier data centre is moving to the final stage, while construction of MEGA Plus, the new facility in Tseung Kwan O, has been progressing on track for completion in 2017. These initiatives are expected to provide SUNeVision with an impetus for future growth.

Infrastructure and Other Businesses

Performance of the Group's infrastructure and transport businesses remained satisfactory during the period. Steady demand for business travel continued to bode well for Hong Kong Business Aviation Centre. Business at the Wilson Group was solid and traffic on the Route 3 (Country Park Section) stayed steady throughout the period. The Airport Freight Forwarding Centre sustained positive growth in rental income despite dampened air-freight demand, while the performance of River Trade Terminal improved through further diversification of its customer base notwithstanding a relatively weak sea-freight market.

Corporate Finance

The Group continues to adhere to its prudent financial policies of maintaining low gearing and ample liquidity. Its interest coverage remained at a high level while the ratio of net debt to shareholders' funds stayed low at 12.4% as at 31 December 2015.

The Group is in a strong position to finance its business development with a deep pool of standby funds on a committed basis from banks. Currently, the Group is arranging a long-term syndicated bank loan on the mainland to fund the development of the Group's Shanghai Xujiahui Centre project. The response to the loan is very enthusiastic, strongly reflecting the support of the banking community.

The Group scored the highest credit ratings among Hong Kong property companies, with Moody's giving it an A1 and Standard & Poor's A+ with stable outlooks. Such high ratings enable the Group to have easy access to the debt capital market.

The Group has obtained cash proceeds of over HK$16,000 million from the exercise of bonus warrants since April 2014. In keeping with its conservative financial discipline, the majority of the Group's borrowings are denominated in Hong Kong dollar with the remainder mainly in US dollar and Renminbi. In view of the volatility of Renminbi, construction expenditures of properties under development on the mainland have been funded by both internal cash generated from mainland operations and onshore bank loans. The Group has not executed any derivative and structured product transactions for speculation.

Corporate Governance

One of the key factors for the Group's long-term success is its rigorous standard of corporate governance. The Board currently has 17 members, seven of whom are Independent Non-Executive Directors (INEDs). The Board directs and approves the Group's overall strategies with the support of Board committees. The Executive Committee meets regularly to formulate policies and make key business decisions. The Audit, Nomination and Remuneration Committees are all chaired by INEDs to ensure the Group's strategies are properly implemented and business risks are duly managed. The Board also maintains and assesses the effectiveness of the Group's internal control system consistently by evaluating reviews performed by the Audit Committee, management and both internal and external auditors.

As part of the Group's dedication to good corporate governance, a proactive approach is taken to communicate with stakeholders, including shareholders, analysts and credit agencies, through analyst briefings, regular meetings and conference calls to keep them abreast of the Group's latest developments. Stakeholders are also provided with relevant corporate information on a timely basis through various channels including press releases, annual and interim reports and public announcements, and all of this information is available on the Company's website to maintain high transparency.

The Group's continued efforts to adhere to a high standard of corporate governance earned many accolades from international financial publications, including the Best Managed Company in the Real Estate / Property Sector in Asia and the Best Office / Business Developer in Asia by *Euromoney* magazine. The Group also won a Platinum Award in Financial Performance, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations from *The Asset* magazine.

Sustainable Development

As the Group strives to build sustained success for both its business and the society, the core value of Building Homes with Heart continues to guide its efforts in providing quality products and services, listening to customers as well as taking part in community and charity activities. This pledge bolsters shareholders' and other stakeholders' trust in the Group, which has been a major pillar of its premium brand and corporate reputation that underpins its leading position in the industry and its sustainable contributions to the community.

With a relentless pursuit of sustainability, the Group has committed appropriate resources to ensure proper coordination of effort among different business units and functions in meeting or exceeding environmental, social and governance standards and requirements from local and overseas organizations. The Group's effort is recognized through its inclusion in the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland and HK) Corporate Sustainability Index.

Commitment to premium quality in its properties and services has always been part and parcel of the Group's sustainable development. The launch of the SHKP Quality Campaign in 2013 boosted the Group's persistent efforts to make customer focus a prime consideration throughout its development value chain – from planning, material sourcing and construction through to property handover and after-sale service. The Group has been offering the three-year quality guarantee for all newly sold residential units in Hong Kong since late 2013, the first and only of its kind in the territory. During the period under review, the management visited residents of the Group's residential developments including The Wings II and YOHO Midtown. Through in-depth conversations with residents, the Group gained valuable insights into their needs and expectations. Input from the home visits and customers' views collected by the SHKP Club – the Group's effective platform for two-way communication with customers and the public, would continue to guide its planning for future developments and service enhancements.

