恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Stock Code: 12

2018
Interim Report

Contents

HIGHLIGHTS OF 2018 INTERIM RESULTS

	Note	For the six months ended 30 June 2018 unaudited HK$ million	 2017 unaudited HK$ million	Note 1	Change
Property sales					
– Revenue	2	**10,323**	9,828	(restated)	**+5%**
– Pre-tax profit contribution	2, 3	**3,994**	2,336	(restated)	**+71%**
Property leasing					
– Gross rental income	2	**4,454**	4,143		**+8%**
– Pre-tax net rental income	2	**3,534**	3,303		**+7%**
Profit attributable to equity shareholders					
– Underlying profit	4	**13,859**	9,106	(restated)	**+52%**
– Reported profit		**15,030**	13,073	(restated)	**+15%**
		HK$	HK$		
Earnings per share					
– Based on underlying profit	4, 5	**3.15**	2.07	(restated)	**+52%**
– Based on reported profit	5	**3.42**	2.97	(restated)	**+15%**
Interim dividend per share		**0.50**	0.48		**+4%**

	Note	At 30 June 2018 unaudited HK$	At 31 December 2017 audited HK$	Note 1	Change
Net asset value per share	5	**68.69**	66.48	(restated)	**+3%**
Net debt to shareholders' equity		**23.3%**	19.0%		**+4.3 percentage points**

	Note	Million square feet	Million square feet
Properties in Hong Kong			
Land bank (attributable floor area)			
– Properties under development	6	**14.1**	14.0
– Unsold units from major launched projects		**0.9**	1.1
	Sub-total:	**15.0**	15.1
– Completed properties (including hotels) for rental		**9.4**	9.4
	Total:	**24.4**	24.5
New Territories land (attributable land area)		**45.3**	44.9
Properties in Mainland China			
Land bank (attributable floor area)			
– Properties held for/under development		**35.9**	35.5
– Completed stock for sale		**0.8**	1.0
– Completed properties for rental		**6.4**	6.4
		43.1	42.9

Note 1: The comparative figures are restated under the adoption of Hong Kong Financial Reporting Standard 15 "Revenue from contracts with customers", which was effective on 1 January 2018.

Note 2: This amount includes the Group's attributable share of contributions from subsidiaries, associates and joint ventures ("JVs").

Note 3: If the fair value change of the related properties is excluded, the pre-tax underlying profit contribution for the six months ended 30 June 2018 should be HK$4,113 million (2017: HK$2,388 million).

Note 4: Excluding the Group's attributable share of fair value change (net of tax) of the investment properties held by subsidiaries, associates and JVs.

Note 5: The earnings per share were calculated based on the weighted average number of shares as adjusted for the effect of the bonus issues under Hong Kong Accounting Standard 33, "Earnings per share". The net asset value per share at 30 June 2018 was calculated based on the number of issued shares outstanding at 30 June 2018, whilst the net asset value per share at 31 December 2017 was calculated based on the number of issued shares outstanding at 31 December 2017 and as adjusted for the bonus issue effected in 2018.

Note 6: Including the total attributable developable area of about 4.4 million square feet from the projects in Fanling North and Wo Shang Wai, which are subject to finalisation of land premium.

Interim Results and Dividend

The Board of Directors announces that for the six months ended 30 June 2018, the (unaudited) Group's reported profit attributable to equity shareholders amounted to HK$15,030 million, representing an increase of HK$1,957 million or 15% over the HK$13,073 million (restated) for the same period last year. Reported earnings per share were HK$3.42 (2017: HK$2.97 restated and as adjusted for the bonus issue in 2018).

Excluding the fair value change (net of non-controlling interests and tax) of investment properties and investment properties under development, the Group's Underlying Profit attributable to equity shareholders for the period under review was HK$13,859 million, representing an increase of HK$4,753 million or 52% over the HK$9,106 million (restated) for the same period last year. Underlying Earnings Per Share were HK$3.15 (2017: HK$2.07 restated and as adjusted for the bonus issue in 2018).

The Board has resolved to pay an interim dividend of HK$0.50 per share (2017: HK$0.48 per share) to shareholders whose names appear on the Register of Members of the Company on Monday, 10 September 2018 and such interim dividend will not be subject to any withholding tax in Hong Kong.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 7 September 2018 to Monday, 10 September 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 6 September 2018. The interim dividend will be distributed to shareholders on Tuesday, 18 September 2018.

Management Discussion and Analysis

Business Review

The Group's underlying profit attributable to equity shareholders for the six months ended 30 June 2018 was up by 52% to HK$13,859 million, mainly attributable to:

(1) the increase of 71% period-on-period to HK$3,994 million in the attributable pre-tax profit contribution from property sales (comprising the attributable contributions from subsidiaries, associates and joint ventures), which included an attributable pre-tax profit of HK$2,780 million arising from the transfer of equity interest in the company holding the entire residential development project at Kwun Chui Road, Tuen Mun;

(2) the increase of 7% period-on-period to HK$3,534 million in the attributable pre-tax net rental income (comprising the attributable contributions from subsidiaries, associates and joint ventures); and

(3) a total attributable post-tax underlying profit contribution of HK$6,255 million arising from the disposal of various investment properties, which included the gain of HK$5,609 million from the disposal of equity interest in the office tower at 18 King Wah Road, North Point.

Hong Kong

Property Sale

The U.S. Federal Reserve raised interest rates twice in the first half of 2018. However, Hong Kong's economy remained resilient and mortgage interest rates relatively low. The property market in Hong Kong therefore continued to perform well, with solid housing demand from end-users.

The Group released two residential developments for sales during the period, namely, "South Walk • Aura" in Aberdeen and "Cetus • Square Mile" in Mongkok, both of which sold well. Current projects such as "Eden Manor" adjacent to the Hong Kong Golf Club in Fanling, "Double Cove" (Phases 1-5) in Ma On Shan as well as the urban redevelopment boutique residences, "The H Collection", were also well received. In addition, the Group transferred the equity interest in the company indirectly holding a waterfront Grade-A office tower at 18 King Wah Road, North Point, which boasts a total gross floor area of about 330,000 square feet, in January 2018 for a consideration of about HK$9,950 million. This represents an average selling price of over HK$30,000 per square foot of gross floor area, a record high in that area. Together with the disposal of some other industrial and commercial units such as "Mega Cube" in Kowloon Bay, "Global Gateway Tower" and "The Globe" in Cheung Sha Wan, as well as certain shop units and carparks, the Group sold HK$18,994 million worth of Hong Kong properties in attributable terms for the six months ended 30 June 2018, an increase of 43% as compared with HK$13,268 million for the same period last year.

After the end of the reviewed period, the Group entered into a conditional agreement in July 2018 to transfer equity interest in the company directly and indirectly holding the 160,000-square-foot commercial development at 8 Observatory Road, Tsim Sha Tsui, for a consideration of HK$4,100 million (subject to adjustment). The transaction is scheduled for completion in 2019. The Group has 50% interest in the property.

Property Development

In February 2018, the Group acquired interests in two residential land lots adjacent to each other in Kai Tak Development Area at the total consideration of approximately HK$15,958 million. The land lots will be developed into stylish, luxury residences with an aggregate gross floor area of about 1.1 million square feet. They will be completed in phases from 2022 onwards.

Meanwhile, the Group has 49 urban redevelopment projects with 80% to 100% of their ownerships acquired, with total attributable gross floor area enlarged from 4.0 million square feet by the end of 2017 to about 4.4 million square feet at 30 June 2018.

The Group has made use of multiple channels to expand its development land bank in Hong Kong. There will be abundant supply of saleable areas for the Group's property sales, except for a few projects earmarked for rental purposes, in the coming years as follows:

Below is a summary of properties under development and major completed stock:

			No. of projects	Attributable saleable/gross floor area (million sq. ft.) (Note 1)	Remarks
(A)	**Area available for sale in the second half of 2018:**				
1.	Unsold units from major development projects offered for sale	(Table 1)	19	0.9	Of which 123 units were completed with occupation permits
2.	Projects pending sale in the second half of 2018	(Table 2)	3	0.4	
			Sub-total:	**1.3**	Of which an attributable floor area of about 530,000 sq. ft. was sourced from urban redevelopment projects
(B)	**Projects in Urban Areas:**				
3.	Existing urban redevelopment projects	(Table 3)	4	1.1	Dates of sales launch are not yet fixed and one of them is pending finalisation of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects – with ownership fully consolidated	(Table 4)	25	2.2	Most of them are expected to be available for sale or lease in 2019-2020
5.	Newly-acquired Urban Redevelopment Projects – with 80% or above ownership secured	(Table 5)	24	2.2	Most of them are expected to be available for sale in 2020-2022
6.	Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured	(Table 6)	29	0.7	Redevelopments of these projects are subject to successful consolidation of their ownerships
7.	15 Middle Road, Tsim Sha Tsui (acquired through public tender)		1	0.3	To be held for rental purposes upon completion of development
8.	Murray Road, Central (acquired through public tender)		1	0.5	To be held for rental purposes upon completion of development
9.	Kai Tak Development Area		2	1.1	Expected to be available for sale in 2020
			Sub-total:	**8.1**	
	Total for the above categories (A) and (B) development projects:			**9.4**	

		Attributable saleable/gross floor area (million sq. ft.) (Note 1)	Remarks
(C)	**Major development projects in the New Territories:**		
	– Fanling North	3.5	(Note 2)
	– Wo Shang Wai	0.9	(Note 2)
	– Fanling Sheung Shui Town Lot No. 262, Fanling North	0.6	
	– Fanling Sheung Shui Town Lot No. 263, Kwu Tung	0.3	
	– Others (including the project at Lot No. 1752 in DD No. 122 Tong Yan San Tsuen, Yuen Long)	0.3	
	Sub-total:	**5.6**	
	Total for categories (A) to (C):	**15.0**	

Note 1: Gross floor area is calculated on the basis of the Buildings Department's approved plans or the Government's latest town planning parameters, as well as the Company's development plans. For certain projects, it may be subject to change depending on the actual needs in future.

Note 2: Developable area is subject to finalisation of land premium.

(Table 1) Unsold units from the major development projects offered for sale

There are 19 major development projects available for sale:

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type of development	Group's interest (%)	At 30 June 2018 No. of residential units remaining unsold	At 30 June 2018 Saleable area remaining unsold (sq. ft.)
1.	Eden Manor 88 Castle Peak Road Kwu Tung	154,280	555,399	Residential	100.00	316	353,819
2.	Double Cove – Phases 1-5 8 Wu Kai Sha Road Ma On Shan	1,042,397	2,950,640	Commercial/ Residential	59.00	94	169,337
3.	NOVUM EAST 856 King's Road Quarry Bay	17,720	177,794	Commercial/ Residential	100.00	246	68,889*
4.	Wellesley 23 Robinson Road Mid-Levels	31,380	156,900	Residential	50.00 (Note 1)	28	47,195*
5.	NOVUM WEST 460 Queen's Road West Sai Ying Pun	28,027	272,477	Commercial/ Residential	100.00	153	46,719*
6.	Cetus • Square Mile 18 Ka Shin Street Mong Kok	19,610	176,422	Commercial/ Residential	100.00	132	36,516*
7.	Seven Victory Avenue 7 Victory Avenue Ho Man Tin	9,865	83,245	Commercial/ Residential	100.00	34	12,806*
8.	Hill Paramount 18 Hin Tai Street Shatin	95,175	358,048	Residential	100.00	4	11,742
9.	High Park Grand 68 Boundary Street Mong Kok	6,750	60,750	Commercial/ Residential	100.00	8	9,924*
10.	South Walk • Aura 12 Tin Wan Street Aberdeen	4,060	37,550	Commercial/ Residential	100.00	29	6,858*
11.	Green Lodge 23 Ma Fung Ling Road Yuen Long	78,781	78,781	Residential	100.00	2	6,617
12.	The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	4	5,362

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type of development	Group's interest (%)	At 30 June 2018 No. of residential units remaining unsold	At 30 June 2018 Saleable area remaining unsold (sq. ft.)
13.	H • Bonaire 68 Main Street Ap Lei Chau	7,953	65,761	Commercial/ Residential	100.00	5	3,062*
14.	PARKER33 33 Shing On Street Shau Kei Wan	7,513	80,090	Commercial/ Residential	100.00	3	1,738*
15.	Jones Hive 8 Jones Street Causeway Bay	6,529	65,267	Residential	79.762	3	999*
16.	Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	28,004	336,052	Industrial	100.00	Not applicable	79,605* (Note 2)
17.	The Globe 79 Wing Hong Street Cheung Sha Wan	14,343	172,113	Office	100.00	Not applicable	64,557 (Note 2)
18.	E-Trade Plaza 24 Lee Chung Street Chai Wan	11,590	173,850	Office	100.00	Not applicable	60,359 (Note 2)
19.	Mega Cube 8 Wang Kwong Road Kowloon Bay	21,528	171,194	Office	100.00	Not applicable	48,622 (Note 2)
					Total:	**1,061**	**1,034,726**
					Area attributable to the Group:		**940,374**

Note 1: Representing the Group's interest after the allocation of the relevant residential units to each of the involved developers separately on a proportional basis under the "Deed of Mutual Grant and Covenant and Management Agreement".

Note 2: Representing the office, industrial or shop area.

* Urban redevelopment projects totalling approximately 290,000 square feet of remaining area attributable to the Group.

Out of the above 1,061 unsold units, 123 units were completed with occupation permits.

(Table 2) Projects pending sale in the second half of 2018

In the absence of unforeseen delays, the following 3 projects will be available for sale in the second half of 2018:

	Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type of development	Group's interest (%)	No. of residential units	Residential gross floor area (sq. ft.)
1.	57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street To Kwa Wan	23,031	207,257	Commercial/ Residential	100.00	551	172,722*
2.	Yuen Long Town Lot No. 524 (Note)	48,933	171,266	Residential	79.03	504	171,266
3.	342-356 Un Chau Street Cheung Sha Wan	9,157	81,063	Commercial/ Residential	100.00	200	64,333*
					Total:	**1,255**	**408,321**
					Area attributable to the Group:		**372,407**

Note: Pending the issue of pre-sale consent.

* Urban redevelopment projects totalling approximately 240,000 square feet of area attributable to the Group.

(Table 3) Existing urban redevelopment projects

The Group has a total of 4 existing projects under redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 1.1 million square feet in attributable gross floor area in the urban areas based on the Buildings Department's approved plans or the Government's latest town planning:

	Project name and location	Site area (sq. ft.)	Expected gross floor area upon redevelopment (sq. ft.)	Group's interest (%)	Expected attributable gross floor area upon redevelopment (sq. ft.)
1.	Yau Tong Bay Kowloon (Note 1)	810,454	3,992,604	22.80	910,314
2.	218 Electric Road North Point, Hong Kong (Note 2)	9,600	143,997	100.00	143,997
3.	H Code 45 Pottinger Street Central, Hong Kong (Note 3)	9,067	135,995	19.10	25,975
4.	29A Lugard Road The Peak, Hong Kong	23,653	11,826	100.00	11,826
	Total:	**852,774**	**4,284,422**		**1,092,112**

Note 1: The modified master layout plan was approved in February 2015 and is pending finalisation of land premium with the Government.

Note 2: Investment property.

Note 3: This investment property was completed in August 2018.

(Table 4) Newly-acquired Urban Redevelopment Projects – with Ownership Fully Consolidated

There are 25 newly-acquired urban redevelopment projects with ownership fully consolidated. In the absence of unforeseen delays, most of these projects are expected to be available for sale or lease in 2019-2020 and their expected attributable gross floor areas, based on the Buildings Department's approved plans or the Government's latest town planning, are as follows:

	Project name and location	Site area (sq. ft.)	Expected attributable gross floor area upon redevelopment (sq. ft.)	
Hong Kong				
1.	1-19 Chung Ching Street and 21 Ki Ling Lane, Sheung Wan	7,858	90,048	
2.	1-4 Ladder Street Terrace, Sheung Wan	2,860	14,300	
3.	206-212 Johnston Road, Wanchai	4,339	65,083	(Note 1)
4.	17 Wood Road, Wanchai	2,015	17,128	(a)
5.	85-95 Shek Pai Wan Road, Aberdeen	4,950	47,025	(b)
6.	62C Robinson Road and 6 Seymour Terrace, Mid-Levels	3,855	33,760	
7.	4A-4P Seymour Road, Mid-Levels (65% stake held by the Group)	52,466	306,921	
8.	73-73E Caine Road, Mid-Levels	6,781	60,659	
9.	98-100 Robinson Road, Mid-Levels	5,798	28,990	(c)
10.	2 Tai Cheong Street, Sai Wan Ho	13,713	123,417	
11.	65-71 Main Street, Ap Lei Chau	4,800	40,015	
	Sub-total:	**109,435**	**827,346**	
Kowloon				
12.	2A-2F Tak Shing Street, Jordan	10,614	89,229	
13.	25-29 Kok Cheung Street, Tai Kok Tsui	26,953	227,411	
14.	35-47 Li Tak Street, 2-16 Kok Cheung Street and 32-44 Fuk Chak Street, Tai Kok Tsui	20,114	181,025	
15.	11-19 Wing Lung Street, Cheung Sha Wan	6,510	58,300	(Note 2)
16.	456-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street Sham Shui Po	22,966	194,397	(Note 2)
17.	1-15 Berwick Street and 202-220 Nam Cheong Street, Shek Kip Mei	20,288	162,304	(d)

	Project name and location	Site area (sq. ft.)	Expected attributable gross floor area upon redevelopment (sq. ft.)	
18.	3-8 Yiu Tung Street, Shek Kip Mei	7,313	58,504	(d)
19.	75-77 Baker Street and 30-44 Gillies Avenue South, Hung Hom	13,175	118,575	
20.	31-33 Whampoa Street, Hung Hom	3,000	27,000	(e)
21.	39-41 Whampoa Street and 12A-12B and 22-22A Bulkeley Street and 46-50 Gillies Avenue South, Hung Hom	7,700	69,300	(f)
22.	14-16 and 26-28 Gillies Avenue South and 76-78 Baker Street Hung Hom	6,375	57,375	(g)
23.	67-83 Fuk Lo Tsun Road, Kowloon City	10,954	96,666	(Note 2)
24.	4-6 Nam Kok Road, Kowloon City	2,817	23,945	(h)
25.	74-74C Waterloo Road and 15-25 Yau Moon Street Ho Man Tin (49% stake held by the Group)	10,677	39,240	
	Sub-total:	**169,456**	**1,403,271**	
	Total:	**278,891**	**2,230,617**	

Note 1: To be held for rental purposes upon completion of development.

Note 2: Developable area may be subject to payment of land premium.

* In Table 4 above, any project marked alphabetically in the attributable gross floor area column will be jointly developed with the project marked with the corresponding alphabetic character in the attributable gross floor area column of the following Table 5 (when full ownership is acquired).

