新鴻基地產發展有限公司
Sun Hung Kai Properties Limited

(Incorporated in Hong Kong with limited liability)
Stock Codes: 16 (HKD counter) and 80016 (RMB counter)

2023 / 24 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 2023, excluding the effect of fair-value changes on investment properties, amounted to HK$8,906 million, compared to HK$9,465 million for the corresponding period last year. Underlying earnings per share were HK$3.07, compared to HK$3.27 for the same period last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$9,145 million and HK$3.16 respectively, compared to HK$8,410 million and HK$2.90 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$432 million, compared to a decrease of HK$967 million for the same period last year.

DIVIDEND

The directors have declared an interim dividend payment of HK$0.95 per share for the six months ended 31 December 2023, a decrease of 24% from the corresponding period last year. The dividend will be payable on 20 March 2024.

BUSINESS REVIEW

Development Profit and Rental Income

Development Profit

For the period under review, the Group's profit generated from property sales reached HK$2,040 million, as compared to HK$3,366 million during the corresponding period last year. All Hong Kong projects for sale scheduled for completion in the current financial year are planned to be completed in the second half. Contracted sales during the period totalled an approximate HK$12,900 million in attributable terms.

Rental Income

Driven by the increase in rental income of its portfolio on the mainland and retail portfolio in Hong Kong, the Group's gross rental income during the period, inclusive of contributions from joint ventures and associates, rose 4% year-on-year to HK$12,454 million, while net rental income increased 5% year-on-year to HK$9,326 million.

Property Business – Hong Kong

Land Bank

During the period, the Group added two residential sites to its land bank through lease modifications with a combined gross floor area of about one million square feet. The site at Tung Shing Lei, Yuen Long, will be built into a large-scale residential development comprising around 757,000 square feet of residential floor area and a small portion of retail space. The development is located about a 10-minute walk to the Group's flagship YOHO Mall adjoining MTR Yuen Long Station. Residents will be able to enjoy transport convenience and a one-stop retailtainment experience just a few steps away from home.

The other addition is adjacent to the Group's PARK YOHO series in the eastern part of Yuen Long. Still at the planning stage, the project will provide quality residential premises of some 251,000 square feet in gross floor area. The neighbourhood of this new development has been transformed into a residential cluster with extensive greenery, following the Group's success in the development of PARK YOHO and Riva. In addition to its easy connectivity to urban areas in Hong Kong via Route 3 and to the mainland, the development will enjoy convenient access to the existing MTR Yuen Long and Kam Sheung Road Stations as well as the proposed Au Tau Station on the Northern Link.

As at 31 December 2023, the Group's attributable land bank in Hong Kong amounted to some 58.8 million square feet. About 36.6 million square feet of these were diversified completed properties, an overwhelming majority of which are for rental and long-term investment purposes, underpinning the Group's sizeable recurring income. An approximate 15.3 million square feet of the remainder were residential properties under development for sale, scheduled for completion in phases over the next six to seven years. Of these, some 2.1 million square feet have been pre-sold. The Group will continue to adhere to its prudent financial discipline in considering future land bank replenishment.

Property Development

Hong Kong's residential market continued to be affected by elevated interest rates and an uncertain economic outlook. Nevertheless, home rents picked up moderately over the past few months. During the period under review, the Group recorded contracted sales of about HK$9,600 million in attributable terms in Hong Kong. Major contributors, consisting of YOHO WEST Phase 1 in Tin Shui Wai, NOVO LAND Phase 2A in Tuen Mun and University Hill in Tai Po, were well received by the market, reflecting solid demand for the Group's premium large-scale mass-market developments with good transportation networks. The remaining units from several completed projects such as Crown of St. Barths in Ma On Shan continued to receive positive market response and contribute to the Group's contracted sales.

Committed to the delivery of premium products and services, the Group has strived to enhance building quality, ensure efficient layouts and offer exceptional after-sales services. To meet customers' rising aspirations for wellness as well as smart and green living, the Group has integrated the elements of sustainability and technology into its new developments. In addition to enhancing greenery in its projects, the Group has introduced comprehensive smart home features, such as built-in 5G coverage, for its large-scale developments. Through the SHKP Club, the Group has continued to strengthen bonding and two-way communication with its customers through organizing workshops and guided tours. In addition, the Group has leveraged the latest technology to develop cost-effective measures. Such efforts, together with its reputable brand, have enabled the Group to maintain its leading market position amid a competitive operating environment. Without compromising on quality, the Group has also carried out its plans to control construction costs. The overall construction capex for projects in Hong Kong has already peaked out and is expected to come down meaningfully in the next few financial years.

TOWNPLACE WEST KOWLOON, a brand-new serviced apartment in West Kowloon offering flexible accommodation options and hotel-like service with a gross floor area of about 374,000 square feet, was completed during the period. In the second half of the financial year, the Group's completions are expected to increase meaningfully to about 3.1 million square feet, of which some 2.5 million square feet are residential premises for sale. The remaining 567,000 square feet are non-residential properties which will be kept for rental purpose.

As at 31 December 2023, the Group's contracted sales yet to be recognized amounted to HK$32,800 million, of which about HK$22,400 million is expected to be recognized in the second half of this financial year. Most of the related sale proceeds will be received when respective units are delivered.

Property Investment

During the period under review, the Group's diversified portfolio of property investment continued to provide strong support to its sizeable recurring income. Gross rental income of the Group's property investment portfolio, inclusive of contributions from joint ventures and associates, rose 2% year-on-year to HK$8,941 million, mainly driven by positive rental reversions from its retail portfolio. Overall occupancy also remained satisfactory.

The Group has continued to embrace innovation to improve its property investment portfolio. TOWNPLACE WEST KOWLOON, the Group's novel serviced-apartment project, represents a showcase. Soft opened in October 2023, this 843-room development with a diverse room mix and a smart system presents a hybrid short- and long-term leasing model. The project also provides hotel-class service on demand, catering to the flexible accommodation needs of young talents and professionals. Integrating the beauty of the waterfront into a living space, the project allows residents to enjoy the breathtaking view of Victoria Harbour while swimming at the sky-bound pool. The 53,000-square-foot clubhouse, spanning four levels of indoor and outdoor space, offers an array of premium amenities and areas with flexible layouts to allow a wide range of socializing activities in a stylish and cosy environment. Near to MTR Nam Cheong Station, a pier and a promenade, the project promises strong transport connectivity and a pleasing environment in the vicinity. Market response to the first batch of rooms is encouraging with many units leased to young professionals.

Along with the revival of inbound tourism, Hong Kong's retail market continued to recover. During the period under review, the Group's retail portfolio registered a moderate increase in rental income with a relatively stable occupancy of about 95%. Tenant sales of tourist-favoured malls such as IFC Mall in Central showed relatively strong increases while sales at regional malls remained largely stable.

In response to changes in the spending patterns of tourists and intense competition from neighbouring regions, the Group has adopted a proactive approach to attract customers. The tenant-and-trade mix of its malls are constantly refined to align with prevailing market trends, such as the introduction of experiential retail stores and facilities, to further enrich its diversified and unique offerings. In an effort to support the HKSAR Government's campaigns to boost local consumption, the Group has collaborated with its tenants and business units to initiate promotional offers and activities such as special night-parking arrangements, food- and wine-tasting attractions, mini-concerts, and more, to extend customers' stays to late night. Such initiatives have received encouraging responses.

The Group has leveraged The Point, the integrated loyalty programme for its malls, to drive footfall and enhance shoppers' experience. Recently, the loyalty programme revamped its intuitive mobile app interface to further enhance user experience. Instant Point Earn, a new service, was recently introduced in its major malls, allowing members to earn points immediately after purchases with a simple QR code scanning. Members can then convert and use the points as cash in the malls. Tailored to meet the latest preferences of mainland shoppers, The Point also consolidated and strengthened its social media platforms to stimulate spending. In line with its free EV Super Charging by Points service launched in early 2023, the Group has been installing additional super-fast EV chargers in all of its major malls in Hong Kong. The initiative has allowed more The Point members to enjoy the service through point redemptions. Today, members can use the Contactless Parking service at nearly 100 designated Wilson Parking car parks.

Pet- and family-friendly facilities were introduced through refurbishing outdoor areas at a number of the Group's malls, including APM in Kwun Tong, YOHO Mall in Yuen Long and Landmark North in the North District. The rooftop area at New Town Plaza in Sha Tin was reconfigured as Dino Park, the first and largest dinosaur-themed outdoor playground in the city. Since its opening in October 2023, the 35,000-square-foot park has rapidly become a popular hotspot for families, boosting the mall's traffic and customer base.