The Group places great emphasis on the continuous development and general well-being of employees to ensure that they always demonstrate professionalism which is indispensable for the successful delivery of its quality pledge. During the period under review, the SHKP Quality Academy, the Group's staff training and development platform, continued to expand courses and workshops with contents covering the entire development cycle, from architecture, construction, management, to customer service and other disciplines.

Apart from employee engagement, the Group's enduring business success lies in ensuring the community's sustainable development. The Group therefore continues to follow its stated approach of supporting sports for charity, promoting happy reading and caring for the underprivileged to fulfill its corporate social responsibility. During the period, the Group achieved a new milestone in sports for charity by taking on the title and charity sponsorships of the first-ever Sun Hung Kai Properties Hong Kong Cyclothon, organized by the Hong Kong Tourism Board. The event attracted thousands of local and international cyclists competing or simply enjoying the fun of road biking, including the Group's staff members, their families and friends.

The Group's ongoing signature charitable sporting event, the SHKP Vertical Run for Charity – Race to Hong Kong ICC, was once again selected as the grand finale for the Vertical World Circuit (VWC) and received more enthusiastic response from runners. For yet another year, the concomitant SHKP Vertical Run for Charity – Race to Shanghai IFC was one of the final stops for the VWC. Charity funds raised by the two signature corporate events from public participation and the Group's extra donations went to support child and youth services through established charitable organizations.

The Group's reading promotion programme continued apace via the SHKP Reading Club. During the period, the signature annual Read to Dream programme sponsored underprivileged students to visit Hong Kong Book Fair while an ongoing series of seminars and other activities engaged the youth and the public successfully. Furthermore, the Group's commitment to the Love Nature Campaign and Building Homes with Heart Caring Initiative remained strong, synergizing with other community programmes with active staff involvement to make Hong Kong a better home for present and future generations.

PROSPECTS

In the year ahead, the global economy is likely to face a number of challenges, including worries over a slowdown in major economies, possible further US interest rate hikes, subdued oil prices and volatilities in the financial markets. However, anticipated additional stimuli from China, Eurozone and Japan will underpin the global economy.

The mainland economy will continue to grow albeit at a slower pace in the year ahead as more reform and stimulus measures gradually unfold, notwithstanding volatility in the financial markets. The supply side reforms will be conducive to its long-term economic development. The property markets on the mainland will continue to benefit from accommodative monetary policy in the near term. First-tier cities will continue to outperform the market while sentiments in the lower-tier cities should be strengthened by the government's efforts to destock and stimulate demand. The Group is confident of the mainland economy and its property sector over the long term.

The Hong Kong economy is expected to grow modestly on the back of the latest fiscal stimuli and the follow-through of infrastructural investment, despite such headwinds as the strong US dollar and weak external demand. While the liquidity in the banking sector will likely remain abundant, the Hong Kong dollar interest rates will still be low by historical standards. These, coupled with growing income, positive demographic trends and low leverage of the households, will support end-user demand, particularly in the primary market, while existing government measures will continue to constrain overall private housing demand.

The Group will continue to launch new projects in Hong Kong and on the mainland for sale when they are ready. In Hong Kong, marketing activities for Twin Regency in Yuen Long that comprises mainly small units are under way and the sale of the project will commence very soon. A host of residential projects in the pipeline will be released over the next nine months to meet varying needs of homebuyers, including the waterfront development at Tseung Kwan O Town Lot No. 118, Grand YOHO Phase 1 adjacent to MTR Yuen Long Station and quality units at Church Lane, Shau Kei Wan, as well as luxury homes in Phase 2 of Ultima in Ho Man Tin, Phase 1 of the North Point harbourfront project and the development in Kau To, Sha Tin. On the mainland, major projects coming up will consist of the serviced apartments at Shanghai Arch Phase 2A and residential units of Forest Hills Phase 2B in Guangzhou.