(Table 5) Newly-acquired Urban Redevelopment Projects – with 80% or above ownership secured

There are 24 newly-acquired urban redevelopment projects with over 80% ownership secured and their ownership will be consolidated by proceeding to court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development. If legal procedures go smoothly and in the absence of unforeseen delays, most of the projects set out below are expected to be available for sale in 2020-2022. On the basis of the Government's latest town planning, the expected attributable gross floor areas are shown as follows:

	Project name and location	Site area (sq. ft.)	Expected attributable gross floor area upon redevelopment (sq. ft.)	
Hong Kong				
1.	13-15 and 19-21 Wood Road and 22-30 Wing Cheung Street, Wanchai	6,069	53,663	(a)
2.	83 Shek Pai Wan Road, Aberdeen	1,128	10,716	(b)
3.	4-6 Tin Wan Street, Aberdeen	1,740	14,790	
4.	9-13 Sun Chun Street, Tai Hang	2,019	18,171	
5.	17-25 Sun Chun Street, Tai Hang	4,497	40,473	
6.	983-987A King's Road and 16-94 Pan Hoi Street Quarry Bay (50% stake held by the Group)	43,882	176,760	
7.	88 Robinson Road, Mid-Levels	10,361	51,805	(c)
8.	94-96 Robinson Road, Mid-Levels	6,362	31,810	(c)
9.	105 Robinson Road, Mid-Levels	27,530	126,638	
10.	33-47 Elgin Street, Mid-Levels	11,011	93,594	
	Sub-total:	**114,599**	**618,420**	

	Project name and location	Site area (sq. ft.)	Expected attributable gross floor area upon redevelopment (sq. ft.)	
Kowloon				
11.	1 Ka Shin Street, 39-53 Tai Kok Tsui Road and 2 Pok Man Street, Tai Kok Tsui	9,642	86,772	
12.	177-199 Tai Kok Tsui Road, Tai Kok Tsui	13,495	121,455	
13.	16-30 Man On Street, Tai Kok Tsui	6,418	57,762	
14.	17-27 Berwick Street, Shek Kip Mei	7,725	61,800	(d)
15.	1-2 and 9-12 Yiu Tung Street, Shek Kip Mei	7,350	58,800	(d)
16.	1-21C Whampoa Street and 80-86 Baker Street, Hung Hom	19,725	177,514	
17.	23-29 and 35-37 Whampoa Street and 79-81 Baker Street, Hung Hom	8,625	77,625	(e)
18.	14-20 Bulkeley Street, Hung Hom	4,200	35,700	(f)
19.	2-12 and 18-24 Gillies Avenue South, Hung Hom	17,000	153,000	(g)
20.	2-16A Whampoa Street, Hung Hom	14,400	129,600	
21.	22-24 Whampoa Street and 88-90A Baker Street, Hung Hom	4,675	42,075	
22.	26-40A Whampoa Street and 83-85 Baker Street, Hung Hom	13,175	118,579	
23.	68-76B To Kwa Wan Road, 58-76 Lok Shan Road, 14-20 Ha Heung Road, 1-7 Lai Wa Street and 1-9 and 2-8 Mei Wa Street, To Kwa Wan	42,506	374,355	
24.	8-22 Nam Kok Road, Kowloon City	7,360	62,560	(h)
	Sub-total:	**176,296**	**1,557,597**	
	Total:	**290,895**	**2,176,017**	

* In Table 5 above, any project marked alphabetically in the attributable gross floor area column will be jointly developed (when full ownership is acquired) with the project marked with the corresponding alphabetic character in the attributable gross floor area column of the above Table 4.

(Table 6) Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, involving 29 projects located in prime urban areas in Hong Kong and Kowloon. Currently, ownership ranging from more than 20% to less than 80% of each project has been achieved. The attributable land areas of these projects total about 200,000 square feet. If and when their ownerships are successfully consolidated, based on the Government's latest town planning, the total estimated attributable gross floor area would be about 1,670,000 square feet upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 710,000 square feet.

Successful acquisitions of the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopments can only be implemented upon acquisition of the full ownership of the relevant projects.

Land Bank

In February 2018, the Group acquired interests in the following two residential land lots adjacent to each other in Kai Tak Development Area at the total consideration of approximately HK$15,958 million. The land lots will be developed into stylish and luxury residences with an aggregate gross floor area of about 1.1 million square feet:

	Location	Lease Expiry	Site area (sq. ft.)	Group's interest (%)	Estimated attributable gross floor area (sq. ft.)
1.	New Kowloon Inland Lot No. 6562, Kai Tak	2066	94,755	100.00	397,920
2.	New Kowloon Inland Lot No. 6565, Kai Tak	2066	121,224	100.00	654,596
				Total:	**1,052,516**

The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 24.4 million square feet, made up as follows:

		Attributable gross floor area (million sq. ft.)
Properties under development (Note)		14.1
Unsold units from major launched projects		0.9
	Sub-total:	**15.0**
Completed properties (including hotels) for rental		9.4
	Total:	**24.4**

Note: Including the total attributable developable area of about 4.4 million square feet from the projects in Fanling North and Wo Shang Wai, which are subject to finalisation of land premium.

Land in Urban Areas

In addition to those already in the sales pipeline as mentioned above, there are currently 49 urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 4.4 million square feet, which are expected to be available for sale or lease in 2019 or beyond. The total land cost of such projects is estimated to be about HK$37,833 million (in spite of the inclusion of pricey street shops and the project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$8,600 per square foot of gross floor area.

During the period under review, the sites for various existing projects were enlarged following the Group's acquisition of the adjacent buildings. In addition, the residential-cum-commercial project at Yau Tong Bay is in the process of application for land exchange.

By acquiring old tenement buildings for urban redevelopment, owners of the dilapidated properties can upgrade to homes with much better living conditions, whilst the old districts will be revitalized. The redevelopment in West Kowloon adjacent to the Olympic MTR station is a manifest example. The Group's various projects spanning Ka Shin Street, Li Tak Street, Kok Cheung Street, Fuk Chak Street, Pok Man Street, Man On Street and Tai Kok Tsui Road are now jointly being developed under the "Square Mile" brand, providing an aggregate gross floor area of over 1.0 million square feet. With a diverse flat mix of housing units and a chic shopping mall, "Square Mile" is complemented by an open-air piazza for cultural and leisure activities, the previously rundown district has been revitalized into a vibrant neighbourhood. The first two phases of its development (namely, "Eltanin • Square Mile" and "Cetus • Square Mile"), which boast a total gross floor area of about 350,000 square feet, have been launched and the market responses were encouraging. In other aged urban areas, similar redevelopments will be carried out to create brand new revitalized communities for the living convenience of more residents.

New Territories land

During the period under review, the Group acquired further New Territories land lots of about 0.4 million square feet, increasing its New Territories land reserves to approximately 45.3 million square feet at 30 June 2018. This represents the largest holding among all property developers in Hong Kong.

In July 2013, the Government announced the result of the "North East New Territories New Development Areas Planning and Engineering Study", of which Kwu Tung North and Fanling North would be treated as the extension of Fanling/Sheung Shui New Town. The Government has also decided to adopt an enhanced Conventional New Town Approach and, subject to specified criteria, private land owners are allowed to apply for in-situ land exchange for private developments. Outline Zoning Plans for both Kwu Tung North and Fanling North were already approved by the Chief Executive-in-Council. Of the Group's land holding of 2.4 million square feet in Fanling North New Development Area, a total land area of roughly over 800,000 square feet is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use by payment of cash compensation. The Group has previously applied for in-situ land exchange for five separate land lots in Fanling North and Kwu Tung North. Two of these were finalized with their land premium settled in December 2017, whereas the remaining three have just been accepted by the Government for further review. These three land lots in Fanling North are expected to provide an aggregate commercial gross floor area of approximately 440,000 square feet and a residential gross floor area of approximately 3.0 million square feet, against their respective site areas of 228,000 square feet, 241,000 square feet and 240,000 square feet. Developable areas for these sites are subject to finalisation of land premium.

According to the aforementioned "North East New Territories New Development Areas Planning and Engineering Study", the region at Ping Che/Ta Kwu Ling will be re-planned in response to the "2013 Policy Address" which proposed an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" on an area of about 5,300 hectares. In September 2014, the Government announced the "Railway Development Strategy", including its long-term extension plan to further extend the railway line to Kwu Tung and Ping Che. The Group has a land holding of about 1.36 million square feet in Ping Che/Ta Kwu Ling which is embodied in the Master Layout Plan of the original "North East New Territories New Development Areas Planning and Engineering Study". In addition, the Group has about 1.09 million square feet of land in the adjacent areas, making a total of about 2.45 million square feet in the region. In order to increase land supply for housing, the Government formulated the Preliminary Outline Development Plan for "Planning and Engineering Study for Housing Sites in Yuen Long South – Investigation" and launched its Stage 2 Community Engagement. It also released the "Land Use Review for Kam Tin South and Pat Heung". The Group holds certain pieces of land in these areas.

As for the "Hung Shui Kiu New Development Area Planning and Engineering Study", the area concerned covers an area of about 714 hectares. The Group holds a total land area of approximately 6.47 million square feet in this location. Under the draft Hung Shui Kiu and Ha Tsuen Outline Zoning Plan, it was proposed to accommodate a new town with a population of about 215,000 people and 60,000 additional flats, of which about 50% are private developments. Impacts to the Group arising from these proposals are to be assessed. The Group will continue to work in line with the Government's development policies and will follow up closely on its development plans.

Besides, the project comprising the development of houses-cum-wetland restoration in Wo Shang Wai, Yuen Long has been approved by the Town Planning Board. With a site area of approximately 2.23 million square feet, this project will comprise about 400 houses, providing a total residential floor area of approximately 890,000 square feet. Negotiation of the land premium is now underway. Project implementation is subject to the finalisation of the land premium amount with the Government.

The Pilot Scheme for Arbitration on Land Premium was introduced by the Government in October 2014 for a trial period of two years, aimed at facilitating the early conclusion of land premium negotiations and expediting land supply for housing and other uses. The Government has extended the Pilot Scheme for two more years to October 2018. The Group will thus consider requesting for arbitration on its land exchange or lease modification cases when necessary.

In order to increase and expedite land supply, the Government announced that the Lands Department would establish a centralized Land Supply Section for speeding up "big ticket" lease modification and land exchange cases and further centralisation of premium assessments, so as to streamline and expedite the development process. The Group will actively work in line with these Government initiatives.

Investment Properties

For the six months ended 30 June 2018, the Group's attributable gross rental income in Hong Kong, including the attributable contributions from subsidiaries, associates and joint ventures, increased by 6% period-on-period to HK$3,511 million. The attributable pre-tax net rental income, including the attributable contributions from subsidiaries, associates and joint ventures, was HK$2,785 million, representing a growth of 5% over the corresponding period of the previous year. Included therein is attributable gross rental income of HK$1,035 million (2017: HK$973 million) contributed from the Group's attributable 40.77% interest in The International Finance Centre ("ifc") project. At the end of June 2018, the average leasing rate for the Group's major rental properties was 98%. Besides, the Group held about 8,000 car parking bays, providing additional rental income.

As at 30 June 2018, the Group held a total attributable gross floor area of approximately 8.9 million square feet of completed investment properties in Hong Kong, with the breakdown as follows:

By type:	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Shopping arcade or retail	4.7	53
Office	3.3	37
Industrial	0.45	5
Residential and hotel apartment	0.45	5
Total:	**8.9**	**100**

By geographical area:	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Hong Kong Island	2.2	24
Kowloon	2.9	33
New Territories	3.8	43
Total:	**8.9**	**100**

Retail portfolio

Given the improvement in both local consumption and tourist arrivals, Hong Kong's retail sector continued to fare well. All the Group's major shopping malls (except those under renovation or undergoing a realignment of tenant mix) recorded nearly full occupancy at the end of June 2018 with steady rental growth.

In addition to the regular facility upgrades of its shopping malls to maintain their competitiveness, the Group also closely watched the market trends and launched many innovative in-mall marketing activities so as to enrich customers' shopping experiences. For instance, the FIFA World Cup has always been one of the most spectacular events. Following the previous success of 2014 FIFA World Cup Brazil, the Group won the exclusive right again this year to open official FIFA licensed shops in Hong Kong at its seven major shopping malls (namely, MCP Central in Tseung Kwan O, Sunshine City Plaza in Ma On Shan, KOLOUR • Tsuen Wan, KOLOUR • Yuen Long, Trend Plaza in Tuen Mun, Sha Tin Plaza and Square Mile in Tai Kok Tsui), selling 2018 FIFA World Cup Russia souvenirs and merchandise. "Zabivaka", the World Cup mascot, was also present at these malls so as to attract more shoppers.

"H Code" at Pottinger Street, Central, is scheduled for opening by the end of 2018. With "Tai Kwun" (a new tourist attraction situated in the restored Central Police Station compound) in its proximity, "H Code" is an ideal place for an array of eateries and retailers on the back of the strong pedestrian flow. Meanwhile, the pre-leasing response for the Ginza-style commercial property at Middle Road, Tsim Sha Tsui, has also been satisfactory, with many tenants enquiring about the development. Atop East Tsim Sha Tsui MTR station, which was just one stop from the forthcoming Express Rail Link West Kowloon Station, this 340,000-square-foot commercial development will provide medical, dining, retail and carparking facilities upon its scheduled completion in 2019. The Group's portfolio of shopping arcade or retail space is set to further expand.

Office portfolio

Benefitting from the improving economy and limited new supply, leasing demand for office space remained robust in Hong Kong. During the period under review, the Group's premium office buildings in the core areas, such as "ifc" in Central, "AIA Tower" in North Point and "FWD Financial Centre" in Sheung Wan, recorded steady rental growth with consistently high occupancy. Meanwhile, the Group's portfolio of office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "52 Hung To Road", also performed well.

In the second half of 2018, pre-leasing for the 140,000-square-foot development project at Electric Road, North Point, will be launched so as to meet the growing market demand. This Grade-A office building, which was recently awarded a top 3-Star China Green Building Label (CGBL) rating for its high environmental standards and green building specifications, is poised to appeal to discerning tenants with an eye on sustainability. The development is scheduled for completion by the end of 2019. Together with the impending development of a 465,000-square-foot Grade-A office tower at Murray Road, Central, the Group's leading position in the core areas of Hong Kong will be further reinforced.

Construction

The newly-completed Grade-A office building at 18 King Wah Road, North Point, achieved the top honour of Grand Award Winner in the Hong Kong Non-Residential (New Building – Non-Government, Institution or Community) Category of the Quality Building Award 2018. These biennial awards are strictly accredited by a panel of judges drawn from nine professional industry organizations, giving the honours unrivalled credibility and prestige. The International Property Awards, which is also highly regarded in the industry around the globe, recently announced the Group's Ginza-style commercial development at 15 Middle Road, Tsim Sha Tsui, as well as residential projects at Sai Yeung Choi Street North, Shum Shui Po and "Park One" in Cheung Sha Wan as the winners in the Asia Pacific region for 2018. These awards are recognition of the Group's commitment to building excellence in all its property developments.

The Group's attention to every detail throughout the different stages of construction is the key to success. For instance, energy-saving and environmentally-friendly features recommended by the Leadership in Energy and Environmental Design (LEED) and Building Environmental Assessment Method (BEAM) Plus rating systems are adopted in the Group's projects. In addition to the use of self-developed pre-fabricated building components, the Group also self-contracted for the foundation piling works of its development projects and participated in the manufacturing of curtain walls, with the aim to expedite the construction process and minimise disruption to their populous neighbourhoods. Against the prevailing backdrop of escalating material costs and shortage of construction workers, all the above measures help improve quality and cost efficiency by reducing manpower and construction waste. Furthermore, with a large number of projects under development, the Group has implemented a series of measures, such as bulk purchases of building materials and electrical equipment, as well as outsourcing to more well-qualified sub-contractors, to further reduce construction costs by economies of scale.

The following development project in Hong Kong was completed during the period under review:

Project name and location	Site area (sq. ft.)	Gross floor area (sq. ft.)	Type of development	Group's interest (%)	Attributable gross floor area (sq. ft.)
Harbour Park 208 Tung Chau Street Cheung Sha Wan	6,527	55,077	Residential	33.41	18,401

Property Management

The Group's property management companies, namely, Hang Yick Properties Management Limited, Well Born Real Estate Management Limited and Goodwill Management Limited, manage in total over 80,000 apartments and industrial/commercial units, 10 million square feet of shopping and office space, as well as 20,000 car parking spaces in Hong Kong and mainland China.

The property management subsidiaries constantly upgrade their services to ensure the utmost convenience for customers. Their professional accreditations such as ISO 9001 Quality Management System Certification, ISO 10002 Complaints Handling Management System Certification, ISO 14001 Environmental Management System Certification, OHSAS 18001 Occupational Health & Safety Management System Certification and Hong Kong Q-Mark Service Scheme Certification are testimony to the Group's commitment to service excellence and customer satisfaction. In particular, "H-PRIVILEGE LIMITED", a subsidiary of Hang Yick Properties Management Limited, also received a multitude of the above-mentioned certifications soon after its establishment as a mark of its unparalleled one-stop home services for the Group's urban boutique residences under "The H Collection" brand.

Aligning with the Group's caring corporate culture, the property management teams have a strong sense of devotion to social responsibility. Their initiative to launch "The Year of Care", "The Year of Senior" and "The Year of Youth" consecutively helped promote mutual support and demonstrated a caring spirit. In recognition of their care for the public at large, a multitude of commendations was received and these included once again being named by The Hong Kong Council of Social Services as a "Caring Company".

Mainland China

In the first half of 2018, the Central Government reiterated that "housing should be for living in, not for speculation", as it kept a tight grip on regulatory measures and held local governments primarily responsible for implementation. During the period under review, an increasing number of cities implemented the "four tightening measures" (namely, restrictions on purchasing, pricing, re-selling and lending). In addition, credit towards the real estate sector was tightened, thus causing interest rates for housing loans to rise continuously. As a result, housing prices in the first and second-tier cities were subdued, while tapering off in the other cities. As for the land market, land bidding in popular cities dampened in the first half of this year, whilst trading volume remained on the rise in the other cities.

The following development projects were completed during the period under review:

	Project name	Type of development	Group's interest (%)	Attributable gross floor area (million sq. ft.)
1.	Phases 2 and 3, Henderson • CIFI City, Suzhou	Residential	50	0.51
2.	Towers 5 and 6, The Arch, Chengdu ICC, Chengdu	Residential	30	0.28
3.	Phase 2, Henderson • Country Garden Jin Shi Tan Project, Dalian	Residential	50	0.02
			Total:	**0.81**

In response to the fundamental changes in market conditions, the Group has refined its strategies as follows:

Property Investment: The Group concentrates on the development of Grade-A office buildings. Apart from actively looking for land sites with high potential, the Group also pressed ahead in earnest with the development of two office/commercial riverside sites at Xuhui District, Shanghai, and the large-scale integrated project at Haizhu Square Station in Guangzhou. The Group is well prepared to acquire high quality office/commercial projects when credit in the real estate industry is further tightened which may result in the premium price commanded in land biddings lowering to a more reasonable level.

Property Development: The Group has been negotiating with a number of mainland property developers for expanding the scope of co-operation. During the period under review, the Group continued to co-operate with mainland property developers in the following residential developments:

(1) The Group collaborated with the subsidiaries of CIFI Holdings (Group) Co. Ltd. ("CIFI", a property developer listed in Hong Kong) and Jiangsu Zhongnan Construction Group Company Limited ("Zhongnan", a property developer listed in the mainland) to jointly develop a residential site in Gaoxin District, Suzhou. This 870,000-square-foot land lot, which was acquired at a consideration of about RMB2,311 million, will provide a total gross floor area of over 1,820,000 square feet. The Group has an approximately 35% equity interest in this project.

(2) The Group collaborated with the subsidiaries of C&D International Investment Group Ltd ("C&D", a property developer listed in Hong Kong) and The Wharf (Holdings) Limited ("Wharf", a property developer listed in Hong Kong) to jointly develop a residential project in Baiyun District, Guangzhou, of which 18% is attributable to the Group. The site, which was purchased at a consideration of about RMB4,022 million, will provide a total gross floor area of over 1,440,000 square feet.

In addition to the holding of approximately 0.8 million square feet in attributable gross floor area of completed property stock, the Group held a development land bank in 11 cities at 30 June 2018 with a total attributable gross floor area of about 35.9 million square feet. Around 73% of this total is planned for residential development:

Land bank under development or held for future development

	Group's share of developable gross floor area* (million sq. ft.)
Prime cities	
Shanghai	3.5
Guangzhou	2.1
Sub-total:	**5.6**
Second-tier cities	
Changsha	6.5
Chengdu	3.3
Dalian	0.3
Nanjing	0.1
Shenyang	4.5
Suzhou	3.1
Xian	9.3
Xuzhou	0.6
Yixing	2.6
Sub-total:	**30.3**
Total:	**35.9**

* *Excluding basement areas and car parks.*

Usage of development land bank

	Estimated developable gross floor area (million sq. ft.)	Percentage (%)
Residential	26.3	73
Office	4.9	14
Commercial	3.9	11
Others (including clubhouses, schools and community facilities)	0.8	2
Total:	**35.9**	**100**

Property Sales

During the period under review, the Group achieved attributable contracted sales of development properties of approximately HK$2,225 million in value and 1.68 million square feet in attributable gross floor area. "Riverside Park" and "Henderson • CIFI City" in Suzhou, "La Botanica" in Xian, "The Arch of Triumph" in Changsha as well as "Grand Lakeview" in Yixing were the major sales projects.