While supply issues persistently weigh on office rents in Hong Kong, the Group's quality office portfolio, particularly its landmarks IFC and ICC, continued to benefit from the trend of flight-to-quality. This, together with its high green-building standards, professional management services, and the Group's strong relationships with tenants, has enabled the Group to maintain the occupancy of its office portfolio at a satisfactory level of about 92%.

IFC in core Central was almost fully let. Benefitting from its geographical advantages and extensive supporting amenities, IFC is a preferred office address for top-notch international financial institutions and mainland corporations in the city. With superb transport connectivity and high building specifications, ICC atop Airport Express Kowloon Station continued to register satisfactory occupancy. Despite keen competition in Kowloon East, the Millennium City office cluster maintained relatively stable occupancies during the period due to its superior building quality, attentive property management, and well-planned asset enhancement initiatives.

Many of the Group's offices and shopping malls are part of an integrated project, complementing each other and supported by a transport interchange and large-scale residential developments in the vicinity. The synergistic effect allows the Group's properties to stay competitive and resilient amid intense competition. In addition to its ongoing asset and service enhancement, the Group has emphasized developing close and long-term relationships with tenants and customers. Over the years, such efforts have enabled the Group to respond swiftly to market trends and build a broad customer base.

The Group's expanding portfolio will continue to support its substantial recurring income base. YOHO MIX, a retail space of about 107,000 square feet adjoining MTR Yuen Long Station, is scheduled to open in mid-2024 as an extension of the flagship YOHO Mall. Pre-leasing has been progressing well. YOHO MIX will enrich the offerings at YOHO Mall and enhance its status as the largest shopping-and-entertainment destination in northwest New Territories. Scheduled to open in 2024, the shopping mall of some 500,000 square feet beneath The Millennity in Kwun Tong will feature leisurely retail space and lush culinary delights, synergizing with the Group's APM mall and the Millennium City office cluster in the area.

Over the medium term, the Group will have two commercial projects in West Kowloon in the pipeline, namely the High Speed Rail West Kowloon Terminus Development and the Artist Square Towers Project. The former is designed to achieve six major green and WELL building certifications, making it one of the most sustainable and ecologically friendly structures in the world. Scheduled for completion in 2026, the integrated project will be linked to the thriving West Kowloon Cultural District (WKCD) and the neighbouring areas through the 1.5-kilometre West Kowloon Parkway and an extensive footbridge network. With easy access to transport networks and abundant green areas, the premium office space of this development has drawn keen interest from multinational companies, including a global financial institution, UBS. The two new projects will unite with the Group's completed ICC and two luxury hotels to form a unique commercial cluster in Hong Kong upon their completion. Capitalizing on its proximity to the WKCD, unrivalled transport connectivity and business opportunities brought by the rising number of visitors using the high-speed rail, this commercial cluster will serve as a distinctive nexus point in the Greater Bay Area (GBA), offering a wide range of commercial, retail, and recreational options.

Property Business – Mainland

Land Bank

As at 31 December 2023, the Group held a total land bank of 67.2 million square feet on the mainland in attributable terms, of which 20.9 million square feet were completed properties. An overwhelming majority of the completed properties were large-scale mixed-use developments that are located in key business hubs of major cities and are held for rental and long-term investment purposes. The remaining 46.3 million square feet were properties under development, more than half of which will be developed into quality residential and office space for sale. The Group will focus on developing its existing projects to meet customers' evolving needs for quality properties.

Property Development

The Central Government has optimized real estate policies, implementing several rounds of stimulus measures which included the further loosening of mortgage conditions and the removal of home-purchase restrictions in many cities. During the period under review, the Group achieved attributable contracted sales of over RMB3,000 million on the mainland. Major contributors included the third phase of the residential portion of the joint-venture Hangzhou IFC in Hangzhou, which was virtually sold out, and new batches of the joint-venture Oriental Bund in Foshan.

During the period, the Group completed three projects on the mainland with a total attributable gross floor area of about 862,000 square feet. These included premium residential units from Phase 5B of The Woodland in Zhongshan and Four Seasons Hotel Suzhou. The urban resort hotel, the first Four Seasons Hotel in Jiangsu Province, opened at the end of 2023. Two other projects with an attributable gross floor area of about 1.3 million square feet are expected to be completed in the second half of this financial year. These will include joint-venture projects TODTOWN in Shanghai and Oriental Bund in Foshan.

Property Investment

Driven by rental income growth of its retail portfolio and the end of rental concessions, the Group's gross rental income derived from its rental portfolio on the mainland, including contributions from joint-venture projects, increased 16% year-on-year to RMB2,896 million during the period under review.

Nanjing IFC represents the Group's third IFC complex, taking inspiration from its successful experience in the development of integrated IFC projects in Hong Kong and Shanghai. Situated in the heart of Hexi CBD, Nanjing IFC enjoys transport convenience with seamless connections to metro lines. Nanjing IFC Mall has a gross floor area of one million square feet. The most anticipated section of the mall, consisting of top-tier brands which made their debuts in Nanjing, soft opened in January 2024. In addition to diverse open space and delicately-carved interior design, shoppers are attracted by the mall's curated collection of retailer choices and striking storefront designs. The mall also features a 3D LED facade, delivering a captivating visual experience and bringing a new look to the city. Nanjing IFC also houses Andaz Nanjing Hexi, the newly opened boutique hotel, and two grade-A office towers. With a total gross floor area of about two million square feet, the office towers are highly commended for their quality finishes and quick access to an array of Michelin and Black Pearl restaurants and other popular dining outlets at the upper zone of Nanjing IFC Mall and the hotel.

Shanghai IFC, the Group's flagship integrated project in Little Lujiazui in Pudong, Shanghai, provides a sophisticated multi-use destination for professionals and shoppers. Shanghai IFC Mall features a wide array of internationally acclaimed retailers from across the globe. In addition to providing fine-dining establishments, the mall has become a magnet for trendy all-day dining restaurants, appealing to the younger generation. Shoppers not only revel in the mall's diverse range of retail offerings but also appreciate the exclusive customer experience provided by its loyalty programme. Sitting atop the podium mall, the project's twin grade-A office towers have gained a reputation for their advantageous location and outstanding green performance, establishing themselves as a prestigious business address for leading mainland and multinational financial institutions. Overall occupancies of the office towers continue to maintain at high levels. The presence of The Ritz Carlton Shanghai, Pudong and Shanghai IFC Residence has further enhanced the versatility of the Shanghai IFC complex, earning wide acclaim for offering a top-notch integrated experience under one roof.

Shanghai ICC is the Group's integrated development located in the traditional commercial district of Puxi. The trend-setting IAPM mall, the retail portion of the project, regularly stages creative marketing campaigns and VIP activities such as cross-over fashion shows. Celebrating its 10th anniversary during the period, the mall launched creative promotional activities which were combined with captivating performances. The office portion, comprising two fully equipped grade-A office towers, offers tenants the convenience of dining and shopping within the complex. The towers have attracted and retained tenants, including renowned multinationals from diverse industries along with mainland corporations. Overall occupancies of the two towers were satisfactory during the period.

The Group's other premium shopping malls are also located in prime locations of major cities, benefitting from convenient transportation links. Parc Central, the Group's joint-venture mall in Guangzhou, features an eclectic mix of retail options. The mall takes advantage of its beautifully landscaped outdoor area for staging promotional or themed events, providing customers with a refreshing shopping and leisure destination. The Group's other joint-venture mall in Guangzhou, IGC, and the Beijing APM mall in Wangfujing, Beijing, boast exceptional connectivity with metro lines, offering convenient and weather-proof access to customers seeking a one-stop shopping hub.

Three ITC in Xujiahui, Shanghai, is a much-anticipated project in the pipeline. Construction work of the 370-metre-tall office skyscraper, Tower B, in the remaining portion is scheduled for completion in early 2025. Both Tower B and the completed Tower A, another office building of Three ITC, were designed to be world-class green workspaces. The two grade-A office towers have already obtained Platinum pre-certification and certification from LEED respectively. In addition, the office towers of Three ITC became the largest development in Asia to obtain a WELL pre-certification, demonstrating the Group's strong commitment to building and providing healthy office space. The 2.6-million-square-foot shopping mall, ITC Maison, is scheduled to open in phases from 2025 onwards.