The Group will keep strengthening its core business of property development for sale. While continuing to enhance its premium brand by building quality homes and providing attentive services, it plans to achieve a large volume of residential completion for sale and high asset turnover in Hong Kong over the next few years. The Group will also replenish its land bank in Hong Kong when good opportunities with satisfactory margin arise. On the mainland, the Group will continue the selective and focused investment approach, mainly in first-tier cities like Beijing, Shanghai, Guangzhou and Shenzhen.

The Group's rental income will continue to grow in the coming year. In Hong Kong, the office rental portfolio is expected to be supported by a positive office leasing market, while solid labour market conditions will underpin the retail portfolio. On the mainland, rental income growth will benefit from continuous positive rental reversions of the portfolio and the additional contributions from the Two ICC office tower in Shanghai. The Group will also bolster the competitiveness of its existing investment property portfolio through constant asset enhancement initiatives as well as market repositioning.

The Group's rental business as a key growth driver will also be boosted by forthcoming additional investment properties over the medium to long term. In Hong Kong, the retail space at PopWalk near MTR Tseung Kwan O Station is expected to open from the first half of 2016 by phases. Other major retail developments will also be coming on stream, including the remaining phases of YOHO Mall in Yuen Long, the waterfront Harbour North in North Point and a quality mall atop MTR Nam Cheong Station. Besides the Hong Kong portfolio, the Group as a leading developer and owner of premium shopping malls keeps rolling out new projects on the mainland. Later this year, downtown Guangzhou will see the grand opening of Parc Central and IGC, bringing in trendy lifestyle and more innovative shopping concepts to the city. Meanwhile, the construction of the mega Xujiahui Centre project in Xuhui District, Shanghai is progressing well and its phased completion in subsequent years is set to generate recurrent and sizeable rental income for the Group.

Over the years, the Group has established a premium brand and a leading position in the market. Given its growing recurrent income, strong balance sheet with low gearing at 12.4% and seasoned management, the Group is well positioned to sustain business development in the current volatile, competitive environment. I believe the Group will also be able to capitalize on good business opportunities and grow from strength to strength over time.

Barring unforeseen circumstances, it is expected that the Group will achieve encouraging results for the current financial year, and the dividend will increase accordingly.

DIRECTORS AND APPRECIATION

Mr. Chan Kwok-wai, Patrick retired as a Director of the Company by rotation at the annual general meeting of the Company held in November 2015. He also resigned as the Chief Financial Officer of the Company with effect from 1 January 2016. I thank him for his valuable contributions to the Group during his tenure of service.

Mr. Wong Yick-kam, Michael resigned as a Non-Executive Director of the Company with effect from 13 November 2015, after serving the Group for over 30 years. I would like to thank him for his long and dedicated service that helped the Group lay a solid foundation for continued success and growth.

I would also like to take this opportunity to express my gratitude to my fellow directors for their guidance, to all staff for their dedication and hard work, and to all our shareholders and customers for their continued support.

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 26 February 2016

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following unaudited consolidated figures of the Group for the six months ended 31 December 2015 with comparative figures for 2014:-

Consolidated Income Statement
For the six months ended 31 December 2015
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) Six months ended 31 December 2015	2014
Revenue	**2**	**34,902**	32,093
Cost of sales		**(21,333)**	(19,007)
Gross profit		**13,569**	13,086
Other net income		**351**	236
Selling and marketing expenses		**(1,599)**	(1,736)
Administrative expenses		**(1,129)**	(1,140)
Operating profit before changes in fair value of investment properties	**2**	**11,192**	10,446
Increase in fair value of investment properties		**5,388**	6,934
Operating profit after changes in fair value of investment properties		**16,580**	17,380
Finance costs		**(1,181)**	(1,252)
Finance income		**147**	130
Net finance costs	**3**	**(1,034)**	(1,122)
Share of results (including increase in fair value of investment properties net of deferred tax of HK$593 million (2014: HK$1,243 million)) of:			
Associates		**174**	300
Joint ventures		**1,849**	2,229
	2	**2,023**	2,529
Profit before taxation	**4**	**17,569**	18,787
Taxation	**5**	**(2,478)**	(2,279)
Profit for the period		**15,091**	16,508
Attributable to:			
Company's shareholders		**14,724**	15,696
Non-controlling interests		**367**	812
		15,091	16,508
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	**6(a)**		
Basic		**$5.11**	$5.71
Diluted		**$5.10**	$5.65
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	**6(b)**		
Basic		**$3.23**	$3.08
Diluted		**$3.22**	$3.05