Investment Properties

At 30 June 2018, the Group had about 6.4 million square feet of completed investment properties in mainland China. During the period under review, the Group's attributable gross rental income increased by 14% period-on-period to HK$943 million, whilst its attributable pre-tax net rental income also increased by 16% period-on-period to HK$749 million, partly attributable to the 9% period-on-period appreciation of Renminbi against the Hong Kong Dollar during the period under review.

In Beijing, "World Financial Centre" was almost fully let, with gross rental income increasing by 23% period-on-period during the period under review. This International Grade-A office complex in the Chaoyang Commercial Business District is committed to service excellence. It thus won the "Outstanding Facility Management Team Award for the Year" from the Royal Institution of Chartered Surveyors.

In Shanghai, "Henderson Metropolitan" near the Bund was over 95% let at the end of June 2018. The Group will continue to bring in more sporting brands and popular eateries to the mall, so as to attract more customers and increase turnover for its tenants. In the bustling Jingan District, "Greentech Tower" was fully leased, whilst "Henderson 688" and "Centro" also performed well with leasing rates exceeding 95% at the end of June 2018. "Grand Gateway II" atop the Xujiahui subway station attracted many leading multinational corporations and local enterprises such as "GNC" and "Distrii" as its tenants, resulting in a steady rental growth with over 90% leasing rate by the end of June 2018.

In Guangzhou, the first phase of renovation works was completed at "Hengbao Plaza" atop the Changshou Road subway station during the period under review. New tenants such as "MaxValu" (a Japanese exquisite supermarket) and "HEYTEA" (a trendy eatery) also opened for business successively. With such a refined tenant mix and upgraded position, "Hengbao Plaza" is poised to attract more shopper traffic.

In addition, pre-leasing for the following two large-scale complexes will be launched in the second half of 2018:

In the Xu Hui Riverside Development Area of Shanghai, two office/commercial sites are now jointly being developed as a landmark development. The entire project, which consists of about 2,670,000 square feet of Grade-A offices and about 350,000 square feet of retail spaces, will be completed in two phases from 2019 to 2020.

In the Yuexiu District of Guangzhou, "Haizhu Square Station Project" in the close proximity to Pearl River with direct connection to two subway lines will include a shopping mall and two office towers, providing a total gross floor area of about 1,800,000 square feet. Meanwhile, an additional underground space of about 430,000 square feet will be available for commercial use. An open activity space will then extend from the shopping mall to the underground piazza, combining shopping, leisure and entertainment interaction into a dynamic integrated experience. The entire project, which boasts a total leasing area of over 2,200,000 square feet, is scheduled for completion in late 2019.

Henderson Investment Limited ("HIL")

For the six months ended 30 June 2018, HIL's (unaudited) profit attributable to equity shareholders amounted to HK$48 million, representing an increase of HK$12 million or 33% over the HK$36 million for the corresponding period in 2017.

HIL focuses on department store operations in Hong Kong. In order to strengthen HIL's position in the local retailing industry and to expand its store coverage, HIL in May 2018 acquired UNY (HK) Co., Limited (now re-named as "Unicorn Stores (HK) Limited", hereafter referred to as "UNY HK") at the consideration of HK$300 million (subject to adjustment). UNY HK is recognised as a popular brand in Hong Kong, through its about 30 years of retail experience, particularly with regard to the sales of Japanese fresh produce and food products. Currently, UNY HK operates the following stores in densely-populated residential districts which are easily accessible by public transport:

	Location
General merchandise stores-cum-supermarket	
APITA	Cityplaza, Taikoo Shing, Hong Kong Island
UNY	Lok Fu Place, Lok Fu, Kowloon
PIAGO	Telford Plaza, Kowloon Bay, Kowloon
Discount store	
Watashi to Seikatsu*	North Point, Hong Kong Island

* *will be closed before 30 September 2018 due to termination of the lease by the landlord.*

The above department stores and Japanese supermarkets are mainly aimed at middle class, affluent spending households, which is a similar approach to the strategy adopted by Citistore. Besides, the acquisition will provide HIL with potential synergies and cost saving opportunities for merchandising and back office functions, by taking advantage of UNY HK's valuable merchandise sourcing experience.

Completion of the acquisition took place on 31 May 2018. In order to offer the same premium service and shopping experience to their customers, both Citistore and UNY HK continue to operate under their own brand names after the acquisition:

(I) Citistore

There are six department stores under the name "Citistore" in Hong Kong, of which five are located in the New Territories (in Tsuen Wan, Yuen Long, Ma On Shan, Tuen Mun and Tseung Kwan O) and the remaining one is located in Tai Kok Tsui, Kowloon.

Citistore recorded a period-on-period increase of 8% in total sales proceeds, derived from the sales of own goods, as well as concessionaire and consignment goods, for the six months ended 30 June 2018 due to the improving local retail market sentiment.

During the period under review, Citistore's sales of own goods increased by 8% to HK$218 million and its gross margin remained steady at 35%. The Household & Toys category made up approximately 52% of the sales, the Apparels category contributed approximately 31% and the balance of approximately 17% came from the categories of Foods and Cosmetics.

Citistore's concessionaire sales are conducted by licensing portions of shop spaces to its concessionaires for setting up their own concession counters to sell their products, whilst consignment sales comprise the sales of consignors' own products on or in designated shelves, areas or spaces. Citistore charges these concessionaire and consignment counters on the basis of revenue sharing or basic commission (if any), whichever is higher, as its commission income. During the period under review, the total commission income derived from these concessionaire and consignment counters increased by 7% period-on-period to HK$219 million, virtually in line with the period-on-period increase of 8% to HK$742 million in the total sales proceeds generated from these counters.

As compared with the period-on-period increase of 8% in its total sales proceeds, Citistore's total operating expenses during the period under review increased by less than 1% to HK$248 million, demonstrating its relentless efforts in raising efficiency and controlling operating costs. Citistore's profit after taxation for the period under review amounted to HK$47 million, representing an increase of HK$15 million or 47% as compared with the corresponding period last year.

(II) UNY HK

As the acquisition of UNY HK was completed on 31 May 2018, only its turnover for the month of June 2018 was recognized in the financial statements of HIL during the period under review. For the month of June 2018, which is usually a low season for this company, UNY HK recorded a total revenue of HK$83 million (which comprises direct sales of own goods in the amount of HK$76 million, as well as commission income from consignment sales of HK$7 million) generating a slight post-tax loss of HK$1 million.

In terms of sales proceeds, UNY HK recorded a total amount of HK$106 million (which included the above-mentioned sales of own goods of HK$76 million and proceeds from consignment sales in the sum of HK$30 million) for the month of June 2018. A gross profit of HK$22 million was recognised from its sales of own goods, translating in a gross margin of 29%, whilst its commission income derived from consignment sales amounted to HK$7 million.

Aggregating the above-mentioned operating results of Citistore and UNY HK, the total after-tax profit contribution from HIL's department store operation amounted to HK$46 million for the six months ended 30 June 2018. After taking into account the interest income, dividend income and the overhead expenditures of its head office (including one-off professional fees of HK$4 million in relation to the aforesaid acquisition), HIL's profit attributable to equity shareholders for the six months ended 30 June 2018 amounted to HK$48 million, representing an increase of HK$12 million or 33% over that of HK$36 million for the corresponding period in 2017.

The acquisition of UNY HK has enabled HIL to expand its general merchandise department store business through larger store coverage and diversify its operations into Japanese supermarket operations specializing in fresh produce and food products. HIL will utilise the resources and expertise of UNY HK to open new Japanese supermarkets and capture business opportunities that Japanese supermarkets present.

In addition, HIL will integrate the businesses of Citistore and UNY HK and identify areas where value can be created. Cost savings are to be achieved from possible operational synergies in logistics, information technology and other back office functions. Although the acquisition and integration costs may have a negative short-term impact, HIL is confident about its future profitability and business prospects.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

The unaudited profit after taxation attributable to shareholders of Hong Kong and China Gas for the six months ended 30 June 2018 amounted to HK$4,789 million, an increase of HK$317 million compared to the same period last year.

Town Gas Business In Hong Kong

Total volume of gas sales in Hong Kong for the first half of 2018 increased by 1.6% to approximately 16,158 million MJ while appliance sales revenue increased by 5.2%, both compared to the same period last year. As at 30 June 2018, the number of customers was 1,890,415, an increase of 7,008 since the end of 2017.

Utility Businesses In Mainland China

As at the end of June 2018, Hong Kong and China Gas held approximately 67.1% of the total issued shares of Towngas China Company Limited ("Towngas China"; stock code: 1083). Towngas China recorded good business growth during the first half of 2018, with profit after taxation attributable to its shareholders amounting to HK$663 million, an increase of approximately 10% compared to the same period last year. Project development also progressed well during the first half of 2018 with Towngas China adding six new projects to its portfolio, including a city-gas project in Liujiang district, Liuzhou city, Guangxi Zhuang Autonomous Region; a midstream natural gas pipeline network and city gate station project in Chiping county, Liaocheng city, Shandong province; and four distributed energy projects located in Jiawang district, Xuzhou city, Jiangsu province, in Jimo Chuangzhi new district, Qingdao city, Shandong province, in Yangxin Economic and Technological Development Zone, Binzhou city, Shandong province and in Changchun city, Jilin province respectively.

Inclusive of Towngas China, this group has a total of 132 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects for the first half of 2018 was approximately 11,470 million cubic metres, an increase of 18% over the same period last year. As at the end of June 2018, this group's mainland gas customers stood at approximately 26.47 million, an increase of 10% over the same period last year.

Construction of Hong Kong and China Gas's natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province, is progressing in phases. Upon completion, this facility, with a total storage capacity of approximately 440 million standard cubic metres, will be the first of its kind built by a city-gas enterprise on the mainland. Construction of phase one of this project, with a storage capacity of approximately 140 million standard cubic metres, was completed, with inspection passed, in January 2018. This phase-one facility was injected with gas transmitted from the West-to-East pipeline in late June 2018 and will be commissioned during this coming winter. Construction of phase two, to develop an additional storage capacity of approximately 300 million standard cubic metres, commenced in late March 2018.

Hong Kong and China Gas's development of natural gas vehicular refilling stations in mainland China, under the brand name "Towngas", is progressing well, with 125 stations to date spread across different provinces, mainly supplying LNG to heavy-duty trucks and waste handling urban vehicle fleets. Hong Kong and China Gas is also proactively developing a gas refilling business for marine vessels.

Hong Kong and China Gas has been in the mainland water market, under the brand name "Hua Yan Water", for over 12 years and currently invests in, and operates, six water projects. These include water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. In addition, it is constructing a plant in Suzhou Industrial Park to handle 500 tonnes daily of food waste, green waste and landfill leachate for conversion into natural gas, oil products, solid fuel and fertilizers under the "Hua Yan Water" brand. Commissioning is expected in the fourth quarter of 2018; this will be Hong Kong and China Gas's first project converting waste into valuable products.

Overall, inclusive of projects of its subsidiary, Towngas China, the Hong Kong and China Gas group currently has 251 projects on the mainland, six more than at the end of 2017, spread across 26 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, efficient energy applications and exploration and utilisation of emerging environmentally-friendly energy, as well as telecommunications.

Emerging Environmentally-Friendly Energy Businesses

Hong Kong and China Gas's development of emerging environmentally-friendly energy businesses in mainland China, including coalbed methane liquefaction, coal chemicals, conversion and utilisation of biomass, utilisation of industrial and agricultural waste as well as natural gas refilling stations, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively known as "ECO"), is progressing steadily.

With a total turnover of approximately 3.29 million tonnes of aviation fuel during the first half of 2018, an increase of 4% compared to the same period last year, ECO's aviation fuel facility provided a safe and reliable fuel supply to Hong Kong International Airport. ECO's five LPG vehicular refilling stations also operated smoothly during the first half of 2018, providing a quality and reliable fuel supply to the territory's taxi and minibus sectors. ECO's landfill gas utilisation project is generating noticeable environmental benefits. In addition to the facility in the North East New Territories, which has been operating for several years, a second landfill gas utilisation project in the South East New Territories has also been commissioned. This further raises the proportion of landfill gas used by this group.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is making a good operating income. Output from this project slightly increased by 3% during the first half of 2018, bringing better profit growth compared to the same period last year.

A plant, located in Zhangjiagang city, Jiangsu province, to process inedible bio-grease feedstock using ECO's self-developed technology, has commenced trial production after having gained "International Sustainability and Carbon Certification" (ISCC). In successfully yielding a first batch of 3,000 tonnes of green and renewable hydro-treated vegetable oil (HVO) for export to European markets in 2018, the realisation of its product value and environmental benefit value has now become proven.

ECO has commenced the construction work of its first pilot project in Tangshan city, Hebei province applying hydrolysis technology to convert straw into furfural and paper pulp respectively; both are chemical feedstock and basic materials which will bring noticeable economic and environmental benefits. This pilot project is expected to commence trial production in mid-2019.

The operating environment of ECO's clean coal chemical project in Ordos city, Inner Mongolia Autonomous Region improved substantially during the first half of 2018, with an 11% increase in turnover compared to the same period last year. Additionally, trial production of a facility to convert a portion of the project's syngas into 120,000 tonnes of ethylene glycol annually was started in the second quarter of this year, and has successfully produced high-quality ethylene glycol.

ECO's scientific research focusing on the extraction of high-quality carbon materials from the bitumen part of high-temperature coal tar oil has achieved promising results, successfully producing meso-carbon micro-beads and high-quality activated carbon. Meso-carbon micro-beads are an ideal anode material for lithium-ion batteries, whereas high-quality activated carbon can be used for making super capacitors. ECO has started the construction work of its first pilot project of this kind in Ordos city, Inner Mongolia Autonomous Region, with gradual commissioning expected to start in early 2019.

Telecommunications Businesses

Hong Kong and China Gas's development of telecommunications businesses in Hong Kong and mainland China, including provision of connectivity, data centres and cloud computing services for international and local telecommunications operators as well as large corporations is progressing steadily. It is currently operating two data centres in Hong Kong and five others in mainland China.

Financing Programmes

Medium term notes totalling HK$300 million, with a maturity of 30 years, were issued during the year to date in 2018. Hong Kong and China Gas established a medium term note programme in 2009 and the amount of medium term notes issued so far has reached HK$13,700 million with tenors ranging from 10 to 40 years, at an average fixed interest rate of 3.5% and an average tenor of 15.3 years. Hong Kong and China Gas issued its inaugural green bonds in November 2017. The inaugural 10-year green bonds, amounting to HK$600 million and JPY2,000 million, were issued. It is the first energy utility in Hong Kong to issue green bonds.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

During the six months ended 30 June 2018, Hong Kong Ferry's revenue amounted to HK$925 million, representing an increase of 306% as compared with the same period last year. Its unaudited consolidated net profit after taxation for the six months ended 30 June 2018 amounted to HK$273 million, representing an increase of 80% as compared with a profit of HK$152 million (restated) for the same period last year. During the period, the profit of Hong Kong Ferry was mainly derived from the sale of residential units of Harbour Park.

During the period, the profit of Hong Kong Ferry from the sale of residential units of Harbour Park, Metro6 and Green Code amounted to HK$190 million. Most of the residential units of Harbour Park had been delivered to their buyers by the end of June 2018.

The leasing of its rental properties was satisfactory during the period. The gross rental income from the commercial arcades amounted to HK$50 million. At the end of the reporting period, the commercial arcades of Shining Heights, The Spectacle and Metro6 were fully let whereas the occupancy rates of the commercial arcades of Metro Harbour View and Green Code were 99% and 96% respectively.

In June 2018, Hong Kong Ferry was awarded the contract of Tung Chau Street/Kweilin Street redevelopment project in Sham Shui Po by the Urban Renewal Authority at a consideration of HK$1,029.2 million. Hong Kong Ferry will be responsible for the construction of the project. The project has a gross floor area of about 144,345 square feet. Upon redevelopment, Hong Kong Ferry will be entitled to the residential gross floor area of about 97,845 square feet. The project is expected to be completed in late 2022.

The construction of Hong Kong Ferry's 50%/50% joint venture project with Empire Development Hong Kong Limited located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories is in good progress and is expected to be completed in early 2022. The project under construction consists of six residential towers providing about 1,663 units with sea view or landscape view. The gross floor area of the project is about 663,000 square feet.

During the period, the Ferry, Shipyard and Related Operations recorded a profit of HK$7.2 million, a decrease of 8.6% as compared to the same period last year. A profit of HK$8 million was recorded in securities investment during the period.

Miramar Hotel and Investment Company, Limited ("Miramar")

Miramar's revenue for the six months ended 30 June 2018 amounted to approximately HK$1,600 million, representing an increase of 3% compared to last corresponding period. Profit for the reporting period increased by 11% to HK$876 million compared to the last corresponding period. The underlying profit attributable to shareholders accounted for HK$406 million, surged significantly by 22% compared to the last corresponding period.

Revenue from hotels and serviced apartments of Miramar increased by 12% to HK$343 million during the reporting period, compared to the corresponding period of last year. EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to HK$130 million, representing an increase of approximately 20%. The occupancy and the average room rate of The Mira Hong Kong and Mira Moon raised for the first six months of the year.

Its property rental business recorded revenue of approximately HK$457 million; EBITDA was approximately HK$406 million, with 9% growth comparing to the last corresponding period.

The new brand image and positioning of Mira Place since the 2017 rebranding campaign has been well recognised by the market. To further enhance the distinctiveness of the mall, Mira Discovery Zone with about 20 unique designer brands was launched in the second quarter of the year, offering a vast array of choices and patronage experiences. The refinement of its tenant mix and utilisation of repartitioned layouts have also contributed to the increase in the average occupancy and the rental income returns as a whole.

Its investment property portfolio recorded a net increase in fair value of approximately HK$434 million to a total value of HK$14,540 million as at 30 June 2018, which surged 3% comparing to last year, based on the professional assessment and evaluation made by an independent surveyor.

Miramar's food and beverage business registered revenue of approximately HK$164 million and EBITDA of approximately HK$2.6 million during the reporting period.

During the reporting period, revenue from its travel business amounted to approximately HK$636 million, similar to last corresponding period. EBITDA amounted to approximately HK$30 million which representing a growth of 147%. Overall the group outbound business has recorded remarkable performance.

Corporate Finance

The Group has always adhered to prudent financial management principles. At 30 June 2018, net debt (including the shareholder's loan totalling HK$3,514 million (31 December 2017: HK$1,754 million)) amounted to HK$70,373 million (31 December 2017: HK$55,631 million) giving rise to a financial gearing ratio of 23.3% (31 December 2017: 19.0%).

During the period under review, the Group issued medium term notes carrying tenors from 2 years to 12 years for a total amount of HK$4,599 million so as to diversify the sources of funding and to extend the debt maturity profile. In addition to a seven-year Japanese Yen term loan for an amount of JPY15,000 million, the Group has also secured a substantial amount of committed banking facilities. As such, after full prepayment and cancellation of HK$13,800 million 4-year and 5-year term loan/revolving credit facilities before their respective due dates in 2018 and 2019, the Group's internal funding remained ample.

In light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past years, the Group entered into interest rate swap contracts for certain medium and long-term periods, for the purpose of converting part of the Group's borrowings from floating interest rates into fixed interest rates. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

Prospects

The recent US-China trade disputes have obscured the global economic outlook. Nevertheless, Hong Kong's economic fundamentals remain in shape. Following the commissioning of the Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong is to play a more active role in the development of the Greater Bay Area, which will benefit the long-term economic development of Hong Kong.