Hangzhou IFC, another of the Group's landmark integrated projects in keeping with the IFC brand concept of excellence, is under development. Well served by two metro lines, this joint-venture project in Qianjiang New City CBD in Hangzhou will feature green and smart concepts, adding vibrancy to the city upon its full completion. Guangzhou South Station ICC, one of the Group's TOD projects in the GBA, is being developed in phases. Foundation work of its first commercial tower has recently been completed. The integrated project enjoys direct access to the high-speed rail and metro stations, and is expected to create great synergy with the Group's project atop the West Kowloon Terminus in Hong Kong, the other end of the Guangzhou-Shenzhen-Hong Kong Express Rail Link.

Other Businesses

Hotels

During the period under review, the Group's hotel business in Hong Kong continued to recover amid the return of mega events and a revival of inbound tourism. Four Seasons Hotel Hong Kong fared well on the back of a steady return of corporate travellers. Benefitting from transport convenience brought by MTR East Rail Line Cross-harbour Extension and hotel refurbishment, some of the Royal brand hotels, including Royal Park Hotel and Royal Plaza Hotel recovered further with occupancies rising to high levels recorded before the pandemic. Banquet and wedding business also gradually gathered momentum.

To capitalize on opportunities arising from the recovery of the hospitality industry and to cope with labour shortage, the hotel management team has taken a variety of initiatives. AI-based technology such as AI assistants in guestrooms was utilized to improve operational efficiency. In addition, the hotels under the Group have actively participated in a number of cultural and leisure events in Hong Kong through the provision of catering services and accommodation offers. Since its launch, the Go Royal by SHKP loyalty programme has recruited over 140,000 members, attracting new customers for the hotels while offering current loyal customers an enriched shopping experience through its collaboration with The Point.

On the mainland, The Ritz-Carlton Shanghai, Pudong delivered an encouraging performance during the period, with revenue per available room surpassing the pre-pandemic level. The positive results were mainly supported by a rebound in domestic travel as well as a return of foreign business travellers. Since its opening in April 2023, the business of Andaz Nanjing Hexi at Nanjing IFC has been ramping up. Four Seasons Hotel Suzhou, located on a tranquil urban island along the scenic Jinji Lake, opened in December 2023. As the first Four Seasons Hotel in Jiangsu Province, the new hotel blends in with local history and culture and offers an exceptional resort and culinary experience.

Telecommunications and Information Technology

SmarTone

During the period under review, the business of SmarTone remained resilient. Maintaining its leadership position in the premium consumer market segment, SmarTone is consistently recognized as a company with a superior network, excellent customer service, and a top brand of choice. The 5G penetration rate among its subscribers has reached 38%. The monetization of the 5G network has continued, especially from the fast-growing 5G Home Broadband business. The 5G Home Broadband service has provided a superior option to households without fibre access as well as for individuals and small-medium enterprises looking for full flexibility and versatility.

The intense competition has continued to put pressure on the profitability of local mobile business. Bright spots, however, emerge amid the challenges. SmarTone witnessed a healthy recovery of outbound travel as well as usage of its roaming services. The company's enterprise solution business has also grown materially. Despite intense pressure on costs, particularly in electricity and labour, management has been able to maintain overall operating expense at a stable level. The company will continue to improve its efficiency and productivity through technological advancement and staff training.

With a long-term commitment to delivering superior customer satisfaction, SmarTone will develop a more divergent set of businesses, including 5G Home Broadband, SmartHome Solutions, and 5G industry applications among enterprise segments. The Group remains confident about SmarTone's prospects and will continue to hold the company as a long-term investment. The Group will also leverage SmarTone as its telecommunication technology arm for its adoption of new technology.

SUNeVision

During the period under review, SUNeVision continued to see healthy growth for its data centre business, coming both from mainland and multinational customers. Evidenced by increased business from telecommunication companies and major technology players, Hong Kong has regained its strength as a regional hub. The emerging growth of AI in Asia has also started to accelerate the growth of business of major cloud players. The requirements for infrastructure and service of these players are very demanding, precisely the areas where SUNeVision excels.

With the launch of MEGA Gateway in Tsuen Wan in 2023, as well as the upcoming completion of Phase 1 of MEGA IDC in Tseung Kwan O in 2024, the data centre capacity of SUNeVision has increased by over 700,000 square feet. The MEGA IDC, in particular, is a state-of-the-art facility equipped with the most advanced infrastructure to support the next generation of computing equipment. As a sign of growing demand, SUNeVision has already received strong and confirmed demand from cloud players and financial institutions for Phase 1 of MEGA IDC, even before its opening.

Following complaints lodged by SUNeVision against suspected unauthorized subletting among data-centre operators within the industrial estates managed by the Hong Kong Science and Technology Parks Corporation (HKSTP) for years, the company won the court case back in May 2022. HKSTP finally launched its own investigation, confirming that there are indeed clear and severe breaches. SUNeVision has asked HKSTP to take serious actions and impose penalties against the offenders, as these breaches are committed by rent-seekers who undermined the healthy development of Hong Kong's technology sector.

The external environment has remained uncertain, especially with persistently high interest rates that undermine SUNeVision's profitability. The company will remain focused on implementing strong financial and operational discipline. Witnessing a strong pipeline, SUNeVision will continue to serve its customers with superior infrastructure and service.

Infrastructure and Other Businesses

During the period under review, the Group's infrastructure and transport businesses recorded satisfactory performances. Wilson Group registered stable performance. Traffic flow at Route 3 (CPS) has picked up following the resumption of cross-border travel, but volumes have remained below pre-pandemic levels. The Hong Kong Business Aviation Centre recorded good recovery in business activities. The growth has mainly come from charter flights, as more travellers are opting for business jets to enjoy enhanced efficiency and comfort. The Airport Freight Forwarding Centre continued to play a major role in supporting logistics players to deliver time-sensitive cargoes. Its business has remained steady. The River Trade Terminal maintained steady profit amid a challenging market environment.

At YATA, the priority is to bring top quality products to customers and ensure a superior shopping experience. YATA has refined business development strategies to better serve customer needs. Under a comprehensive enhancement project, its department stores and supermarkets will undergo a transformation, featuring a new layout with a greater variety of unique products from Japan and around the world. The company is expanding and investing in areas with great demand to bring excitement to shoppers opting for fresh and healthy products. Two new stores are planned to be opened in the first half of 2024. Complemented by its strong collaboration with the Group's malls, YATA is confident of being able to provide customers with a first-rate shopping experience.

Corporate Finance

Prudent financial management is one of the pillars supporting the Group's sustainable growth. This, together with its sizeable recurring income, helps place the Group in a position to weather adverse economic conditions. As at 31 December 2023, the Group's net gearing ratio saw an increase to 21.2%, primarily due to the payment of final dividend for the last financial year, and a substantial portion of the residential sale proceeds in Hong Kong have not been received during the period under review. The above-mentioned proceeds will be received when respective units are delivered in the second half of the current financial year. Within the next several months, the Group is expected to receive residential sale proceeds of over HK$20,000 million. The Group's net gearing ratio is expected to reduce markedly by the end of June 2024.

In December 2023, Moody's changed its rating outlook on Hong Kong from stable to negative. One day after that, the company revised the Group's rating outlook from stable to negative while reaffirming the Group's A1 rating. That said, the Group is still one of the best-rated developers in Hong Kong, as evidenced by an A+ rating (stable outlook) by S&P and A1 rating (negative outlook) by Moody's. The Group has continued to maintain excellent banking relationships with abundant banking facilities. In addition, the Group has maintained constant communication with fixed-income investors and enjoyed easy access to debt capital markets.

To achieve a better alignment of the Group's Renminbi-denominated assets and liabilities, the Group has been utilizing more Renminbi-denominated debt funding. During the period, the Group issued a total of CNH800 million 5-year bonds and CNH1,350 million 2-year bonds. In addition, onshore Renminbi construction loans continued to be tapped to fund construction capex of the Group's projects on the mainland. The recently eased rules for commercial property operating loans on the mainland will also offer more flexibility and room for the Group to source funding in that respect and contribute to market development. As at the end of December 2023, about 41% of the Group's total borrowings were either HKD fixed-rate debts or denominated in Renminbi.

The Group has not engaged in any speculative derivatives or structured product deals. The Group also has limited exposure to foreign exchange risk on debt financing, with the vast majority of its borrowings denominated in Hong Kong dollars. The remaining borrowings are mostly in Renminbi which naturally hedges the Group's assets on the mainland, while its US dollar denominated debts have fully been swapped into Hong Kong dollars.

CORPORATE GOVERNANCE

One of the main pillars that supports the long-term and sustainable growth of the Group's businesses is a dedication to high standards of corporate governance to protect the interests of all stakeholders.