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2015

(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2015	2014
Profit for the period	**15,091**	16,508
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translating financial statements of foreign operations		
- exchange difference arising during the period	**(3,866)**	(1)
- exchange difference released on disposal of foreign operations	**(112)**	-
	(3,978)	(1)
Cash flow hedge		
- fair value losses	**(1)**	-
- fair value losses transferred to consolidated income statement	**1**	-
	-	-
Available-for-sale investments		
- fair value (losses)/gains	**(213)**	25
- fair value gains transferred to consolidated income statement on disposal	**(84)**	-
	(297)	25
Share of other comprehensive loss of associates and joint ventures	**(668)**	(269)
Other comprehensive loss for the period	**(4,943)**	(245)
Total comprehensive income for the period	**10,148**	16,263
Total comprehensive income for the period attributable to:		
Company's shareholders	**9,908**	15,453
Non-controlling interests	**240**	810
	10,148	16,263

Consolidated Statement of Financial Position
As at 31 December 2015

(Expressed in millions of Hong Kong dollars)

	Notes	**(Unaudited) 31 December 2015**	(Audited) 30 June 2015
Non-current assets			
Investment properties		**312,225**	309,205
Fixed assets		**25,569**	25,621
Associates		**4,208**	4,018
Joint ventures		**55,820**	52,957
Loan receivables		**883**	820
Other financial assets		**3,956**	3,210
Intangible assets		**3,982**	4,090
		406,643	399,921
Current assets			
Properties for sale		**161,026**	149,750
Inventories		**929**	294
Debtors, prepayments and others	**7**	**16,959**	20,690
Other financial assets		**752**	894
Bank deposits and cash		**24,131**	32,561
		203,797	204,189
Current liabilities			
Bank and other borrowings		**(14,545)**	(10,816)
Trade and other payables	**8**	**(26,058)**	(25,690)
Deposits received on sales of properties		**(20,239)**	(13,904)
Taxation		**(4,825)**	(7,323)
		(65,667)	(57,733)
Net current assets		**138,130**	146,456
Total assets less current liabilities		**544,773**	546,377
Non-current liabilities			
Bank and other borrowings		**(66,137)**	(72,316)
Deferred taxation		**(16,932)**	(16,824)
Other long-term liabilities		**(264)**	(419)
		(83,333)	(89,559)
NET ASSETS		**461,440**	456,818
CAPITAL AND RESERVES			
Share capital		**70,220**	68,451
Reserves		**385,546**	382,575
Shareholders' funds		**455,766**	451,026
Non-controlling interests		**5,674**	5,792
TOTAL EQUITY		**461,440**	456,818

Notes to the Condensed Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation and Principal Accounting Policies

(a) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial information relating to the year ended 30 June 2015 included in this interim results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2015 to the Registrar of Companies and the Company's auditor has reported on the consolidated financial statements. The auditor's report was unqualified.

(b) Accounting policies

The accounting policies adopted in the condensed consolidated financial statements are consistent with those set out in the annual consolidated financial statements for the year ended 30 June 2015.

The Group has not applied the following new and revised standards and amendments that have been issued by the HKICPA but not yet effective for the current period and which may be relevant to the Group.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization[1]
Amendments to HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception[1]
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations[1]
HKFRS 9	Financial instruments[3]
HKFRS 15	Revenue from contracts with customers[3]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2018

The Group has already commenced an assessment of the impact of these new and revised standards and amendments to the Group and is not yet in a position to state whether these would have a significant impact on the Group's results and financial position.

2. Segment Information

Segment revenue and results are measured without allocation of central administration costs, other net income, net finance costs and changes in fair value of investment properties, which are reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

An analysis of the revenue and results for the period of the Group and its share of associates and joint ventures by reportable and operating segments is as follows:

For the six months ended 31 December 2015

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	**Results**	**Share of revenue**	**Share of results**	**Combined revenue**	**Consolidated results**
Property sales						
Hong Kong	**6,229**	**1,687**	**15**	**13**	**6,244**	**1,700**
Mainland China	**2,390**	**724**	**836**	**38**	**3,226**	**762**
Singapore	**-**	**-**	**24**	**12**	**24**	**12**
	8,619	**2,411**	**875**	**63**	**9,494**	**2,474**
Property rental						
Hong Kong	**6,853**	**5,209**	**1,423**	**1,190**	**8,276**	**6,399**
Mainland China	**1,642**	**1,255**	**116**	**58**	**1,758**	**1,313**
Singapore	**-**	**-**	**317**	**231**	**317**	**231**
	8,495	**6,464**	**1,856**	**1,479**	**10,351**	**7,943**
Hotel operation	**2,086**	**566**	**359**	**131**	**2,445**	**697**
Telecommunications	**10,228**	**587**	**-**	**-**	**10,228**	**587**
Transport infrastructure and logistics	**1,861**	**615**	**1,573**	**165**	**3,434**	**780**
Other businesses	**3,613**	**808**	**211**	**30**	**3,824**	**838**
	34,902	**11,451**	**4,874**	**1,868**	**39,776**	**13,319**
Other net income		**351**		**-**		**351**
Unallocated administrative expenses		**(610)**		**-**		**(610)**
Operating profit before changes in fair value of investment properties		**11,192**		**1,868**		**13,060**
Increase in fair value of investment properties		**5,388**		**609**		**5,997**
Operating profit after changes in fair value of investment properties		**16,580**		**2,477**		**19,057**
Net finance costs		**(1,034)**		**(168)**		**(1,202)**
Profit before taxation		**15,546**		**2,309**		**17,855**
Taxation						
- Group		**(2,478)**		**-**		**(2,478)**
- Associates		**-**		**(25)**		**(25)**
- Joint ventures		**-**		**(261)**		**(261)**
Profit for the period		**13,068**		**2,023**		**15,091**

For the six months ended 31 December 2014

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	5,292	1,673	67	21	5,359	1,694
Mainland China	3,028	615	1,199	(21)	4,227	594
Singapore	-	-	-	(3)	-	(3)
	8,320	2,288	1,266	(3)	9,586	2,285
Property rental						
Hong Kong	6,273	4,796	1,382	1,159	7,655	5,955
Mainland China	1,549	1,170	82	48	1,631	1,218
Singapore	-	-	349	265	349	265
	7,822	5,966	1,813	1,472	9,635	7,438
Hotel operation	2,186	601	361	119	2,547	720
Telecommunications	8,673	628	-	-	8,673	628
Transport infrastructure and logistics	1,775	568	1,429	133	3,204	701
Other businesses	3,317	767	248	41	3,565	808
	32,093	10,818	5,117	1,762	37,210	12,580
Other net income		236		-		236
Unallocated administrative expenses		(608)		-		(608)
Operating profit before changes in fair value of investment properties		10,446		1,762		12,208
Increase in fair value of investment properties		6,934		1,422		8,356
Operating profit after changes in fair value of investment properties		17,380		3,184		20,564
Net finance costs		(1,122)		(173)		(1,295)
Profit before taxation		16,258		3,011		19,269
Taxation						
- Group		(2,279)		-		(2,279)
- Associates		-		(18)		(18)
- Joint ventures		-		(464)		(464)
Profit for the period		13,979		2,529		16,508

Results from property sales include selling and marketing expenses of HK$220 million (2014: HK$354 million) and HK$42 million (2014: HK$63 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively. The corresponding property sales revenue will be recognized upon completion of the projects in subsequent financial years.

There is no material change in the Group's total assets and liabilities since the last annual reporting date.

Other net income includes mainly net gain on disposal of investment properties, net investment income from equity and bonds investments.

3. Net Finance Costs

	Six months ended 31 December	
	2015	2014
Interest expenses	**1,294**	1,376
Notional non-cash interest accretion	**29**	36
Less: Amount capitalized	**(142)**	(160)
	1,181	1,252
Interest income on bank deposits	**(147)**	(130)
	1,034	1,122

4. Profit before Taxation

	Six months ended 31 December	
	2015	2014
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**5,411**	5,099
Cost of inventories sold	**7,926**	6,178
Depreciation and amortization	**779**	765
Amortization of intangible assets (included in cost of sales)	**224**	224
Operating lease rentals for land and buildings, assets, transmission sites and leased lines	**820**	810
Staff costs (including directors' emoluments and retirement schemes contributions)	**3,410**	3,243
Share-based payments	**2**	7
Fair value losses on financial assets at fair value through profit or loss	**156**	-
and crediting:		
Profit on disposal of available-for-sale investments	**41**	7
Dividend income from listed and unlisted investments	**80**	72
Interest income from listed and unlisted debt securities	**39**	30
Fair value gains on financial assets at fair value through profit or loss	**-**	12