The Group continues to replenish its development land bank in Hong Kong through various means. Encouraging progress was achieved during the period under review: (1) In February 2018, two residential sites in Kai Tak Development Area were secured at a total consideration of about HK$15,958 million, adding about 1.1 million square feet in aggregate gross floor area to its land bank; (2) For the newly acquired urban redevelopment projects with 80% to 100% of their ownerships acquired, the total attributable gross floor area available for sale or leasing was enlarged to 4.4 million square feet covering a total of 49 projects. Some of them may be assembled for more sizeable redevelopments, such as the "Square Mile" collection which provides a cluster of new buildings with an aggregate gross floor area of over 1.0 million square feet. These sizeable redevelopments will create brand new revitalized communities for the living convenience of more residents; (3) The Group acquired further New Territories land lots of about 0.4 million square feet, increasing its land reserves in the New Territories to approximately 45.3 million square feet, which represents the largest holding among all property developers in Hong Kong.

As regards "**property sales**", three development projects are in the pipeline for sales launch in the second half of this year. Together with unsold stocks, a total of over 2,300 residential units and 250,000 square feet of quality industrial/office space in Hong Kong will be available for sale in the second half of this year. Besides, "Wellesley" at Mid-Levels, "Seven Victory Avenue" in Ho Man Tin, "Park One" in Cheung Sha Wan and "Park Reach" in Yuen Long are scheduled for completion within second half of this year. Sales generated therefrom together with those from other Hong Kong developments with anticipated completion from 2019 onwards, amounting to HK$14,848 million in attributable terms, have not been accounted for as at the end of June 2018.

Turning to mainland China, to reinforce the Central Government's directive that "housing should be for living in, not for speculation", stringent regulating measures are expected to be launched shortly. However, as the underlying strong end-user demand still prevails, the property market should trend flatly. In the second half of this year, the Group will continue to look for development projects in the first-tier cities, as well as those second-tier cities with high growth potential, so as to expand its land bank. Meanwhile, it will closely monitor the investment opportunities in the Greater Bay Area, and will strengthen the co-operation with local property developers, so as to push forward the property development business.

As regards "**rental business**", the Group holds a large portfolio of quality investment properties comprising an attributable gross floor area of 8.9 million square feet in Hong Kong and 6.4 million square feet in mainland China, respectively. Besides, there are a few major rental properties under development, namely, the commercial project at Middle Road and office development at Murray Road in Hong Kong, as well as Xu Hui Riverside Project in Shanghai and Haizhu Square Station Project in Guangzhou. Construction has been progressing well. Upon the successive completion of these rental properties, the Group's rental portfolio is expected to be enlarged to about 9.6 million square feet and 11.2 million square feet in attributable gross floor area, respectively, in Hong Kong and mainland China. The Group's recurrent rental income is set to grow further.

The "**associates**", namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry, serve as another steady recurrent income stream to the Group. Hong Kong and China Gas, in particular, has a total of over 28.0 million piped-gas customers in both Hong Kong and mainland China, whilst the number of its customers is expected to rise further. Given society's growing aspiration for more environmental protection, its environmental-friendly energy businesses will ignite a new light, illuminating the way for this company's long-term development and business growth strategy.

With the Group's above three major businesses (namely, "**property sales**", "**rental business**" and "**associates**"), solid financial management, ample stand-by facilities, as well as a seasoned professional management team, it is well placed to create abundant value for our shareholders. Barring unforeseen circumstances, the Group is expected to achieve satisfactory results in the current financial year.

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss – unaudited

	Note	For the six months ended 30 June **2018** **HK$ million**	 2017 (restated) HK$ million
Revenue	4, 10	**13,142**	12,881
Direct costs		**(6,364)**	(7,059)
		6,778	5,822
Other net income	5	**924**	2,087
Selling and marketing expenses		**(375)**	(868)
Administrative expenses		**(853)**	(886)
Profit from operations before changes in fair value of investment properties and investment properties under development		**6,474**	6,155
Increase in fair value of investment properties and investment properties under development	11(c)	**3,937**	3,148
Profit from operations after changes in fair value of investment properties and investment properties under development		**10,411**	9,303
Finance costs	6(a)	**(479)**	(327)
Bank interest income		**252**	202
Net finance costs		**(227)**	(125)
Share of profits less losses of associates		**2,777**	2,595
Share of profits less losses of joint ventures		**2,863**	2,031
Profit before taxation	6	**15,824**	13,804
Income tax	7	**(632)**	(561)
Profit for the period		**15,192**	13,243
Attributable to:			
Equity shareholders of the Company		**15,030**	13,073
Non-controlling interests		**162**	170
Profit for the period		**15,192**	13,243
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*8(a)*	***HK$3.42***	*HK$2.97**
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*8(b)*	***HK$3.15***	*HK$2.07**

* *Adjusted for the bonus issue effected in 2018.*

The notes on pages 41 to 78 form part of these condensed interim financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 9.

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income – unaudited

	For the six months ended 30 June 2018 HK$ million	2017 (restated) HK$ million
Profit for the period	**15,192**	13,243
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may not be reclassified subsequently to profit or loss:		
– Investments in equity securities designated as financial assets at fair value through other comprehensive income (“FVOCI”): net movement in the fair value reserve (non-recycling)	**(29)**	–
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences: net movement in the exchange reserve	**(577)**	1,373
– Cash flow hedges: net movement in the hedging reserve	**435**	(193)
– Available-for-sale securities: net movement in the fair value reserve (recycling)	**–**	196
– Share of other comprehensive income of associates and joint ventures	**(403)**	576
Other comprehensive income for the period	**(574)**	1,952
Total comprehensive income for the period	**14,618**	15,195
Attributable to:		
Equity shareholders of the Company	**14,458**	15,017
Non-controlling interests	**160**	178
Total comprehensive income for the period	**14,618**	15,195

The notes on pages 41 to 78 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Financial Position – unaudited

	Note	At 30 June 2018 HK$ million	At 31 December 2017 (restated) HK$ million	At 1 January 2017 (restated) HK$ million
Non-current assets				
Investment properties	11	**169,890**	173,494	131,860
Other property, plant and equipment		**359**	350	1,419
Goodwill	12	**262**	–	–
Interest in associates		**61,934**	59,491	53,933
Interest in joint ventures		**47,500**	44,865	38,728
Derivative financial instruments	13	**105**	111	358
Other financial assets	14	**12,033**	11,937	10,854
Deferred tax assets		**460**	424	377
		292,543	290,672	237,529
Current assets				
Deposits for acquisition of properties	15	**1,241**	1,666	4,608
Inventories	16	**94,778**	74,219	78,476
Trade and other receivables	17	**17,962**	17,435	9,973
Cash held by stakeholders		**3,070**	2,333	1,289
Cash and bank balances	18	**17,464**	24,673	22,966
		134,515	120,326	117,312
Assets of the disposal group classified as held for sale		**–**	–	3,220
		134,515	120,326	120,532
Current liabilities				
Trade and other payables	19	**22,892**	23,525	24,996
Bank loans	20	**26,052**	23,506	14,392
Guaranteed notes		**1,151**	1,169	5,760
Tax payable		**1,776**	1,862	857
		51,871	50,062	46,005
Liabilities associated with assets of the disposal group classified as held for sale		**–**	–	32
		51,871	50,062	46,037
Net current assets		**82,644**	70,264	74,495
Total assets less current liabilities		**375,187**	360,936	312,024

Condensed Interim Financial Statements

Consolidated Statement of Financial Position – unaudited (continued)

	Note	**At 30 June 2018 HK$ million**	At 31 December 2017 (restated) HK$ million	At 1 January 2017 (restated) HK$ million
Non-current liabilities				
Bank loans	20	**44,907**	45,671	28,086
Guaranteed notes		**12,213**	8,204	7,846
Amount due to a fellow subsidiary		**3,514**	1,754	316
Derivative financial instruments	13	**534**	746	906
Provisions for reinstatement costs		**18**	–	–
Deferred tax liabilities		**6,706**	6,618	6,582
		67,892	62,993	43,736
NET ASSETS		**307,295**	297,943	268,288
CAPITAL AND RESERVES				
Share capital		**52,345**	52,345	52,345
Other reserves		**249,939**	240,229	210,262
Total equity attributable to equity shareholders of the Company		**302,284**	292,574	262,607
Non-controlling interests		**5,011**	5,369	5,681
TOTAL EQUITY		**307,295**	297,943	268,288

The notes on pages 41 to 78 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2017, as previously reported		52,345	16	(1,366)	584	(549)	159	212,345	263,534	5,767	269,301
Impact of change in accounting policy upon adoption of HKFRS 15	2	–	–	–	–	–	–	(927)	(927)	(86)	(1,013)
Restated balance at 1 January 2017		52,345	16	(1,366)	584	(549)	159	211,418	262,607	5,681	268,288
Changes in equity for the six months ended 30 June 2017:											
Profit for the period (restated)		–	–	–	–	–	–	13,073	13,073	170	13,243
Other comprehensive income for the period		–	–	1,953	269	(278)	–	–	1,944	8	1,952
Total comprehensive income for the period (restated)		–	–	1,953	269	(278)	–	13,073	15,017	178	15,195
Transfer from other reserves		–	–	–	–	–	(46)	46	–	–	–
Bonus shares issued	21	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	9(b)	–	–	–	–	–	–	(4,110)	(4,110)	–	(4,110)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(41)	(41)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	(305)	(305)
Share of associate's reserves		–	–	–	–	–	–	(10)	(10)	–	(10)
Balance at 30 June 2017 (restated)		52,345	16	587	853	(827)	113	220,417	273,504	5,513	279,017

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited (continued)

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balances at 31 December 2017 and 1 January 2018, as previously reported		52,345	16	3,475	784	-	(449)	116	236,838	293,125	5,487	298,612
Impact of change in accounting policy upon adoption of HKFRS 9	2	-	-	-	(785)	135	-	-	833	183	2	185
Impact of change in accounting policy upon adoption of HKFRS 15	2	-	-	-	-	-	-	-	(551)	(551)	(118)	(669)
Balance at 1 January 2018 (restated)		52,345	16	3,475	(1)	135	(449)	116	237,120	292,757	5,371	298,128
Changes in equity for the six months ended 30 June 2018:												
Profit for the period		-	-	-	-	-	-	-	15,030	15,030	162	15,192
Other comprehensive income for the period		-	-	(984)	(1)	(27)	440	-	-	(572)	(2)	(574)
Total comprehensive income for the period		-	-	(984)	(1)	(27)	440	-	15,030	14,458	160	14,618
Transfer to other reserves		-	-	-	-	-	-	24	(24)	-	-	-
Transfer to retained profits upon disposal of equity investments		-	-	-	-	(3)	-	-	3	-	-	-
Bonus shares issued	21	-	-	-	-	-	-	-	-	-	-	-
Dividend approved in respect of the previous financial year	9(b)	-	-	-	-	-	-	-	(4,921)	(4,921)	-	(4,921)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(19)	(19)
Repayment to non-controlling interests, net		-	-	-	-	-	-	-	-	-	(501)	(501)
Share of associate's reserves		-	-	-	-	-	-	-	(10)	(10)	-	(10)
Balance at 30 June 2018		52,345	16	2,491	(2)	105	(9)	140	247,198	302,284	5,011	307,295

The notes on pages 41 to 78 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement – unaudited

	Note	For the six months ended 30 June 2018 HK$ million	2017 (restated) HK$ million
Operating activities			
Increase/(decrease) in forward sales deposits received		**1,061**	(2,766)
(Increase)/decrease in inventories		**(6,013)**	792
Net cash outflow in respect of acquisition of subsidiaries		**(15,958)**	–
Other cash flows generated from operations		**3,792**	7,130
Tax paid		**(778)**	(723)
Net cash (used in)/generated from operating activities		**(17,896)**	4,433
Investing activities			
Proceeds from sale of investments in equity securities designated as financial assets at FVOCI/available–for–sale securities		**195**	984
Proceeds from disposals of investment properties and other property, plant and equipment		**2,035**	160
Dividends received from associates		**1,514**	1,376
Dividends received from joint ventures		**263**	399
Net cash inflow in respect of transfers of subsidiaries		**7,954**	4,982
(Increase)/decrease in deposits with banks and other financial institutions over three months of maturity at acquisition		**(2,480)**	1,927
Increase in structured bank deposits		**(1,672)**	(1)
Payment for additions to/acquisitions of investment properties and other property, plant and equipment	11(a)	**(879)**	(27,138)
(Advance to)/repayment from associates, net		**(1,944)**	63
Repayment from/(advance to) joint ventures, net		**560**	(603)
Other cash flows used in investing activities		**(51)**	(222)
Net cash generated from/(used in) investing activities		**5,495**	(18,073)
Financing activities			
Proceeds from new bank loans	20	**31,739**	51,074
Repayment of existing bank loans	20	**(29,963)**	(23,996)
Proceeds from issuance of guaranteed notes		**3,995**	–
Repayment of guaranteed notes		**–**	(5,431)
Advance from a fellow subsidiary		**1,759**	23
Repayment to non–controlling interests, net		**(501)**	(305)
Dividends paid to equity shareholders of the Company	9(b)	**(4,921)**	(4,110)
Dividends paid to non–controlling interests		**(19)**	(41)
Other cash flows used in financing activities		**(889)**	(788)
Net cash generated from financing activities		**1,200**	16,426
Net (decrease)/increase in cash and cash equivalents		**(11,201)**	2,786
Cash and cash equivalents at 1 January	18	**20,828**	12,805
Effect of foreign exchange rate changes		**(140)**	407
Cash and cash equivalents at 30 June	18	**9,487**	15,998

The notes on pages 41 to 78 form part of these condensed interim financial statements.

Notes to the Unaudited Condensed Interim Financial Statements

1 Basis of preparation

The condensed interim financial statements comprise those of Henderson Land Development Company Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") and have equity accounted for the Group's interests in associates and joint ventures.

These condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They were authorised for issuance on 23 August 2018.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2017 ("the 2017 financial statements"), except for the accounting policy changes that are expected to be reflected in the Company's consolidated financial statements for the year ending 31 December 2018. Details of these changes in accounting policies are set out in note 2.

These condensed interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The condensed interim financial statements are unaudited, but have been reviewed by KPMG 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 103. In addition, the condensed interim financial statements have been reviewed by the Company's Audit Committee with no disagreement.

The financial information relating to the financial year ended 31 December 2017 that is included in these condensed interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to such statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters (including those matters described in the Key Audit Matters section) to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies

The HKICPA has issued the following new standards that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group's condensed interim financial statements for the current accounting period:

HKFRS 9, *Financial instruments*

The adoption of HKFRS 9 has resulted in the following changes in accounting policies for investments in securities:

In prior years, investments in securities were classified as available-for-sale securities and changes in fair value were recognised in other comprehensive income.

Upon the adoption of HKFRS 9, investments in securities are classified as either investments designated as financial assets at fair value through other comprehensive income ("FVOCI") or investments measured as financial assets at fair value through profit or loss ("FVPL"), depending on the nature and characteristics of the securities and changes in fair value are recognised in other comprehensive income and profit or loss respectively.

The above changes in accounting policies have been applied retrospectively and the comparative figures are not restated in accordance with the transitional provisions of HKFRS 9. The following table summarises the impact of transition to HKFRS 9 on retained profits and fair value reserve attributable to equity shareholders of the Company at 1 January 2018.

	HK$ million
Retained profits	
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL	736
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVOCI which, under the retrospective application of HKFRS 9, would not require impairment assessments on available-for-sale securities in prior years	41
Share of increase in retained profits of associates	56
Total increase in retained profits at 1 January 2018	833
Fair value reserve (recycling)	
Transferred to retained profits relating to financial assets now measured at FVPL	(736)
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVOCI	(49)
Total decrease in fair value reserve (recycling) at 1 January 2018	(785)

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies (continued)

HKFRS 9, *Financial instruments* (continued)

	HK$ million
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI	49
Recognition of additional fair value reserve (non-recycling) relating to unlisted equity securities classified as available-for-sale securities and measured at cost less impairment losses in prior years, but now designated as financial assets at FVOCI, which is attributable to the Group	77
Transferred from retained profits relating to equity securities now measured at FVOCI which, under the retrospective application of HKFRS 9, would not require impairment assessments on available-for-sale securities in prior years	(41)
Share of increase in fair value reserve (non-recycling) of associates	50
Total increase in fair value reserve (non-recycling) at 1 January 2018	135
Non-controlling interests	
Recognition of additional fair value reserve (non-recycling) relating to unlisted equity securities classified as available-for-sale securities and measured at cost less impairment losses in prior years, but now designated as financial assets at FVOCI, which is attributable to non-controlling interests	2

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and, on initial recognition of the investment, the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividend income from an investment in equity securities, irrespective of whether classified at FVPL or FVOCI (non-recycling), are recognised as revenue in profit or loss.

The following table shows the original measurement categories for available-for-sale securities under HKAS 39, *Financial instruments: recognition and measurement* and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9:

Original measurement category	HKAS 39 Carrying amount at 31 December 2017 HK$ million	Reclassification HK$ million	Remeasurement HK$ million	HKFRS 9 Carrying amount at 1 January 2018 HK$ million
Investment in equity securities measured at FVOCI (non-recycling)	–	1,624	79	1,703
Investment in other securities measured at FVPL	–	1,425	–	1,425
Available-for-sale securities	3,049	(3,049)	–	–

The Group elected for the accounting policy choice to continue with the adoption of HKAS 39 on hedge accounting. Impairment based on the expected credit loss model on the Group's rental, instalments and trade receivables have no significant financial impact on the Group's consolidated statement of profit or loss for the current accounting period.

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies (continued)

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18, *Revenue*, HKAS 11, *Construction contracts* and related interpretations.

The Group has adopted HKFRS 15 using the full retrospective method, and recognised the cumulative effect of applying the standard at the start of the earliest comparative period. Accordingly, the information presented for 2017 has been restated.

Under the requirements of HKFRS 15, revenue from sale of goods and provision of services by the Group will be recognised when the customer obtains control of the promised goods or services in the contract. The Group has assessed that the adoption of HKFRS 15 would be relevant to the recognition of revenue relating to the Group's sale of properties held for sale, under which the revenue from the sale of properties held for sale and the gain on disposal of investment properties during the accounting period is recognised in the Group's consolidated statement of profit or loss on the basis that control over the ownership of the property has been passed to the customer during the current accounting period. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Hong Kong and mainland China, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously, the revenue from the sale of properties held for sale was recognised upon the later of the signing of the sale and purchase agreement and the issue of occupation permit/completion certificate by the relevant government authorities, which was taken to be the point in time when the risks and rewards of ownership of the property had been passed to the customer.

This change in accounting policy has been applied retrospectively by restating the opening balances at 1 January 2017 and 1 January 2018, with consequential adjustments to comparatives for the corresponding period of six months ended 30 June 2017. This has resulted in the following adjustments to certain items in the Group's consolidated statement of profit or loss for the corresponding period of six months ended 30 June 2017, and in the Group's consolidated statements of financial position at 1 January 2017 and 31 December 2017.

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies (continued)

HKFRS 15, *Revenue from contracts with customers* (continued)

	As previously reported HK$ million	Effect of adoption of HKFRS 15 HK$ million	As restated HK$ million
Consolidated statement of profit or loss for the corresponding period of six months ended 30 June 2017:			
Revenue	12,753	128	12,881
Direct costs	(6,289)	(770)	(7,059)
Other net income	2,531	(444)	2,087
Selling and marketing expenses	(721)	(147)	(868)
Share of profits less losses of associates	2,600	(5)	2,595
Income tax	(715)	154	(561)
Reported profit for the period	14,327	(1,084)	13,243
Attributable to:			
Equity shareholders of the Company	14,158	(1,085)	13,073
Non-controlling interests	169	1	170
Underlying profit for the period	10,828	(1,678)	9,150
Attributable to:			
Equity shareholders of the Company	10,731	(1,625)	9,106
Non-controlling interests	97	(53)	44
Reported earnings per share – Basic and diluted	HK$3.22(*)		HK$2.97(*)
Underlying earnings per share – Basic and diluted	HK$2.44(*)		HK$2.07(*)

(*) Based on the weighted average number of 4,401 million ordinary shares during the corresponding period of six months ended 30 June 2017 (see note 8(a)).