The Group's business directions, developments, and sustainability strategies are all under the direction of the Board of Directors. The Board, which consists of 19 members with diverse backgrounds, professional and business experience, and genders, complements the Group's strategies, governance, and businesses. The Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee are all chaired by INEDs. This is to ensure that the Group's strategies are appropriately executed and that business risks are addressed. Furthermore, the Executive Committee supports the Board to formulate business policies, to make decisions on key business issues and policies, and to exercise the powers and authority delegated by the Board.

Leading financial publications have recognized the Group with a number of significant awards for its management prowess, sound corporate governance, and social responsibility. During the period under review, the Group was named the Best Overall Developer in Asia Pacific, China and Hong Kong by *Euromoney*. The Group also won the Most Outstanding Company in Hong Kong – Real Estate Sector by *Asiamoney*.

SUSTAINABLE DEVELOPMENT

The Group has constantly enhanced its Environmental, Social and Governance (ESG) performance, which earned it additional recognitions. Recently the Group was included in the *S&P Global Sustainability Yearbook* for the second consecutive year. It was also listed as a constituent of the Dow Jones Sustainability Asia Pacific Index, a designation as one of the top 20% of companies with outstanding sustainability performance in the region. Meanwhile, the Group was recognized as Regional Top-rated ESG Performer by Morningstar Sustainalytics. In addition, the Group has continued to achieve the top AAA rating in the Hang Seng Corporate Sustainability Index since 2020 and maintained an A rating in the MSCI ESG Ratings assessment since 2021.

Environment

The Group strives to meet stringent international and local green standards in property development and property management. Such efforts have earned the Group prestigious green-building certifications, including LEED Platinum certification for its landmark projects in Hong Kong and Shanghai. While aiming to obtain LEED Gold or Platinum ratings for its new major commercial projects, the Group continues to advance the health and well-being of people in its properties. During the period, The Millennity, along with a shopping mall located beneath it, achieved a WELL Core Platinum certification from the International WELL Building Institute, the first WELL certification for an office-cum-retail development in Hong Kong.

Wetland Seasons Park, neighbouring the Hong Kong Wetland Park, is a testament to the Group's respect for nature. After previously receiving a Grand Award in the Hong Kong Residential (Multiple Buildings) category in the Quality Building Award, a prestigious biennial event jointly organized by nine leading professional organizations, the development further won a Grand Award during the period in the Green Building Awards co-organized by the Hong Kong Green Building Council and the Professional Green Building Council, in recognition of the Group's efforts in green property management.

To align with the country and the Government's goals of carbon neutrality, the Group integrates smart technologies into its operations to reduce energy consumption and carbon emission. A number of its office buildings and shopping malls leverage the online energy management platform of a power company to track and analyse energy usage, helping further save energy consumption. Contributing to the decarbonization of road transport, the Group encourages a wider use of electric vehicles through the installation of super-fast EV chargers in all of its major malls in Hong Kong. The Group has also set a precedent by being the first developer in Hong Kong to purchase and use fully electric construction equipment, reducing carbon emission at construction sites.

The Group has also incorporated urban farms into a number of its developments, allowing more people to cultivate fresh produce and embrace a green lifestyle. In addition, The Point promoted the love of nature among students with intellectual disabilities through a drawing contest, while offering bonus-point incentives to drive the usage of the Nature Rescue cleaning app among customers. Noah's Ark Hong Kong, an attraction for visitors to bond with nature operated by the Group, became the venue of a fund-raising fasting event during the period, where participants also joined a series of activities on the theme of low-carbon living.

Social

The Group makes the most of its resources to enhance social well-being. United Court, the transitional housing project in Yuen Long initiated by the Group and completed through its collaboration with the Government and a reputable non-governmental organization, has achieved an occupancy of about 98%. Currently it provides shelter for more than 3,000 people, who previously lived in inadequate housing and have found physical and mental comfort in their new homes.

In addition, under an agreement ending in the third quarter of 2030, the Group lent an 8.9-hectare site on Yau Pok Road in Yuen Long to the Government for the construction of 2,100 light public housing units. A ground-breaking ceremony was held in mid-February 2024, and residents are expected to move in during the first half of 2025. In other words, the estate will become the first light public housing project to start taking in residents.

To help the city provide more skilled construction labour in support of the many ongoing housing and infrastructure projects, the Group extended the rent-free lease on two plots of land in Yuen Long to the Government for using the sites as centralized living quarters for imported workers and a training ground for the construction industry.

As part of its effort to nurture the next generation, the Group participated in the Government's Strive and Rise Programme, which started recruiting the second cohort in October 2023, again to broaden the horizons of students from underprivileged families. Following the previous edition, the Group continued to support the Government's Greater Bay Area Youth Employment Scheme. Participating university graduates hired by the Group are stationed in its mainland offices to gain experience through various projects.

The Group has continued to support a wide range of sports-for-charity initiatives. With its sponsorship of the Sun Hung Kai Properties Hong Kong Cyclothon and the SHKP Supernova Cycling Team, the Group has not only promoted cycling and supported elite cyclists but also helped position Hong Kong as a centre for major cycling events. To encourage people to run for good causes, the Group also sponsored the Sun Hung Kai Properties Hong Kong 10K Championships and The Community Chest Corporate Challenge.

The SHKP Reading Club, through its online platform Read for More and school outreach activities, motivates young people to make reading a habit. With the introduction of STEM and Chinese culture as main themes of its student activities, the Club is able to inspire innovation and enrich the reading experience of students.

PROSPECTS

Looking ahead, the global economy is expected to remain highly uncertain. A number of macroeconomic factors, ranging from heightened geopolitical tensions and the resultant disruptions to supply chains, to a high interest-rate environment, will continue to impede global economic outlook and the business environment. Despite uncertainties about the near-term path of the US interest-rate movement, the transition from a rate-hike cycle to a downward trend is expected to provide favourable conditions for the world economy.

On the mainland, the Central Government has implemented policies that are conducive to stabilizing expectations, growth, and employment. These, together with the proactive fiscal policies and prudent monetary policies, should help strengthen the solid foundation for stability and improvement. The initiatives in promoting technological innovation and expanding domestic demand are poised to take the lead in supporting sustainable long-term economic development.

In light of a global environment filled with complexities, Hong Kong's economy is still facing headwinds. The challenging external environment and elevated funding costs will continue to weigh on investment sentiment in the near term. Nevertheless, the recent expansion of the Individual Visit Scheme on the mainland and a number of government initiatives should further boost inbound tourism and local consumer sentiment. Further policy relaxations, rising home rents, potential rate cuts and the relocation of more professionals and high-calibre students to Hong Kong should benefit the property market. Despite short-term market volatilities, the Group remains confident in the long-term prospects of Hong Kong and its property market.

Amid a challenging macro environment, the Group places strong emphasis on cash flow management. The Group will continue to adhere to its prudent financial discipline, including the implementation of a strict control on capital expenditure and a highly selective approach in land bank replenishment. In addition to growing a robust stream of recurring income derived from its sizeable and quality property investment portfolio and non-property businesses, the Group will capitalize on its premium brand and strong reputation for delivering high-quality properties to achieve fast asset turnovers for its property development business.

As part of its efforts to enhance the competitiveness of its property investment portfolio, the Group will adhere to its proactive leasing management approach. Creative concepts and digital initiatives will be adopted to achieve higher green building standards and ensure the delivery of properties and services in a more efficient and cost-effective manner. While establishing enduring relationships with tenants and customers, the Group has been able to understand and respond swiftly to customer needs and market trends through the SHKP Club as well as its leasing and management teams. Such advantages have allowed the Group to maintain its properties as a preferred choice for tenants in terms of both innovation and quality, as well as a source of steady and substantial recurring income.

Several of the Group's new investment properties are coming on stream, creating new sources of recurring income over the next few years. In Hong Kong, following the soft-opening of TOWNPLACE WEST KOWLOON in October 2023, YOHO MIX, the extension of YOHO Mall in Yuen Long, and the shopping mall beneath The Millennity in Kwun Tong are scheduled to open in 2024. On the mainland, contributions from new projects, including Nanjing IFC Mall in Nanjing and Three ITC in Shanghai, will further bolster the Group's income stream. ITC Maison, the mega mall at Three ITC, is scheduled to open in phases starting from 2025. Over the medium-to-long term, major integrated projects such as the High Speed Rail West Kowloon Terminus Development in Hong Kong will also contribute to the Group's recurring rental income.