5. Taxation

	Six months ended 31 December	
	2015	2014
Current taxation		
Hong Kong profits tax	**1,175**	1,157
Under/(over) provision in prior years	**13**	(5)
	1,188	1,152
Tax outside Hong Kong	**592**	414
Over provision in prior years	**(2)**	(1)
	590	413
	1,778	1,565
Deferred taxation charge		
Change in fair value of investment properties	**433**	485
Other origination and reversal of temporary differences	**267**	229
	700	714
	2,478	2,279

Hong Kong profits tax is provided at the rate of 16.5 per cent (2014: 16.5 per cent) based on the estimated assessable profits for the period. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

6. Earnings Per Share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK$14,724 million (2014: HK$15,696 million).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 2,880,746,555 (2014: 2,750,648,477) shares. The diluted earnings per share is based on 2,885,717,075 (2014: 2,777,532,892) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 4,970,520 (2014: 26,884,415) shares deemed to be issued at no consideration if all outstanding options and warrants had been exercised.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$9,298 million (2014: HK$8,463 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	Six months ended 31 December	
	2015	2014
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**14,724**	15,696
Increase in fair value of investment properties	**(5,388)**	(6,934)
Effect of corresponding deferred tax charges	**433**	485
Fair value gains realized on disposal of investment properties net of deferred tax		
- Subsidiaries	**105**	248
- Associates and joint ventures	**-**	173
Share of results of associates and joint ventures		
- fair value gains of investment properties	**(609)**	(1,422)
- effect of corresponding deferred tax charges	**16**	179
	(5,443)	(7,271)
Non-controlling interests	**17**	38
Net effect of changes in the valuation of investment properties	**(5,426)**	(7,233)
Underlying profit attributable to the Company's shareholders	**9,298**	8,463

7. Debtors, Prepayments and Others

Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leased properties are payable in advance by the tenants. Other trade debtors settle their accounts according to the payment terms as stated in the respective contracts.

Included in debtors, prepayments and others of the Group are trade debtors of HK$6,810 million (30 June 2015: HK$8,748 million), of which 90% aged less than 60 days, 2% between 61 to 90 days and 8% more than 90 days (30 June 2015: 87%, 1% and 12% respectively).

8. Trade and Other Payables

Included in trade and other payables of the Group are trade creditors of HK$2,985 million (30 June 2015: HK$2,385 million), of which 83% are aged less than 60 days, 2% between 61 to 90 days and 15% more than 90 days (30 June 2015: 79%, 2% and 19% respectively).

FINANCIAL REVIEW

Review of Results

Underlying profit attributable to the Company's shareholders for the six months ended 31 December 2015, which excluded the net effect of fair value changes in investment properties, was HK$9,298 million, an increase of HK$835 million or 9.9% compared to HK$8,463 million for the same period last year. The increase was mainly due to higher profit from development profit and rental income.

When including the revaluation gains on investment properties, profit attributable to the Company's shareholders for the six months ended 31 December 2015 decreased by HK$972 million or 6.2% year-on-year to HK$14,724 million, mainly due to lower investment property valuation surplus. The Group has recognized in the consolidated profit and loss account an increase of HK$5,388 million (2014: HK$6,934 million) in fair value of investment properties (before related deferred taxation and non-controlling interests) and a share of an increase of HK$609 million (2014: HK$1,422 million) in fair value of investment properties held by its joint ventures and associates.

Profit from property sales for the first half of the financial year, including share of profit from joint ventures, increased by HK$189 million or 8.3% to HK$2,474 million compared to HK$2,285 million for the same period last year. Profit from property sales in Hong Kong was HK$1,700 million, contributed mostly by residential units sold in Ultima Phase 1, Park Vista Phase 1, Deauville and Riva. Property sales in the Mainland contributed a profit of HK$762 million, which comprised mainly residential units sold in Shanghai Arch Phase 1, Shanghai Cullinan and Forest Hills Phase 1A & 1B. At the reporting date, the Group had contracted property sales of HK$30 billion not yet recognized as revenue, of which HK$26 billion was related to presale of residential units for Hong Kong development projects including Century Link Phase 1 and 2, The Wings IIIA and IIIB, Imperial Kennedy and King's Hill.