	As previously reported HK$ million	Effect of adoption of HKFRS 15 HK$ million	As restated HK$ million
Consolidated statement of financial position at 31 December 2017:			
Investment properties	172,673	821	173,494
Interest in associates	59,506	(15)	59,491
Inventories	73,602	617	74,219
Trade and other receivables	19,452	(2,017)	17,435
Trade and other payables	(23,355)	(170)	(23,525)
Tax payable	(1,968)	106	(1,862)
Deferred tax liabilities	(6,607)	(11)	(6,618)
Retained profits	236,838	(551)	236,287
Non-controlling interests	5,487	(118)	5,369
Consolidated statement of financial position at 1 January 2017:			
Investment properties	131,850	10	131,860
Interest in associates	53,936	(3)	53,933
Inventories	75,242	3,234	78,476
Trade and other receivables	10,651	(678)	9,973
Trade and other payables	(21,223)	(3,773)	(24,996)
Tax payable	(1,054)	197	(857)
Retained profits	212,345	(927)	211,418
Non-controlling interests	5,767	(86)	5,681

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies (continued)

HKFRS 15, *Revenue from contracts with customers* (continued)

The Group currently offers different payment schemes to customers, in relation to which the transaction price and the amount of revenue from the sale of property will be adjusted when significant financing component exists in that contract.

The excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting period is recognised as contract asset under "Trade and other receivables" in the statement of financial position. The excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting period is recognised as contract liability under "Trade and other payables" in the statement of financial position.

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

3 Accounting estimates and judgements

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the 2017 financial statements.

4 Revenue

Revenue of the Group represents those generated from the sale of properties, rental income, department store operation and management, and other businesses mainly including income from hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	For the six months ended 30 June	
	2018	2017 (restated)
	HK$ million	HK$ million
Sale of properties (2017-restated)	**9,049**	9,021
Rental income	**2,995**	2,779
Department store operation	**524**	411
Other businesses	**574**	670
Total (note 10(b))	**13,142**	12,881

Notes to the Unaudited Condensed Interim Financial Statements

5 Other net income

	For the six months ended 30 June	
	2018	2017 (restated)
	HK$ million	HK$ million
Net gain on transfers of subsidiaries regarding (note (i))		
– Investment properties (note (i)(a)) (note 10(a)(iv))	**848**	156
– Property held for development (note (i)(b))	**–**	1,148
	848	1,304
Net gain on disposal of investment properties (2017-restated) (notes 10(a)(iv) and 11(b))	**206**	487
	1,054	1,791
Reversal of provision on inventories, net	**5**	22
Net fair value gain/(loss) on derivative financial instruments		
– Interest rate swap contracts and cross currency swap contracts (note (ii))	**187**	(176)
– Other derivatives	**13**	55
Reversal of impairment loss on trade debtors (note 10(c))	**4**	5
Net foreign exchange gain	**83**	63
Cash flow hedges: reclassified from hedging reserve to profit or loss (note (iii))	**(519)**	–
Net gain on disposal of available-for-sale securities	**–**	310
Others	**97**	17
	924	2,087

Notes:

(i) The net gain on transfers of subsidiaries includes:

a. a gain of HK$848 million in relation to the transfer of subsidiaries which own an investment property at No. 18 King Wah Road, North Point, Hong Kong during the six months ended 30 June 2018 (2017: a gain of HK$156 million in relation to the transfer of subsidiaries which own Beijing Henderson Centre in mainland China); and

b. a gain of HK$1,148 million in relation to the transfer of subsidiaries which own a land site in Fangcun, Guangzhou, mainland China during the corresponding six months ended 30 June 2017.

(ii) This represents the change in fair value of certain interest rate swap contracts and cross currency swap contracts for which there were no hedge accounting applied during the six months ended 30 June 2018 (2017: change in fair value of certain interest rate swap contracts due to certain ineffective cash flow hedges which arose from the temporary mismatch of interest rate rollover periods between certain bank loans of the Group (as hedged items) and their underlying interest rate swap contracts (as hedging instruments)).

(iii) The amount comprises the net cumulative loss (before tax) of HK$519 million (2017: Nil) which was reclassified from equity to profit or loss upon the revocation of the hedge relationship between certain bank loans of the Company's wholly-owned subsidiaries (as hedged items) and their underlying interest rate swap contracts (as hedging instruments) during the six months ended 30 June 2018.

Notes to the Unaudited Condensed Interim Financial Statements

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
(a) Finance costs:		
Bank loans interest	**539**	353
Interest on loans wholly repayable within five years	**287**	269
Interest on loans repayable after five years	**38**	14
Other borrowing costs	**80**	88
	944	724
Less: Amount capitalised (note)	**(465)**	(397)
	479	327

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans, guaranteed notes and amount due to a fellow subsidiary during the period under which interest capitalisation is applicable) ranging from 2.08% to 4.03% (2017: 2.42% to 4.52%) per annum.

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
(b) Staff costs:		
Salaries, wages and other benefits	**1,010**	960
Contributions to defined contribution retirement plans	**45**	49
	1,055	1,009

	For the six months ended 30 June	
	2018	2017 (restated)
	HK$ million	HK$ million
(c) Other items:		
Depreciation (note 10(c))	**32**	54
Cost of sales		
– properties for sale (2017-restated)	**5,114**	5,881
– trading stocks	**207**	133
Dividend income from investments in other securities classified as financial assets at FVPL and investments in equity securities designated as financial assets at FVOCI		
– listed	**(57)**	–
– unlisted	**(2)**	–
Dividend income from investments in available-for-sale securities		
– listed	**–**	(62)

Notes to the Unaudited Condensed Interim Financial Statements

7 Income tax

	For the six months ended 30 June	
	2018	2017 (restated)
	HK$ million	HK$ million
Current tax		
Provision for Hong Kong Profits Tax (2017-restated)	**397**	442
Provision for taxation outside Hong Kong	**203**	455
Provision for Land Appreciation Tax	**22**	43
	622	940
Deferred tax		
Origination and reversal of temporary differences	**10**	(379)
	632	561

Provision for Hong Kong Profits Tax has been made at 16.5% (2017: 16.5%) on the estimated assessable profits for the period.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the period on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the period.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% (2017: 30% to 60%) on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and property development expenditure.

Notes to the Unaudited Condensed Interim Financial Statements

8 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$15,030 million (2017 (restated): HK$13,073 million) and the weighted average number of 4,401 million ordinary shares in issue during the period (2017: 4,401 million ordinary shares*), calculated as follows:

	For the six months ended 30 June	
	2018	2017
	million	million
Number of issued ordinary shares at 1 January	**4,001**	3,637
Weighted average number of ordinary shares issued in respect of the bonus issue in 2017	–	364
Weighted average number of ordinary shares issued in respect of the bonus issue in 2018	**400**	400
Weighted average number of ordinary shares for the period (2017: as adjusted)	**4,401**	4,401

Diluted earnings per share were the same as the basic earnings per share for the period and the corresponding six months ended 30 June 2017 as there were no dilutive potential ordinary shares in existence during both periods.

* *Adjusted for the bonus issue effected in 2018.*

Notes to the Unaudited Condensed Interim Financial Statements

8 Earnings per share (continued)

(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 profit attributable to equity shareholders of the Company after excluding the effects of changes in fair value of investment properties and investment properties under development ("Underlying Profit") of HK$13,859 million (2017 (restated): HK$9,106 million). A reconciliation of profit is as follows:

	For the six months ended 30 June	
	2018	2017 (restated)
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company (2017-restated)	**15,030**	13,073
Changes in fair value of investment properties and investment properties under development during the period (note 11(c))	**(3,937)**	(3,148)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development during the period (note 11(c))	**38**	41
Share of changes in fair value of investment properties (net of deferred tax) during the period:		
– associates	**(571)**	(490)
– joint ventures	**(2,077)**	(1,359)
Cumulative fair value change of investment properties and investment properties under development disposed of during the period, net of tax (note):		
– subsidiaries (2017-restated)	**5,646**	1,005
– associates and joint ventures	**–**	28
Effect of share of non-controlling interests (2017-restated)	**(270)**	(44)
Underlying Profit (2017-restated)	**13,859**	9,106
Underlying earnings per share, based on the weighted average number of ordinary shares for the period (note 8(a)) (2017-restated)	**HK$3.15**	HK$2.07*

* *Adjusted for the bonus issue effected in 2018.*

Note: In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value change (net of tax) of investment properties and investment properties under development disposed of during the period (which has been included in calculating the net gain on disposal of investment properties and investment properties under development and hence the profit attributable to equity shareholders of the Company during the period) of HK$5,369 million (2017 (restated): HK$947 million) was added back in arriving at the Underlying Profit.

Notes to the Unaudited Condensed Interim Financial Statements

9 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Interim dividend declared after the interim period of HK$0.50 (2017: HK$0.48) per share	**2,201**	1,921

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

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

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$1.23 (2017: HK$1.13) per share	**4,921**	4,110

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Department store operation	:	Department store operation and management
Other businesses	:	Hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before reversal of provision/(provision) on inventories, net, sales of property interests, fair value adjustment of investment properties and investment properties under development, net finance costs, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses, net.

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2018 and 2017 is set out below:

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the six months ended 30 June 2018										
Property development										
Hong Kong	8,508	3,289	259	80	8,767	3,369	(281)	(110)	8,486	3,259
Mainland China	541	57	1,296	680	1,837	737	–	(2)	1,837	735
	9,049	3,346	1,555	760	10,604	4,106	(281)	(112)	10,323	3,994
Property leasing										
Hong Kong	2,059	1,550	1,455	1,236	3,514	2,786	(3)	(1)	3,511	2,785
Mainland China	936	743	7	6	943	749	–	–	943	749
	(note (ii)) 2,995	2,293	1,462	1,242	4,457	3,535	(3)	(1)	4,454	3,534
Department store operation	524	148		–		148		(17)		131
Other businesses	574	358		28		386		(5)		381
	13,142	6,145		2,030		8,175		(135)		8,040
Utility and energy	–	–		2,499		2,499		–		2,499
	13,142	6,145		4,529		10,674		(135)		10,539
Reversal of provision/(provision) on inventories, net		5		(1)		4		–		4
Sales of property interests (note (iv))		(note 5) 1,054		–		1,054		(44)		1,010
Unallocated head office and corporate expenses, net		(note (iii)) (730)		(176)		(906)		2		(904)
Profit from operations		6,474		4,352		10,826		(177)		10,649
Increase in fair value of investment properties and investment properties under development		3,937		2,673		6,610		(7)		6,603
Finance costs		(479)		(414)		(893)		3		(890)
Bank interest income		252		88		340		(3)		337
Net finance costs		(227)		(326)		(553)		–		(553)
Profit before taxation		10,184		6,699		16,883		(184)		16,699
Income tax		(632)		(1,059)		(1,691)		22		(1,669)
Profit for the period		9,552		5,640		15,192		(162)		15,030

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the six months ended 30 June 2018						
Share of profits less losses of associates (note (v))						
– Listed associates						
The Hong Kong and China Gas Company Limited	–	458	(90)	368	1,622	1,990
Miramar Hotel and Investment Company, Limited	–	379	8	387	–	387
Hong Kong Ferry (Holdings) Company Limited	66	16	8	90	–	90
– Unlisted associates	263	44	3	310	–	310
	329	897	(71)	1,155	1,622	2,777
Share of profits less losses of joint ventures (note (vi))	101	2,690	72	2,863	–	2,863
	430	3,587	1	4,018	1,622	5,640

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the six months ended 30 June 2017 (restated)										
Property development										
Hong Kong (restated)	7,632	1,992	370	119	8,002	2,111	(481)	(143)	7,521	1,968
Mainland China	1,389	126	918	244	2,307	370	–	(2)	2,307	368
	9,021	2,118	1,288	363	10,309	2,481	(481)	(145)	9,828	2,336
Property leasing										
Hong Kong	1,957	1,496	1,363	1,163	3,320	2,659	(5)	(4)	3,315	2,655
Mainland China	822	643	6	5	828	648	–	–	828	648
	(note (ii)) 2,779	2,139	1,369	1,168	4,148	3,307	(5)	(4)	4,143	3,303
Department store operation	411	127		–		127		(12)		115
Other businesses	670	603		203		806		–		806
	12,881	4,987		1,734		6,721		(161)		6,560
Utility and energy	–	–		2,034		2,034		–		2,034
	12,881	4,987		3,768		8,755		(161)		8,594
Reversal of provision on inventories, net		22		–		22		–		22
Sales of property interests (restated) (note (iv))		(note 5) 1,791		16		1,807		(5)		1,802
Unallocated head office and corporate expenses, net		(note (iii)) (645)		(122)		(767)		12		(755)
Profit from operations (restated)		6,155		3,662		9,817		(154)		9,663
Increase in fair value of investment properties and investment properties under development		3,148		1,851		4,999		(41)		4,958
Finance costs		(327)		(323)		(650)		6		(644)
Bank interest income		202		57		259		(3)		256
Net finance costs		(125)		(266)		(391)		3		(388)
Profit before taxation (restated)		9,178		5,247		14,425		(192)		14,233
Income tax (restated)		(561)		(621)		(1,182)		22		(1,160)
Profit for the period (restated)		8,617		4,626		13,243		(170)		13,073

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the six months ended 30 June 2017 (restated)						
Share of profits less losses of associates (note (v))						
– Listed associates						
The Hong Kong and China Gas Company Limited	–	355	(84)	271	1,587	1,858
Miramar Hotel and Investment Company, Limited	–	343	25	368	–	368
Hong Kong Ferry (Holdings) Company Limited	15	(restated) 20	11	46	–	46
– Unlisted associates	199	76	48	323	–	323
	214	794	–	1,008	1,587	2,595
Share of profits less losses of joint ventures (note (vi))	17	1,946	68	2,031	–	2,031
	231	2,740	68	3,039	1,587	4,626

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$161 million (2017: HK$157 million) and HK$1,639 million (2017: HK$794 million) in relation to the reportable segments under property leasing and others, respectively.

(ii) Revenue for the property leasing segment comprises rental income of HK$2,704 million (2017: HK$2,508 million) and rental-related income of HK$291 million (2017: HK$271 million), which in aggregate amounted to HK$2,995 million for the six months ended 30 June 2018 (2017: HK$2,779 million).

(iii) Unallocated head office and corporate expenses, net of HK$730 million for the period (2017: HK$645 million) is stated after taking into account the net fair value gain on interest rate swap contracts and cross currency swap contracts of HK$187 million (2017: net fair value loss on interest rate swap contracts of HK$176 million) (see note 5) and the loss of HK$519 million (2017: Nil) arising from the reclassification from hedging reserve to profit or loss upon the revocation of the hedge relationship between certain of the Group's bank loans and their underlying interest rate swap contracts during the period (see note 5). Excluding the aforementioned gain/losses, the Group's unallocated head office and corporate expenses, net for the period amounted to HK$398 million (2017: HK$469 million).

(iv) Included in the aggregate gain from the sales of property interests, in relation to the sales of investment properties, is an amount of HK$1,054 million (2017 (restated): HK$659 million) representing the aggregate amount of the Group's (1) net gain on transfers of subsidiaries holding investment properties of HK$848 million (2017: HK$156 million) (see note 5); (2) net gain on disposal of investment properties of HK$206 million (2017 (restated): HK$487 million) (see note 5) (before deducting the amount of net gain attributable to non-controlling interests); and (3) attributable share of gain on disposal of investment properties by an associate of HK$Nil (2017: HK$16 million). After deducting the amount of net gain attributable to non-controlling interests of HK$44 million (2017 (restated): HK$5 million), and adding back the Group's attributable share of cumulative fair value gains on the disposal of investment properties up to the time of disposals of HK$5,250 million (2017 (restated): HK$1,074 million), an aggregate gain of HK$6,260 million (2017 (restated): HK$1,728 million) contributing to the Group's underlying profit from the disposal of investment properties for the six months ended 30 June 2018 was recognised.

(v) The Group's share of profits less losses of associates contributed from the property leasing segment during the period of HK$897 million (2017: HK$794 million) includes the increase in fair value of investment properties (net of deferred tax) during the period of HK$571 million (2017: HK$490 million).

The Group's share of losses less profits of associates contributed from the other businesses segment during the period of HK$71 million (2017: HK$Nil) includes the Group's share of profit after tax contributed from hotel operation and management during the period of HK$52 million (2017: HK$38 million).

(vi) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the period of HK$2,690 million (2017: HK$1,946 million) includes the increase in fair value of investment properties (net of deferred tax) during the period of HK$2,077 million (2017: HK$1,359 million).

The Group's share of profits less losses of joint ventures contributed from the other businesses segment during the period of HK$72 million (2017: HK$68 million) includes the Group's share of profit after tax contributed from hotel operation and management during the period of HK$72 million (2017: HK$62 million).

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, other property, plant and equipment, goodwill, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of investment properties and other property, plant and equipment, the location of the operation to which the cash-generating unit(s) is (are) allocated in the case of goodwill, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	For the six months ended 30 June		At 30 June	At 31 December
	2018	2017 (restated)	**2018**	2017 (restated)
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong (2017-restated)	**11,651**	10,664	**225,440**	224,758
Mainland China	**1,491**	2,217	**54,505**	53,442
	13,142	12,881	**279,945**	278,200
	(note 4)	(note 4)		

(c) Other segment information

	Depreciation		Impairment loss/(reversal of impairment loss) on trade debtors	
	For the six months ended 30 June		For the six months ended 30 June	
	2018	2017	**2018**	2017
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**4**	4	**–**	–
Property leasing	**2**	2	**1**	2
Department store operation	**16**	17	**–**	–
Other businesses	**10**	31	**(5)**	(7)
	32	54	**(4)**	(5)
	(note 6(c))	(note 6(c))	**(note 5)**	(note 5)

Notes to the Unaudited Condensed Interim Financial Statements

11 Investment properties

(a) Acquisition

The Group did not acquire any investment properties during the six months ended 30 June 2018 (2017: the acquisition of investment properties and other property, plant and equipment included the acquisition of investment properties under development of HK$23,280 million).

(b) Disposals

Items of investment properties with an aggregate net book value of HK$909 million were disposed of during the six months ended 30 June 2018 (2017 (restated): HK$780 million), resulting in a net gain on disposal of HK$206 million for the period (2017 (restated): HK$487 million) (see note 5). In addition, an investment property at No. 18 King Wah Road, North Point, Hong Kong with net book value of HK$9,000 million was disposed of through the Group's transfer of subsidiaries during the six months ended 30 June 2018 (2017: an investment property, being Beijing Henderson Centre in mainland China with net book value of HK$3,257 million was disposed of through the Group's transfer of subsidiaries during the six months ended 30 June 2017) (see note 5).

(c) Fair value measurement of investment properties and investment properties under development

Valuation process

The Group's investment properties and investment properties under development were revalued at 30 June 2018 by Cushman & Wakefield Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

Notes to the Unaudited Condensed Interim Financial Statements

11 Investment properties (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation methodologies

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

Valuation

As a result, a net fair value gain on the investment properties and investment properties under development in Hong Kong and mainland China in the aggregate amount of HK$3,937 million (2017: HK$3,148 million) and deferred tax charge in respect of the fair value change on investment properties in mainland China of HK$38 million (2017: HK$41 million) have been recognised in the consolidated statement of profit or loss for the period (see note 8(b)).

In aggregate, the Group's attributable share of the net fair value gains on investment properties and investment properties under development held by subsidiaries, associates and joint ventures for the six months ended 30 June 2018 amounted to HK$6,540 million (2017: HK$4,914 million) (net of deferred tax).