On property development for sale, the Group will continue to launch new residential projects for sale when ready and put up for sale its unsold completed residential units and some of its non-core properties, ensuring a continuous cash flow. Approximately 64% of residential properties scheduled for completion in Hong Kong in the current financial year have been sold. Over the next 10 months, several of the Group's major developments in Hong Kong are expected to be put on the market. These will include The YOHO Hub II in Yuen Long, the third phase of NOVO LAND in Tuen Mun, the second phase of YOHO WEST in Tin Shui Wai, the first phases of Cullinan Sky and Cullinan Harbour in Kai Tak, a joint-venture project on Prince Edward Road West in Ho Man Tin, and the first phase of a large-scale project in Sai Sha near Ma On Shan. On the mainland, the Group plans to launch a new phase of Shanghai Arch in Shanghai and new batches of joint-venture developments such as Hangzhou IFC and Oriental Bund in Foshan.

Over the years, Hong Kong has demonstrated its economic resilience against the challenging external environment during various economic crises and the pandemic. Hong Kong possesses enduring strengths that are difficult to replicate – robust institutional frameworks, a sound common law system, a simple and low tax regime, free flow of capital and a well-functioning exchange-rate system under the auspices of 'One Country, Two Systems', complemented by a pool of available professionals. All these factors have provided a solid anchor to the city's role as a major international financial centre. Hong Kong, with the support of the Central Government, will implement new measures involving financial market connectivity, strengthening the city's capability in connecting the mainland and international markets. The anticipated legislation of Article 23 of the Basic Law together with the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region already in place will bring safety, stability, and a favourable business environment to Hong Kong. With the strong support of the motherland, Hong Kong will continue with its role as a global connector and further demonstrate the robustness and resilience of its distinctive advantages. The Group has full confidence in the long-term prospects of the mainland and Hong Kong.

For over half a century, the Group has navigated through various economic cycles and crises alongside Hong Kong. Its culture of continuous learning and decades of experience in weathering storms have endowed the Group with resilience to cope with difficult times and emerge as a visionary developer, consistently fostering innovation in its pursuit of excellence. The Group's unwavering commitment to quality over the years has earned it a trusted brand. This, together with its seasoned management and strong team spirit among staff members, makes up an integral part of the Group's valuable assets. These, along with the Group's prudent financial principles, time-tested business strategy, strong execution ability, and a corporate culture of moving with the times, serve as the pillars of its solid foundation and business sustainability. The Group firmly believes that there is always a rainbow after the rain and will continue to develop premium properties and services in Hong Kong and on the mainland to meet the diverse needs of customers.

APPRECIATION

I would like to take this opportunity to express my appreciation to our staff for their unwavering dedication, team spirit and commitment to excellence. Their relentless efforts have significantly contributed to the Group's ability to remain robust in the face of challenges and continuously elevate our capabilities. My gratitude also goes to my fellow directors for their guidance, and our shareholders and customers for their continued support.

Kwok Ping-luen, Raymond
Chairman & Managing Director
Hong Kong, 28 February 2024

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 2023 with comparative figures for 2022:-

Consolidated Income Statement
For the six months ended 31 December 2023
(Expressed in millions of Hong Kong dollars)

	Notes	(Unaudited) Six months ended 31 December 2023	2022
Revenue	**2**	**27,542**	27,428
Cost of sales		**(13,724)**	(13,384)
Gross profit		**13,818**	14,044
Other net income		**390**	150
Selling and marketing expenses		**(1,661)**	(1,855)
Administrative expenses		**(1,594)**	(1,480)
Operating profit	**2**	**10,953**	10,859
Change in fair value of investment properties		**13**	(348)
Finance costs		**(1,963)**	(1,482)
Finance income		**203**	267
Net finance costs	**3**	**(1,760)**	(1,215)
Share of results of:			
Associates		**162**	261
Joint ventures		**1,590**	901
	2	**1,752**	1,162
Profit before taxation	**4**	**10,958**	10,458
Taxation	**5**	**(1,485)**	(1,668)
Profit for the period		**9,473**	8,790
Profit for the period attributable to:			
Company's shareholders		**9,145**	8,410
Non-controlling interests		**328**	380
		9,473	8,790
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	**6(a)**		
Basic and diluted		**$3.16**	$2.90
Earnings per share excluding the effect of change in fair value of investment properties net of deferred tax (underlying earnings per share)	**6(b)**		
Basic and diluted		**$3.07**	$3.27

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2023
(Expressed in millions of Hong Kong dollars)

	(Unaudited) Six months ended 31 December	
	2023	2022
Profit for the period	**9,473**	8,790
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of Mainland subsidiaries	**1,701**	(3,397)
Cash flow hedge		
- fair value losses recognized directly through other comprehensive income	**(320)**	(299)
- fair value gains transferred to consolidated income statement	**(28)**	(31)
	(348)	(330)
Debt securities		
- fair value gains/(losses) recognized directly through other comprehensive income	**2**	(4)
- fair value losses transferred to consolidated income statement	**-**	4
	2	-
Share of other comprehensive income/(losses) of associates and joint ventures	**618**	(686)
Items that will not be reclassified to profit or loss:		
Fair value losses of equity securities at fair value through other comprehensive income	**(91)**	(155)
Share of other comprehensive income/(losses) of an associate	**17**	(42)
Other comprehensive income/(losses) for the period	**1,899**	(4,610)
Total comprehensive income for the period	**11,372**	4,180
Total comprehensive income for the period attributable to:		
Company's shareholders	**11,002**	3,847
Non-controlling interests	**370**	333
	11,372	4,180

Consolidated Statement of Financial Position
As at 31 December 2023
(Expressed in millions of Hong Kong dollars)

	Notes	**(Unaudited) 31 December 2023**	(Audited) 30 June 2023
Non-current assets			
Investment properties	**8**	**408,815**	403,559
Property, plant and equipment		**49,015**	47,168
Associates		**7,897**	7,715
Joint ventures		**95,487**	93,639
Financial investments		**1,778**	1,991
Intangible assets		**4,707**	5,079
Other non-current assets		**3,731**	4,057
		571,430	563,208
Current assets			
Properties for sale		**219,705**	211,639
Inventories		**575**	497
Trade and other receivables	**9**	**15,771**	14,757
Financial investments		**723**	610
Bank deposits and cash		**7,931**	15,280
		244,705	242,783
Current liabilities			
Bank and other borrowings		**(20,290)**	(7,508)
Trade and other payables	**10**	**(31,707)**	(32,288)
Deposits received on sales of properties		**(5,770)**	(4,162)
Current tax payable		**(7,325)**	(9,456)
		(65,092)	(53,414)
Net current assets		**179,613**	189,369
Total assets less current liabilities		**751,043**	752,577
Non-current liabilities			
Bank and other borrowings		**(115,427)**	(117,545)
Deferred tax liabilities		**(24,243)**	(23,910)
Other non-current liabilities		**(4,495)**	(4,326)
		(144,165)	(145,781)
NET ASSETS		**606,878**	606,796
CAPITAL AND RESERVES			
Share capital		**70,703**	70,703
Reserves		**531,627**	531,352
Shareholders' equity		**602,330**	602,055
Non-controlling interests		**4,548**	4,741
TOTAL EQUITY		**606,878**	606,796

1. 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 and the applicable disclosure provisions 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 2023 included in these condensed consolidated financial statements 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 2023 to the Registrar of Companies and the Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the consolidated financial statements for the year ended 30 June 2023. The Group has adopted a number of new and amendments to Hong Kong Financial Reporting Standards that are effective for the first time for this interim period. These new or amended standards had no material impact on the Group's financial statements.

The Group has not applied any new standard or amendment that is not effective for the current accounting period.

(Expressed in millions of Hong Kong dollars)

2. Segment Information

Segment revenue and results are measured without allocation of central administration costs, other net income, net finance costs and change 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.

(a) Segment revenue and results

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 2023

	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	**3,612**	**1,235**	**-**	**-**	**3,612**	**1,235**
Mainland	**256**	**81**	**1,338**	**724**	**1,594**	**805**
	3,868	**1,316**	**1,338**	**724**	**5,206**	**2,040**
Property rental						
Hong Kong	**7,552**	**5,499**	**1,389**	**1,075**	**8,941**	**6,574**
Mainland	**2,569**	**2,076**	**570**	**397**	**3,139**	**2,473**
Singapore	**-**	**-**	**374**	**279**	**374**	**279**
	10,121	**7,575**	**2,333**	**1,751**	**12,454**	**9,326**
Hotel operations	**2,317**	**359**	**440**	**71**	**2,757**	**430**
Telecommunications	**3,390**	**361**	**-**	**-**	**3,390**	**361**
Transport infrastructure and logistics	**2,318**	**672**	**2,024**	**275**	**4,342**	**947**
Data centre operations	**1,290**	**616**	**-**	**-**	**1,290**	**616**
Other businesses	**4,238**	**599**	**253**	**29**	**4,491**	**628**
Segment total	**27,542**	**11,498**	**6,388**	**2,850**	**33,930**	**14,348**
Other net income/(loss)		**390**		**(83)**		**307**
Unallocated administrative expenses		**(935)**		**-**		**(935)**
Operating profit		**10,953**		**2,767**		**13,720**
Change in fair value of investment properties						
Hong Kong		**526**		**32**		**558**
Mainland		**(513)**		**(198)**		**(711)**
Singapore		**-**		**262**		**262**
		13		**96**		**109**
Net finance costs		**(1,760)**		**(381)**		**(2,141)**
Profit before taxation		**9,206**		**2,482**		**11,688**
Taxation						
- Group		**(1,485)**		**-**		**(1,485)**
- Associates		**-**		**(22)**		**(22)**
- Joint ventures		**-**		**(708)**		**(708)**
Profit for the period		**7,721**		**1,752**		**9,473**

(Expressed in millions of Hong Kong dollars)

For the six months ended 31 December 2022

	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	2,881	1,198	4	2	2,885	1,200
Mainland	2,176	1,083	1,855	1,083	4,031	2,166
	5,057	2,281	1,859	1,085	6,916	3,366
Property rental						
Hong Kong	7,429	5,352	1,343	1,041	8,772	6,393
Mainland	2,295	1,832	503	386	2,798	2,218
Singapore	-	-	357	276	357	276
	9,724	7,184	2,203	1,703	11,927	8,887
Hotel operations	1,551	(82)	309	19	1,860	(63)
Telecommunications	3,809	391	-	-	3,809	391
Transport infrastructure and logistics	2,051	604	1,835	195	3,886	799
Data centre operations	1,108	557	-	-	1,108	557
Other businesses	4,128	656	230	25	4,358	681
Segment total	27,428	11,591	6,436	3,027	33,864	14,618
Other net income/(loss)		150		(5)		145
Unallocated administrative expenses		(882)		-		(882)
Operating profit		10,859		3,022		13,881
Change in fair value of investment properties						
Hong Kong		(351)		(825)		(1,176)
Mainland		3		(67)		(64)
Singapore		-		34		34
		(348)		(858)		(1,206)
Net finance costs		(1,215)		(216)		(1,431)
Profit before taxation		9,296		1,948		11,244
Taxation						
- Group		(1,668)		-		(1,668)
- Associates		-		(8)		(8)
- Joint ventures		-		(778)		(778)
Profit for the period		7,628		1,162		8,790

Results from property sales included selling and marketing expenses of HK$290 million (2022: HK$440 million) and HK$83 million (2022: HK$61 million) that related to pre-sale of property projects under construction in Hong Kong and Mainland, respectively.

Other businesses comprise revenue and profit derived from other activities including property management, department store operations and financial services.

Other net income includes mainly net gain on disposal of investment properties and net investment income from financial assets.

(Expressed in millions of Hong Kong dollars)

(b) Geographical information

An analysis of the Group's revenue by geographical area of principal markets is as follows:

	Six months ended 31 December	
	2023	2022
Hong Kong	**24,369**	22,683
Mainland	**3,141**	4,580
Others	**32**	165
	27,542	27,428

3. Net Finance Costs

	Six months ended 31 December	
	2023	2022
Interest and other finance costs on bank and other borrowings	**2,996**	2,037
Notional non-cash interest accretion	**34**	35
Finance costs on lease liabilities	**42**	16
Less: Amount capitalized	**(1,109)**	(606)
	1,963	1,482
Interest income on bank deposits	**(203)**	(267)
	1,760	1,215

(Expressed in millions of Hong Kong dollars)

4. Profit before Taxation

	Six months ended 31 December	
	2023	2022
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**1,846**	1,894
Cost of other inventories sold	**1,598**	2,065
Depreciation of property, plant and equipment	**1,529**	1,443
Amortization of		
Intangible assets (included in cost of sales)	**368**	368
Contract acquisition costs	**187**	204
Impairment loss on goodwill	**4**	-
Credit loss allowance on financial assets and contract assets	**40**	20
Lease expenses		
Short-term and low-value assets leases	**72**	120
Variable lease payments	**18**	23
Staff costs (including directors’ emoluments and retirement schemes contributions)	**5,152**	4,875
Share-based payments	**4**	9
Loss on disposal of financial investments at fair value through profit or loss	**6**	38
Fair value losses on financial investments at fair value through profit or loss	**54**	95
and crediting:		
Dividend income from investments	**34**	53
Interest income from investments	**36**	38

(Expressed in millions of Hong Kong dollars)

5. Taxation

	Six months ended 31 December	
	2023	2022
Current tax expenses		
Hong Kong profits tax	**897**	936
Under/(over) provision in prior years	**4**	(4)
	901	932
Tax outside Hong Kong	**609**	723
Over provision in prior years	**-**	(28)
	609	695
Total current tax	**1,510**	1,627
Deferred tax (credit)/expenses		
Change in fair value of investment properties	**(280)**	(217)
Other origination and reversal of temporary differences	**255**	258
Total deferred tax	**(25)**	41
Total income tax expenses	**1,485**	1,668

Hong Kong profits tax is provided at the rate of 16.5% (2022: 16.5%) based on the estimated assessable profits for the period. Tax outside Hong Kong, which includes Mainland land appreciation tax and withholding tax on income distributions, 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 for the period attributable to the Company's shareholders of HK$9,145 million (2022: HK$8,410 million).

The basic earnings per share is based on the weighted average number of shares in issue during the interim period of 2,897,780,274 (2022: 2,897,780,274) shares.

Diluted earnings per share were the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the periods.

(Expressed in millions of Hong Kong dollars)

(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 for the period attributable to the Company's shareholders of HK$8,906 million (2022: HK$9,465 million), which excluded the net effect of change in the valuation of investment properties. A reconciliation of profit is as follows:

	Six months ended 31 December	
	2023	2022
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**9,145**	8,410
(Increase)/decrease in fair value of investment properties		
Subsidiaries	**(13)**	348
Associates	**(56)**	(88)
Joint ventures	**(40)**	946
	(109)	1,206
Effect of corresponding deferred tax expenses		
Subsidiaries	**(280)**	(217)
Joint ventures	**(37)**	(32)
Non-controlling interests	**(6)**	10
Unrealized fair value (gains)/losses of investment properties net of deferred tax	**(432)**	967
Fair value gains of investment properties net of deferred tax realized on disposal	**193**	88
Net effect of change in fair value of investment properties	**(239)**	1,055
Underlying profit attributable to the Company's shareholders	**8,906**	9,465

(Expressed in millions of Hong Kong dollars)

7. Dividends

(a) Interim dividend payable to equity shareholders of the Company declared after the interim period

	Six months ended 31 December 2023	Six months ended 31 December 2022
Interim dividend declared after the interim period of HK$0.95 (2022: HK$1.25) per share	**2,753**	3,622

The interim dividend declared after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) Final dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 31 December 2023	Six months ended 31 December 2022
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$3.70 (2022: HK$3.70) per share	**10,722**	10,722

8. Investment Properties

(a) Movement during the period

	Completed	**Under development**	**Total**
Valuation			
At 1 July 2023	**337,987**	**65,572**	**403,559**
Additions	**481**	**3,103**	**3,584**
Transfer upon completion	**8,246**	**(8,246)**	**-**
Disposals	**(219)**	**-**	**(219)**
Transfer to property, plant and equipment	**(209)**	**-**	**(209)**
Exchange difference	**1,444**	**643**	**2,087**
Increase/(decrease) in fair value	**575**	**(562)**	**13**
At 31 December 2023	**348,305**	**60,510**	**408,815**

(Expressed in millions of Hong Kong dollars)

(b) The Group's investment properties were valued at their fair values at 31 December 2023 and 30 June 2023 by Knight Frank Petty Limited, an independent firm of professional qualified valuers, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors.

The Group's completed investment properties are valued using the income capitalization method by capitalizing the net income from the existing tenancies and reversionary income potential at appropriate capitalization rates for individual properties. The capitalization rate adopted is derived by making reference to the yields achieved from analysis of comparable property investment transactions and valuer's view of prevailing investor expectations regarding rental growth and perceived risks.

The Group's investment properties under development are valued using the residual method by estimating the value of the property when completed using income capitalization method with reference to comparable sales transactions assuming that the property had been completed in accordance with the current development plan on the valuation date less the costs that will be incurred to complete the development with appropriate allowance for profit and risk.

Set out below is the significant unobservable inputs used for fair value measurements:

	Fair value		**Weighted average capitalization rate**	
	31 December 2023	30 June 2023	**31 December 2023**	30 June 2023
Completed				
Hong Kong	**272,238**	263,266	**5.1%**	5.1%
Mainland	**76,067**	74,721	**6.6%**	6.6%
	348,305	337,987		

	Fair value (residual method)		**Capitalization rate**	
	31 December 2023	30 June 2023	**31 December 2023**	30 June 2023
Under development				
Hong Kong	**26,834**	33,151	**3.0%-5.5%**	3.0%-5.5%
Mainland	**33,676**	32,421	**5.0%-8.8%**	5.0%-8.8%
	60,510	65,572		

9. Trade and Other Receivables

Included in trade and other receivables of the Group are trade receivables of HK$3,793 million (30 June 2023: HK$3,818 million), of which 58% are aged less than 30 days, 17% between 31 to 60 days, 6% between 61 to 90 days and 19% more than 90 days (30 June 2023: 65%, 14%, 6% and 15% respectively).

10. Trade and Other Payables

Included in trade and other payables of the Group are trade payables of HK$3,079 million (30 June 2023: HK$3,259 million), of which 61% are aged less than 30 days, 8% between 31 to 60 days, 4% between 61 to 90 days and 27% more than 90 days (30 June 2023: 66%, 7%, 4% and 23% respectively).

FINANCIAL REVIEW

REVIEW OF RESULT FOR THE FIRST HALF OF FY2023/24

Underlying profit attributable to the Company's shareholders for the six months ended 31 December 2023 was HK$8,906 million, decreased by 6% or HK$559 million compared with HK$9,465 million reported in the same period last year.

Including the net effect of revaluation changes on investment properties, the Company reported an attributable profit to shareholders of HK$9,145 million, representing an increase of HK$735 million or 9% compared with HK$8,410 million for the same period last year.

	Six months ended 31 December	
	2023	2022
	HK$ Million	*HK$ Million*
Underlying profit attributable to Company's shareholders	**8,906**	9,465
Adjustment for net revaluation movements on investment properties		
Net revaluation gain/(loss)	**432**	(967)
Valuation gains realized on disposal	**(193)**	(88)
Net effect	**239**	(1,055)
Profit attributable to Company's shareholders	**9,145**	8,410

Total revenue of the Group's business segments (including share of joint ventures and associates) for the six months ended 31 December 2023 was HK$33,930 million (2022: HK$33,864 million). Segment operating profit was HK$14,348 million, decreased by 2% compared with the same period last year. The decrease was primarily attributable to lower property development profit from the Mainland, which was largely offset by the increase in net profit contributions from property rental, hotel and other non-property businesses.

Revenue and Operating profit/(loss) by segment for the six months ended 31 December (including share of joint ventures and associates)

	Revenue		Operating profit/(loss)	
	2023	2022	**2023**	2022
	HK$ Million	*HK$ Million*	***HK$ Million***	*HK$ Million*
Property sales				
Hong Kong	**3,612**	2,885	**1,235**	1,200
Mainland	**1,594**	4,031	**805**	2,166
	5,206	6,916	**2,040**	3,366
Property rental				
Hong Kong	**8,941**	8,772	**6,574**	6,393
Mainland	**3,139**	2,798	**2,473**	2,218
Singapore	**374**	357	**279**	276
	12,454	11,927	**9,326**	8,887
Hotel operations	**2,757**	1,860	**430**	(63)
Telecommunications	**3,390**	3,809	**361**	391
Transport infrastructure and logistics	**4,342**	3,886	**947**	799
Data centre operations	**1,290**	1,108	**616**	557
Other businesses	**4,491**	4,358	**628**	681
Segment total	**33,930**	33,864	**14,348**	14,618

Revenue from property sales (including share of joint ventures) in Hong Kong for the six months ended 31 December 2023 increased by 25% year-on-year to HK$3,612 million, and was mainly derived from sales of residential units in Grand YOHO Phase 2, PARK YOHO Bologna, PARK YOHO Napoli, Wetland Seasons Bay Phases 2 and 3 and KENNEDY 38. Development profit increased by 3% to HK$1,235 million. Profit margin was 34% compared with 42% for the same period last year. No revenue was recognized during the period from the Group's current year's residential development projects for sales, which are all scheduled for handover in the second half of the financial year. Major residential developments completing in the second half include Silicon Hill, University Hill, NOVO LAND Phases 2A and 2B and Grand Jete.

Revenue from property sales (including share of joint ventures) on the Mainland decreased by 60% to HK$1,594 million, mainly due to lower sales volume of residential units. Development profit decreased by 63% to HK$805 million. The contributions were mainly attributable to sales of residential units in Shanghai Cullinan, Forrest Hills, Grand Waterfront Phase 3 and Oriental Bund.

As at 31 December 2023, contracted property sales attributable to the Group (including share of joint ventures) not yet recognized amounted to HK$38.9 billion, comprising HK$32.8 billion in Hong Kong, of which about HK$22.4 billion is expected to be recognized in the second half of the current financial year and HK$9.4 billion in the next financial year, and HK$6.1 billion on the Mainland.

Rental revenue of property investment in Hong Kong, including share of joint ventures and associates, increased by 2% to HK$8,941 million. Net rental income increased by 3% to HK$6,574 million. The increase in revenue was mainly driven by increased contribution from the retail and the serviced apartment segments. The retail portfolio saw a revenue increase of 4% to HK$4,633 million, while the office portfolio recorded a revenue drop of 3% to HK$3,005 million due to negative rental reversions. Revenue from the Group's residential and serviced apartment portfolio grew by 15% year-on-year, driven mostly by increase in rent rates as well as the contribution from TOWNPLACE WEST KOWLOON, the Group's brand-new serviced apartment in West Kowloon.

Rental revenue and net rental income of the Mainland portfolio, including share of joint ventures, increased by 12% and 11% in Hong Kong dollar terms to HK$3,139 million and HK$2,473 million, respectively. In Renminbi ("RMB") terms, rental revenue increased by 16% to RMB2,896 million, driven mainly by rental growth from the retail portfolio and the absence of rental concession.

Hotel segment (including share of joint ventures) recorded a 48% year-on-year increase in revenue to HK$2,757 million. Operating profit amounted to HK$430 million (after depreciation charge of HK$333 million) compared to an operating loss of HK$63 million for the same period last year. Room rate and occupancy continued to improve amid a strong pick up in events and increase in leisure tourists. An average occupancy rate of 84% was achieved for the Group's hotels in Hong Kong during the period.

SmarTone reported a revenue of HK$3,390 million, decreased by 11% and operating profit of HK$361 million, down by 8% as compared with the same period last year. The year-on-year decrease was mainly due to reduced handset sales. Total service revenue remained resilient with notable recovery from roaming business amid fierce competition in the local mobile market.

Transport infrastructure and logistics segment (including share of joint ventures and associates) reported a revenue growth of 12% to HK$4,342 million with operating profit increased by 19% to HK$947 million. The increase was largely contributed by improved performance in business aviation centre operation, toll road and franchised bus business following the resumption of cross-border travel.

SUNeVision's revenue increased by 16% to HK$1,290 million and operating profit increased by 11% to HK$616 million, driven by continued demand for data centre services from both Mainland and multi-national customers.

The Group's other businesses (including share of joint ventures and associates), which include mainly property management, department store operations and financial services, reported a revenue and operating profit of HK$4,491 million and HK$628 million, respectively. Performance of this segment was steady during the period under review, with YATA currently undergoing a revamp and upgrade of its stores to cope with the changing customer needs for shopping experience.

Fair Value Change of Investment Properties

Investment properties were carried at fair values based on independent valuation as at 31 December 2023.

The Group recorded a net unrealized gain of HK$13 million (2022: loss of HK$348 million) arising from investment properties revaluation and shared a net revaluation gain of HK$96 million (2022: loss of HK$858 million) on revaluation of investment properties held by its joint ventures and associates. Net unrealized revaluation gain attributable to the Company's shareholders, after related deferred taxation and non-controlling interests, was HK$432 million (2022: loss of HK$967 million). The net revaluation gain was mainly attributable to revaluation gain from the retail and serviced apartment portfolio driven by increase in rent rates, offset by revaluation loss of the office portfolio due to lower market rents.

Financial Management

The Group continues to adopt a disciplined approach in financial management by maintaining a strong balance sheet and a diversified base of funding sources with sufficient financial resources to support operations and business growth. The Group constantly reviews its capital structure and financial position to ensure that it remains financially sound, so that the Group can continue to provide returns to shareholders while keeping financial leverage at a prudent level.

The entire Group's financing risk management, financing and treasury activities are centrally managed and controlled at the corporate level.

Gearing Ratio

The Group's balance sheet remains strong. Shareholders' equity was HK$602.3 billion or HK$207.9 per share as at 31 December 2023 compared with HK$602.1 billion as at 30 June 2023. The increase was primarily attributable to profit attributable to the shareholders of HK$9.1 billion and foreign exchange gain of HK$2.2 billion on translation of financial statements of the Mainland and overseas operations, net of dividends of HK$10.7 billion paid during the period.

As at 31 December 2023, the Group's net debt amounted to HK$127,786 million (30 June 2023: HK$109,773 million). Gearing ratio as at 31 December 2023, calculated on the basis of net debt to shareholders' equity of the Company, was 21.2% compared to 18.2% as at 30 June 2023. The increase in net debt primarily reflects that a substantial portion of the residential sale proceeds in Hong Kong have not been received during the period under review. These proceeds are expected to be received upon delivery of the residential units to the customers within the next several months. Consequently, the Group's net debt position is anticipated to improve significantly once these payments are realized.

Finance Costs and Interest Cover

For the six months ended 31 December 2023, net finance costs including capitalized interest increased by HK$1,048 million to HK$2,869 million, reflecting higher average effective cost of borrowings, which went up to 4.5% (2022: 3.1%), mainly due to rising HIBOR rates. Net finance costs charged to the income statement (after interest capitalized) increased by HK$545 million to HK$1,760 million.

Interest cover for the period was 3.8 times (2022: 6 times), measured by the ratio of operating profit to total net interest expenses including those capitalized.

The average effective interest rate of the Group's borrowings for the six months ended 31 December 2023 is analyzed as follows:

	Six months ended 31 December	
	2023	2022
Fixed rate	**2.7%**	2.8%
Floating rate	**5.3%**	3.2%
Weighted average interest rate	**4.5%**	3.1%

Debt Maturity Profile and Composition

As at 31 December 2023, the Group's gross borrowings totalled HK$135,717 million, of which 78% were raised through its wholly-owned finance subsidiaries and the remaining 22% through operating subsidiaries.

The maturity profile of the Group's gross borrowings is set out as follows:

	At 31 December 2023		At 30 June 2023	
	HK$ Million	**% of Total**	*HK$ Million*	% of Total
Repayable:				
Within one year	**20,290**	**15%**	7,508	6%
After one year but within two years	**14,596**	**11%**	31,999	26%
After two years but within five years	**75,033**	**55%**	57,595	46%
After five years	**25,798**	**19%**	27,951	22%
Total bank and other borrowings	**135,717**	**100%**	125,053	100%
Bank deposits and cash	**7,931**		15,280	
Net debt	**127,786**		109,773	

The Group's debt maturity profile was well-staggered with around 74% of the borrowings repayable after two years. The weighted average duration of the entire debt portfolio was approximately 3.4 years as at 31 December 2023.

Composition of the Group's debt portfolio is as follows:

(i) By currency (after currency swap)

	At 31 December 2023		At 30 June 2023	
	HK$ Million	**% of Total**	*HK$ Million*	% of Total
Hong Kong dollar	**113,114**	**83%**	105,861	85%
RMB	**20,948**	**16%**	17,565	14%
British pound	**1,655**	**1%**	1,627	1%
Total borrowings	**135,717**	**100%**	125,053	100%

When financing operations outside Hong Kong, the Group will borrow on the same currency as the underlying assets or when feasible, hedge through cross currency swaps for exchange risk exposure. At 31 December 2023, about 16% of the Group's total borrowings were denominated in RMB to act as natural hedges of net investments in the Mainland.

(ii) By fixed or floating interest (after interest rate swap)

	At 31 December 2023		At 30 June 2023	
	HK$ Million	**% of Total**	*HK$ Million*	% of Total
Fixed	**39,301**	**29%**	37,197	30%
Floating				
- Hong Kong dollar	**78,583**	**58%**	71,031	57%
- RMB	**16,178**	**12%**	15,198	12%
- British pound	**1,655**	**1%**	1,627	1%
Total borrowings	**135,717**	**100%**	125,053	100%

The Group's fixed-rate borrowings mainly consist of medium-term notes and a RMB2,000 million commercial mortgage-backed securities issued on the Mainland in September 2022.

Financial Resources

The Group's strong financial strength enables it to raise long-term financing from various sources at competitive rates. As part of its prudent debt management policy, the Group has always secured substantial amount of undrawn committed banking facilities, most of which are arranged on a medium to long-term basis with a well-balanced maturity profile, to help minimize refinancing risk and attain financing flexibility, while optimizing financing cost. The Group closely monitors its liquidity and financing requirements to ensure that available financial resources are in place to cover its financing needs.

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

Foreign Exchange Rate Risk Management

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollar, which is the Group's presentation currency.

The Group is exposed to currency translation risk arising from translating the financial statements of subsidiaries and joint ventures operating in the Mainland. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in Mainland. Land acquisition costs for the Mainland projects are principally financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through internal resources and borrowings in RMB as natural hedges to minimize the Group's exposure to exchange rate risk. As at 31 December 2023, approximately 19% of the Group's net assets were denominated in RMB. Compared with 30 June 2023, RMB appreciated against Hong Kong dollar by 2%. The translation of these RMB assets into Hong Kong dollar at the exchange rate as of 31 December 2023 resulted in a translation gain of approximately HK$2.1 billion (2022: loss of HK$4.2 billion), which was recognized in the exchange reserve.

The Group has insignificant currency risk exposure associated with certain monetary assets and liabilities denominated in foreign currencies. Where feasible and cost effective, the Group may enter into foreign exchange contracts to reduce the currency risk.

Derivative Instruments

As at 31 December 2023, the Group has entered into certain interest rate swaps, cross currency interest rate swaps and forward foreign exchange contracts in the aggregate notional amount of HK$17,659 million to manage its interest rate risk and currency risk exposures. The use of derivative instruments is strictly controlled and solely for hedging 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.

Bank Deposits and Cash

As at 31 December 2023, the Group's bank deposits and cash amounted to HK$7,931 million, of which 51% were denominated in Hong Kong dollar, 33% in RMB, and the remaining 16% mostly in US dollar. The RMB deposits were mostly held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

All deposits are placed with banks carrying strong credit ratings with appropriate credit limits assigned relative to their credit strength, and are regularly monitored for exposures to each financial counterparty.

Charges of Assets

As at 31 December 2023, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$48 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$4,803 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

Contingent Liabilities

As at 31 December 2023, the Group had contingent liabilities in respect of guarantees for bank borrowings of certain joint ventures and other guarantees in the aggregate amount of HK$1,967 million (30 June 2023: HK$2,072 million).

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 31 December 2023, the Group employed more than 40,000 employees. The related employees' costs before reimbursements for the six months ended 31 December 2023 amounted to approximately HK$7,135 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. Share option and share award schemes have also been adopted by certain subsidiaries of the Company 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 also in place for the Executive Directors.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") has declared an interim dividend of HK$0.95 per share (2022: HK$1.25 per share) for the six months ended 31 December 2023 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Thursday, 14 March 2024. The interim dividend will be payable in cash on Wednesday, 20 March 2024. Shares of the Company will be traded ex-dividend as from Tuesday, 12 March 2024.

CLOSURE OF REGISTER OF MEMBERS

The record date for ascertaining Shareholders' entitlement to the interim dividend will be Thursday, 14 March 2024, during which the register of members of the Company will be closed and no transfer of shares will be registered. In order to establish entitlements to the interim dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 13 March 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2023.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2023 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 will be set out in the 2023/24 interim report. The interim results have also been reviewed by the Audit and Risk Management Committee of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2023, the Company has complied with the code provisions (the “Code Provisions”) of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, except that there is no separation of the roles of chairman and chief executive as required under Code Provision C.2.1. However, the powers and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management. In addition, there are two 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.

INTERIM REPORT

The 2023/24 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 before the end of March 2024.

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

Hong Kong, 28 February 2024

As at the date hereof, the Board comprises ten Executive Directors, being KWOK Ping-luen, Raymond (Chairman and 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, KWOK Kai-wang, Christopher, TUNG Chi-ho, Eric, FUNG Yuk-lun, Allen, LAU Tak-yeung, Albert, FUNG Sau-yim, Maureen and CHAN Hong-ki, Robert; two Non-Executive Directors, being KWAN Cheuk-yin, William and KWOK Kai-chun, Geoffrey; 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 KO May-yee, Margaret and FAN Hung-ling, Henry.