The Group's diverse rental portfolio continued to perform well and record steady growth. Net rental income for the period, including contributions from joint ventures and associates, increased 6.8% or HK$505 million to HK$7,943 million, primarily driven by positive rental reversions. Net rental income from the Group's Hong Kong and Mainland rental portfolio amounted to HK$6,399 million and HK$1,313 million, which increased year-on-year by 7.5% and 7.8%, respectively.

Smartone reported an operating profit of HK$587 million for the period, decreased by HK$41 million or 6.5% over the same period last year. The decrease was mainly due to lower profit from handset business while profit from service business continued to grow, reflecting solid improvement in the profitability of its core service business.

The Group's hotel operations (including share of joint ventures) contributed an operating profit of HK$697 million, decreased slightly by HK$23 million or 3.2% over the same period last year. The profit decline reflects the impact of declining tourist arrivals in Hong Kong and keen competition in room rates in the local hotel industry. The Group has put in additional resources to attract new customers and taken proactive measures to improve efficiency to optimize earnings amid the difficult business environment.

The Group's transport infrastructure and logistics businesses (including share of joint ventures and associates) continued to improve, contributing HK$780 million in operating profit, an increase of HK$79 million or 11.3% over the same period last year. The Group's other businesses (including share of joint ventures), comprising mainly property management, data centre business operated by SUNeVision and department store operation, have been growing steadily with operating profit increased by 3.7% to HK$838 million.

Financial Resources and Liquidity

(a) Capital management, net debt and gearing

The Group aims to maintain a strong capital base with adequate financial resources to support business development and growth. The Group regularly reviews and monitors its capital structure to ensure that its financial position remains sound, so that the Group can continue to provide returns to shareholders while maintaining a prudent level of financial leverage.

The Group's balance sheet remained strong, with total shareholders' equity increased by HK$4.7 billion to HK$455.8 billion or HK$157.5 per share since 30 June 2015. The increase was mainly attributable to the increase in the Group's underlying retained earnings, revaluation gains from investment properties as well as a HK$1.7 billion increase in the Company's share capital in connection with exercise of warrants. These increases were partially offset by a HK$4.5 billion decrease in exchange reserve mostly arising from translation of the financial statements of the Mainland China subsidiaries and joint ventures with functional currency of Renminbi into the Group's presentation currency at the period-end exchange rate, due to the strengthening of Hong Kong dollar. As at 31 December 2015, about 20% of the Group's net assets were denominated in Renminbi. All exchange differences resulting from the translation of foreign operations were recorded in the exchange reserve under shareholders' equity, and there was no impact on the Group's earnings.

The Group's strong balance sheet allows it to continue to raise long-term financing at competitive rates, helping to reduce the overall cost of capital. The Group's financial position remains sound with a low debt leverage and high interest cover. Gearing ratio as at 31 December 2015, calculated on the basis of net debt to Company's shareholders' funds, was 12.4% compared to 11.2% at 30 June 2015. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 9.7 times compared to 8.4 times for the previous period.

As at 31 December 2015, the Group's gross borrowings totalled HK$80,682 million. Net debt, after deducting bank deposits and cash of HK$24,131 million, amounted to HK$56,551 million, an increase of HK$5,980 million since 30 June 2015. The maturity profile of the Group's gross borrowings is set out as follows:

	31 December 2015	30 June 2015
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	**14,545**	10,816
After one year but within two years	**10,216**	17,415
After two years but within five years	**33,902**	29,563
After five years	**22,019**	25,338
Total bank and other borrowings	**80,682**	83,132
Bank deposits and cash	**24,131**	32,561
Net debt	**56,551**	50,571

The Group has also procured substantial undrawn committed banking facilities, most of which are arranged on a medium to long term basis, which helps minimize refinancing risk and provides the Group with strong financing flexibility. The Group regularly reviews its liquidity and financing requirements to ensure that sufficient financial resources are maintained to cover the funding needs.

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements and is well positioned to take advantage of investment opportunities when they arise.

(b) Treasury policies

The Group adopts a prudent policy in cash and debt management. The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 31 December 2015, about 80% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 20% through operating subsidiaries.