Notes to the Unaudited Condensed Interim Financial Statements

11 Investment properties (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation (continued)

A reconciliation of the abovementioned figures is as follows:–

For the six months ended 30 June 2018

	Hong Kong HK$ million	Mainland China HK$ million	Total HK$ million
Fair value gain on investment properties and investment properties under development held by			
– subsidiaries			
(before deducting non-controlling interests' attributable share and deferred tax) (note 8(b))	**3,824**	**113**	**3,937**
Less:			
Deferred tax (note 8(b))	–	**(38)**	**(38)**
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	**(7)**	–	**(7)**
(after deducting non-controlling interests' attributable share and deferred tax)	**3,817**	**75**	**3,892**
– associates			
(Group's attributable share) (note 8(b))	**571**	–	**571**
– joint ventures			
(Group's attributable share) (note 8(b))	**2,004**	**73**	**2,077**
	6,392	**148**	**6,540**

Notes to the Unaudited Condensed Interim Financial Statements

11 Investment properties (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation (continued)

For the six months ended 30 June 2017

	Hong Kong HK$ million	Mainland China HK$ million	Total HK$ million
Fair value gain on investment properties and investment properties under development held by			
– subsidiaries			
(before deducting non-controlling interests' attributable share and deferred tax) (note 8(b))	2,958	190	3,148
Less:			
Deferred tax (note 8(b))	–	(41)	(41)
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	(42)	–	(42)
(after deducting non-controlling interests' attributable share and deferred tax)	2,916	149	3,065
– associates			
(Group's attributable share) (note 8(b))	490	–	490
– joint ventures			
(Group's attributable share) (note 8(b))	1,350	9	1,359
	4,756	158	4,914

12 Goodwill

On 31 May 2018, Henderson Investment Limited, a listed subsidiary of the Company, completed its acquisition of the entire issued share capital of UNY (HK) Co., Limited ("UNY HK") for a cash consideration of HK$300 million (the "Acquisition") (subject to adjustment). Subject to the completion audit of UNY HK and based on (i) the fair value of the assets acquired less the liabilities assumed of UNY HK, in the amount of HK$29 million at the completion date of the Acquisition of 31 May 2018; and (ii) the adjusted amount of the consideration of HK$291 million in accordance with the terms of the agreement in relation to the Acquisition, a goodwill of HK$262 million has arisen from the Acquisition and was recognised in the Group's consolidated statement of financial position at 30 June 2018.

Notes to the Unaudited Condensed Interim Financial Statements

13 Derivative financial instruments

	At 30 June 2018		At 31 December 2017	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts (note 22(a)(i))	**97**	**386**	111	393
Interest rate swap contracts (note 22(a)(i))	**–**	**–**	–	198
Total cash flow hedges	**97**	**386**	111	591
Fair value through profit or loss:				
Cross currency interest rate swap contracts (note 22(a)(i))	**–**	**10**	–	7
Interest rate swap contracts (note 22(a)(i))	**8**	**247**	–	230
Other derivatives (note 22(a)(i))	**–**	**–**	67	–
	8	**257**	67	237
	105	**643**	178	828
Representing:				
Non-current portion	**105**	**534**	111	746
Current portion (notes 17 and 19)	**–**	**109**	67	82
	105	**643**	178	828

Notes to the Unaudited Condensed Interim Financial Statements

13 Derivative financial instruments (continued)

(a) Derivatives under cash flow hedges

Swap contracts which have been entered into with certain counterparty banks comprise:

– cross currency interest rate swap contracts to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes denominated in United States dollars ("US$"), Pound Sterling ("£") and Singapore dollars ("S$") with aggregate principal amounts of US$629 million, £50 million and S$200 million at 30 June 2018 (31 December 2017: US$629 million, £50 million and S$200 million); and

– interest rate swap contracts to hedge against the interest rate risk in respect of certain bank loans denominated in Hong Kong dollars with an aggregate principal amount of HK$3,850 million at 31 December 2017.

The abovementioned cross currency interest rate swap contracts and interest rate swap contracts will mature between 19 September 2018 and 20 October 2026 (31 December 2017: between 19 September 2018 and 20 October 2026).

(b) Derivatives which hedge against interest rate risk but not under cash flow hedges

At 30 June 2018, interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk in respect of certain bank loans denominated in Hong Kong dollars with an aggregate principal amount of HK$11,450 million at 30 June 2018 (31 December 2017: HK$7,600 million).

(c) Derivatives which hedge against foreign currency risk but not under cash flow hedges

At 30 June 2018, cross currency swap contracts have been entered into with certain counterparty banks to hedge against the foreign currency risk in respect of the guaranteed notes and a bank loan denominated in Japanese Yen with an aggregate principal amount of ¥17,000 million at 30 June 2018 (31 December 2017: guaranteed notes in the principal amount of ¥2,000 million).

(d) Other derivatives

The carrying value of other derivatives at 31 December 2017 represented the fair value of the remaining unexercised bonus warrants of Miramar Hotel and Investment Company, Limited (a listed associate of the Group) at that date. The exercise rights attached to the bonus warrants expired on 19 January 2018. During the six months ended 30 June 2018, 33,700,000 (2017: 20,811,000) of such bonus warrants at aggregate fair value of HK$81 million (2017: HK$72 million) were exercised by the Group.

Notes to the Unaudited Condensed Interim Financial Statements

14 Other financial assets

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
Investments designated as financial assets at FVOCI (non-recycling)		
Investments in equity securities		
Unlisted (note 22(a)(i))	**110**	–
Listed (note 22(a)(i)):		
– in Hong Kong	**1,223**	–
– outside Hong Kong	**259**	–
	1,592	–
Investments measured as financial assets at FVPL		
Investments in other securities		
Listed (note 22(a)(i)):		
– in Hong Kong	**1,464**	–
Financial assets measured at amortised cost		
Instalments receivable	**8,407**	7,846
Loans receivable	**570**	557
	8,977	8,403
Available-for-sale securities		
Unlisted	–	28
Listed (note 22(a)(i)):		
– in Hong Kong	–	2,708
– outside Hong Kong	–	313
	–	3,049
Held-to-maturity debt securities (note 22(b))		
Listed:		
– in Hong Kong	–	242
– outside Hong Kong	–	243
	–	485
	12,033	11,937
Market value of listed held-to-maturity debt securities (note 22(b))	–	508
Fair value of individually impaired available-for-sale securities	–	223

Notes to the Unaudited Condensed Interim Financial Statements

14 Other financial assets (continued)

(a) Investments in equity securities designated as financial assets at FVOCI and investments in other securities classified as financial assets at FVPL

At 30 June 2018, the Group's investments in equity securities designated as financial assets at FVOCI and investments in other securities classified as financial assets at FVPL were not pledged to any third parties. At 31 December 2017, the Group's investments in available-for-sale securities were not pledged to any third parties.

At 1 January 2018, the Group designated certain investments as equity securities designated as financial assets at FVOCI. At 31 December 2017, these investments were classified as available-for-sale and were either measured at cost less impairment losses or fair value. The FVOCI designation was made because the investments are expected to be held for strategic purpose.

(b) Investment in held-to-maturity debt securities

At 31 December 2017, held-to-maturity debt securities were listed, issued by corporate entities with sound credit standing and were neither past due nor impaired, and were not pledged to any third parties. They were fully disposed of or redeemed during the six months ended 30 June 2018.

(c) Instalments receivable

Instalments receivable represents the proceeds receivable from the sale of properties due after one year from the end of the reporting period. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within one year from the end of the reporting period are included in "Trade and other receivables" under current assets (see note 17).

Instalments receivable, which are due within one year (see note 17) and after more than one year from the end of the reporting period, included an amount of HK$7,005 million (31 December 2017: HK$6,424 million) representing the aggregate attributable amounts of the outstanding mortgage loans from the Group to the property buyers and which were already drawn down by the property buyers at the end of the reporting period.

(d) Loans receivable

At 30 June 2018, loans receivable included amounts of (i) HK$380 million (31 December 2017: HK$380 million) which are secured and interest-bearing at Hong Kong Interbank Offered Rate plus 2.25% per annum; (ii) HK$131 million (31 December 2017: HK$132 million) which are unsecured and interest-bearing at 5% per annum; (iii) HK$59 million (31 December 2017: HK$Nil) which is unsecured, interest-bearing at 5.23% per annum; and (iv) an amount of HK$45 million which was secured and interest-bearing at 3% per annum at 31 December 2017. The balances are due after one year from the end of the reporting period and are neither past due nor impaired.

The balances of loans receivable which are expected to be recovered within one year from the end of the reporting period have been classified as "Trade and other receivables" under current assets (see note 17). The balances are neither past due nor impaired.

Notes to the Unaudited Condensed Interim Financial Statements

15 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$329 million (31 December 2017: HK$332 million) and HK$561 million (31 December 2017: HK$561 million) paid relating to the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

In respect of the deposit paid relating to the land in Macau, the conditions precedent for the acquisition have not yet been fulfilled. The parties to the agreement have agreed to extend the date for the fulfillment of the conditions precedent. If the acquisition shall not proceed, then the Group is entitled to recover the deposit paid.

16 Inventories

	At 30 June 2018 HK$ million	At 31 December 2017 (restated) HK$ million
Property development		
Leasehold land held for development for sale	**10,899**	10,577
Properties held for/under development for sale	**78,581**	57,124
Completed properties for sale (2017-restated)	**5,147**	6,437
	94,627	74,138
Other operations		
Trading stocks	**151**	81
	94,778	74,219

17 Trade and other receivables

	At 30 June 2018 HK$ million	At 31 December 2017 (restated) HK$ million
Instalments receivable (note 14(c))(2017-restated)	**427**	319
Loans receivable (note 14(d))	**1,625**	866
Debtors, prepayments and deposits (2017-restated)	**15,658**	16,020
Gross amount due from customers for contract work[^]	**31**	28
Financial assets measured at FVPL (note 22(a)(i))	**192**	–
Derivative financial instruments (note 13)	**–**	67
Amounts due from associates	**7**	10
Amounts due from joint ventures	**22**	125
	17,962	17,435

(^) This balance represents the excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting period, and is recognised as contract asset (see note 2).

Notes to the Unaudited Condensed Interim Financial Statements

17 Trade and other receivables (continued)

Loans receivable comprised an amount of (i) HK$136 million which is secured, interest-bearing at 12% per annum and is wholly recoverable on 30 June 2019; (ii) aggregate amounts of HK$1,197 million which are unsecured, interest-bearing at 4.35% per annum and are wholly recoverable on 29 November 2018; (iii) an amount of HK$61 million which is unsecured, interest-bearing at 5% per annum and is wholly recoverable on 9 January 2019; and (iv) an amount of HK$231 million which is unsecured, interest-bearing at a rate mutually agreed by both parties and is wholly recoverable on 14 December 2018 (31 December 2017: loans receivable comprised amounts of (i) HK$138 million which was secured and interest-bearing at 12% per annum and the repayment date of which was extended to 30 June 2019; (ii) HK$310 million which was unsecured, interest-bearing at 6% per annum and was wholly recovered on 5 May 2018; (iii) HK$146 million which was unsecured, interest-bearing at 6% per annum and was wholly recovered on 12 May 2018; and (iv) HK$272 million which was unsecured, interest-bearing at 4.35% per annum and the repayment date of which was extended to 29 November 2018). The balances are expected to be recovered within one year from the end of the reporting period, and are neither past due nor impaired.

The amounts due from associates and joint ventures at 30 June 2018 and 31 December 2017 are unsecured, interest-free and have no fixed terms of repayment and are neither past due nor impaired.

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables) net of allowance for doubtful debts is as follows:

	At 30 June 2018 HK$ million	At 31 December 2017 (restated) HK$ million
Current or up to 1 month overdue	**547**	421
More than 1 month overdue and up to 3 months overdue	**21**	23
More than 3 months overdue and up to 6 months overdue	**15**	12
More than 6 months overdue	**27**	33
	610	489

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and loans receivable which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk.

For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowances for impairment losses have been made for estimated irrecoverable amounts.

Notes to the Unaudited Condensed Interim Financial Statements

18 Cash and bank balances

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
Deposits with banks and other financial institutions	**13,654**	14,735
Structured bank deposits	**1,708**	36
Cash at bank and in hand	**2,102**	9,902
Cash and bank balances in the consolidated statement of financial position	**17,464**	24,673
Less:		
Deposits with banks and other financial institutions over three months of maturity at acquisition	**(3,619)**	(1,139)
Structured bank deposits	**(1,708)**	(36)
Cash restricted for use	**(2,650)**	(2,670)
Cash and cash equivalents in the condensed consolidated cash flow statement	**9,487**	20,828

At 30 June 2018, cash and bank balances in the consolidated statement of financial position included (i) balances of bank deposits in mainland China which were subject to exchange controls, and of which an amount of HK$2,650 million (31 December 2017: HK$2,670 million) was restricted for use and primarily comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China; and (ii) structured bank deposits denominated in Renminbi in the equivalent amount of HK$1,708 million (31 December 2017: HK$36 million) which were capital-protected.

19 Trade and other payables

	At 30 June 2018 HK$ million	At 31 December 2017 (restated) HK$ million
Creditors and accrued expenses (2017-restated)	**6,374**	7,538
Gross amount due to customers for contract work(#)	**3**	9
Rental and other deposits	**1,594**	1,542
Forward sales deposits received (2017-restated)(#)	**11,203**	10,225
Derivative financial instruments (note 13)	**109**	82
Amounts due to associates	**1,805**	2,878
Amounts due to joint ventures	**1,804**	1,251
	22,892	23,525

(#) These balances represent the excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting period, and are recognised as contract liabilities (see note 2).

Notes to the Unaudited Condensed Interim Financial Statements

19 Trade and other payables (continued)

At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables) is as follows:

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
Due within 1 month or on demand	**1,695**	1,765
Due after 1 month but within 3 months	**345**	526
Due after 3 months but within 6 months	**224**	268
Due after 6 months	**2,009**	2,244
	4,273	4,803

The amounts due to associates and joint ventures at 30 June 2018 and 31 December 2017 are unsecured, interest-free and have no fixed terms of repayment, except for (i) an amount due to a joint venture of HK$247 million (31 December 2017: HK$244 million) which is unsecured, interest-bearing at 4% per annum and is wholly repayable on 31 October 2018; and (ii) an amount due to a joint venture of HK$407 million (31 December 2017: HK$Nil) which is unsecured, interest-bearing at 4% per annum and is wholly repayable on 5 February 2019.

20 Bank loans

During the six months ended 30 June 2018, the Group obtained new bank loans amounting to HK$31,739 million (2017: HK$51,074 million) and repaid bank loans amounting to HK$29,963 million (2017: HK$23,996 million). The new bank loans bear interest at rates ranging from 0.37% to 3.90% (2017: 0.53% to 1.32%) per annum.

At 30 June 2018 and 31 December 2017, all bank loans of the Group were unsecured.

21 Bonus shares issued

On 21 June 2018, an aggregate of 400 million bonus shares were issued on the basis of one new share for every ten shares held to shareholders whose names appeared on the Company's register of members on 11 June 2018.

On 21 June 2017, an aggregate of 364 million bonus shares were issued on the basis of one new share for every ten shares held to shareholders whose names appeared on the Company's register of members on 13 June 2017.

There is no change to the Company's share capital as the Company's shares no longer have a par or nominal value in accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622).

Notes to the Unaudited Condensed Interim Financial Statements

22 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2018	Fair value measurements at 30 June 2018 categorised into		
		Level 1	Level 2	Level 3
	HK$ million	HK$ million	HK$ million	HK$ million
Recurring fair value measurement				
Financial assets:				
Investments designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 14)	**110**	–	–	**110**
– Listed (note 14)	**1,482**	**1,482**	–	–
Investments in other securities classified as financial assets at FVPL:				
– Listed (note 14)	**1,464**	**1,464**	–	–
Financial assets measured at FVPL (note 17)	**192**	–	–	**192**
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 13)	**97**	–	**97**	–
– Interest rate swap contracts (note 13)	**8**	–	**8**	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 13)	**396**	–	**396**	–
– Interest rate swap contracts (note 13)	**247**	–	**247**	–

Notes to the Unaudited Condensed Interim Financial Statements

22 Fair value measurement of financial instruments (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2017 HK$ million	Fair value measurements at 31 December 2017 categorised into	
		Level 1 HK$ million	Level 2 HK$ million
Recurring fair value measurement			
Financial assets:			
Available-for-sale securities:			
– Listed (note 14)	3,021	3,021	–
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 13)	111	–	111
– Other derivatives (note 13)	67	67	–
Financial liabilities:			
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 13)	400	–	400
– Interest rate swap contracts (note 13)	428	–	428

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2 (2017: Nil), but there was transfer into Level 3 (2017: Nil) for the reason that the investment in unlisted equity securities stated at cost less impairment losses at 31 December 2017 was measured at fair value at 1 January 2018 by reference to the valuation technique as referred to in note (iii) below. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair values of cross currency interest rate swap contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

(iii) Valuation techniques and inputs used in Level 3 fair value measurement

The fair values of certain unlisted equity instruments at 30 June 2018 are determined by reference to the net asset value of the investees, and by adopting the average price earnings multiple of comparable listed enterprises but was adjusted for the liquidity factor of an investee, both of which involve significant unobservable inputs.

Notes to the Unaudited Condensed Interim Financial Statements

22 Fair value measurement of financial instruments (continued)

(b) Financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments measured at cost or amortised cost are not materially different from their fair values at 30 June 2018 and 31 December 2017 except as follows:

– **Certain amounts due from associates and joint ventures and certain amounts due to associates and joint ventures**

Certain amounts due from associates and joint ventures and certain amounts due to associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

– **Investment in held-to-maturity debt securities**

At 31 December 2017, held-to-maturity debt securities of HK$485 million (see note 14) with fair values of HK$508 million (see note 14) were recognised at amortised cost less impairment losses at the end of the reporting period.

23 Capital commitments

At 30 June 2018, the Group had capital commitments not provided for in these condensed interim financial statements as follows:

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
(a) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**9,815**	13,094
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**22,258**	14,454
	32,073	27,548
(b) In relation to the capital commitments undertaken by joint ventures and certain associates attributable to the Group:		
Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**2,431**	1,825
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**4,928**	4,397
	7,359	6,222

Notes to the Unaudited Condensed Interim Financial Statements

24 Contingent liabilities

At 30 June 2018, contingent liabilities of the Group were as follows:

(a) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before or upon the Completion. At 30 June 2018, the Group had contingent liabilities in this connection of HK$11 million (31 December 2017: HK$11 million).

(b) At 30 June 2018, the Group had contingent liabilities in respect of performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects amounting to HK$17 million (31 December 2017: HK$1,237 million).

(c) At 30 June 2018, the Group had given guarantees to financial institutions in the aggregate amount of HK$1,172 million (31 December 2017: HK$837 million) on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 30 June 2018. Such guarantees will be released upon the issuance of the Building Ownership Certificate.

(d) At 30 June 2018, the Company had given an irrevocable, unconditional and several guarantee to the lending bank in relation to the repayment obligations by a joint venture, in which the Group has a 20% interest, which entered into a loan facility agreement with such lending bank on 2 May 2017. The Group's contingent liabilities in respect of the guarantee in relation to the amount drawn down on the loan facility, which is proportional to the Group's attributable interest in the joint venture, amounted to HK$170 million (31 December 2017: HK$30 million).

Notes to the Unaudited Condensed Interim Financial Statements

25 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these condensed interim financial statements, the Group entered into the following material related party transactions during the period:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the period between the Group and its fellow subsidiaries are as follows:

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Rental commission income (note (iii))	**3**	–
Other interest expense (note (i))	**42**	3
Sales commission income (note (iii))	**4**	2
Administration fee income (note (ii))	**5**	5

(b) Transactions with associates and joint ventures

Details of material related party transactions during the period between the Group and its associates and joint ventures are as follows:

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Construction income (note (iii))	**39**	127
Security guard service fee income (note (iii))	**12**	13
Management fee income (note (iii))	**5**	1
Rental income (note (iii))	**11**	11
Rental expenses (note (iii))	**86**	66
Venue-related expenses (note (iii))	**22**	26
Other interest income (note (i))	**10**	10
Rental commission income (note (iii))	**3**	3

Notes to the Unaudited Condensed Interim Financial Statements

25 Material related party transactions (continued)

(c) Transactions with related companies

Details of material related party transactions during the period between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Income from sales of construction materials (note (iii))	**2**	1
Rental income (note (iii))	**4**	8
Tax indemnity receipt	**–**	1

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate or Hong Kong dollar prime rate.