The Group's foreign exchange exposure was small given its large asset base and operational cash flow primarily denominated in Hong Kong dollars. As at 31 December 2015, about 62% of the Group's total borrowings were denominated in Hong Kong dollars and 24% in US dollars, all of which were raised for financing the Group's business operations in Hong Kong and the remaining 14% in Renminbi for financing the construction cost of property projects on the Mainland. All land acquisition costs for the Mainland projects are financed by capital injection funded by the Group's equity and internally generated funds. The Group is financing the Mainland China's business operations through borrowings denominated in Renminbi to minimize currency risk exposure.

The Group maintained an appropriate mix of fixed and floating rate borrowings to mitigate interest rate risk. As at 31 December 2015, about 60% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps and 40% were on fixed rate basis. The use of derivative instruments is strictly controlled and solely for management of the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 31 December 2015, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK$3,223 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in notional principal amount of HK$168 million and currency swaps (to hedge principal repayment of foreign currency borrowings) in the aggregate notional principal amount of HK$9,451 million.

As at 31 December 2015, about 76% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 23% in Renminbi and 1% in US dollars. The Renminbi deposits were held in the Mainland subsidiaries for the purpose of meeting the funding needs of the Mainland projects.

Charges of Assets

As at 31 December 2015, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$11 million, were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$2,536 million have been charged as security for bank borrowings. Except for the above charges, all the Group's assets are free from any encumbrances.

Contingent Liabilities

As at 31 December 2015, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK$2,773 million (30 June 2015: HK$702 million).

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2015, the Group employed close to 37,000 employees. The related employees' costs before reimbursements for the six months ended 31 December 2015 amounted to approximately HK$4,785 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. A share option scheme is in place to provide appropriate long-term incentive to the key staff of the Group.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

The same remuneration philosophy also applies to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Executive Directors, including the share option scheme, which is the same as that offered to other employees of the Group.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") has declared an interim dividend of HK$1.05 per share (2014: HK$0.95 per share) for the six months ended 31 December 2015 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Monday, 14 March 2016. The interim dividend will be payable in cash on Tuesday, 22 March 2016. Shares of the Company will be traded ex-dividend as from Thursday, 10 March 2016.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS

For the purpose of ascertaining Shareholders' entitlement to the interim dividend, the register of members and the register of warrantholders of the Company will be closed on Monday, 14 March 2016, during which no transfer of shares or warrants (including the allotment of shares upon exercise of the subscription rights thereof) will be registered. In order to establish entitlements to the interim dividend,

(i) Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the "Share Transfer Documents") for registration not later than 4:30 p.m. on Friday, 11 March 2016; and

(ii) warrantholders of the Company (the "Warrantholders") must lodge all subscription forms accompanied by the relevant warrant certificates and exercise moneys (together the "Warrant Exercise Documents") for registration not later than 4:30 p.m. on Monday, 7 March 2016.

The Share Transfer Documents and the Warrant Exercise Documents shall be lodged for registration with Computershare Hong Kong Investor Services Limited, which also act as the registrar maintaining the register of Warrantholders, at Shop Nos. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2015, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that there is no separation of the roles of chairman and chief executive as required under Code Provision A.2.1. However, the powers and authorities have not been concentrated as all major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are three Non-Executive Directors and seven Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2015 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Messrs. Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is set out in the interim report. The interim results have also been reviewed by the Audit Committee of the Company.

INTERIM REPORT

The 2015/16 interim report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.shkp.com, and printed copies will be sent to the Shareholders and Warrantholders before the end of March 2016.

By order of the Board
YUNG Sheung-tat, Sandy
Company Secretary

Hong Kong, 26 February 2016

As at the date hereof, the Board comprises seven Executive Directors, being KWOK Ping-luen, Raymond (Chairman & Managing Director) (KWOK Ho-lai, Edward being his Alternate Director), WONG Chik-wing, Mike (Deputy Managing Director), LUI Ting, Victor (Deputy Managing Director), KWOK Kai-fai, Adam, KWONG Chun, TUNG Chi-ho, Eric and FUNG Yuk-lun, Allen; three Non-Executive Directors, being LEE Shau-kee (Vice Chairman), WOO Po-shing (WOO Ka-biu, Jackson being his Alternate Director) and KWAN Cheuk-yin, William; and seven Independent Non-Executive Directors, being YIP Dicky Peter, WONG Yue-chim, Richard, LI Ka-cheung, Eric, FUNG Kwok-lun, William, LEUNG Nai-pang, Norman, LEUNG Kui-king, Donald and LEUNG KO May-yee, Margaret.