(ii) This transaction represents cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) In the opinion of the directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the period between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Rental expenses	**5**	5
Property and leasing management service fee income and other ancillary property service fee income	**26**	25
Asset management service fee income	**49**	45
Security service fee income	**1**	1

The above transactions were conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 30 June 2018, the amount due from Sunlight REIT was HK$30 million (31 December 2017: HK$29 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in “Trade and other receivables” under current assets (see note 17).

Notes to the Unaudited Condensed Interim Financial Statements

25 Material related party transactions (continued)

(e) Transactions with a director of the Company and a company owned by him

(i) Dr Lee Ka Kit, a director of the Company, made an advance ("advance") of HK$91 million (31 December 2017: HK$91 million) to Henderson (China) Investment Company Limited ("HCI"), an indirect wholly-owned subsidiary of the Group, for the purpose of funding HCI's business operation in mainland China. The advance was unsecured, interest-free and has no fixed terms of repayment.

(ii) Dr Lee Ka Kit, through a company owned by him (the "entity"), has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate. At 30 June 2018, the advance by the entity to the abovementioned associate amounted to HK$80 million (31 December 2017: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

(f) Transaction with a company owned by a close family member of a director of the Company

During the six months ended 30 June 2017, the Group sold to a company owned by a close family member of Madam Fung Lee Woon King, a director of the Company, a completed property unit for a consideration of HK$57 million.

26 Non-adjusting events after the reporting period

(a) After the end of the reporting period, the directors declared an interim dividend. Further details are disclosed in note 9(a).

(b) On 27 July 2018, the Group and a subsidiary of Lai Sun Development Company Limited (collectively as the "Vendors") entered into a conditional agreement with an independent third party (the "Purchaser") pursuant to which, inter alia, the Vendors transferred their entire shareholdings in Best Value International Limited (being a joint venture of the Group) which together with its wholly-owned subsidiaries collectively own an investment property at No. 8 Observatory Road, Kowloon, Hong Kong, for a cash consideration of HK$4,100 million (subject to adjustment). The transfer is scheduled for completion on 27 March 2019 (if not on such earlier date as may be designated by the Purchaser which is however subject to the fulfillment of the conditions precedent to the completion of the transfer, or on such other date as may be agreed between the Vendors and the Purchaser in writing). Proceeds of HK$205 million representing the Group's attributable share of the deposits payable by the Purchaser under the consideration were received by the Group. Subject to the fulfillment of all the conditions precedent to the completion of the transfer, the Group's underlying profit arising from such transfer of interest in joint ventures is estimated to be HK$1,309 million.

27 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation. Furthermore, certain comparative figures have been restated as a result of the adoption of HKFRS 9, *Financial instruments* and HKFRS 15, *Revenue from contracts with customers* for the current accounting period, as referred to in note 2 to these condensed interim financial statements.

Financial Review

Results of operations

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated interim accounts for the six months ended 30 June 2018.

Restatement under the adoption of new accounting standards

Hong Kong Financial Reporting Standard 9 ("HKFRS 9"), *Financial instruments*, became effective for the Group commencing on 1 January 2018, under which investments in securities are classified as either investments designated as financial assets at fair value through other comprehensive income or investments measured as financial assets at fair value through profit or loss, depending on the nature and characteristics of the securities and changes in fair value are recognised in other comprehensive income and profit or loss, respectively. Such changes in accounting policies have been applied retrospectively but do not restate the comparative figures in accordance with the transitional provisions of HKFRS 9, except that the opening balances of the Group's fair value reserve (classified as "recycling" and "non-recycling" under HKFRS 9), retained profits and non-controlling interests at 1 January 2018 have been restated.

Hong Kong Financial Reporting Standard 15 ("HKFRS 15"), *Revenue from contracts with customers*, became effective for the Group commencing on 1 January 2018, which requires revenue from sale of goods and provision of services by the Group to be recognised when the customer obtains control of the promised goods or services in the contract. The Group has assessed that the adoption of HKFRS 15 would be relevant to the recognition of revenue relating to the Group's sale of properties held for sale and gain on disposal of investment properties, under which the revenue from the sale of properties held for sale and gain on disposal of investment properties during the accounting period is recognised in the Group's consolidated statement of profit or loss on the basis that control over the ownership of the property has been passed to the buyer during the current accounting period. Previously, the revenue from the sale of properties held for sale and gain on disposal of investment properties was recognised upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit/a completion certificate by the relevant government authorities, which was taken to be the point in time when the risks and rewards of ownership of the property had been passed to the buyer. The adoption of HKFRS 15 requires retrospective application by restating the opening balances of the Group's consolidated statements of financial position at 1 January 2017 and 1 January 2018, with consequential adjustments to comparatives for the period from 1 January 2017 to 31 December 2017. Accordingly, this has resulted in the restatement to the Group's consolidated statement of profit or loss for the corresponding period of six months ended 30 June 2017, and to the Group's consolidated statements of financial position at 1 January 2017 and 31 December 2017.

Revenue and profit

	Revenue			Contribution from operations		
	Six months ended 30 June		*Increase/*	**Six months ended 30 June**		*Increase/*
	2018	2017 *(Restated)*	*(Decrease)*	**2018**	2017 *(Restated)*	*(Decrease)*
	HK$ million	HK$ million	%	**HK$ million**	HK$ million	%
Reportable segments						
– Property development *(2017 – restated)*	**9,049**	9,021	–	**3,346**	2,118	*+58%*
– Property leasing	**2,995**	2,779	*+8%*	**2,293**	2,139	*+7%*
– Department store operation	**524**	411	*+27%*	**148**	127	*+17%*
– Other businesses	**574**	670	*-14%*	**358**	603	*-41%*
	13,142	12,881	*+2%*	**6,145**	4,987	*+23%*

	Six months ended 30 June		
	2018	2017 *(restated)*	*Increase*
	HK$ million	HK$ million	%
Profit attributable to equity shareholders of the Company			
– including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**15,030**	13,073	*+15%*
– excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures ("Underlying Profit") (Note 1)	**13,859**	9,106	*+52%*

Note 1:

Underlying profit attributable to equity shareholders of the Company ("Underlying Profit") excludes the Group's attributable share of fair value change (net of deferred tax) of the investment properties and investment properties under development held by subsidiaries, associates and joint ventures. In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value change (net of tax) of investment properties and investment properties under development disposed of during the period (which has been included in calculating the net gain on disposal of investment properties and investment properties under development and hence the profit attributable to equity shareholders of the Company during the period) of HK$5,369 million (2017 (as restated for the effect of HKFRS 15): HK$947 million) was added back in arriving at the Underlying Profit.

Excluding the effects of certain one-off income/expense items from the Underlying Profits for the six months ended 30 June 2018 and 2017, the adjusted Underlying Profits for the two financial periods are as follows:–

	Six months ended 30 June			
	2018	2017 *(restated)*	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying Profit *(2017 – restated)*	**13,859**	9,106	*4,753*	*+52%*
(Less)/Add:				
One-off (income)/expense items –				
Gain on disposal (net of tax) of investments in certain listed and unlisted equity securities	**–**	(289)	*289*	
Net fair value (gain) on derivative financial instruments relating to certain interest rate swap contracts and cross currency swap contracts (net of tax) for which there was no hedge accounting applied during the period (2017: net fair value loss on derivative financial instruments relating to certain interest rate swap contracts (net of tax) due to certain ineffective cash flow hedges during the period)	**(156)**	147	*(303)*	
Reclassification (net of tax) from hedging reserve to profit or loss upon the revocation of the hedge relationship between certain of the Group's bank loans and their underlying interest rate swap contracts during the period	**433**	–	*433*	
The Group's attributable share of a one-off provision for assets of The Hong Kong and China Gas Company Limited ("HKCG", a listed associate of the Group)	**83**	–	*83*	
Adjusted Underlying Profit	**14,219**	8,964	*5,255*	*+59%*

Discussions on the major reportable segments are set out below.

Property development

The comparative figures for the corresponding six months ended 30 June 2017 have been restated in accordance with the new accounting policy on revenue recognition under HKFRS 15, as referred to in the paragraph headed "Restatement under the adoption of new accounting standards" above. Therefore, the following performances on gross revenue and pre-tax profits of the Group's subsidiaries, associates and joint ventures engaged in property development are evaluated on a comparable basis between the six months ended 30 June 2018 and the corresponding six months ended 30 June 2017.

Gross revenue – subsidiaries

The gross revenue from property sales during the six months ended 30 June 2018 and 2017 generated by the Group's subsidiaries, and by geographical contribution, is as follows:–

	Six months ended 30 June			
	2018	2017 (restated)	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong *(2017 – restated)*	**8,508**	7,632	*876*	*+11%*
Mainland China	**541**	1,389	*(848)*	*-61%*
	9,049	9,021	*28*	*–*

The gross revenue from property sales in Hong Kong during the six months ended 30 June 2018 was mainly contributed as to (i) HK$6,600 million from the sale consideration received by the Group from the transfer on 28 November 2017 of its interest in the entire issued share capital of, and the shareholder's loan to, a wholly-owned subsidiary which owns a project under development at Kwun Chui Road, Area 56, Tuen Mun Town Lot No. 500, the New Territories and which transaction was completed on 5 January 2018; and (ii) HK$1,908 million from the other major completed projects. By comparison, the gross revenue from property sales in Hong Kong during the corresponding six months ended 30 June 2017, as restated for the effect of HKFRS 15, was contributed as to HK$1,741 million from property development projects which were completed during that period, and as to HK$5,891 million from the other major completed projects.

The gross revenue from property sales in mainland China during the six months ended 30 June 2018 was contributed entirely from the sold and delivered units in relation to the projects (in particular, Towers 1 and 2, Phase G3 of Riverside Park in Suzhou) which were completed prior to 1 January 2018. By comparison, the gross revenue from property sales in mainland China during the corresponding six months ended 30 June 2017 was contributed as to HK$295 million from the sold and delivered units in relation to the property development projects which were completed during that period, and as to HK$1,094 million from the sold and delivered units in relation to the other projects which were completed prior to 1 January 2017.

Pre-tax profits – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax profits from property sales, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the six months ended 30 June 2018 and 2017, are as follows:–

	Six months ended 30 June			
	2018	2017 (restated)	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong *(2017 – restated)*	**3,259**	1,968	*1,291*	*+66%*
Mainland China	**735**	368	*367*	*+100%*
	3,994	2,336	*1,658*	*+71%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries *(2017 – restated)*	**3,234**	1,973	*1,261*	*+64%*
Associates *(2017 – restated)*	**626**	330	*296*	*+90%*
Joint ventures	**134**	33	*101*	*+306%*
	3,994	2,336	*1,658*	*+71%*

The increase in the Group's share of pre-tax profits from property sales in Hong Kong during the six months ended 30 June 2018 of HK$1,291 million (or 66%), and that of the Group's subsidiaries during the six months ended 30 June 2018 of HK$1,261 million (or 64%), is mainly attributable to the pre-tax profit contribution of HK$2,780 million from the completion of the Group's transfer of its interest in the entire issued share capital of, and the shareholder's loan to, a wholly-owned subsidiary which owns a project under development at Kwun Chui Road, Area 56, Tuen Mun Town Lot No. 500, the New Territories, and the period-on-period decrease in pre-tax profit contributions from other projects in the aggregate amount of HK$1,486 million.

The increase in the Group's share of pre-tax profits from property sales in mainland China during the six months ended 30 June 2018 of HK$367 million (or 100%), and that of the Group's associates during the six months ended 30 June 2018 of HK$296 million (or 90%), is mainly attributable to the period-on-period increase in the Group's attributable share of pre-tax profit contribution of HK$567 million from the property sales of "Henderson • CIFI City" in Suzhou and the period-on-period decrease in the Group's attributable share of pre-tax profit contribution of HK$247 million from the property sales of "Henderson • CIFI Centre" in Shanghai.

The increase in the Group's share of pre-tax profit contribution from the property sales of joint ventures of HK$101 million (or 306%) during the six months ended 30 June 2018 is mainly attributable to the period-on-period increase in the Group's share of pre-tax profit contributions from the property sales of "Chengdu ICC" and "La Botanica" in Xian, mainland China, in the amounts of HK$49 million and HK$45 million, respectively.

Property leasing

Gross revenue – subsidiaries

The gross revenue from property leasing during the six months ended 30 June 2018 and 2017 generated by the Group's subsidiaries, and by geographical contribution, is as follows:–

	Six months ended 30 June			
	2018	2017	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**2,059**	1,957	*102*	*+5%*
Mainland China	**936**	822	*114*	*+14%*
	2,995	2,779	*216*	*+8%*

Pre-tax net rental income – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax net rental income, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the six months ended 30 June 2018 and 2017, is as follows:–

	Six months ended 30 June			
	2018	2017	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**2,785**	2,655	*130*	*+5%*
Mainland China	**749**	648	*101*	*+16%*
	3,534	3,303	*231*	*+7%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**2,292**	2,135	*157*	*+7%*
Associates	**422**	391	*31*	*+8%*
Joint ventures	**820**	777	*43*	*+6%*
	3,534	3,303	*231*	*+7%*

For Hong Kong, on an overall portfolio basis, the period-on-period increase of 5% in gross revenue is attributable to the positive rental reversion from the Group's office investment properties which mainly include AIA Tower, FWD Financial Centre and AIA Financial Centre, the new tenancy leases of Manulife Financial Centre, as well as the increased rental income resulting from the procurement of new tenancy leases after the completion of renovation programs for the Group's commercial investment properties which mainly include Sunshine City Plaza and Fanling Centre. Accordingly, this resulted in a period-on-period increase of 5% in pre-tax net rental income.

For mainland China, on an overall portfolio basis, there was a period-on-period increase of 14% in rental revenue contribution and a period-on-period increase of 16% in pre-tax net rental income contribution for the six months ended 30 June 2018. In addition to the appreciation of the Renminbi against Hong Kong dollars by approximately 9% during the six months ended 30 June 2018 when compared with the corresponding six months ended 30 June 2017, the increase in rental revenue and pre-tax net rental income was also mainly contributed from "World Financial Centre" in Beijing. Such increase was partially offset by the reduced rental revenue contribution from "Heng Bao Plaza" in Guangzhou which underwent renovation works during the six months ended 30 June 2018. On an overall portfolio basis, the ratio of pre-tax net rental income to rental revenue for the six months ended 30 June 2018 was 80% (2017: 79%).

Department store operation

Department store operation is carried out by (i) Citistore (Hong Kong) Limited ("Citistore"), which is a wholly-owned subsidiary of Henderson Investment Limited ("HIL"), a listed subsidiary of the Company; and (ii) UNY (HK) Co., Limited ("UNY HK") (renamed as Unicorn Stores (HK) Limited on 27 July 2018), which was acquired by HIL on 31 May 2018 and hence became a wholly-owned subsidiary of HIL during the six months ended 30 June 2018 and the details of which are referred to in the paragraph "Material acquisitions" below.

For the six months ended 30 June 2018, revenue contribution from the department store operation amounted to HK$524 million (2017: HK$411 million) which represents a period-on-period increase of HK$113 million or 27% over that for the corresponding six months ended 30 June 2017. The increase in revenue is mainly attributable to (i) a period-on-period increase in revenue contribution from Citistore of HK$30 million during the six months ended 30 June 2018 when compared with that for the corresponding six months ended 30 June 2017, due to a remarkably colder weather during the months of January and February 2018 which resulted in an increase in the sales of winter merchandises as well as a gradually improved retail market sentiment in Hong Kong during the first six months of 2018; and (ii) the revenue contribution of HK$83 million (2017: Nil) generated from UNY HK for the month of June 2018 after the completion of HIL's acquisition of UNY HK on 31 May 2018. Profit contribution (after the elimination of rental expenditure in respect of the stores which was payable by Citistore to the Group) for the six months ended 30 June 2018 also increased by HK$21 million, or 17%, to HK$148 million (2017: HK$127 million), which is mainly attributable to the reason itemised under (i) above.

Other businesses

Other businesses mainly comprise hotel operation, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

Revenue of other businesses for the six months ended 30 June 2018 amounted to HK$574 million, representing a decrease of HK$96 million, or 14%, from that of HK$670 million for the corresponding six months ended 30 June 2017. This is mainly attributable to (i) the decrease in revenue contribution from construction activities of HK$95 million mainly due to the completion of the construction contract for "Harbour Park" (being a property development project in Hong Kong of Hong Kong Ferry (Holdings) Company Limited ("HK Ferry"), a listed associate of the Group); and (ii) the decrease in revenue contribution from the hotel operation of HK$36 million due to the cessation of the Group's "Newton" hotel business operation, which are partially offset by the increase of HK$30 million in the interest income received from the Group's advancement of first mortgage loans and second mortgage loans to property buyers and term loans to certain corporate borrowers.

The profit contribution of other businesses for the six months ended 30 June 2018 amounted to HK$358 million, representing a decrease of HK$245 million, or 41%, from that of HK$603 million for the corresponding six months ended 30 June 2017. This is mainly attributable to the non-recurrence of the Group's gain on disposal (before tax) of its investments in certain listed and unlisted equity securities during the corresponding six months ended 30 June 2017 in the amount of HK$310 million.

Associates

The performance on the Group's attributable share of post-tax profit contribution from associates engaged in property development is evaluated on a comparable basis between the six months ended 30 June 2018 and the corresponding six months ended 30 June 2017, by restating the comparative figures for the corresponding six months ended 30 June 2017 in accordance with the new accounting policy on revenue recognition under HKFRS 15, as referred to in the paragraph headed "Restatement under the adoption of new accounting standards" above.

The Group's attributable share of post-tax profits less losses of associates during the six months ended 30 June 2018 amounted to HK$2,777 million (2017: HK$2,595 million (as restated for the effect of HKFRS 15)), representing an increase of HK$182 million, or 7%, over that for the corresponding six months ended 30 June 2017. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates (net of deferred taxation) during the period and adding back the Group's attributable share of the cumulative fair value change of an investment property disposed of by Miramar Hotel and Investment Company, Limited (a listed associate of the Group) during the corresponding six months ended 30 June 2017, the Group's attributable share of the underlying post-tax profits less losses of associates for the six months ended 30 June 2018 amounted to HK$2,206 million (2017: HK$2,133 million (as restated for the effect of HKFRS 15)), representing an increase of HK$73 million, or 3%, over that for the corresponding six months ended 30 June 2017. Such period-on-period increase in the underlying post-tax profits was mainly due to the better financial performances of the gas operation and related businesses of HKCG and the property development business of HK Ferry during the period.

Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the six months ended 30 June 2018 amounted to HK$2,863 million (2017: HK$2,031 million), representing an increase of HK$832 million, or 41%, over that for the corresponding six months ended 30 June 2017. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures (net of deferred taxation) during the period, the Group's attributable share of the underlying post-tax profits less losses of joint ventures for the six months ended 30 June 2018 amounted to HK$786 million (2017: HK$672 million), representing an increase of HK$114 million, or 17%, over that for the corresponding six months ended 30 June 2017. Such period-on-period increase in the underlying post-tax profits was mainly attributable to the increase in profit contributions from the ifc project in Hong Kong and the property sales of "La Botanica" in Xian and "Chengdu ICC" project, mainland China during the period.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the six months ended 30 June 2018 amounted to HK$944 million (2017: HK$724 million). Finance costs after interest capitalisation for the six months ended 30 June 2018 amounted to HK$479 million (2017: HK$327 million), and after set-off against the Group's bank interest income of HK$252 million for the six months ended 30 June 2018 (2017: HK$202 million), net finance costs recognised as expenses in the Group's consolidated statement of profit or loss for the six months ended 30 June 2018 amounted to HK$227 million (2017: HK$125 million).

Overall, as referred to in the paragraph headed "Maturity profile and interest cover" below, the entire amount of the Group's total debt of HK$87,837 million at 30 June 2018 (31 December 2017: HK$80,304 million) was represented by the Group's bank and other borrowings in Hong Kong both at 30 June 2018 and 31 December 2017. During the six months ended 30 June 2018, the Group's effective borrowing rate in relation to the Group's bank and other borrowings in Hong Kong was approximately 2.12% per annum (2017: approximately 2.42% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$3,937 million in the consolidated statement of profit or loss for the six months ended 30 June 2018 (2017: HK$3,148 million).

Financial resources and liquidity

Medium Term Note Programme

At 30 June 2018, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 and which remained outstanding was HK$7,996 million (31 December 2017: HK$4,015 million), with tenures of between two years and twenty years (31 December 2017: between seven years and twenty years). These notes are included in the Group's bank and other borrowings at 30 June 2018 as referred to in the paragraph headed "Maturity profile and interest cover" below.

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances and the gearing ratio of the Group is as follows:

	At 30 June 2018 HK$ million	At 31 December 2017 HK$ million
Bank and other borrowings repayable:		
– Within 1 year	**27,203**	24,675
– After 1 year but within 2 years	**23,037**	20,841
– After 2 years but within 5 years	**20,591**	27,150
– After 5 years	**13,492**	5,884
Amount due to a fellow subsidiary	**3,514**	1,754
Total debt	**87,837**	80,304
Less: Cash and bank balances	**(17,464)**	(24,673)
Net debt	**70,373**	55,631
Shareholders' funds *(2017 – restated)*	**302,284**	292,574
Gearing ratio (%)	**23.3%**	19.0%

The total debt of HK$87,837 million at 30 June 2018 (31 December 2017: HK$80,304 million) was unsecured and comprised the Group's bank and other borrowings in Hong Kong. At 30 June 2018, after taking into account the effect of swap contracts, 22% (31 December 2017: 23%) of the Group's total debt carried fixed interest rates.

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the end of the reporting period.

The interest cover of the Group is calculated as follows:

	Six months ended 30 June	
	2018	2017
		(restated)
	HK$ million	HK$ million
Profit from operations (before changes in fair value of investment properties and investment properties under development) plus the Group's share of the underlying profits less losses of associates and joint ventures *(2017 – restated)*	**9,718**	9,162
Interest expense (before interest capitalisation)	**864**	636
Interest cover (times) *(2017 – restated)*	**11**	14

With abundant banking facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the end of the reporting period for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in Renminbi ("RMB"), the guaranteed notes ("Notes") which are denominated in United States dollars ("US$"), Sterling ("£"), Singapore dollars ("S$") and Japanese Yen ("¥"), the fixed coupon rate bond ("Bond") which is denominated in United States dollars and the bank borrowings which are denominated in Japanese Yen.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes and the Bond in the aggregate principal amounts of US$629 million, £50 million and S$200 million at 30 June 2018 (31 December 2017: US$629 million, £50 million and S$200 million), cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, (i) in respect of certain of the Group's bank loans denominated in Hong Kong dollars in the aggregate principal amount of HK$11,450 million at 30 June 2018 (31 December 2017: HK$11,450 million), interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure; and (ii) in respect of the Group's guaranteed notes and a bank loan denominated in Japanese Yen in the aggregate principal amount of ¥17,000 million at 30 June 2018 (31 December 2017: guaranteed notes in the principal amount of ¥2,000 million), cross currency swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against foreign currency risk during their tenure.

Material acquisitions and disposals

Material acquisitions

On 12 February 2018, the Group acquired from (i) HKICIM Fund III, L.P., an independent third party, the entire issued share capital of and shareholder's loan to a company which through its wholly-owned subsidiary holds a land parcel registered in the Land Registry as New Kowloon Inland Lot No. 6562, for a total consideration of approximately HK$6,062 million; and (ii) HKICIM Fund II, L.P., an independent third party, the entire issued share capital of and shareholder's loan to a company which through its wholly-owned subsidiary holds a land parcel registered in the Land Registry as New Kowloon Inland Lot No. 6565, for a total consideration of approximately HK$9,896 million. Completion of the acquisition took place on 14 February 2018 and the Group paid an aggregate cash consideration of approximately HK$15,958 million for the acquisition, which was funded from the Group's internal resources and bank borrowings.

On 24 May 2018, a wholly-owned subsidiary of HIL (the "Buyer") entered into a conditional share purchase agreement with FamilyMart UNY Holdings Co., Ltd. of Japan (the "Seller") pursuant to which the Buyer acquired from the Seller the entire issued shares of UNY HK for an aggregate consideration of HK$300 million (subject to adjustment). UNY HK is engaged in department store operation in Hong Kong and has three stores located in Taikoo Shing, Lok Fu and Kowloon Bay as well as a discount store located in North Point (which will be closed before 30 September 2018 due to termination of lease by the landlord). Completion of the acquisition took place on 31 May 2018.

Material disposals

On 4 January 2018, the Group entered into an agreement with an independent third party pursuant to which the Group transferred its interest in the entire issued share capital of Trado Investment Limited ("Trado") and the shareholder's loans to Trado and its wholly-owned subsidiary, Glory United Development Limited ("Glory United"), together with the entire interest in Glory United which owns an investment property at No. 18 King Wah Road, North Point, Hong Kong, for a cash consideration of about HK$9,950 million. The transaction was completed on 28 February 2018. Proceeds of HK$7,954 million representing part of the sale consideration were received by the Group. The Group recognised a gain attributable to reported profit and underlying profit for the six months ended 30 June 2018 in the amounts of HK$848 million and HK$5,609 million, respectively.

During the six months ended 30 June 2018, the Group disposed of its investments in certain listed and unlisted equity securities for an aggregate consideration of HK$195 million (2017: HK$984 million), and the cumulative balances of the fair value reserve in the aggregate amount of HK$3 million was transferred from the fair value reserve to retained profits in equity upon the disposal due to the Group's adoption of the accounting policy choice of recognising its financial investments in listed and unlisted equity securities as "Investments in equity securities designated as financial assets at fair value through other comprehensive income" under HKFRS 9 (2017: the Group recognised an aggregate gain on disposal of certain listed and unlisted equity securities (net of tax) of HK$289 million in the consolidated statement of profit or loss for the corresponding six months ended 30 June 2017).

Save for the aforementioned, the Group did not undertake any other significant acquisitions or any other significant disposals of subsidiaries or assets during the six months ended 30 June 2018.

Completion during the six months ended 30 June 2018 of a significant transaction entered into during the previous year ended 31 December 2017

Reference is made to the agreement entered into by the Group with an independent third party on 28 November 2017 in relation to the transfer by the Group of its entire issued share capital of, and the shareholder's loan to, a wholly-owned subsidiary which owns a project under development at Kwun Chui Road, Area 56, Tuen Mun Town Lot No. 500, the New Territories, Hong Kong, for a cash consideration of HK$6,600 million. The transaction was completed on 5 January 2018. Proceeds of HK$6,611 million representing the full sale consideration (as adjusted) were received by the Group. The Group recognised a gain attributable to reported profit and underlying profit for the six months ended 30 June 2018 in the amount of HK$2,780 million.

Charge on assets

Except for a pledged bank deposit of HK$100,752 at 30 June 2018 (31 December 2017: Nil), assets of the Group's subsidiaries were not charged to any other third parties at 30 June 2018 and 31 December 2017.

Capital commitments

At 30 June 2018, capital commitments of the Group amounted to HK$32,073 million (31 December 2017: HK$27,548 million). In addition, the Group's attributable share of capital commitments undertaken by joint ventures and certain associates at 30 June 2018 amounted to HK$7,359 million (31 December 2017: HK$6,222 million).

Contingent liabilities

At 30 June 2018, the Group's contingent liabilities amounted to HK$1,370 million (31 December 2017: HK$2,115 million), which include:–

(i) an amount of HK$17 million (31 December 2017: HK$1,237 million) relates to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects, and the decrease of which is mainly attributable to the gradual completion of the construction activities of "Eden Manor", a residential property development project of the Group, during the six months ended 30 June 2018;

(ii) an amount of HK$1,172 million (31 December 2017: HK$837 million) relates to guarantees given by the Group to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 30 June 2018 (and such guarantees will be released upon the issuance of the Building Ownership Certificate); and

(iii) an amount of HK$170 million (31 December 2017: HK$30 million) relates to the Group's attributable and proportional share of contingent liabilities in respect of an irrevocable, unconditional and several guarantee to the lending bank in relation to the amount drawn down on a loan facility which was entered into between a joint venture, in which the Group has a 20% interest, and such lending bank on 2 May 2017.

Employees and remuneration policy

At 30 June 2018, the Group had 9,052 (31 December 2017: 8,590) full-time employees. The increase in the Group's full-time employees headcount of 462 during the six months ended 30 June 2018 is mainly due to the contribution of 484 full-time employees from UNY HK, following the completion of acquisition by HIL on 31 May 2018.

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the six months ended 30 June 2018 amounted to HK$1,055 million (2017: HK$1,009 million), representing a period-on-period increase of HK$46 million, or 5%, which is in line with the increase in the Group's full-time employees headcount during the six months ended 30 June 2018 as referred to above.

Non-adjusting event after the reporting period

On 27 July 2018, the Group and a subsidiary of Lai Sun Development Company Limited (collectively as the "Vendors") entered into a conditional agreement with an independent third party (the "Purchaser") pursuant to which, inter alia, the Vendors transferred their entire shareholdings in Best Value International Limited (being a joint venture of the Group) which together with its wholly-owned subsidiaries collectively own an investment property at No. 8 Observatory Road, Kowloon, Hong Kong, for a cash consideration of HK$4,100 million (subject to adjustment). The transfer is scheduled for completion on 27 March 2019 (if not on such earlier date as may be designated by the Purchaser which is however subject to the fulfillment of the conditions precedent to the completion of the transfer, or on such other date as may be agreed between the Vendors and the Purchaser in writing). Proceeds of HK$205 million representing the Group's attributable share of the deposits payable by the Purchaser under the consideration were received by the Group. Subject to the fulfillment of all the conditions precedent to the completion of the transfer, the Group's underlying profit arising from such transfer of interest in joint ventures is estimated to be HK$1,309 million.

Other Information

Revolving Credit Agreements with Covenants of the Controlling Shareholders

The Company through its wholly-owned subsidiaries as borrowers, had the following credit facilities from groups of syndicate of banks under separate guarantees given by the Company:

(1) a 4-year term loan, 5-year term loan and revolving credit facilities of up to HK$13,800,000,000 obtained in January 2014 ("HK$13,800 Million Facilities"); and

(2) a 5-year term loan and revolving credit facilities of up to HK$18,000,000,000 obtained in March 2015.

In connection with each of the above credit facilities, it will be an event of default if the Company is deemed to be ultimately controlled by any person(s) other than Dr Lee Shau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the outstanding amounts (if any) under the respective credit facilities may become due and payable on demand.

The HK$13,800 Million Facilities were fully repaid and cancelled in January 2018.

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2018 have been reviewed by the auditor of the Company, KPMG 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, the report of which is included on page 103.

Issue of Shares

On 21 June 2018, the Company issued 400,114,628 bonus shares on the basis of one share for every ten shares held.

Purchase, Sale or Redemption of the Company's Listed Securities

Except for the issue of bonus shares on 21 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

Audit Committee

The Audit Committee met in August 2018 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2018.

Corporate Governance

During the six months ended 30 June 2018, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in the property business, shall continue in his dual capacity as the Chairman and Managing Director.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code.

Forward-Looking Statements

This interim report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

Changes in the Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors of the Company required to be disclosed are shown as follows:

(i) (a) Dr Lee Ka Kit was appointed as an independent non-executive director of Xiaomi Corporation on 25 June 2018.

(b) Mr Suen Kwok Lam ceased to be the vice president of Hong Kong Institute of Real Estate Administrators on 26 June 2018.

(c) Professor Poon Chung Kwong ceased to be an independent non-executive director of Hopewell Highway Infrastructure Limited on 2 May 2018.

(ii) The Group usually makes annual adjustment to basic salaries in January and determines the discretionary bonuses near the end of the year. Therefore, the only changes to the Directors' remuneration during the period under review were the changes to the basic salaries of the Directors of the Company due to the annual adjustments. The effect of the basic salary changes are illustrated as follows:

	Salaries, allowances and benefits *(Note)* **for the six months ended 30 June**		Discretionary Bonuses for the year ended 31 December 2017 (For reference)
	2018	2017	
	HK$'000	HK$'000	HK$'000
Lam Ko Yin, Colin	**5,260**	5,202	20,854
Yip Ying Chee, John	**4,802**	4,751	14,630
Lee Ka Kit	**9,764**	9,417	600
Lee Ka Shing	**7,301**	6,910	3,374
Suen Kwok Lam	**3,835**	3,689	7,740
Fung Lee Woon King	**2,722**	2,639	4,820
Kwok Ping Ho	**2,646**	2,567	1,420
Wong Ho Ming, Augustine	**5,294**	5,090	14,700

Note: Excluding bonuses and directors' fees.

Save as disclosed above, there were no changes to the basic salaries of the other current Directors of the Company for the period under review. There are no changes to the bases in determining other allowances and benefits, bonuses and retirement scheme contributions. For certain Directors of the Company, discretionary bonus is a major component of their remuneration, which will be determined near the end of the year. The discretionary bonuses for the year ended 31 December 2017 are listed above for reference.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 August 2018

As at the date of this report, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Ka Shing, Yip Ying Chee, John, Suen Kwok Lam, Fung Lee Woon King, Lau Yum Chuen, Eddie, Kwok Ping Ho and Wong Ho Ming, Augustine; (2) non-executive directors: Lee Pui Ling, Angelina and Lee Tat Man; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Leung Hay Man and Poon Chung Kwong.

Disclosure of Interests

Directors' Interests in Shares

As at 30 June 2018, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	14,135,152		3,190,711,619		3,204,846,771	72.82
	Lee Ka Kit	1				3,190,711,619	3,190,711,619	72.50
	Lee Ka Shing	1				3,190,711,619	3,190,711,619	72.50
	Lee Tat Man	2	200,272				200,272	0.00
	Lee Pui Ling, Angelina	3	58,686				58,686	0.00
	Fung Lee Woon King	4	2,266,490				2,266,490	0.05
	Woo Ka Biu, Jackson	5		3,542			3,542	0.00
Henderson Investment Limited	Lee Shau Kee	6			2,110,868,943		2,110,868,943	69.27
	Lee Ka Kit	6				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	6				2,110,868,943	2,110,868,943	69.27
	Lee Tat Man	7	6,666				6,666	0.00
The Hong Kong and China Gas Company Limited	Lee Shau Kee	8			6,389,357,019		6,389,357,019	41.53
	Lee Ka Kit	8				6,389,357,019	6,389,357,019	41.53
	Lee Ka Shing	8				6,389,357,019	6,389,357,019	41.53
	Poon Chung Kwong	9				200,442	200,442	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	10	799,220		119,017,090		119,816,310	33.63
	Lee Ka Kit	10				119,017,090	119,017,090	33.41
	Lee Ka Shing	10				119,017,090	119,017,090	33.41
	Lam Ko Yin, Colin	11	150,000				150,000	0.04
	Fung Lee Woon King	12	465,100				465,100	0.13
	Leung Hay Man	13	2,250				2,250	0.00

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	14			336,173,980		336,173,980	48.65
	Lee Ka Kit	14				336,173,980	336,173,980	48.65
	Lee Ka Shing	14				336,173,980	336,173,980	48.65
Towngas China Company Limited	Lee Shau Kee	15			1,857,788,706		1,857,788,706	67.10
	Lee Ka Kit	15				1,857,788,706	1,857,788,706	67.10
	Lee Ka Shing	15				1,857,788,706	1,857,788,706	67.10
Henderson Development Limited	Lee Shau Kee	16			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	17			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	18	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	16				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	17				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	18				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	16				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	17				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	18				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Best Homes Limited	Lee Shau Kee	19			26,000		26,000	100.00
	Lee Ka Kit	19				26,000	26,000	100.00
	Lee Ka Shing	19				26,000	26,000	100.00
Feswin Investment Limited	Lee Ka Kit	20			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	21	2,000				2,000	20.00
Furnline Limited	Lee Shau Kee	22			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	23			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	22				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	23				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	22				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	23				1 (B Share)	1 (B Share)	100.00
Gain Base Development Limited	Fung Lee Woon King	24	50				50	5.00
Perfect Bright Properties Inc.	Lee Shau Kee	25			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	26			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	25				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	26				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	25				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	26				1 (B Share)	1 (B Share)	100.00

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

Substantial Shareholders' and Others' Interests

As at 30 June 2018, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	3,190,711,619	72.50
Riddick (Cayman) Limited (Note 1)	3,190,711,619	72.50
Hopkins (Cayman) Limited (Note 1)	3,190,711,619	72.50
Henderson Development Limited (Note 1)	3,188,055,214	72.44
Yamina Investment Limited (Note 1)	1,436,609,062	32.64
Believegood Limited (Note 1)	725,352,667	16.48
South Base Limited (Note 1)	725,352,667	16.48
Persons other than Substantial Shareholders:		
Cameron Enterprise Inc. (Note 1)	337,404,922	7.67
Richbond Investment Limited (Note 1)	432,547,181	9.83

Notes:

1. Of these shares, Dr Lee Shau Kee was the beneficial owner of 14,135,152 shares, and for the remaining 3,190,711,619 shares, (i) 1,318,989,971 shares were owned by Henderson Development Limited ("HD"); (ii) 432,547,181 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 337,404,922 shares were owned by Cameron Enterprise Inc.; 725,352,667 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 138,997,867 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 127,901,783 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 106,951,823 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; and (iv) 2,656,405 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

2. Mr Lee Tat Man was the beneficial owner of these shares.

3. Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.

4. Madam Fung Lee Woon King was the beneficial owner of these shares.

5. These shares were owned by the wife of Mr Woo Ka Biu, Jackson.

6. Of these shares, 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

7. Mr Lee Tat Man was the beneficial owner of these shares.

8. Of these shares, 3,556,972,015 shares and 1,381,550,426 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 1,450,834,578 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and The Hong Kong and China Gas Company Limited ("China Gas") by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

9. These shares were owned by Professor Poon Chung Kwong and his wife jointly.

10. Of these shares, Dr Lee Shau Kee was the beneficial owner of 799,220 shares, and for the remaining 119,017,090 shares, 48,817,090 shares were held by Wiselin Investment Limited, 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Hong Kong Ferry (Holdings) Company Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

11. Dr Lam Ko Yin, Colin was the beneficial owner of these shares.

12. Madam Fung Lee Woon King was the beneficial owner of these shares.

13. Mr Leung Hay Man was the beneficial owner of these shares.

14. Of these shares, 120,735,300 shares, 118,832,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

15. These shares were owned by Hong Kong & China Gas (China) Limited, Planwise Properties Limited and Superfun Enterprises Limited, wholly-owned subsidiaries of China Gas. Dr Lee Shau Kee was taken to be interested in China Gas as set out in Note 8 and Towngas China Company Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

16. These shares were held by Hopkins as trustee of the Unit Trust.

17. These shares were held by Hopkins as trustee of the Unit Trust.

18. Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.

19. Of these shares, (i) 10,400 shares were owned by the Company; and (ii) 15,600 shares were owned by Manifest Investments Limited which was 100% held by HD.

20. Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Dr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of the Company.

21. Madam Fung Lee Woon King was the beneficial owner of these shares.

22. These shares were owned by Jetwin International Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.

23. This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by the Company.

24. Madam Fung Lee Woon King was the beneficial owner of these shares.

25. These shares were owned by Jetwin International Limited.

26. This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by the Company.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the six months ended 30 June 2018 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HENDERSON LAND DEVELOPMENT COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed interim financial statements set out on pages 34 to 78 which comprise the consolidated statement of financial position of Henderson Land Development Company Limited as of 30 June 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the condensed interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the condensed interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of the condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 30 June 2018 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 August 2018

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED