



Sun Hung Kai Properties Limited

# Customer Focus Premium Brand Solid Foundations



Annual Report **2015/16**

Stock Code : 16



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# Board of Directors and Committees

## Board of Directors

### *Executive Directors*

Kwok Ping-luen, Raymond (*Chairman & Managing Director*)  
Wong Chik-wing, Mike (*Deputy Managing Director*)  
Lui Ting, Victor (*Deputy Managing Director*)  
Kwok Kai-fai, Adam  
Kwok Kai-wang, Christopher  
Kwong Chun  
Tung Chi-ho, Eric  
Fung Yuk-lun, Allen  
Kwok Ho-lai, Edward (*Alternate Director to Kwok Ping-luen, Raymond*)

### *Non-Executive Directors*

Lee Shau-kee (*Vice Chairman*)  
Woo Po-shing  
Kwan Cheuk-yin, William  
Woo Ka-biu, Jackson (*Alternate Director to Woo Po-shing*)

### *Independent Non-Executive Directors*

Yip Dicky Peter  
Wong Yue-chim, Richard  
Li Ka-cheung, Eric  
Fung Kwok-lun, William  
Leung Nai-pang, Norman  
Leung Kui-king, Donald  
Leung Ko May-yee, Margaret

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## Committees

### *Executive Committee*

Kwok Ping-luen, Raymond  
Wong Chik-wing, Mike  
Lui Ting, Victor  
Kwok Kai-fai, Adam  
Kwok Kai-wang, Christopher  
Kwong Chun  
Tung Chi-ho, Eric  
Fung Yuk-lun, Allen  
Chow Kwok-yin, Eric  
Wong Chin-wah, Jimmy  
Yung Sheung-tat, Sandy  
Li Ching-kam, Frederick

### *Audit and Risk Management Committee*

Li Ka-cheung, Eric\*  
Yip Dicky Peter  
Leung Kui-king, Donald  
Leung Nai-pang, Norman

### *Remuneration Committee*

Wong Yue-chim, Richard\*  
Li Ka-cheung, Eric  
Kwan Cheuk-yin, William  
Leung Nai-pang, Norman

### *Nomination Committee*

Wong Yue-chim, Richard\*  
Kwan Cheuk-yin, William  
Yip Dicky Peter  
Leung Nai-pang, Norman

\* *Committee Chairman*

# Corporate Information and Information for Shareholders

## Corporate Information

### Company Secretary

Yung Sheung-tat, Sandy

### Auditor

Deloitte Touche Tohmatsu

### Registered Office

45th Floor, Sun Hung Kai Centre  
30 Harbour Road  
Hong Kong  
Telephone : (852) 2827 8111  
Facsimile : (852) 2827 2862  
Website : www.shkp.com  
E-mail : shkp@shkp.com

### Share Registrar

Computershare Hong Kong  
Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### Solicitors

Woo Kwan Lee & Lo  
Mayer Brown JSM  
Winston Chu & Company  
Clifford Chance

### Principal Bankers

Bank of China (Hong Kong) Limited  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
The Hongkong and Shanghai Banking  
Corporation Limited  
Mizuho Bank, Ltd.  
Sumitomo Mitsui Banking Corporation  
Hang Seng Bank Limited  
United Overseas Bank Limited  
China Construction Bank (Asia) Corporation Limited  
Bank of Communications Co., Ltd.  
Industrial and Commercial Bank of China (Asia) Limited

## Information for Shareholders

### Share Listing

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and are traded over the counter in the United States in the form of American Depositary Receipts ("ADR").

### Stock Code

Stock Exchange : 16  
Bloomberg : 16 HK Equity  
Reuters : 0016.HK  
Trading Symbol for ADR : SUHJY  
CUSIP : 86676H302

### Investor Relations Contact

Telephone : (852) 3766 5787  
Facsimile : (852) 2116 0597  
E-mail : ir@shkp.com

### Financial Calendar for 2015/16

Interim results announcement	: 26 February 2016
Interim dividend paid	: 22 March 2016
Annual results announcement	: 8 September 2016
Closure of register of members <sup>1</sup>	: 7 to 9 November 2016 (both days inclusive)
Annual general meeting	: 9 November 2016
Ex-dividend date for final dividend	: 14 November 2016
Closure of register of members <sup>2</sup>	: 16 November 2016
Final dividend payable	: 24 November 2016

#### Notes:

1. For the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting
2. For the purpose of ascertaining shareholders' entitlement to the proposed final dividend

## Choice of Language or Means of Receipt of Corporate Communications

This annual report is now available in printed form in English and in Chinese, and on the website of the Company.

If (i) shareholders, who have received or chosen to receive printed copies of this annual report in English or in Chinese, wish to receive the same in the other language; or (ii) shareholders, who have received or chosen to receive or are deemed to have consented to receive this annual report by electronic means, wish to receive printed copies; or (iii) shareholders for any reason have difficulty in receiving or gaining access to this annual report on the Company's website, they may obtain printed copies free of charge by sending a request to the Company c/o the Share Registrar, Computershare Hong Kong Investor Services Limited, by post to 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at shkp@computershare.com.hk.

For shareholders who wish to change their choice of language or means of receipt of the Company's future corporate communications free of charge, they may at any time notify the Company by giving reasonable notice (of not less than 7 days) to the Company c/o the Share Registrar by post or by email or by completing and returning the accompanying Change Request Form.

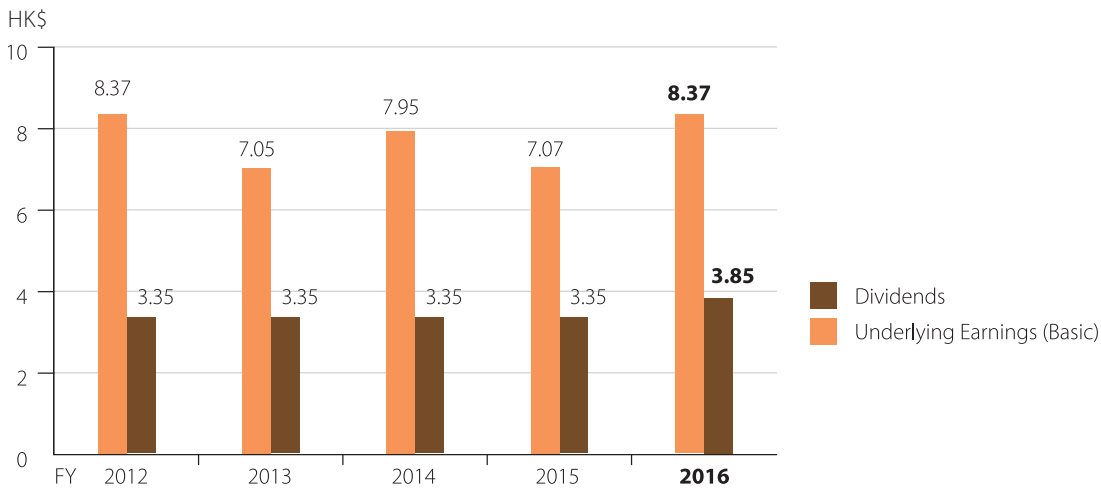
# Financial Highlights and Land Bank

For the year ended 30 June	2016	2015	Change (%)
<b>Financial Highlights (HK\$ million)</b>			
Revenue	<b>91,184</b>	66,783	+36.5
Profit attributable to the Company's shareholders			
– Reported	<b>32,666</b>	31,082	+5.1
– Underlying <sup>1</sup>	<b>24,170</b>	19,825	+21.9
Gross rental income <sup>2</sup>	<b>21,036</b>	19,681	+6.9
Net rental income <sup>2</sup>	<b>16,481</b>	15,352	+7.4
<b>Financial Ratios</b>			
Net debt to shareholders' funds (%)	<b>10.8</b>	11.2	-0.4 <sup>3</sup>
Dividend payout (%)	<b>46.0</b>	47.4	-1.4 <sup>3</sup>
<b>Financial Information per Share (HK\$)</b>			
Basic earnings per share for profit attributable to the Company's shareholders			
– Reported	<b>11.31</b>	11.09	+2.0
– Underlying	<b>8.37</b>	7.07	+18.4
Dividends			
– Interim dividend	<b>1.05</b>	0.95	+10.5
– Final dividend	<b>2.80</b>	2.40	+16.7
– Full-year dividend	<b>3.85</b>	3.35	+14.9
Shareholders' funds	<b>161.90</b>	156.82	+3.2
<b>Land Bank in Hong Kong (gross floor area in million square feet)</b>			
Properties under development <sup>4</sup>	<b>20.9</b>	22.1	-5.4
Completed investment properties <sup>5</sup>	<b>29.0</b>	28.7	+1.0
Total	<b>49.9</b>	50.8	-1.8
<b>Land Bank on the Mainland (gross floor area in million square feet)</b>			
Properties under development	<b>57.8</b>	68.0	-15.0
Completed investment properties <sup>5</sup>	<b>12.1</b>	11.6	+4.3
Total	<b>69.9</b>	79.6	-12.2

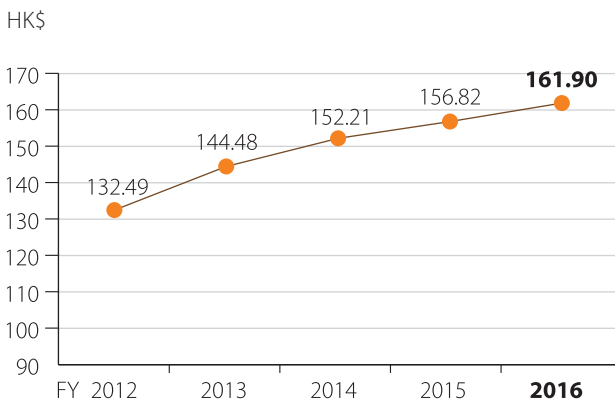
## Notes:

- Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties
- Including contributions from associates and joint ventures
- Change in percentage points and dividend payout based upon underlying profit
- Excluding about 0.4 million square feet of gross floor area from a site acquired after the end of the financial year and over 30 million square feet of agricultural land in terms of site area
- The Group has a 50% stake in a premium 950,000-square-foot shopping mall in Singapore in addition to property holdings in Hong Kong and on the mainland

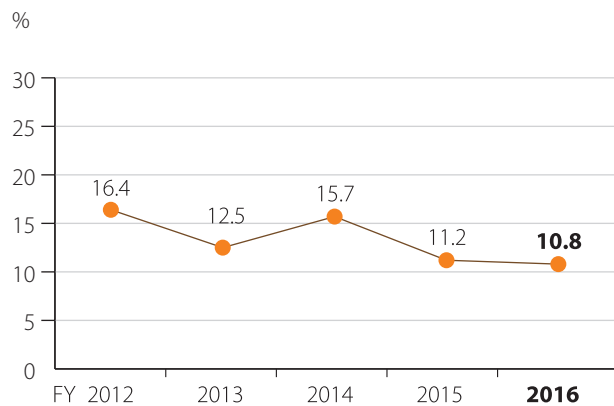
## Underlying Earnings and Dividends per Share



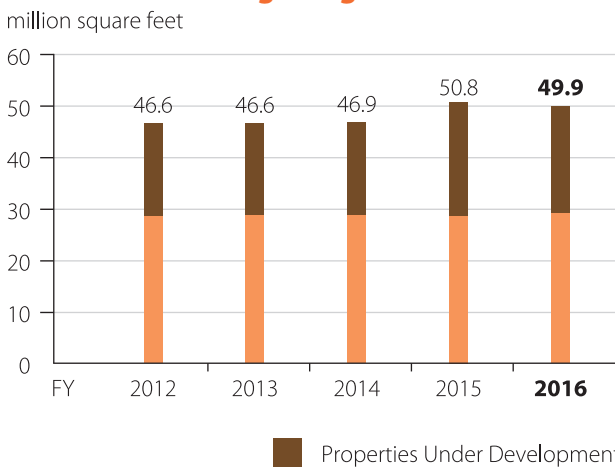
## Shareholders' Funds per Share



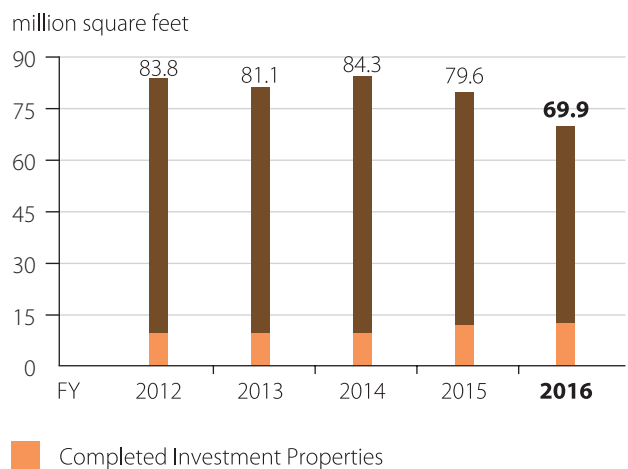
## Net Debt to Shareholders' Funds Ratio



## Land Bank in Hong Kong



## Land Bank on the Mainland



# Group Financial Summary

## Key Financial Information and Ratios

Financial year	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$
<b>Reported earnings per share (basic)</b>	<b>11.31</b>	11.09	12.45	15.28	16.63
<b>Underlying earnings per share (basic)</b>	<b>8.37</b>	7.07	7.95	7.05	8.37
<b>Dividends per share</b>	<b>3.85</b>	3.35	3.35	3.35	3.35
<b>Shareholders' funds at book value per share</b>	<b>161.90</b>	156.82	152.21	144.48	132.49
<b>Net debt/Shareholders' funds (%)</b>	<b>10.8</b>	11.2	15.7	12.5	16.4
<b>Interest cover (times)<sup>1</sup></b>	<b>12.5</b>	9.3	11.1	8.7	13.7

## Key Consolidated Income Statement Items

For the year ended 30 June	2016 HK\$M	2015 HK\$M	2014 HK\$M	2013 HK\$M	2012 HK\$M
<b>Revenue</b>	<b>91,184</b>	66,783	75,100	53,793	68,400
<b>Operating profit before changes in fair value of investment properties</b>	<b>28,856</b>	22,778	24,982	19,300	24,988
<b>Operating profit after changes in fair value of investment properties</b>	<b>37,625</b>	33,765	37,113	38,487	44,470
<b>Profit attributable to the Company's shareholders</b>	<b>32,666</b>	31,082	33,520	40,329	43,080
<b>Underlying profit attributable to the Company's shareholders<sup>2</sup></b>	<b>24,170</b>	19,825	21,415	18,619	21,678

## Key Consolidated Statement of Financial Position Items

As at 30 June	2016 HK\$M	2015 HK\$M	2014 HK\$M	2013 HK\$M	2012 HK\$M
<b>Investment properties and fixed assets</b>	<b>343,963</b>	334,826	303,016	281,637	252,458
<b>Associates and joint ventures</b>	<b>60,807</b>	56,975	53,589	53,534	49,515
<b>Other financial assets and loans</b>	<b>4,361</b>	4,030	3,527	4,176	4,109
<b>Intangible assets</b>	<b>3,754</b>	4,090	4,539	4,937	4,699
<b>Net current assets</b>	<b>142,559</b>	146,456	145,822	117,295	114,862
<b>Non-current liabilities</b>	<b>(80,936)</b>	(89,559)	(90,804)	(71,050)	(74,684)
<b>Net assets</b>	<b>474,508</b>	456,818	419,689	390,529	350,959
<b>Share capital</b>	<b>70,384</b>	68,451	53,464	1,335	1,308
<b>Share premium<sup>3</sup></b>	<b>–</b>	–	–	46,880	40,782
<b>Reserves</b>	<b>398,323</b>	382,575	361,319	337,697	304,469
<b>Shareholders' funds</b>	<b>468,707</b>	451,026	414,783	385,912	346,559
<b>Non-controlling interests</b>	<b>5,801</b>	5,792	4,906	4,617	4,400
<b>Total Equity</b>	<b>474,508</b>	456,818	419,689	390,529	350,959

Notes:

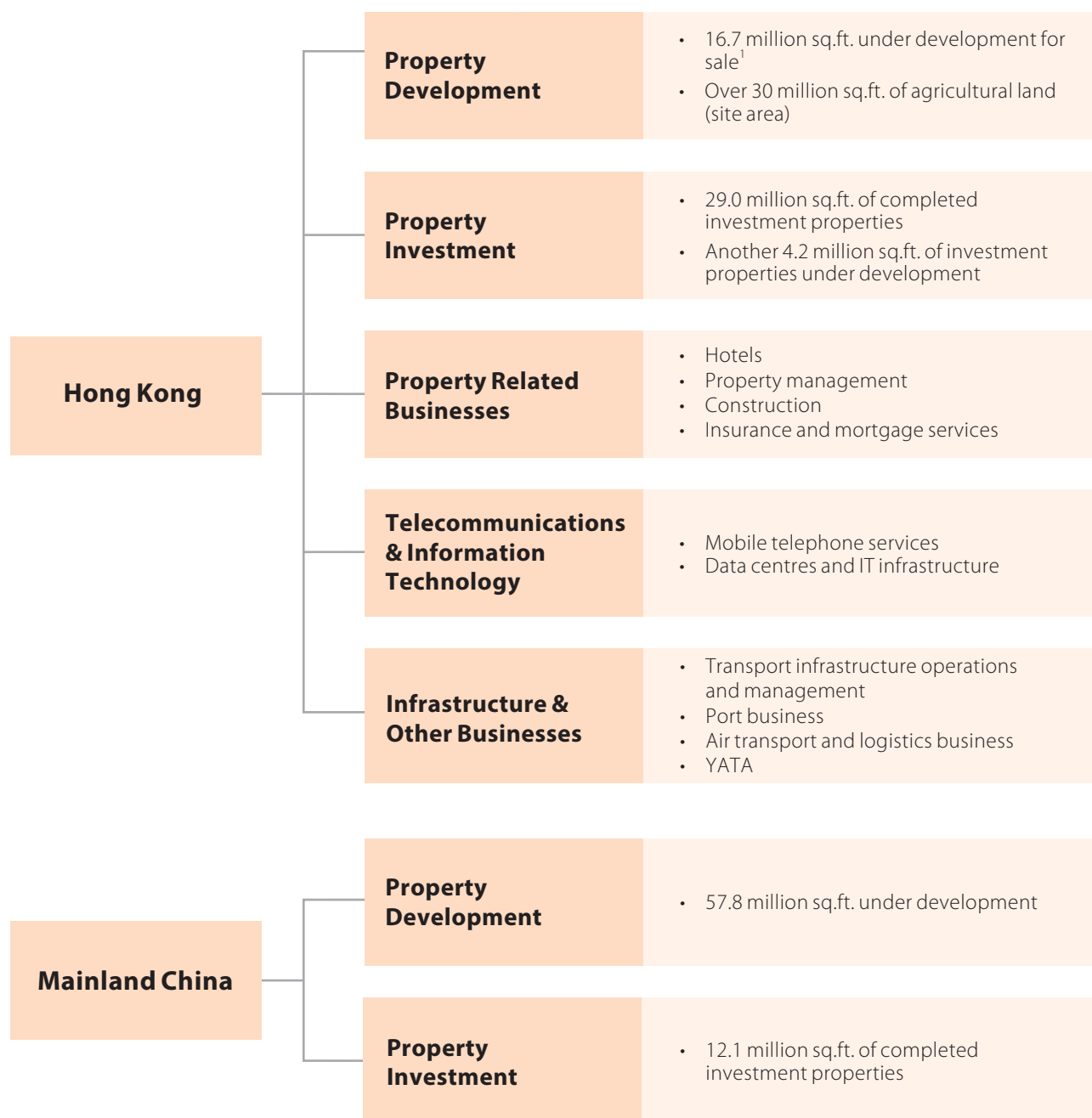
1. Interest cover represents operating profit before changes in fair value of investment properties divided by net interest expenses before notional non-cash interest accretion and capitalization.
2. Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties.
3. Effective on 3 March 2014, the amount standing to the credit of the share premium account has become part of the Company's share capital in accordance with the requirements of the Hong Kong Companies Ordinance (Cap. 622).



# Business Structure

## Sun Hung Kai Properties

As at 30 June 2016



Note:

1. Excluding about 0.4 million square feet of gross floor area from a site acquired after the end of the financial year

The Group's principal subsidiaries, joint ventures and associates are listed on pages 204 to 212

# Chairman's Statement

I am pleased to present my report to the shareholders.

## Results

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2016, excluding the effect of fair-value changes on investment properties, amounted to HK\$24,170 million, compared to HK\$19,825 million last year. Underlying earnings per share were HK\$8.37, compared to HK\$7.07 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$32,666 million and HK\$11.31 respectively, compared to HK\$31,082 million and HK\$11.09 last year. The reported profit included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK\$8,870 million, compared to HK\$12,350 million last year.

## Dividend

The directors have recommended the payment of a final dividend of HK\$2.80 per share for the year ended 30 June 2016. The dividend will be payable on 24 November 2016. Together with the interim dividend of HK\$1.05 per share, the dividend for the full year will be HK\$3.85 per share, an increase of 14.9% from last year.

## Business Review

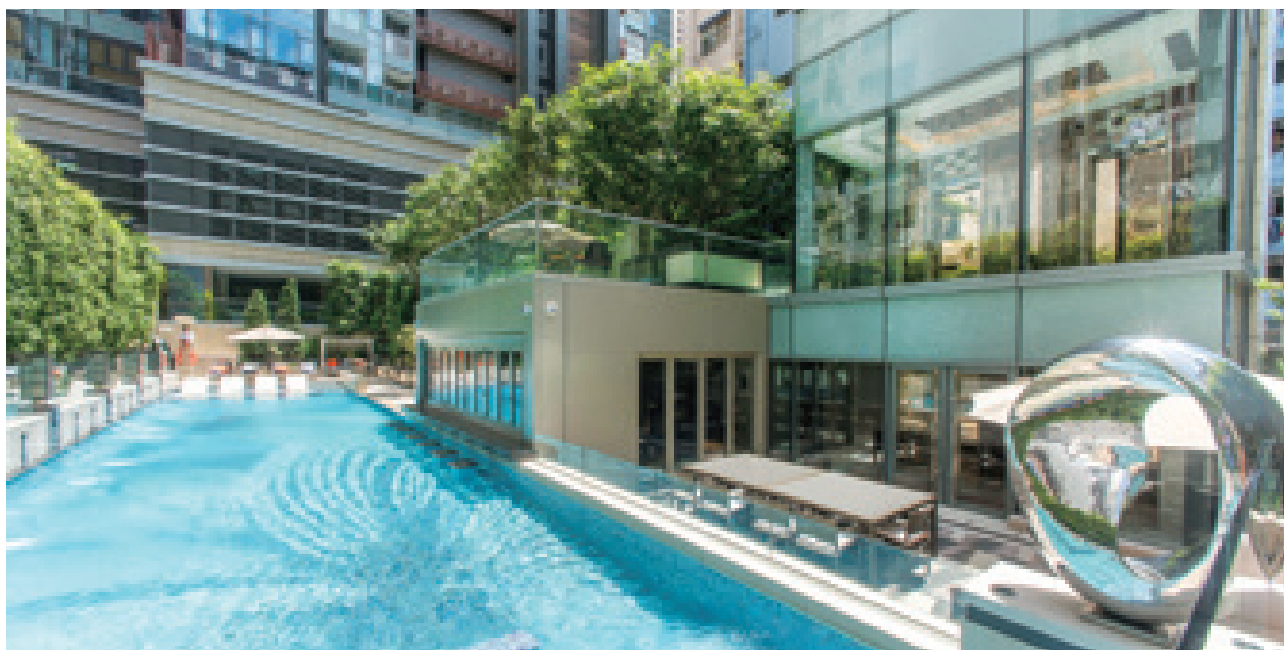
### Property Sales and Rental Income

#### Property Sales

Revenue from property sales for the year under review as recorded in the financial statements, including revenue from joint-venture projects, amounted to HK\$43,356 million. Profit generated from property sales was HK\$11,701 million, as compared to last financial year's HK\$7,332 million. The Group achieved record contracted sales of about HK\$40,700 million for the year in attributable terms. Contracted sales since July 2016 have exceeded HK\$12,000 million.

#### Rental Income

The Group's rental income grew steadily during the year. Gross rental income, including contributions from joint-venture projects, rose 7% year-on-year to HK\$21,036 million, and net rental income increased 7% year-on-year to HK\$16,481 million. This healthy performance was attributable to continuing positive rental reversions and contributions from new investment properties, both in Hong Kong and on the mainland.



Country club elements at Imperial Kennedy in Island West provide residents with resort-style living amid the hustle and bustle of city life



Twin clubhouses at Park YOHO in Yuen Long East have a wide range of amenities for leisure and recreation amid lush surroundings

## Property Business — Hong Kong

### Land Bank

The Group continued to explore land acquisition opportunities to replenish its land bank, adding four sites with an aggregate gross floor area of 1.8 million square feet during the year, all of which are situated along existing or upcoming railway stations. A major addition was the site atop MTR Yuen Long Station for a large-scale residential/commercial development. The project will offer residential units of nearly 1.4 million square feet of gross floor area with diverse layouts and about 107,000 square feet of retail space as part of the

Group's YOHO Mall. The new acquisitions also consisted of two office sites, including one adjacent to the Group's Kowloon Commerce Centre. After June this year, the Group acquired a site in Sha Tin with a gross floor area of 434,000 square feet for the development of premium residences. Details of the sites acquired during the year are shown in the following table:

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Yuen Long Station Development	Residential/Shopping Centre	Joint Venture	1,468,000
Sha Tin Town Lot No. 617	Office/Shops	100	174,000
Pak Tai Street/San Shan Road, Ma Tau Kok	Residential/Shops	Joint Venture	105,000
Kwai Chung Town Lot No. 522	Office/Shops	100	58,000
<b>Total</b>			<b>1,805,000</b>

# Chairman's Statement

As at the end of June 2016, the Group's land bank in Hong Kong amounted to 49.9 million square feet of attributable gross floor area, of which 20.9 million square feet comprised properties under development and 29.0 million square feet were completed investment properties. Following the acquisition of the residential site in Sha Tin in August this year, the Group's land bank in Hong Kong has increased to 50.3 million square feet. In addition, the Group has a total of over 30 million square feet of agricultural land in terms of site area. The sites are located primarily along existing or planned railway lines in the New Territories and are in various stages of land use conversion.

After the financial year, the land use conversion for the site at 98 How Ming Street in Kwun Tong to commercial use was successfully completed with land premium agreed. This joint-venture project covers nearly 1.2 million square feet in terms of gross floor area. It will further strengthen the Group's investment portfolio upon completion.

## Property Development

Hong Kong's residential market has improved markedly over the past few months with an increase in transaction volume and growth in homebuyer confidence after a consolidation for about half a year. The primary market has become quite active and new launches were generally well received. The secondary market also recovered with a moderate rebound in prices, although transaction volume remained relatively low by historical standards as a result of the Government's demand-side management measures. Low interest rates and reasonable mortgage-repayment affordability along with other positive fundamentals such as high levels of new marriage and growing household income continued to support overall housing demand.



Different phases of The Wings developed by the Group offer a comfortable lifestyle, playing a role in constituting a well-planned community in Tseung Kwan O South

The Group's development projects are meticulously designed to suit the changing customer needs and receive wide acclaim. With an increasing residential supply in the primary market, homebuyers have become more selective amid a wide range of choices. The Group is well prepared for challenges and continues with its customer-focus strategy, providing homebuyers with quality products complemented by attentive after-sales service. The appeal of the products is further raised by their inherent value due to exceptional quality and the Group's long-established premium brand. Coupled with the support by its professional and competent sales team, the Group was able to achieve impressive sales with satisfactory margins over the past year.

The Group's contracted sales from Hong Kong properties amounted to about HK\$32,000 million during the year, contributed by a wide variety of products ranging from luxury residences such as Ultima in Ho Man Tin to other quality developments in different districts of the territory, including the second phase of Century Link in Tung Chung, Ocean Wings in Tseung Kwan O South, as well as Park YOHO Venezia and Twin Regency in Yuen Long. Apart from residential premises, W668 in Cheung Sha Wan launched in April this year was virtually sold out within a month.

The Group completed four projects with 3.2 million square feet of attributable gross floor area in Hong Kong during the year, of which over three million square feet were residential properties for sale. The remainder is retail premises being kept as long-term investment.

<b>Project</b>	<b>Location</b>	<b>Usage</b>	<b>Group's Interest (%)</b>	<b>Attributable Gross Floor Area (square feet)</b>
Century Link Phases 1 & 2	6 Ying Hong Street, Tung Chung	Residential/Shops	100	1,394,000
Ultima Phases 1 & 2	23 Fat Kwong Street, Ho Man Tin	Residential	100	869,000
The Wings IIIA	19 Tong Yin Street, Tseung Kwan O	Residential/ Shopping Centre	100	793,000
Imperial Kennedy	68 Belcher's Street, Kennedy Town	Residential/Shops	92	144,000
<b>Total</b>				<b>3,200,000</b>



The stylish design of Century Link adds vibrancy to the expanding Tung Chung community

# Chairman's Statement

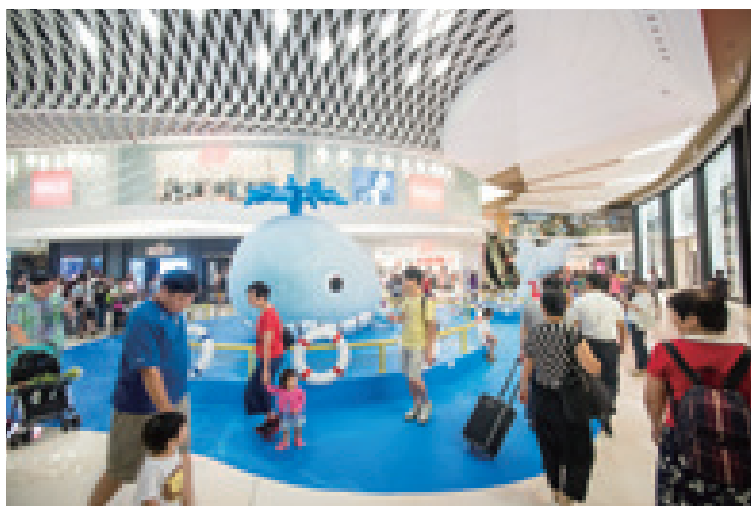
## Property Investment

The Group's investment property portfolio has established an extensive foothold in Hong Kong, with about 29 million square feet of quality retail space, office premises and more. During the year, this well-diversified portfolio continued to perform satisfactorily and provide the Group with sizable and steadily growing rental income.

Gross rental income from Hong Kong, including contributions from joint-venture projects, increased by 7% year-on-year to HK\$16,800 million, attributable to positive rental reversions, higher rents for new leases and additional contributions from new investment properties. Overall occupancy also sustained at a high level of around 95%.

### *Retail portfolio*

The retail market in Hong Kong was sluggish during the past year or so due mainly to fewer visitor arrivals and lower tourist spending. Nonetheless, the performance of the Group's retail portfolio of over 10 million square feet was relatively resilient, substantiated by its high occupancies and positive rental reversions recorded during the year. Such satisfactory results were built on favourable attributes of the Group's shopping malls, including proper trade-and-tenant mix, well-established brand, attentive customer service and convenient location. Additionally, the malls continued to launch appealing sales and marketing initiatives in collaboration with tenants to drive footfall and sales.



A vibrant mix of international retailers and fashionable restaurants at YOHO Mall bring a modern lifestyle to Yuen Long

The Group's rental income growth is expected to continue to be supported by new investment properties in the pipeline, with YOHO Mall in Yuen Long being one of the major contributors. The opening of YOHO Mall I in September 2015, together with the recent completion of renovations at YOHO Mall II, has successfully helped shape YOHO Mall into a popular rendezvous for shoppers looking for new enjoyment in the area. The two portions house a wide variety of trendy fashion names and specialty eateries new to northwest New Territories, bringing customers a modern shopping and dining experience. During the year, YOHO Mall I and II recorded high traffic and additional rental income was generated for the Group.

YOHO Mall extension with about 450,000 square feet of retail area underneath Grand YOHO is scheduled to open in 2017 and pre-leasing is progressing well. It will further complete YOHO Mall with a range of leisure and entertainment facilities, including 120,000 square feet of outdoor green space as well as one of the largest and most advanced cinemas in Hong Kong. The extension will be well connected to MTR Yuen Long Station by an air-conditioned footbridge, offering exceptional convenience to shoppers and nearby residents. In addition, the Yuen Long Station Development will add another 107,000 square feet of retail space to the mega mall. Upon completion of the remaining parts, YOHO Mall with a total gross floor area of 1.1 million square feet is expected to become a pre-eminent shopping hotspot in northwest New Territories, mirroring the success of New Town Plaza in New Territories East.

PopWalk, a shopping destination comprising retail portions of the Group's residential developments in Tseung Kwan O South, targets at young families. It is well-positioned to capitalize on an expanding community where residential projects under development gradually come to completion. The first phase under The Wings II with a retail space of 66,000 square feet was fully leased and held its grand opening in late August this year. Scheduled for opening in 2017, the retail portions under The Wings IIIA and IIIB will together provide 95,000 square feet of retail area. Response to pre-leasing has been encouraging. The last phase at Ocean Wings with a shopping area of 80,000 square feet will bring the total scale of PopWalk to over 240,000 square feet upon completion. Together with its stake in Park Central and PopCorn, the Group will possess a retail space of over 550,000 square feet in attributable terms in the vicinity, which is set to become a popular shopping hub in the area.

Over the medium term, Harbour North in North Point and the shopping mall atop MTR Nam Cheong Station will be the new growth drivers for the Group's retail portfolio. Harbour North beneath the Group's premium residential project Victoria Harbour is next to MTR North Point Station, which will promise easy accessibility. The 140,000-square-foot mall is close to a waterfront promenade, creating a special shopping and leisure environment for customers including local residents and office workforce in Island East. The premium shopping mall at MTR Nam Cheong Station will provide about 300,000 square feet of retail space and its layout design is currently at the final stage. Situated in a revitalizing district, the mall is poised to become a landmark in the area and a one-stop shopping destination for young locals and professionals.



The IFC complex in Hong Kong brings together world-class offices, retail facilities and a luxury hotel to liven up the Central business district

The Group has been bolstering the competitiveness of its retail portfolio through implementing asset enhancement initiatives at existing shopping malls. MOKO above MTR Mong Kok East Station recorded meaningful growth in rents during the year following the completion of its renovation in August 2015. The floor layout of Metroplaza in Kwai Fong is being reconfigured to strengthen its market position, and the work for this is planned for completion by financial year 2017/18. APM in Kwun Tong is also planning to expand its scale by converting 150,000 square feet of office space in the same tower into retail use. The mall's podium garden with an outdoor greening project will be completed in 2018.

The Group's major malls including IFC Mall, New Town Plaza, East Point City, Tsuen Wan Plaza, Tai Po Mega Mall, Landmark North and V City continued to perform satisfactorily. With a view to enhancing shopping and leisure experience, these malls constantly refine trade mix and launch attractive marketing campaigns to boost traffic and sales. Recently, the latest flagship of a world-famous consumer electronics brand landed in New Town Plaza while more international skincare and health brands have been introduced to Landmark North. A host of innovative or family-friendly themed programmes, including joint marketing activities with tenants, are staged at various malls on a regular basis. As another showcase of its liveliness, APM introduced a promotional event featuring virtual reality technology to bring more fun to shoppers.

# Chairman's Statement

## *Office portfolio*

Hong Kong's office leasing market remained stable. Demand from traditional global financial institutions was steady while the need from mainland corporations, insurance companies and business centre operators was on the rise. This, together with a low vacancy rate, continued to support the office leasing market despite a slow local economy.

Spreading across various districts in the territory, the Group's office portfolio of about 10 million square feet continued to command a leading position in the market. The Group's trusted brand and customer-focus property management service have strengthened the competitiveness of its office portfolio, making it the preferred choice for tenants. High occupancy and positive rental reversions were therefore sustained during the year.

International Finance Centre (IFC) took advantage of its prominence in the Central office market with virtually full occupancy and positive rental reversions. IFC has been popular with tenants looking for a prestigious office address marked by superior quality, world-class specifications and state-of-the-art facilities. As a landmark in a prime area, IFC will continue to benefit from tight supply and low vacancy in core Central.

International Commerce Centre (ICC), strategically sitting atop Airport Express Kowloon Station, offers magnificent harbour views and unrivalled connectivity to different modes of public transport. Multinationals have been drawn by its remarkable building quality, top-tier facilities with eco-friendly design as well as attentive management service. The outstanding tower was able to build tenant loyalty among existing quality occupants while attracting other major enterprises to take up space. Strong positive rental reversions with increased occupancy were achieved during the year.

With its strong presence in the energizing Kowloon East and close proximity to MTR stations, the Millennium City continued to perform well and sustain a high level of occupancy with increased rental levels. The office cluster remains popular with multinationals and insurance establishments given its quality ancillary facilities and large floor plates.



ICC in Hong Kong is an ideal business address for supreme quality and extensive transport

Other premium offices such as Sun Hung Kai Centre and Central Plaza in Wan Chai, Grand Century Place in Mong Kok, Grand Central Plaza in Sha Tin and Metroplaza in Kwai Fong continued to do well as a result of persistent demand from both existing and new tenants.

The Group strives to increase the competitiveness of its office portfolio through exacting upkeep and regular renovations. Going forward, it will continue to devote considerable efforts in the delivery of quality premises and services to achieve sustainable growth.





Residents appreciate panoramic views of the Bund from Shanghai Arch



IAPM in Shanghai's busy shopping area saw increased traffic after the recent opening of a metro line extension nearby

## Property Business — Mainland

### Land Bank

The Group held an attributable 69.9 million square feet of total land bank on the mainland as at the end of June 2016. About 57.8 million square feet were properties under development, of which over 60% will be developed into quality residences and serviced apartments. In addition, the Group held 12.1 million square feet of completed properties for long-term investment, comprising mainly premium offices and shopping centres at prime locations in Shanghai, Beijing and Guangzhou.

### Property Development

The mainland residential market performed well over the year under review amid a benign overall policy environment despite some recent city-specific tightening measures. First-tier cities saw home prices further pick up on the back of solid demand and strong buyer confidence. Lower-tier cities also witnessed meaningful drops in inventory levels and increases in sales volume. Land market sentiment was strong as developers were keen to replenish their land banks, resulting in the frequent emergence of land parcels sold for record-high prices in first-tier and leading second-tier cities.

During the year, the Group achieved encouraging contracted sales of about RMB7,500 million in attributable terms on the mainland. Major contributors

included two wholly-owned benchmark projects in Shanghai, namely the luxury serviced apartments and residential units at Shanghai Arch in the Lujiazui Finance and Trade Zone and the exquisite condominiums at Shanghai Cullinan on Middle Huaihai Road in Puxi. The new launches of the 33.3%-owned Top Plaza East Tower in Zhujiang New Town, Guangzhou and the wholly-owned Grand Waterfront in Dongguan were also well received by the market.

The Group continued to utilize its expertise and experience to develop upmarket residences and landmark integrated projects on the mainland. A total of over 1.6 million square feet of attributable gross floor area were completed during the year, of which IGC (International Grand City) in Zhujiang New Town, Guangzhou is retained for rental purpose. All in all, the premium quality of the Group's developments is highly appreciated by customers. The major completed projects are shown in the following table:

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Hangzhou MIXC Phase 2C	Qianjiang New City, Hangzhou	Serviced Apartments	40	424,000
IGC	Zhujiang New Town, Guangzhou	Shopping Centre	33.3	332,000
Lake Dragon Phase 3A	Huadu District, Guangzhou	Residential	60	70,000
Oriental Bund Phases 1A & B	Chancheng District, Foshan	Residential/Shops	50	789,000
<b>Total</b>				<b>1,615,000</b>

# Chairman's Statement

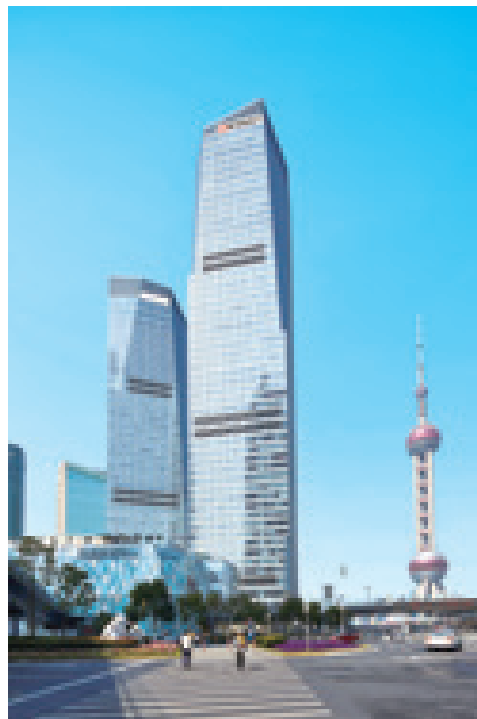
## Property Investment

The Group's mainland investment portfolio has grown significantly over the past few years and has become an important contributor to the Group's total rental income. Gross rental income from the mainland, including contributions from joint-venture projects, rose by 12% year-on-year to RMB2,968 million. The increase was primarily driven by positive rental reversions and additional contributions from new investment properties.

Leveraging its well-established premium brand and the success of Shanghai IFC Mall and Shanghai IAPM, the Group moved forward and introduced two premium shopping malls in prime locations in Guangzhou. Covering a gross floor area of about 900,000 square feet, the 50%-owned Parc Central, located in the prosperous Tianhe district and along Guangzhou's central axis, held its soft opening in March this year. The mall houses various international brands, restaurants, entertainment and leisure attractions, some of which are new to the city, appealing to the mid- to high-end customers. Visitor traffic has been increasing steadily since opening.



The glamorous Shanghai ICC landmark at the heart of the Puxi commercial district consists of two office towers, the grand IAPM mall and high-end Shanghai Cullinan residences



The Shanghai IFC development remains a benchmark for large-scale complexes in the city serving the prosperous Lujiazui Finance and Trade Zone

The 33.3%-owned IGC at Tianhui Plaza, another of the Group's new malls in Guangzhou, is scheduled to open later this year. With about one million square feet of retail space spreading across eight floors, IGC will become a new one-stop shopping destination in the central business district of Zhujiang New Town to attract executives, business travellers and high-spending residents. The mall will boast unconventional elements such as kid's features and an advanced cinema, offering further entertainment to shoppers. The duplex restaurants at IGC will maximize the glass facade to let in the magnificent views of the Pearl River, culminating in a unique dining environment in the city. The progress of its leasing has been encouraging.



The Parc Central mall gives Guangzhou a new look blending with an open parkland environment

The Group's significant presence in Shanghai will be further bolstered by its wholly-owned Xujiahui Centre project at the core of Xuhui District in Puxi. To be developed in phases, the mega project will cover a gross floor area of about 7.6 million square feet, exceeding the combined total of Shanghai IFC and Shanghai ICC. It will contain about four million square feet of premium offices, three million square feet of high-end retail spaces and a luxury hotel. Construction of Phase 1 on Huashan Road, comprising 180,000-square-foot office towers and a 330,000-square-foot mall, is progressing well. These office towers have received keen interest from various specialized trades, and tenants are expected to move in during the first half of 2017. The mall in the same phase is scheduled to open in 2018 and response to pre-marketing has been encouraging, with many international retailers negotiating for a tenancy agreement. Superstructure work for Phase 2, which consists of 320,000 square feet of offices and about 45,000 square feet of retail space, is in progress.

The Xujiahui Centre project will be connected to the prominent commercial and historic buildings in the vicinity by an extensive network of footbridges and pedestrian tunnels. The 370-metre office skyscraper at one of the remaining phases will feature advanced technology and infrastructure, setting a new standard for premium office in the area. The large-scale upmarket mall facing the prosperous Hongqiao Road will enjoy direct access to Xujiahui metro station, which is the interchange of three lines. It will boast an array of renowned retailers, al fresco restaurants offering culinary delights, appealing

indoor and outdoor entertainment facilities complemented by advanced digital technologies, bringing a refreshing difference to retailing in Xuhui District. Upon full completion, the Xujiahui Centre project will become an iconic complex in Shanghai.

Other major investment properties under development include Nanjing IFC in the Hexi business core. Sitting atop an interchange station for two metro lines, Nanjing IFC is positioned as a new landmark integrated development in the city. Construction of the project is progressing smoothly. Pre-marketing for its quality office space of two million square feet has commenced and attracted potential tenants including law firms, renowned banks and insurance companies. The luxury Nanjing IFC mall with over a million square feet of gross floor area has also drawn keen interest from top-tier international brands. The Group's new integrated development projects, the Xujiahui Centre project in particular, will become significant contributors to its recurring income in the medium-to-long term when they gradually come on stream.

The Group's widely acclaimed integrated developments on the mainland continued to perform well during the year. The IAPM mall at Shanghai ICC recorded high occupancy. Its trade mix was further enhanced through recruiting a diversity of outlets such as a specialty restaurant and sportswear flagship stores, all of which are newcomers to the mainland. The mall also introduced a user-friendly mobile app that offers easier access to its latest privileges for customers. Traffic flow and tenant sales increased steadily during the year following the recent opening of metro line 12 extension. One ICC office tower has been fully let with notable rental reversions, while Two ICC office tower achieved a better rental level amid solid demand from reputable multinationals of various industries.

# Chairman's Statement

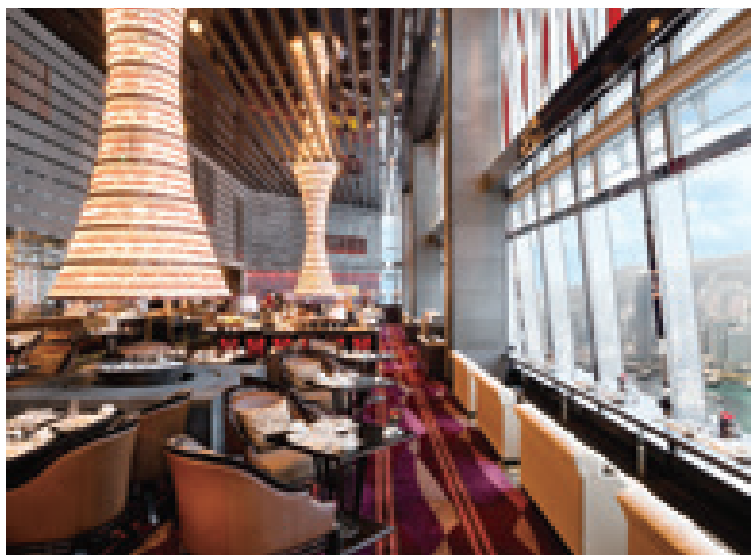
As a premium shopping and leisure destination with direct access to Lujiazui metro station, the Shanghai IFC Mall registered encouraging rental reversions with high occupancy during the year. The mall stands out in the city with its wide assortment of international luxury brands and quality dining outlets. This, together with the introduction of a customer loyalty programme that draws high-spending patrons, creates an unconventional shopping experience. To further enhance its distinctive positioning as a magnet for discerning shoppers, the mall has put on fashion and jewellery exhibitions with an art flavour, most of which made their debuts on the mainland. Pedestrian tunnels linking the mall to neighbouring buildings will open soon, bringing added convenience to customers. The Group's office space at Shanghai IFC complex, mainly occupied by global banks and professional firms, was virtually fully let, generating an impressive overall rental level.

Beijing APM in the traditional Wangfujing shopping area has brought in a variety of stylish retailers and popular restaurants. The mall has also created a cluster of affordable luxury retailers to further appeal to young locals and tourists. Major entrances of the mall will be renovated to elevate its positioning while a new food avenue to optimize its food and beverage mix is under planning. A steady growth in tenant sales and positive rental reversions were recorded during the year under review.

## Other Businesses

### Hotel

The business environment of Hong Kong's hotel industry was challenging during the year amid falling visitor arrivals. However, the Group's hotel portfolio in Hong Kong managed to achieve a relatively high average occupancy, mainly attributable to its well-respected hotel brands and outstanding service as well as effective marketing and sales strategies despite moderate downward adjustments in room rates.



The Ritz-Carlton, Hong Kong offers diners a sweeping view of the city

Supported by their prime locations, superior facilities and prestigious image, the Group's luxury hotels including Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong were able to maintain their leading positions in the deluxe market and achieved relatively stable room rates over the period. The Group's four Royal brand hotels and the two premium hotels in Tseung Kwan O continued to deliver pleasurable customer experience and sustained a high level of occupancy of above 90%. Meanwhile, the Group is developing a waterfront hotel as part of its integrated development in North Point and a premium establishment in Sha Tin as a sister project of the Royal Park Hotel.

The Ritz-Carlton Shanghai, Pudong as part of the Shanghai IFC integrated development recorded solid revenue growth on the back of a steady increase in tourist arrivals to Shanghai during the period under review. Encouraging performance was achieved in both accommodation and food and beverage businesses. The hotel continued to benefit from its synergy with the office towers within the same complex, which provided a stable source of high-spending corporate customers.

### Telecommunications and Information Technology

#### *SmarTone*

For the year under review, SmarTone's net profit was below last year as profits from popular handset trading for the previous year were much higher. Core revenue from local mobile service improved during the year, laying a good foundation for future growth. SmarTone has also invested in initiatives to further enhance user experience and brand loyalty. The Group remains confident of SmarTone's prospects and will continue to hold the company as a long-term investment.

### *SUNeVision*

SUNeVision recorded healthy growth in revenue and underlying profit during the year. The company achieved notable growth from traditional clients including financial institutions as well as new customer segments such as cloud service providers. Its vision is to further enhance its premier data center business in terms of infrastructure, service and connectivity. In addition to the MEGA-i centre in Chai Wan, SUNeVision will have another major facility after the transformation of the entire MEGA Two in Sha Tin into a top-tier data centre. The transformation is nearing its the final stage. Construction of MEGA Plus, the new state-of-the-art data centre in Tseung Kwan O, is on track and due for completion in 2017. These facilities will ensure that SUNeVision can achieve scale and offer customers a range of choices in locating their IT infrastructure.

### **Infrastructure and Other Businesses**

The Group's infrastructure and transport businesses performed satisfactorily during the year. The Wilson Group achieved satisfactory results, while traffic on the Route 3 (Country Park Section) remained relatively stable throughout the year. The Airport Freight Forwarding Centre maintained positive rental income growth in the face of soft air-freight demand. Business at Hong Kong Business Aviation Centre benefitted from continued healthy demand for business travel, but competition for landing slots at the Hong Kong International Airport has started to create challenges. Increased demand for refrigerated and break-bulk cargoes drove healthy growth in business at the River Trade Terminal, although the sea-freight market remained sluggish in general due to the macro-economic environment. The wholly-owned YATA, a major operator of department stores and supermarkets in Hong Kong, performed well with positive growth despite a challenging retail environment.

### **Corporate Finance**

Prudent financial management has always underpinned the Group's long-term success. The Group's endeavours to maintain this pivotal fundamental principle are well reflected by its low gearing and healthy interest coverage ratio. As at 30 June 2016, the Group's net debt to shareholders' funds recorded a low 10.8% and its interest coverage achieved a high 12.5 times.

Given its strong financial position, the Group continues to attain the best credit ratings among property companies in Hong Kong, with A1 rating affirmed by Moody's and A+ by Standard & Poor's, both of which carry a stable outlook.

In March 2016, a 15-year RMB14,500 million syndicated banking facility was arranged on the mainland to fund the gradual construction of the Xujiahui Centre project in Shanghai. Attractive pricing was achieved for the loan, which is one of the elements for the success of such a mega project. The Group also self-arranged a five-year HK\$15,000 million syndicated facility to further



SUNeVision's flagship MEGA Plus data centre in Tseung Kwan O will showcase next-generation technology

enhance its abundant committed standby banking facilities. The reception of the two loans was overwhelming, demonstrating the strong and continued support from the banking community both in Hong Kong and on the mainland. In addition, the Group also issued HK\$1,240 million 10-year fixed rate notes under its Medium Term Note Programme for the purpose of extending debt maturities as well as expanding funding bases during the year under review. After June this year, the Group issued another 10-year fixed rate notes worth HK\$963 million with attractive pricing.

Apart from ample liquidity from banks and the debt capital market, the two-year bonus warrant scheme ended in late April 2016 has helped raise about HK\$16,400 million of cash, providing the Group with additional capital. The Group is now in a very liquid position to pursue business development opportunities in the future.

Under the Group's conservative financial policies, the majority of its borrowings are denominated in Hong Kong dollars with the remainder mostly in US dollars and Renminbi. As in the past, the Group has not entered into any speculative transactions involving derivatives and structured products. The Group makes use of internal cash generated from mainland operations and onshore bank loans to fund construction costs on the mainland in an effort to manage Renminbi exchange rate risk.

# Chairman's Statement



The Group spread positive energy through title and charity sponsorship of the first Sun Hung Kai Properties Hong Kong Cyclothon

## Corporate Governance

The Group has a robust corporate governance framework which forms a solid foundation for its sustainable business. The framework distinguishes itself by an effective Board of Directors, sound and effective risk management and internal control systems, timely disclosure of information and proactive investor-relations programme.

The Board comprises 18 members, seven of whom are Independent Non-Executive Directors (INEDs). The Board directs and oversees the Group's strategies and has delegated specific roles and responsibilities to Board Committees. The Executive Committee meets regularly to set business policies and make key business decisions. To reflect its role in risk management, the Audit Committee has been renamed Audit and Risk Management Committee to assist the Board in maintaining and assessing the effectiveness of the Company's risk management and internal control systems, and regulatory compliance. As in the case of the Nomination and Remuneration Committees, the Audit and Risk Management Committee is chaired by an INED to ensure proper implementation of the Group's strategies. These well-established Board Committees provide sufficient checks and balances that safeguard the interests of shareholders and the Group.

The Group is committed to maintaining interactive communications with stakeholders including investors, analysts, credit rating agencies and the media, and provides them with information and disclosures relating to its corporate strategies and latest business developments. Corporate information is disseminated on a timely basis to ensure transparency. To further enhance

communication with investors around the globe, the Group participates in large-scale investor conferences and presentations, in addition to frequent meetings and conference calls.

The Group's efforts in rigorous corporate governance and transparent communication have been recognized by the investment community, being awarded, among others, the title of Asia's Best Real Estate Company and Best Managed Company in Hong Kong in *FinanceAsia's* Platinum Awards. The Group was named the Best Managed Company in the Real Estate/Property Sector in Asia and the Best Office/Business Developer in Asia by *Euromoney* magazine. It won a Platinum Award that acknowledges outstanding performance in the areas of corporate governance, CSR and investor relations from *The Asset* magazine. The Group also received recognitions for Asia's Best CSR and Hong Kong's Best Investor Relations Company, Best Environmental Responsibility and Best Investor Relations Professional from *Corporate Governance Asia* magazine.



A record 1,600 participants in the fourth SHKP Vertical Run for Charity—Race to Hong Kong ICC showed wide community engagement in exercise for good

## Sustainable Development

The Group is committed to advancing the sustainability of its business and the community to create long-term value for stakeholders. It sets ever-higher benchmarks in quality, contributing to its premium brand, delivery of superior customer experience and generation of better return for shareholders. At community level, the Group undertakes socially responsible activities to enhance the general well-being of individuals and infuse positive energy to society, aspiring to make Hong Kong a better home for all.

Customer focus has always been the Group's core business tenet in keeping with its belief in Building Homes with Heart. The Group values customer experience and listens to them closely to achieve quality excellence. Its quality pledge was underpinned years ago by the vertical integration of its property development process led by a seasoned management team, which has promised outstanding quality of its premises. In late 2013, this commitment was reinforced following the launch of the SHKP Quality Campaign with the territory's first three-year guarantee on newly sold residential units in Hong Kong to boost homebuyer confidence. Its engagement with customers is also strengthened by the SHKP Club, which celebrated its 20th anniversary during the year. With a membership of over 350,000, the Club is an effective platform for the Group's two-way communication with customers and the public.

The Group's integrated projects epitomize its effort to meet the diverse needs of customers and benefit the wider community. In the process of project planning, it takes into account the development needs of the area in order to enhance the community benefits of the respective neighbourhoods. Notable among recent successes includes the YOHO developments that introduced a new urban lifestyle to Yuen Long and transformed the area into a vibrant community. The next exemplar is expected to be the twin North Point waterfront projects currently under construction. The retail portion of the

project will feature a facade spanning 270 metres on Java Road, turning it into an enchanting shopping boulevard to enliven the environment.

Recognizing that employees are one of its most valuable assets, the Group promotes life-long learning and offers a wide range of courses through the SHKP Quality Academy. The group-wide learning platform not only fosters the delivery of its quality pledge, but also broadens staff's horizons for personal and career development. Other staff motivation initiatives include two ideation programmes, namely Quality Raising Suggestion Scheme and Work Safety Suggestion Scheme.

While the Group strives to ensure business continuity, it remains committed to contributing to society through promoting sports for charity, reading and holistic development, and care for the underprivileged.

During the year, the Group stepped up its efforts in promoting sports for charity by taking on the title and charity sponsorships of the first-ever Sun Hung Kai Properties Hong Kong Cyclothon organized by the Hong Kong Tourism Board, which attracted thousands of local and international cyclists. The fourth SHKP Vertical Run for Charity — Race to Hong Kong ICC in 2015 drew a record-breaking 1,600 runners including amputees. The two signature annual corporate events raised substantial donations to support child and youth services.

To care for the intellectual well-being of the community, the SHKP Reading Club continues to promote happy reading with a primary focus on young people. During the year, the Club introduced a Read and Share programme to bring engaging, inspiring sharing sessions for students in nearly 60 local primary schools. The Group additionally helps nurture young talents for society through multifaceted initiatives. This undertaking was bolstered recently through its sponsorship of office and co-working space for the Hong Kong X-Tech Startup Platform, an initiative to help the city's young people start an innovative business with a lower cost.

# Chairman's Statement

The Group's resolve to benefit the youth and the community at large is also manifested in its recent agreement to donate a site in Yuen Long to Hong Kong Sheng Kung Hui Welfare Council for the construction of the city's first purpose-built integrated service tower. Comprising a youth hostel, a special childcare centre and an elderly home, the tower is meant to meet the housing needs of young people and promote social and inter-generational harmony. Overall, the Group's achievements in sustainability earn wide acclaim, including its inclusion in the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland and HK) Corporate Sustainability Index.

## Prospects

Challenges including Brexit and geopolitical tensions in many parts of the world are likely to continue weighing on the global economy and lead to volatility in the financial markets. However, the downside for the world economy is likely to be mitigated by policy actions, including the more accommodative monetary policies of most major central banks and positive fiscal measures in selected economies.

The Group is confident about the medium- to long-term outlook of the mainland economy and its property market. Economic momentum will be underpinned by the anticipated expansionary monetary and fiscal initiatives in the short term. Moreover, the ongoing structural economic reforms will continue to proceed, lifting the overall productivity over time. These, together with continuous urbanization, will benefit property markets in key cities despite respective property control measures implemented in selected cities.



The integrated Xujiahui Centre project in Shanghai is expected to be a major growth driver for the Group's rental income

Healthy labour market conditions and an improved residential market should underpin the Hong Kong economy amid a number of challenges in the year ahead, including sluggish external demand. The Central Government's supportive initiatives for Hong Kong, such as the recent approval of the Shenzhen-Hong Kong Stock Connect, will further strengthen the city's long-term prospects as an international hub for finance, wealth management, business, trade and logistics. In the meantime, low interest rates, growing household income and the relatively high levels of new marriage and birth will continue to drive end-user demand for Hong Kong residential properties.

With a land bank sufficient for development needs of over five years, the Group will have more than three million square feet of residential gross floor area, mostly small- to medium-sized units, to be completed annually in Hong Kong over the next three financial years. Given its recognized brand coupled with an experienced sales and marketing team, the Group is confident of its upcoming sales performance. Grand YOHO in Yuen Long and Lime Gala in Island East being marketed have achieved encouraging sales responses. A number of major new residential projects will be launched in Hong Kong over the next nine months. In the fourth quarter, Babington Hill in Mid-levels, St. Moritz at the peak of Kau To and Eight Regency in Tuen Mun will go on the market. Projects that will be offered for sale in the first half of next year include Phase 1 of Nam Cheong Station Development, Phase 1 of Victoria Harbour in North Point and Phase 2 of Park YOHO in Yuen Long. On the mainland, major projects offered for sale will include premium serviced apartments and prestigious townhouses in Phase 2 of Shanghai Arch in Lujiazui, the final batch of the luxury Forest Hills in a prime area of Tianhe, Guangzhou, as well as residential units in Phase 2 of the riverside project, Grand Waterfront in Dongguan. The Group will also launch quality offices at GCC (Guangzhou Commerce Centre) in downtown Tianhe District, Guangzhou.



As for rental business, the Group will continue to bolster the competitiveness of its investment property portfolio. It will achieve this objective not only through implementing asset enhancement initiatives such as regular refurbishment, but also carrying out trade- and tenant-mix refinement to strengthen its premium brand. Being the preferred choice for tenants, the Group's investment properties that consist primarily of shopping malls and office space are likely to perform satisfactorily over the coming year.

The Group's investment properties coming on stream will further strengthen its total rental income over the next one to two years. In Hong Kong, major upcoming investment properties include YOHO Mall extension in Yuen Long, remaining phases of PopWalk in Tseung Kwan O South, Harbour North on the North Point harbourfront and a premium shopping mall at MTR Nam Cheong Station. On the mainland, subsequent to the recent opening of Parc Central in downtown Guangzhou, IGC in Zhujiang New Town, Guangzhou is expected to open by the end of 2016. Office space and the shopping mall at Phase 1 of the mega Xujiahui Centre project in Shanghai are expected to be completed in 2017. Over the medium to long term, the gradual launch of the remaining phases of the Xujiahui Centre project and the phased completion of Nanjing IFC will strengthen the Group's recurrent rental income base significantly.

Looking ahead, the Group will strive to bolster its leading market position and achieve sustainable growth through brand differentiation with an emphasis on elevating the quality of its products and services. The Group will continue to pursue opportunities to acquire quality land with great potential and reasonable development margins. On the mainland, the Group will adhere to its selective approach for business development with a focus on first-tier cities, and attach greater importance to investment properties to achieve steadily growing recurrent income. With sizable rental income and property sales, coupled with its vision and a strong balance sheet, the Group is well positioned to seize opportunities and grow over time.

Barring unforeseen circumstances, the Group's results for the coming financial year are expected to be satisfactory.



Grand YOHO in Yuen Long will cement the Group's energetic YOHO community upon completion

## Directors and Appreciation

Mr. Kwok Kai-wang, Christopher was appointed as an Executive Director of the Company with effect from 26 April 2016.

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

### **Kwok Ping-luen, Raymond**

*Chairman & Managing Director*

Hong Kong, 8 September 2016

# Business Model and Strategic Direction

## Business Model

The Group is one of the largest property developers and landlords in Hong Kong and it creates sustainable value for shareholders by developing premium premises both in Hong Kong and on the mainland.

Property development for sale is one of the two core elements of the Group's business, and the process is vertically integrated from land acquisition, project planning, project management, material sourcing and construction through to sales and marketing and property management. This ensures high standards in every aspect and enables the Group to better meet the demand for comfortable homes.

Property investment for rent is another core element of the Group's business. The Group has built, leased and managed a wide variety of commercial projects in both core and decentralized areas that provide premium office and retail space to tenants. The Group additionally has a portfolio of hotels, high-class serviced suites and luxury residences catering for diverse needs. The investment property portfolio also includes industrial buildings, godowns, data centres and car parking bays.

The Group's primary sources of income are property development for sale and rental income from investment properties.

## Core Values

The Group's core values are cornerstones of its long-term development.

- **Building Homes with Heart**  
Producing premium premises and offering quality services for ideal living environment
- **Speed, Quality, Efficiency**  
Earning the support and trust of all stakeholders with speed, quality and efficiency
- **Customer First**  
Constantly anticipating what customers want and offering quality products and attentive services that exceed expectations
- **Continuous Improvement**  
Keeping up with the market and setting high standards, along with lifelong learning for greater adaptability and constantly exploring new ideas
- **Teamwork**  
Nurturing a pool of talented and high-calibre employees capable of achieving objectives through harnessing the power of teamwork, collective experience and professional knowledge

## Strategic Direction

The Group creates sustainable value for shareholders through the following strategies:

- Balanced sources of income
- Hong Kong focus
- Expansion on the mainland
- Prudent financial management

### *Balanced Sources of Income*

The Group aims for relatively balanced sources of income over the long term with a focus on property development for sale and rental income from investment properties. This strategy offers a balance between steady cash flow and fast asset turnover.

The investment property portfolio generates a steadily growing income stream for the Group's shareholders. Proactive leasing management, asset enhancement initiatives and trade- and tenant-mix refinements are keys to maintaining the Group's leading position in the leasing market.

Property development serves as another growth engine for the Group over the long term and offers fast asset turnover, as well as enhances liquidity and capital utilization. The Group makes efforts to ensure outstanding quality and services to command premium pricing.

### *Hong Kong Focus*

The Group has been part of Hong Kong for decades and has built a trusted reputation and premium brand name over the years. The Group is confident in Hong Kong's prospects and its position as an international finance, business and trade centre, and as gateway to the world for the mainland.



The Executive Committee (from left): Kwong Chun, Frederick Li, Christopher Kwok, Eric Chow, Victor Lui, Allen Fung, Raymond Kwok, Eric Tung, Mike Wong, Sandy Yung, Adam Kwok and Jimmy Wong

The Group adds new sites to its Hong Kong land bank through tenders, auctions and other means from time to time. Prime sites with attractive investment potential are its main targets. The belief in Building Homes with Heart makes it the developer that customers prefer. Continual delivery of outstanding products and services are part of the Group's core strategies. These efforts have been well received by the market throughout the years, giving the Group a strong recognition of its premium brand. The Group will continue to strengthen its premium brand by adhering to its core strategies.

### ***Expansion on the Mainland***

The Group is positive about the long-term outlook for the mainland and will continue to expand its business there. The mainland offers various investment opportunities, and the Group has a selective and focused strategy with key cities being its major focal points. It has built upon its stellar reputation, experienced team, commitment to quality and customer focus while developing high-quality projects. The Group will continue to focus on building and enhancing its premium brand on the mainland.

### ***Prudent Financial Management***

A strong financial position is central to the Group's success. Prudent financial management ensures the Group's healthy growth and allows it to invest in attractive projects when opportunities arise.

The Group always maintains its gearing at a reasonable level and pays close attention to liquidity management, which guarantees the adequacy of financial resources for the Group's daily operations and strategic investments.

The Group intends to strengthen its financial position by diversifying sources of funding. High credit ratings also give the Group an advantage in tapping debt capital markets.

The Group maintains excellent banking relationships and is able to obtain abundant banking facilities for business needs.

# Review of Operations





1. Victoria Harbour Gateway (Two IFC left and ICC right), Hong Kong
2. Shanghai IFC

## Hong Kong Property Business

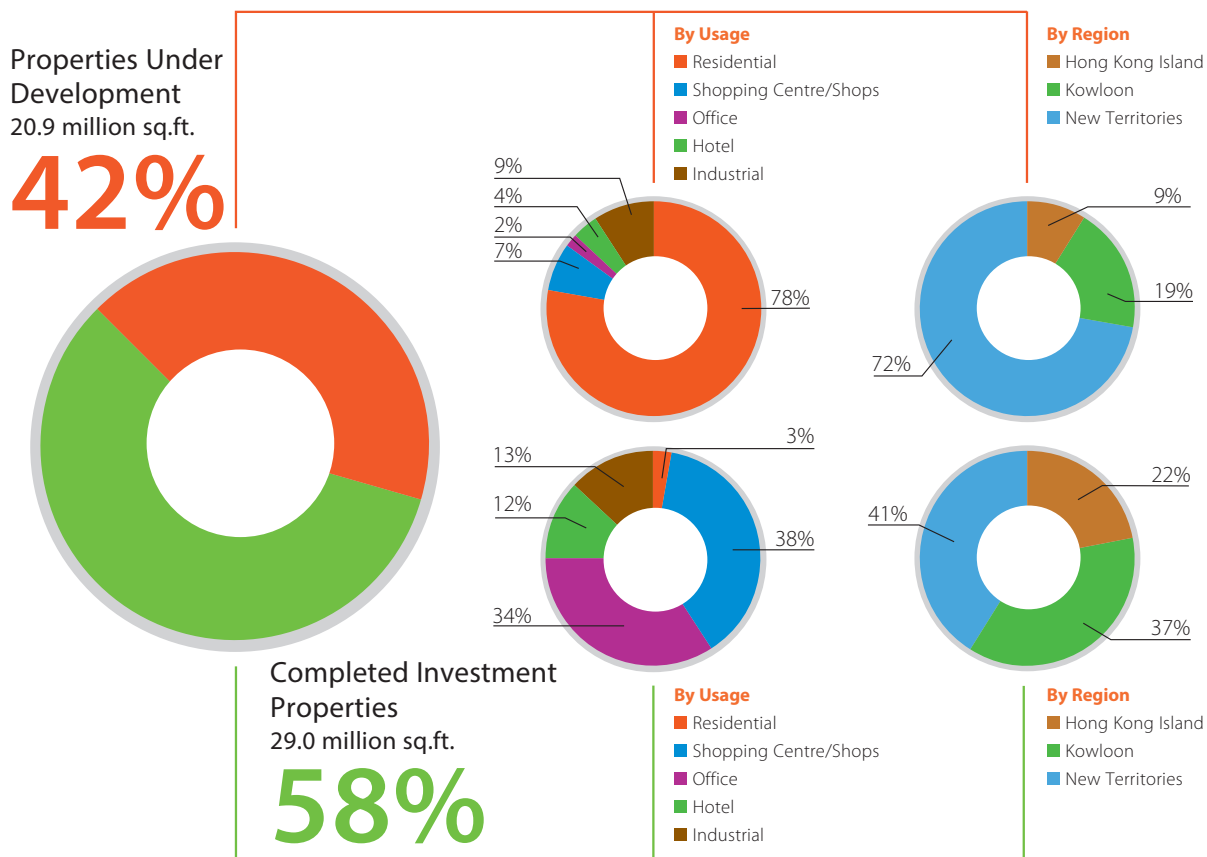
### Highlights

- Held a development land bank of 20.9 million square feet by 30 June 2016 with the addition of four sites during the year
- Completed an attributable gross floor area of 3.2 million square feet, including over three million square feet of residential properties for sale
- Registered impressive contracted sales of about HK\$32,000 million
- Generated net rental income of HK\$13,233 million, 7.6% higher than last year, from the quality and well-diversified investment property portfolio

### Land Bank

#### Hong Kong Land Bank Composition

(49.9 million square feet of attributable gross floor area as at 30 June 2016)



During the year under review, the Group replenished four sites to its development land bank, focusing on developments that can create synergy with its existing projects. The newly added sites have a combined gross floor area of 1.8 million square feet, including about 1.5 million square feet from the Yuen Long Station Development and a 58,000-square-foot office development next to Kowloon Commerce Centre. Upon completion, the retail portion of Yuen Long Station Development will form part of the Group's YOHO Mall. Details of the acquisitions are described in the Chairman's Statement on page 9.

As at 30 June 2016, the Group held a total land bank of 49.9 million square feet in Hong Kong, including 20.9 million square feet of properties in the pipeline which will be sufficient to meet the Group's development needs for more than five years. Of this, about 16.7 million square feet are intended for sale, most of which are residential premises that comprise primarily small- to medium-sized units spreading throughout different parts of the territory. The remaining 4.2 million square feet of properties under development, primarily shopping space, offices and hotels, are to be retained for rental purpose upon completion.

In terms of completed investment properties, the Group owns one of the largest portfolios in Hong Kong with a gross floor area of 29.0 million square feet as at 30 June 2016, providing it with a source of steadily growing recurrent income. About 38% of this well-diversified portfolio is comprised of premium shopping malls and retail space, with many regional malls along railway lines mainly catering for the needs of local residents. Some 34% are office buildings, including world-class landmarks in prime Central and West Kowloon, high-specification buildings in the Kowloon East new business hub as well as premium developments in Wan Chai and other areas.

As at 30 June 2016, the Group's land bank in Hong Kong by attributable gross floor area was as follows:

	Attributable Gross Floor Area (million square feet)			Total
	Development for Sale	Development for Investment	Completed Investment Properties	
<b>By Usage</b>				
Residential	16.3	—	0.9	17.2
Shopping Centre/Shops	—	1.4	10.9	12.3
Office	0.2	0.3	10.0	10.5
Hotel	—	0.8	3.5	4.3
Industrial <sup>(1)</sup>	0.2	1.7 <sup>(2)</sup>	3.7	5.6
<b>Total</b>	<b>16.7</b>	<b>4.2</b>	<b>29.0</b>	<b>49.9</b>
<b>By Region</b>				
Hong Kong Island	1.4	0.6	6.3	8.3
Kowloon	2.5	1.4	10.8	14.7
New Territories	12.8	2.2	11.9	26.9
<b>Total</b>	<b>16.7</b>	<b>4.2</b>	<b>29.0</b>	<b>49.9</b>

<sup>(1)</sup> Including industrial/office premises, godowns and data centres

<sup>(2)</sup> The joint-venture project at 98 How Ming Street, Kwun Tong has been converted to office and retail space after 30 June 2016

The Group acquired a residential site in Sha Tin after the end of the financial year. Located in a tranquil environment with open views, the site is to be developed into 434,000 square feet of high-end residences, bringing the Group's total land bank in Hong Kong to 50.3 million square feet. In addition, the Group holds over 30 million square feet of agricultural land in terms of site

area. Most of these sites are located along existing or planned rail lines in the New Territories and are in various stages of land use conversion.

# Hong Kong Property Business

Property Development

1







1. Ultima, Ho Man Tin
2. Park YOHO, Yuen Long

## Property Development

The Group owns a vast development land bank and commands a significant share in the local property sales market. With over 17 million square feet of properties under development for sale in Hong Kong after the acquisition of a residential site in August this year, the Group's production volume is expected to sustain at a high level over the next few years.

Offering a broad range of products, from premium mass-market apartments and world-class luxury residences to high-specification offices and industrial premises, the Group has received wide acclaim from buyers and end users and earned a reputation of being a developer of excellent quality in Hong Kong. The Group has also continued to strengthen its brand and distinguish itself from its peers by focusing on customer needs in the process, all the way from product design and finishes to the delivery of after-sale services.

The Group's premium brand, customer-focus approach and seasoned sales and marketing team helped bring about impressive contracted sales of about HK\$32,000 million in Hong Kong for the year. Major residential projects sold included Ultima in Ho Man Tin, the second phase of Century Link in Tung Chung, Ocean Wings in Tseung Kwan O South, as well as Park YOHO Venezia and Twin Regency in Yuen Long. For non-residential premises, W668 in Cheung Sha Wan was virtually sold out within a month after being launched. The Group has considerable saleable resources and will continue to put up new projects for sale when ready.

### Major Projects under Development

The Group's properties under development span across the territory, mostly situated in prime locations or close to MTR stations on Hong Kong Island, Kowloon and the New Territories. With a diversified portfolio in New Territories East, the Group is developing projects in several growing communities in Tseung Kwan O, Sha Tin and Tai Po. In New Territories West, it has established a strong presence in Yuen Long with a number of developments at strategic locations. Below are descriptions of the Group's major projects.

#### Hong Kong Island

##### Victoria Harbour

##### Inland Lot No. 9027, North Point

(100% owned)

<b>Site area</b>	<b>: 252,000 square feet</b>
<b>Gross floor area</b>	<b>: 578,000 square feet (residential) 145,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 700</b>
<b>Expected date of occupation permit</b>	<b>: from first half of 2017, in phases</b>

##### Inland Lot No. 9020, North Point

(100% owned)

<b>Site area</b>	<b>: 58,000 square feet</b>
<b>Gross floor area</b>	<b>: 388,000 square feet (hotel)</b>
<b>Expected date of occupation permit</b>	<b>: second half of 2017</b>

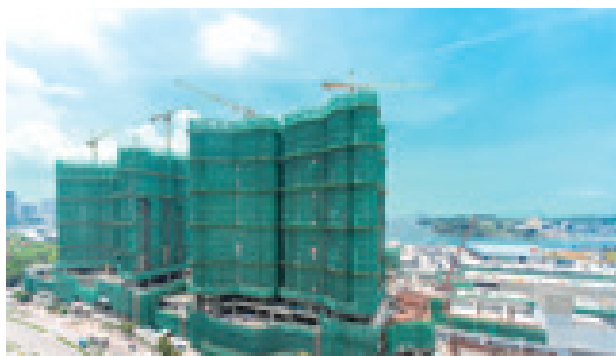


Two sites on the North Point waterfront set for deluxe residences, a high-end shopping mall and a premium hotel

Construction of these two sites that will be connected by a 410-metre waterfront promenade is proceeding well. The eastern site is being developed into a residential/commercial project in two phases, while a premium hotel is being built on the western site. Apart from its strategic location of being close to MTR North Point Station, the transportation network for the developments will be further enhanced upon completion of the Central-Wan Chai Bypass now under construction.

The residential/commercial development with a curtain wall-facade at Inland Lot No. 9027 has a wide harbour frontage. Officially named Victoria Harbour, the first phase of the development consists of around 350 units with a total residential gross floor area of about 320,000 square feet in five towers. The development will provide a diverse flat type ranging from studios to four-bedroom units, and the majority of seafront units will have three to four bedrooms. Construction is progressing on schedule and is planned for completion in the first half of 2017. The second phase will also contain about 350 units and its foundation work is under way. The project will also feature the Harbour North shopping mall with over 140,000 square feet of gross floor area. More details of Harbour North are described on page 49.

The premium hotel at Inland Lot No. 9020 will offer nearly 700 rooms with over 70,000 square feet of auxiliary retail and dining facilities. Superstructure work is under way and is expected to be completed in the second half of 2017. The two waterfront developments in North Point will together offer some 220,000 square feet of shopping and dining choices.



Nam Cheong Station Development sits atop the interchange of two rail lines and commands pleasant sea views

## Kowloon

### New Kowloon Inland Lot No. 6333 (Nam Cheong Station Development)

*(Joint venture)*

<b>Site area</b>	<b>: 497,000 square feet</b>
<b>Gross floor area</b>	<b>: 2.3 million square feet (residential) 298,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 3,400</b>
<b>Expected date of occupation permit</b>	<b>: from late 2017, in phases</b>

Strategically located above the interchange station of the Tung Chung and West Rail lines, this project enjoys a comprehensive transportation network. Offering a total of 3,400 residential units to be developed in three phases, the development will feature a diversified product mix ranging from studios to four-bedroom units as well as a premium shopping mall of 298,000 square feet. Superstructure for the first two phases containing some 2,200 units and the shopping mall is expected to be completed by late 2017. For further details about the mall, please refer to page 49.

### 98 How Ming Street, Kwun Tong

*(67.6% effective interest)<sup>(1)</sup>*

<b>Attributable site area</b>	<b>: 48,000 square feet</b>
<b>Attributable gross floor area</b>	<b>: 777,000 square feet (office/retail)</b>
<b>Expected date of occupation permit</b>	<b>: after 2019</b>

After the end of the financial year, the land premium for converting this former bus depot into a commercial development has been agreed with the Government. Located near an MTR station with easy accessibility, the project is set to become another landmark in the thriving business hub of Kowloon East and will add to the Group's strong foothold in the area. Development plan is currently being finalized and demolition of the existing structure is expected to commence over the next few months.

(1) The Group has a 50% direct interest in this project plus about 17.6% indirect interest derived from its stake in Transport International Holdings Limited

## Property Development

### New Territories East

#### The Wings IIIB

##### Tseung Kwan O Town Lot No. 114

(100% owned)

<b>Site area</b>	<b>: 47,000 square feet</b>
<b>Gross floor area</b>	<b>: 234,000 square feet (residential) 23,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 330</b>
<b>Date of occupation permit</b>	<b>: August 2016</b>

#### Ocean Wings

##### Tseung Kwan O Town Lot No. 118

(100% owned)

<b>Site area</b>	<b>: 161,000 square feet</b>
<b>Gross floor area</b>	<b>: 483,000 square feet (residential) 80,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 630</b>
<b>Expected date of occupation permit</b>	<b>: second half of 2017</b>

The Group has been developing The Wings collection in Tseung Kwan O South over the past few years. In 2012, it completed an integrated project featuring The Wings, PopCorn shopping mall, two international hotels and Vega Suites atop the MTR station, followed by The Wings II and The Wings IIIA in 2014 and mid 2016 respectively.

Residential units of The Wings IIIB, a 29-storey tower, have been virtually sold out and occupation permit for the project was obtained in August this year. Superstructure work for Ocean Wings near the planned waterfront park is underway. Scheduled for completion by late 2017, the project contains over 600 apartments in seven towers and several town houses. So far over 95% of the units have been sold.

Like The Wings II and IIIA, The Wings IIIB and Ocean Wings are also located along the planned central avenue in the town centre of Tseung Kwan O. The retail portions of the four developments will together provide over 240,000 square feet of leisure and shopping amenities in PopWalk for the neighbourhood. The first 66,000 square feet at The Wings II opened in August this year. Please refer to page 49 for further details of PopWalk.



Ocean Wings units in Tseung Kwan O South are specially designed to make the most of magnificent sea views



The Wings series of residential developments has spurred energetic growth in the Tseung Kwan O South community

### LOHAS Park Package 4, Tseung Kwan O

(Joint venture)

<b>Site area</b>	<b>: 140,000 square feet</b>
<b>Gross floor area</b>	<b>: 1.3 million square feet (residential)</b>
<b>Approximate number of units</b>	<b>: 2,200</b>
<b>Expected date of occupation permit</b>	<b>: first half of 2019</b>

Located on the southern coast of the neighbourhood, the project commands sea views and is close to MTR LOHAS Park Station. With a total gross floor area of about 1.3 million square feet, the development will provide some 2,200 units and the majority of which will be one- to two-bedroom apartments, offering greater choices particularly for smaller units in the neighbouring area. Superstructure work commenced earlier this year and the project is expected to be completed in the first half of 2019.

### Tai Po Town Lot No. 225

(100% owned)

<b>Site area</b>	<b>: 250,000 square feet</b>
<b>Gross floor area</b>	<b>: 901,000 square feet (residential)</b>
<b>Approximate number of units</b>	<b>: 1,500</b>
<b>Expected date of occupation permit</b>	<b>: first half of 2019</b>

This medium-density development is adjacent to the waterfront promenade and a public transport terminus in the growing residential area of Pak Shek Kok. It will consist of 10 residential towers of 19 storeys, providing some 1,500 units. Designed to provide a greater variety of flat types in the neighborhood, the development will include one- to three-bedroom typical flats as well as special units. Higher floors will enjoy a magnificent view of Tolo Harbour. Foundation work has finished recently and the project is planned for completion in the first half of 2019.



LOHAS Park Package 4 is located on the Tseung Kwan O seafront near MTR LOHAS Park Station

## New Territories West

### Park YOHO Phase 2

#### Lot 1927 in DD 107, Yuen Long

(100% owned)

<b>Site area</b>	<b>: 1.9 million square feet (entire development)</b>
<b>Gross floor area</b>	<b>: 1.5 million square feet (residential) 45,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 2,100</b>
<b>Expected date of occupation permit</b>	<b>: from the second half of 2016, in phases</b>

Situated in a new residential enclave in Yuen Long East with easy access to the West Rail stations and Route 3, the entire development at Lot 1927 in DD 107 will consist of 31 residential blocks of 11 to 16 storeys containing over 3,000 units. The first phase of the development with over 700,000 square feet of residential premises and 30,000 square feet of retail space, was completed last year. Following the launch of Phase 1A in late 2015, Phases 1B and 1C went on the market in mid 2016 under the respective names of Park YOHO Venezia and Park YOHO Sicilia, receiving positive market response.

The second phase of the development has a residential gross floor area of 1.5 million square feet and 45,000 square feet of retail area. Construction of the 2,100 units in this phase is progressing well and will be completed in phases from late 2016. The first batch is expected to be put on the market in the coming year. Phase 2 has been designed to offer varied flat types and layouts to meet the needs of different homebuyers.

## Property Development



Grand YOHO will create synergy with the Yuen Long Station Development and strengthen the iconic status of the YOHO community

### Grand YOHO

#### The Remaining Portion of Yuen Long Town Lot No.507

(100% owned)

<b>Site area</b>	<b>: 410,000 square feet</b>
<b>Gross floor area</b>	<b>: 1.8 million square feet (residential) 475,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 2,500</b>
<b>Expected date of occupation permit</b>	<b>: from second half of 2016, in phases</b>

With the opening of the initial phases of YOHO Mall during the year, the vibrant YOHO community near MTR Yuen Long Station has become increasingly mature. The scale of this residential enclave and shopping-and-entertainment hotspot will be further expanded over the next few years with the gradual completion of Grand YOHO and the Yuen Long Station Development.

Grand YOHO, to be completed in three phases, is comprised of some 2,500 premium residential units of 1.8 million square feet of gross floor area and over 470,000 square feet of retail space. This premium development will be connected by an air-conditioned footbridge to MTR Yuen Long Station, providing exceptional convenience to shoppers and residents. Scheduled for completion in late 2016, the first phase will include four residential blocks providing about 1,100 flats and about 450,000 square feet of shopping space, being the extension of YOHO Mall. Please refer to pages 48 and 49 for further details about

### Yuen Long Town Lot No.510

#### (Yuen Long Station Development)

(Joint venture)

<b>Site area</b>	<b>: 418,000 square feet</b>
<b>Gross floor area</b>	<b>: 1.4 million square feet (residential) 107,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 1,900</b>
<b>Expected date of occupation permit</b>	<b>: after 2019</b>

YOHO Mall. The majority of the apartments in the first phase will be two-bedroom units, with the rest being three- to four-bedroom configurations. Construction of the second phase is also under way. It will offer over 800 units in three residential towers and is expected to be completed in the first half of 2017.

In August last year, the Group won the tender to develop the Yuen Long Station Development. Six residential towers are planned to be built with a gross floor area of about 1.4 million square feet, including four towers on the northern site and two on the south. The majority of the 1,900 units will be of small-to-medium sizes. In addition, the project will include 107,000 square feet of retail space as part of the YOHO Mall. Through providing strategic linkages among the Group's residential projects in the area and the various phases of YOHO Mall, this project offers significant synergy and value enhancement to the Group's development cluster in northwest New Territories.



Low-density Tin Shui Wai Town Lots 33 and 34 will enjoy fascinating views of the Hong Kong Wetland Park

### Tin Shui Wai Town Lot No. 33 and No. 34

(100% owned)

<b>Site area</b>	<b>: 1.5 million square feet</b>
<b>Gross floor area</b>	<b>: 2.2 million square feet (residential) 40,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 4,000</b>
<b>Expected date of occupation permit</b>	<b>: after 2019</b>

The two sites will together offer more than 2.2 million square feet of residential floor area and 40,000 square feet of retail space. About 4,000 residential units will be built, including apartments with a wide variety of layouts and some town houses. The height of the apartment blocks will descend gradually from about 10 storeys in the outer edge to 3 storeys towards the fringe of the Hong Kong Wetland Park. Scheduled for completion in phases starting from 2020, the project features low-density design and unique location. Its close proximity to the Wetland Park will also allow residents to embrace the greenery and tranquil environment of the neighborhood.

### Tin Shui Wai Town Lot No. 23 (Tin Wing Station Development)

(Joint venture)

<b>Site area</b>	<b>: 196,000 square feet</b>
<b>Gross floor area</b>	<b>: 980,000 square feet (residential) 2,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 1,900</b>
<b>Expected date of occupation permit</b>	<b>: after 2019</b>

This project in Tin Shui Wai is well connected to public transport network. Located atop Light Rail Ting Wing Station, the development will see its accessibilities enhanced by a footbridge connecting to a nearby bus terminus. Also in close proximity to a large town park, many units of this project will be able to command a view of the lush greenery. The site is planned to be a mass residential development offering about 1,900 units of mainly small-to-medium sizes. Construction work is expected to commence in the coming year when migration work of the existing platforms of the Light Rail stop is finished.



Convenient access to mass transit is a key advantage for the Tin Wing Station Development

## Property Development

### Major Projects Under Development in Hong Kong by Year of Completion

Location	Project Name	Group's Interest (%)
<b>Scheduled Completion in FY2016/17</b>		
The Remaining Portion of Yuen Long Town Lot No. 507 Phases 1 & 2	Grand YOHO	100
Lot 1927 in DD 107, Yuen Long Phases 2A, B & C	Park YOHO Phase 2	100
Tseung Kwan O Town Lot No.122 (Data Centre)	MEGA Plus	74
Inland Lot No. 9027, North Point Phase 1	Victoria Harbour	100
Tseung Kwan O Town Lot No. 114	The Wings III B	100
Yuen Long Town Lot No. 528	Twin Regency	100
Sha Tin Town Lot No. 566	St. Moritz	100
668–680 Castle Peak Road, Cheung Sha Wan	W668	100
38 Western Street, Island West	King's Hill	92
<b>Year Total:</b>		
<b>Scheduled Completion in FY2017/18</b>		
Nam Cheong Station Development Phases 1A & B		JV
Tseung Kwan O Town Lot No. 118	Ocean Wings	100
Sha Tin Town Lot No. 581		100
Inland Lot No. 9020, North Point		100
Sha Tin Town Lot No. 248		100
1–3 Church Lane, Shau Kei Wan	Lime Gala	92
Kwun Tong Inland Lot No. 759		64.3
Inland Lot No. 8963, Stubbs Road		100
Tuen Mun Town Lot No. 509	Eight Regency	100
Tung Chung Town Lot No. 11		20
97 Belcher's Street, Island West		92
23 Babington Path, Mid-Levels West	Babington Hill	82.8
<b>Year Total:</b>		
<b>Scheduled Completion in FY2018/19</b>		
LOHAS Park Package 4		JV
Tai Po Town Lot No. 225		100
Nam Cheong Station Development Phase 2		JV
Tuen Mun Town Lot No. 515		100
Inland Lot No. 9027, North Point Phase 2		100
<b>Year Total:</b>		
<b>Major Projects Scheduled for Completion in FY2019/20 or Beyond</b>		
Yuen Long Station Development		JV
Tin Shui Wai Town Lot No. 33		100
Tin Shui Wai Town Lot No. 34		100
Tin Wing Station Development		JV
98 How Ming Street (Kwun Tong Inland Lot No. 240) <sup>(2)</sup>		67.6 <sup>(3)</sup>
The Remaining Portion of Yuen Long Town Lot No. 507 Phase 3		100
Sha Tin Town Lot No. 609		100
Tuen Mun Town Lot No. 539		100
Sha Tin Town Lot No. 617		100
18-20 Caine Road, Mid-Levels West		92
Pak Tai Street / San Shan Road Project		JV
212–214 Texaco Road, Tsuen Wan		50
Kwai Chung Town Lot No. 522		100
195 Prince Edward Road West		100
<b>Total for Major Projects to be Completed in FY2019/20 or Beyond:</b>		

(1) Including data centre

(2) Has yet to reflect its conversion into office and retail space with land premium agreed in early August 2016

(3) Including 50% direct interest and an indirect interest of about 17.6% derived from the Group's holdings in Transport International Holdings Limited



**Attributable Gross Floor Area (square feet)**

Residential	Shopping Centre/Shops	Office	Hotel	Industrial <sup>(1)</sup>	Total
1,396,000	446,000	-	-	-	1,842,000
1,512,000	45,000	-	-	-	1,557,000
-	-	-	-	351,000	351,000
320,000	7,000	-	-	-	327,000
234,000	23,000	-	-	-	257,000
232,000	-	-	-	-	232,000
130,000	-	-	-	-	130,000
-	-	-	-	95,000	95,000
71,000	5,000	-	-	-	76,000
<b>3,895,000</b>	<b>526,000</b>	<b>-</b>	<b>-</b>	<b>446,000</b>	<b>4,867,000</b>

1,603,000	298,000	-	-	-	1,901,000
483,000	80,000	-	-	-	563,000
431,000	-	-	-	-	431,000
-	-	-	388,000	-	388,000
-	-	-	344,000	-	344,000
291,000	51,000	-	-	-	342,000
-	-	308,000	-	-	308,000
181,000	-	-	-	-	181,000
141,000	26,000	-	-	-	167,000
-	68,000	-	26,000	-	94,000
67,000	18,000	-	-	-	85,000
55,000	-	-	-	-	55,000
<b>3,252,000</b>	<b>541,000</b>	<b>308,000</b>	<b>758,000</b>	<b>-</b>	<b>4,859,000</b>

1,316,000	-	-	-	-	1,316,000
901,000	-	-	-	-	901,000
708,000	-	-	-	-	708,000
476,000	-	-	-	-	476,000
258,000	138,000	-	-	-	396,000
<b>3,659,000</b>	<b>138,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,797,000</b>

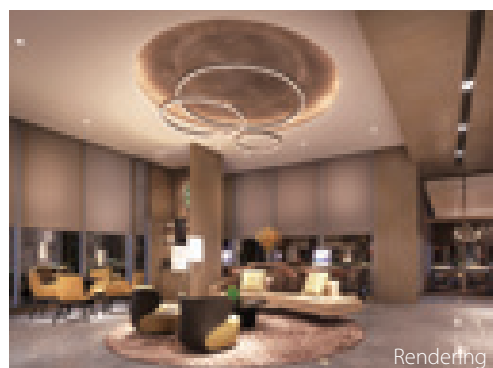
1,361,000	107,000	-	-	-	1,468,000
1,199,000	20,000	-	-	-	1,219,000
1,020,000	20,000	-	-	-	1,040,000
980,000	2,000	-	-	-	982,000
-	-	-	-	777,000	777,000
452,000	29,000	-	-	-	481,000
434,000	-	-	-	-	434,000
286,000	21,000	-	-	-	307,000
-	3,000	171,000	-	-	174,000
127,000	-	-	-	-	127,000
88,000	17,000	-	-	-	105,000
-	-	-	-	71,000	71,000
-	1,000	57,000	-	-	58,000
45,000	-	-	-	-	45,000
<b>5,992,000</b>	<b>220,000</b>	<b>228,000</b>	<b>-</b>	<b>848,000</b>	<b>7,288,000</b>



Century Link in Tung Chung will benefit from cross-border transport infrastructure currently under construction



Twin Regency in Yuen Long takes in sprawling open views as far as Shenzhen Bay



Eight Regency in Tuen Mun will have hotel-style clubhouse amenities

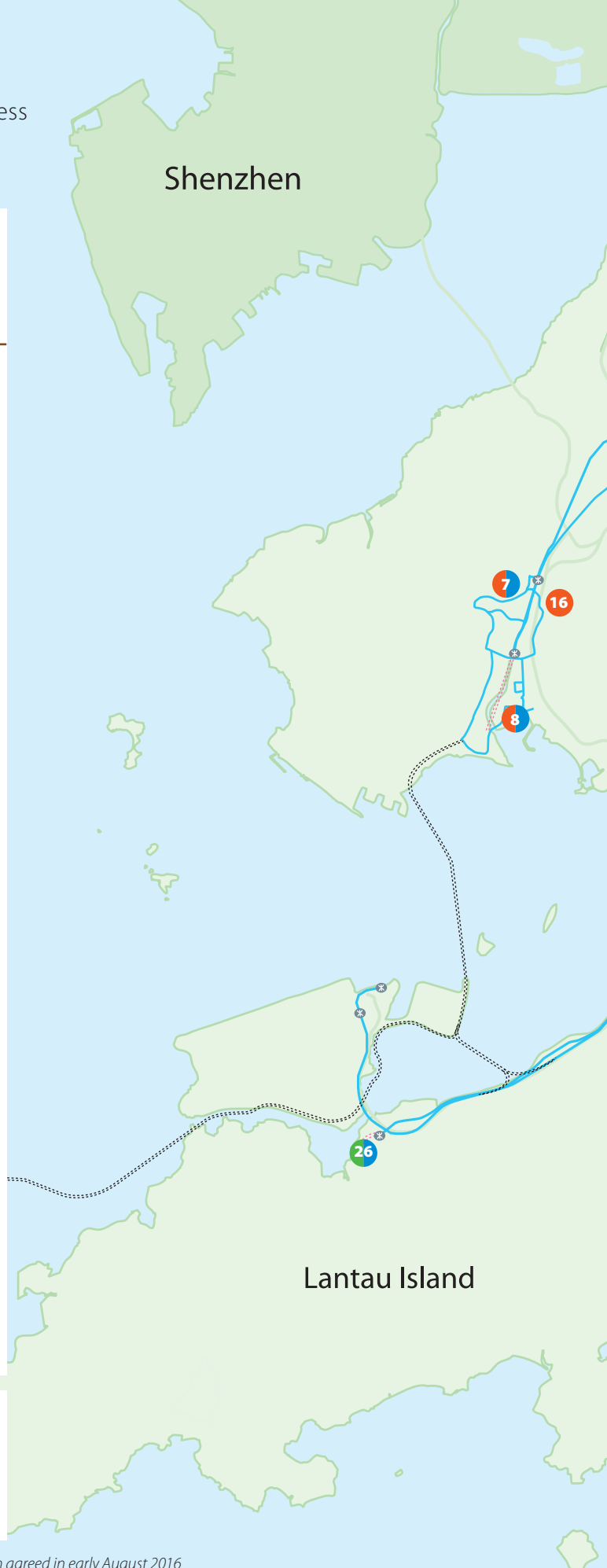
## Property Development

### Major Properties Under Development in Hong Kong

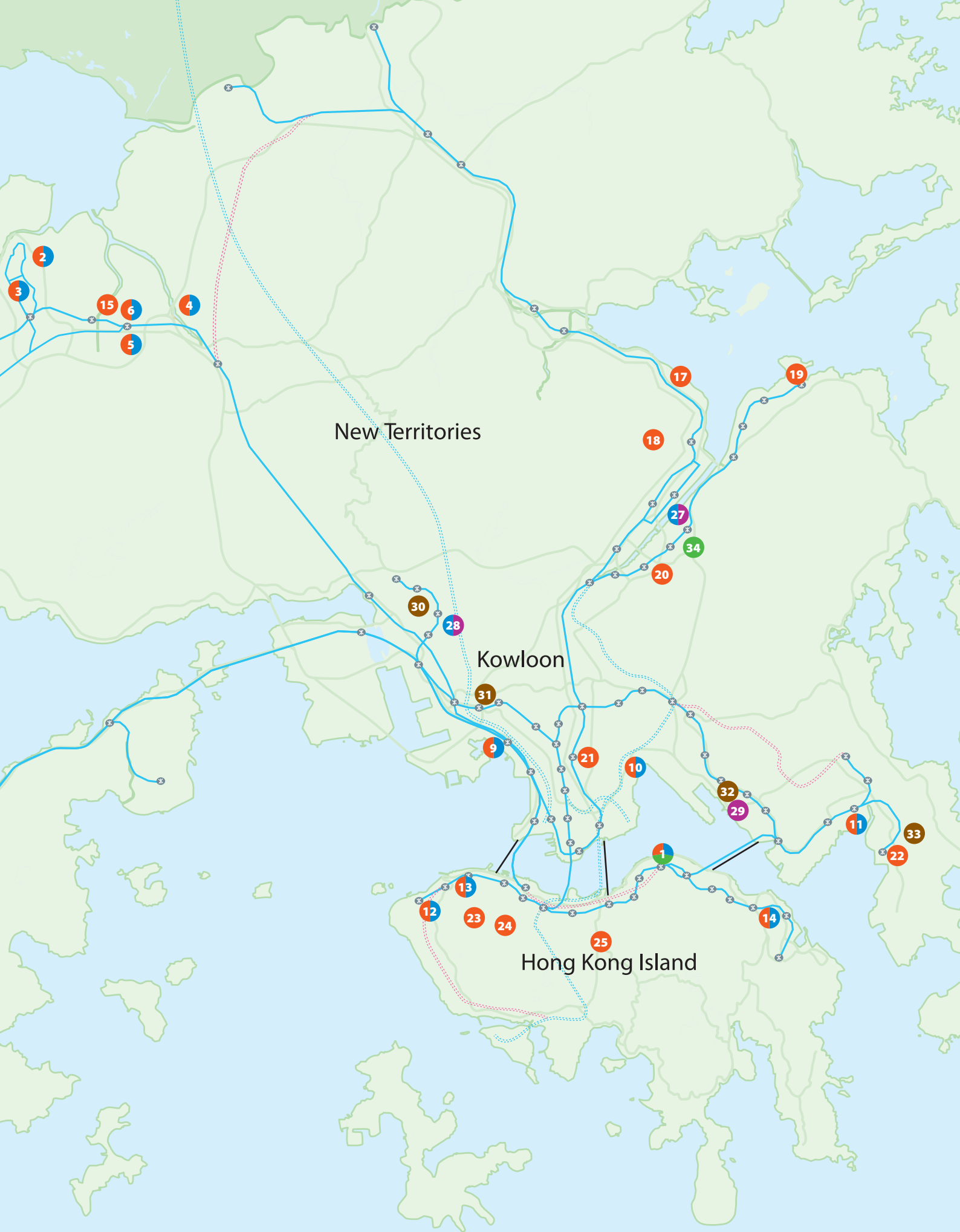
- Residential      ● Shopping Centre/Shops      ● Office
- Industrial      ● Hotel

- |    |     |  |
|----|-----|--|
| 1  | ●●● | Inland Lot Nos. 9027 and 9020, North Point |
| 2  | ●●  | Tin Shui Wai Town Lot Nos. 33 and 34       |
| 3  | ●●  | Tin Wing Station Development               |
| 4  | ●●  | Park YOHO Phase 2                          |
| 5  | ●●  | Grand YOHO                                 |
| 6  | ●●  | Yuen Long Station Development              |
| 7  | ●●  | Eight Regency                              |
| 8  | ●●  | Tuen Mun Town Lot No. 539                  |
| 9  | ●●  | Nam Cheong Station Development             |
| 10 | ●●  | Pak Tai Street / San Shan Road Project     |
| 11 | ●●  | The Wings III B and Ocean Wings            |
| 12 | ●●  | 97 Belcher's Street                        |
| 13 | ●●  | King's Hill                                |
| 14 | ●●  | Lime Gala                                  |
| 15 | ●   | Twin Regency                               |
| 16 | ●   | Tuen Mun Town Lot No. 515                  |
| 17 | ●   | Tai Po Town Lot No. 225                    |
| 18 | ●   | St. Moritz                                 |
| 19 | ●   | Sha Tin Town Lot No. 581                   |
| 20 | ●   | Sha Tin Town Lot No. 609                   |
| 21 | ●   | 195 Prince Edward Road West                |
| 22 | ●   | LOHAS Park Package 4                       |
| 23 | ●   | Babington Hill                             |
| 24 | ●   | 18–20 Caine Road                           |
| 25 | ●   | Inland Lot No. 8963, Stubbs Road           |
| 26 | ●●  | Tung Chung Town Lot No. 11                 |
| 27 | ●●  | Sha Tin Town Lot No. 617                   |
| 28 | ●●  | Kwai Chung Town Lot No. 522                |
| 29 | ●   | Kwun Tong Inland Lot No. 759               |
| 30 | ●   | 212–214 Texaco Road, Tsuen Wan             |
| 31 | ●   | W668                                       |
| 32 | ●   | 98 How Ming Street <sup>(1)</sup>          |
| 33 | ●   | MEGA Plus                                  |
| 34 | ●   | Sha Tin Town Lot No. 248                   |

- |   |  |       |
|---|--|-------|
| ⋯⋯⋯ MTR<br>(under construction)         | ⋯⋯⋯ MTR<br>(potential future projects) | — MTR |
| ⋯⋯⋯ Major roads<br>(under construction) | — Cross-Harbour Tunnel                 |       |



(1) Has yet to reflect its conversion to office and retail space with land premium agreed in early August 2016



# Hong Kong Property Business

Property Investment

1





1. International Commerce Centre, Kowloon Station
2. YOHO Mall, Yuen Long
3. IFC Mall, Central

## Property Investment



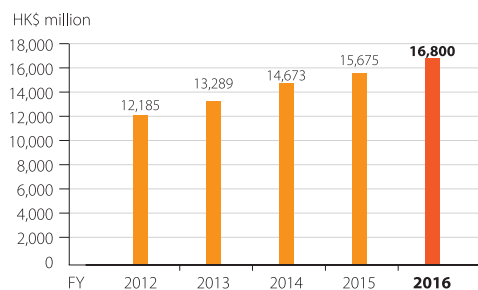
Regular reviews of tenants ensure the premier position of New Town Plaza in New Territories East



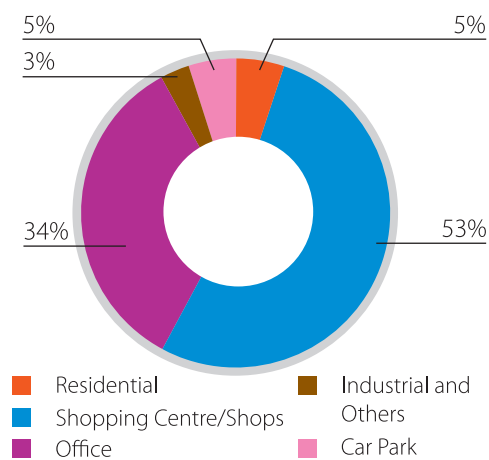
V City is a major shopping destination in Tuen Mun with a diverse range of retailers

During the year under review, the Group recorded a 7.2% increase in gross rental income to HK\$16,800 million, while net rental income grew by 7.6% to HK\$13,233 million, including contributions from joint-venture projects. Occupancy of the Group's diversified investment property portfolio, mostly located strategically along railway lines, remained high at around 95%. The Group is dedicated to providing quality premises and services to foster long-term relationships with tenants and customers. In anticipation of their changing needs and expectations, the Group continues to implement various asset enhancement initiatives during the year, which also further strengthens its competitive edge and leading position in the leasing market.

### Gross Rental Income in Hong Kong<sup>(1)</sup>



### Gross Rental Income in Hong Kong by Sector<sup>(1)</sup>



(1) Including contributions from associates and joint ventures

## Completed Investment Properties

### Shopping Centres

Retail sales in Hong Kong were under pressure amid soft tourist spending, particularly on luxury items, but the Group's retail portfolio still performed satisfactorily during the year. The Group's regional malls that are largely located along railway lines across the territory were able to register high occupancy with positive rental reversions during the year, attributable to its reputation of quality service, effective promotional initiatives and diverse trade mix. A gross rental income of about HK\$5,800 million was generated from the Group's top 10 malls.

New Town Plaza, being the largest regional mall in the eastern part of the New Territories, sustained high occupancy with satisfactory rental reversions. The mall's unrivalled transport connectivity constantly draws large footfall and has made it the preferred choice for renowned retailers and eateries. The mall has one of the widest collections of mid- to high-end brands in the New Territories and the latest additions included a popular, world-renowned consumer electronics retailer. A variety of promotional activities are regularly staged to boost traffic and tenant sales. Events included a music festival featuring interactive performances by outstanding musicians and art groups to give shoppers a relaxing mall atmosphere.

With an area of about 600,000 square feet, Tai Po Mega Mall in northeast New Territories is another large-scale regional mall of the Group. During the year, the mall recorded high occupancy with healthy rental reversions. Offering more than 180 renowned brands that include a major department store, casual restaurants and popular sportswear retailers, Tai Po Mega Mall is a magnet for local families seeking shopping, entertainment and leisure under one roof. The recent opening of a famous bookshop and a popular coffee shop, both of which being the largest in northeast New Territories, further reinforced the mall's market position.

Landmark North in Sheung Shui continued to perform well with high occupancy. As a popular shopping destination in northern New Territories, the mall has built a broad customer base of both locals and tourists over the years. Traffic flow remained high as supported by its close proximity to MTR Sheung Shui Station and cross-border bus service. More international cosmetics and skincare brands were introduced to the mall to cater for the latest customer needs.



APM features a young vibe and dynamic events that offer an unconventional shopping and leisure experience to customers

## Property Investment



Renovations and strategic retail zoning draw high traffic to MOKO in Mong Kok

The Group's other regional malls along railway lines also performed satisfactorily. The performance of Tsuen Wan Plaza near MTR Tsuen Wan West Station continued to improve with higher traffic, benefitting from the comprehensive footbridge network in the area. Traffic flow at East Point City in Tseung Kwan O continued to increase, resulting from the growing population from nearby new residential projects. New tenants, particularly fast fashion labels, sportswear brands as well as healthcare products retailers were introduced to these malls, all of which have met sustained demands for mid-end brands and the pursuit of a healthy lifestyle by urbanites. All these malls were virtually fully leased and achieved satisfactory rental reversions during the year.

Ongoing asset enhancement initiatives continue to add value to the Group's rental income growth. MOKO above MTR Mong Kok East Station has recorded significant growth in footfall following the completion of its large-scale reconfiguration in August 2015. During the year, the mall was virtually fully let with notable rental income growth. Featuring over 200 brands in various zones, MOKO will continue to refine its tenant mix and strengthen its position as a chic retail hub in Mong Kok.

A large-scale upgrade of APM mall next to MTR Kwun Tong Station is under way, which will see 150,000 square feet of office space in the same tower converted to retail use. Its podium garden will take on a new look as a result of an outdoor greening project that is planned for completion in 2018. These enhancement works are set to boost the mall's positioning as a popular rendezvous for the young and trendy in Kowloon East. APM also draws additional footfall through working with the Kai Tak Cruise Terminal to offer free, point-to-point shuttle-bus service to cruise visitors. High occupancy and positive rental reversions were registered during the year.

The renovation of Metroplaza adjacent to MTR Kwai Fong Station has been progressing well and is scheduled for completion by the financial year 2017/18. With a focus on serving office workers and residents in the district, Metroplaza will undergo a facelift with a reconfigured layout and upgraded facade to offer an open and spacious environment for shoppers. More restaurants that are new to the area have been introduced to enhance the mall's appeal to customers. Upon completion of its renovation, Metroplaza is poised to become a shopping and entertainment destination that resembles MOKO in Mong Kok.

Reduced tourist spending on luxury items has been affecting the business of upmarket malls, particularly in tourist districts. The impact on IFC Mall in Central, however, has been cushioned by its diversified customer base made up of high-spending shoppers, including professionals working nearby and locals, along with tourists from around the world. The mall that ushered in more international restaurants as well as outlets of child and baby clothing remained fully let during the year. The Sun Arcade in the heart of Tsim Sha Tsui, being a one-stop shopping destination for tourists, was fully let although tenant sales were dragged by weakened tourist spending. Other than regular and themed promotions to enhance traffic, more affordable luxury brands were added to these upmarket malls in the face of a changing market environment.



Offices at One and Two IFC provide coveted business addresses with a prestigious Central location and premium facilities





The convenience of ICC at Kowloon Station makes it a prime location for multinationals

### Offices

The office leasing market in Hong Kong was quite solid, with low vacancy rate due to sustained demand and limited new supply. Financial institutions from the mainland and insurance companies continued to be major demand drivers. With some 10 million square feet, the Group's office premises are well diversified in both locations and specifications, making them the preferred choices for a wide variety of businesses. During the year, overall occupancy remained high with sustained positive rental reversions. Rental income from the portfolio continued to grow steadily.

As one of the most recognized buildings on core Central waterfront, the twin towers of IFC recorded high occupancy and saw an upward trend in spot rents. The momentum was driven primarily by increasing demand from mainland financial institutions seeking quality office space in a core business district. Strategically located above Airport Express Hong Kong Station, the IFC office towers are widely acclaimed for their superior quality, world-class specifications and state-of-the-art facilities, offering an ideal address for multinational financial institutions and leading mainland companies. Comprehensive facilities within the same development such as the IFC Mall, Four Seasons Hotel Hong Kong and Four Seasons Place also help set the office towers apart from other commercial buildings in the district.

The grade-A offices at ICC, as part of another world-class integrated development of the Group, achieved high occupancy with strong rental reversions. The integrated complex, which also includes internationally renowned hotels namely The Ritz-Carlton, Hong Kong and W Hong Kong as well as The HarbourView Place serviced suites, an upscale shopping centre and the Sky100 Hong Kong Observation Deck, has turned West Kowloon into a new business district which has been perceived by many as an extension of Central. Its intelligent design concept, comprehensive facilities as well as

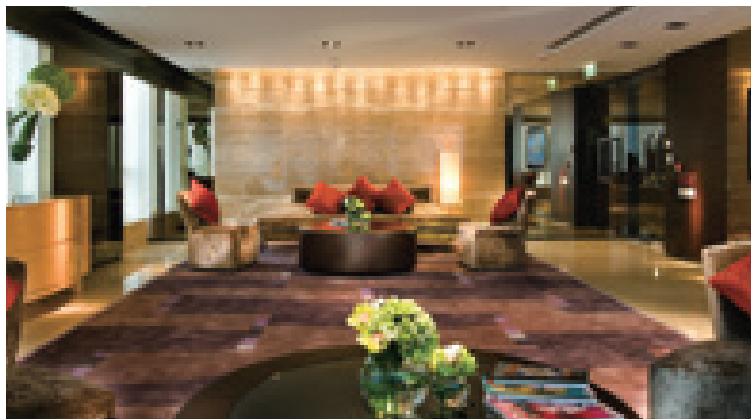
professional and caring management service attract a number of global investment banks and other financial institutions wanting a prestigious office address. With its advantageous location atop Airport Express Kowloon Station and close proximity to the future Guangzhou-Shenzhen-Hong Kong Express, ICC's development potential will continue to increase over time.

The Group's Millennium City cluster next to MTR stations in Kowloon East registered high occupancies with higher rents during the year despite a gradual increase in new office supply in the area. The Group's single ownership of close to 1.7 million square feet of grade-A offices at Millennium City appeals to tenants in need of large floor plates. Major tenants include banks, insurance companies and fashion retailers. Supported by premium facilities, the office cluster has helped energize Kowloon East and transformed the area into a modern business zone. This has served the needs of enterprises seeking to relocate or expand their business in a promising area.

A strong, well-established brand of quality premises and services also help attract tenants to the Group's other premium office buildings. Sun Hung Kai Centre and Central Plaza in Wan Chai, both of which command open harbour views, sustained high occupancies and recorded healthy rental reversions during the year. Metroplaza in Kwai Fong and Grand Central Plaza in Sha Tin, both located next to an MTR station, continued to be a preferred choice for tenants looking for quality office space in decentralized areas. The two office developments recorded high occupancies and satisfactory rental reversions.

In order to strengthen overall competitiveness and its leading position, the Group carries out renovations and upgrades for its properties periodically to enhance the working environment for tenants. Renovation of Central Plaza's common areas is progressing smoothly, while the upgrade programme at Grand Central Plaza will start in the coming year.

## Property Investment



Financial executives make up the bulk of the clientele at The HarbourView Place in the vibrant West Kowloon commercial hub

### *Residential, Serviced Suites and Others*

Signature Homes, the Group's high-end residential leasing arm, oversees close to a million square feet of luxury accommodation and a premium portfolio of serviced suites with an attributable 700 guest rooms. Situated at prestigious locations in the territory, the luxury residential units for lease offer a wide range of accommodation and appeal to tenants who look for attentive customer services in addition to sweeping sea views, stylish design and exceptional furnishings of the Group's premises. Occupancy of the portfolio was satisfactory during the year.

The Group's premium portfolio of serviced suites includes Four Seasons Place above Airport Express Hong Kong Station, The HarbourView Place atop Kowloon Station and Vega Suites serving the growing business hub in Kowloon East. Supported by its advantageous locations, hotel-style accommodation and unrivalled convenience in daily living, occupancy of the portfolio stayed at a healthy level with moderate rental reversions during the year under review. The Group's prestigious brand will continue to underpin the portfolio's position as the top choice for multinational executives seeking luxury or hotel-like accommodation with full service.



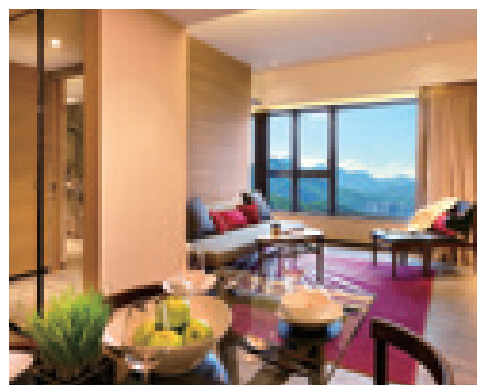
Four Seasons Place offers peerless lodging famous for refined service and amenities to elite business travellers in Hong Kong's core Central

Other components of the Group's investment property portfolio include industrial buildings, godowns and car parking bays, which provided steady rental income for the Group with satisfactory occupancy during the year.

### **Investment Properties under Development**

As at 30 June 2016, the Group held an attributable 4.2 million square feet of new investment properties under development, of which about one-third will be retail space in prime locations. The remainder consisted of hotels, offices, a data centre and industrial space. Most of the industrial sites were under land use conversion and the land premium for the conversion of a site with an attributable gross floor area of 777,000 square feet to commercial use has been agreed in August 2016. To strengthen its leading position in the leasing market, the Group continues to develop quality assets to enhance its rental portfolio.

With a gross floor area of about 1.1 million square feet, YOHO Mall in Yuen Long comprises the retail podiums of the Group's projects in the area, including the retail space of Yuen Long Station Development acquired during the year. Opened in September 2015, YOHO Mall I boasts modern features such as duplex facades, high ceilings, a large open piazza and outdoor dining concept, all of which have offered a fresh and trendy lifestyle and turned Yuen Long into a vibrant community.



Vega Suites in Tseung Kwan O was designed to provide leisurely accommodation for long-stay guests



The opening of the first phase of PopWalk in late August gave customers a refreshing variety of shopping and dining choices in Tseung Kwan O

Renovation at YOHO Mall II was completed recently with a notable increase in rental levels. The two portions provide a retail space of over 500,000 square feet and house a variety of international restaurants and fashion retailers that are new to northwest New Territories. The mall recorded high occupancy and attracted a large number of customers during the year.

YOHO Mall extension covering about 450,000 square feet beneath Grand YOHO is scheduled to open in 2017. Response to pre-leasing has been encouraging. The Yuen Long Station Development will include a retail space of 107,000 square feet that connects to other parts of YOHO Mall. Upon completion, the mega YOHO Mall will become the largest shopping and entertainment magnet in northwest New Territories, emulating the leading position of New Town Plaza in eastern New Territories.

The Group is establishing a strong retail foothold in Tseung Kwan O South by incorporating the retail portions of its developments to form PopWalk — a new cluster of shopping and leisure amenities. The first phase of PopWalk spanning 66,000 square feet beneath The Wings II opened in August this year and is fully let. It offers an array of quality shops and specialty dining outlets, with a focus on serving young families. Featuring extensive glass facades, this two-storey retail space will take advantage of its proximity to the proposed central avenue leading to a waterfront park and afford visitors a brand new shopping-in-the-park experience. Other phases of PopWalk are scheduled to open beginning in 2017.

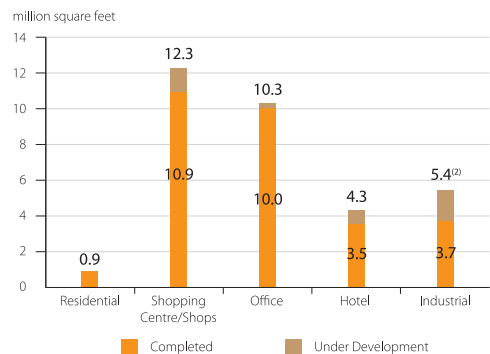
Conveniently located next to MTR North Point Station, Harbour North will be a lifestyle-oriented mall serving residents and office workers in Island East as well as tourists. It will comprise over 140,000 square feet of retail space that features a diverse portfolio of merchants to suit the needs of modern households. Customers will be able to enjoy relaxed alfresco dining next to the 410-metre waterfront promenade overlooking scenic harbour views. An open green space and a piazza will be proud additions to the promenade,

allowing shoppers to unwind in a natural setting. Harbour North will be developed in two phases. Construction of the first phase has been progressing well and is scheduled to open in 2018. Foundation work for phase two is under way.

The Group is finalizing internal layout plans for its premium shopping mall atop MTR Nam Cheong Station. This 300,000-square-foot mall will offer an exceptional shopping, dining and leisure experience for residents of West Kowloon, and is scheduled to open by the end of 2018. This, together with the Group's other new shopping centres, will further strengthen its mall network and leading position in the retail leasing market.

The Group has a 67.6% effective interest in a commercial project situated on 98 How Ming Street in Kwun Tong. It will be developed into a complex with a gross floor area of nearly 1.2 million square feet, featuring grade-A offices and premium retail space. The development plan is being finalized and the project is expected to create much synergy with the Group's well-established commercial cluster, Millennium City, in the area upon completion.

## Investment Properties: Completed and Under Development<sup>(1)</sup>



(1) As at 30 June 2016

(2) The joint-venture project at 98 How Ming Street, Kwun Tong has been converted to office and retail space after 30 June 2016

## Property Investment

### Major Completed Investment Properties in Hong Kong

Project	Location	Lease Expiry	Group's Interest (%)
<b>Hong Kong Island</b>			
One IFC	1 Harbour View Street, Central	2047	50
Two IFC & IFC Mall	8 Finance Street, Central	2047	50
Four Seasons Hotel Hong Kong / Four Seasons Place	8 Finance Street, Central	2047	50
Sun Hung Kai Centre	30 Harbour Road, Wan Chai	2127	100
Central Plaza	18 Harbour Road, Wan Chai	2047	50
World Trade Centre / WTC More	280 Gloucester Road, Causeway Bay	2842	100
Dynasty Court (Blocks 2 & 3)	23 Old Peak Road	2886	100
Pacific View (Blocks 2 & 3)	38 Tai Tam Road	2047	100
Chi Fu Landmark	Chi Fu Road, Pok Fu Lam	2126	100
Hillsborough Court (Block 4)	18 Old Peak Road	2884	100
<b>Kowloon</b>			
ICC / Sky100 Hong Kong Observation Deck	1 Austin Road West	2047	100
The Ritz-Carlton, Hong Kong / W Hong Kong / The HarbourView Place	1 Austin Road West	2047	100
Millennium City 1 <sup>(1)</sup>	388 Kwun Tong Road	2047	100
Millennium City 2	378 Kwun Tong Road	2047	50
Millennium City 5 / APM	418 Kwun Tong Road	2052	100
Millennium City 6	392 Kwun Tong Road	2047	100
Grand Century Place / MOKO	193 Prince Edward Road West, Mong Kok	2047	100
Royal Plaza Hotel	193 Prince Edward Road West, Mong Kok	2047	100
The Royal Garden	69 Mody Road, Tsim Sha Tsui	2127	100
Kerry Hung Kai Godown	3 Fat Tseung Street, Cheung Sha Wan	2047	50
APEC Plaza	49 Hoi Yuen Road, Kwun Tong	2047	100
Mikiki	638 Prince Edward Road East, San Po Kong	2054	100
The Sun Arcade	28 Canton Road, Tsim Sha Tsui	2047	100
Peninsula Tower	538 Castle Peak Road, Cheung Sha Wan	2047	100
Hing Wah Centre	82-84 To Kwa Wan Road	2099	100
New Tech Plaza	34 Tai Yau Street, San Po Kong	2047	100
26 Nathan Road	26 Nathan Road, Tsim Sha Tsui	2039	100
Infotech Centre	21 Hung To Road, Kwun Tong	2047	100
<b>New Territories</b>			
New Town Plaza I <sup>(2)</sup>	18 Shatin Centre Street, Sha Tin	2047	100
New Town Plaza III	2-8 Shatin Centre Street, Sha Tin	2047	100
New Town Tower	10-18 Pak Hok Ting Street, Sha Tin	2047	100
Grand Central Plaza / HomeSquare	138 Shatin Rural Committee Road, Sha Tin	2047	100
Royal Park Hotel	8 Pak Hok Ting Street, Sha Tin	2047	100
Metroplaza	223 Hing Fong Road, Kwai Chung	2047	100
Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites	3 Tong Tak Street, Tseung Kwan O	2057	100
PopCorn	9 Tong Yin Street, Tseung Kwan O	2057	50
Tai Po Mega Mall	9 On Pong Road, Tai Po	2047	100
Tsuen Wan Plaza	5-21 Pak Tin Par Street, Tsuen Wan	2047	100
Kowloon Commerce Centre	51 Kwai Cheong Road, Kwai Chung	2047	100
Landmark North	39 Lung Sum Avenue, Sheung Shui	2047	100
East Point City	8 Chung Wa Road, Tseung Kwan O	2047	100
Royal View Hotel	353 Castle Peak Road, Ting Kau	2047	100
V City	83 Heung Sze Wui Road, Tuen Mun	2056	100
YOHO Mall I	9 Yuen Lung Street, Yuen Long	2054	100
YOHO Mall II	8 Long Yat Road, Yuen Long	2047	87.5
Park Central	9 Tong Tak Street, Tseung Kwan O	2047	57.52/25
Citygate / Novotel Citygate Hong Kong Hotel	20 Tat Tung Road / 51 Man Tung Road, Tung Chung	2047	20
Grand City Plaza	1-17 Sai Lau Kok Road, Tsuen Wan	2047	100
Yuen Long Plaza	249-251 Castle Peak Road, Yuen Long	2047	100
Advanced Technology Centre	2 Choi Fat Street, Sheung Shui	2047	100
PopWalk (Phases 1 & 2)	12 Tong Chun Street / 19 Tong Yin Street, Tseung Kwan O	2060 / 2061	100
Uptown Plaza	9 Nam Wan Road, Tai Po	2047	100
Chelsea Heights	1 Shek Pai Tau Path, Tuen Mun	2047	100

(1) Including the attributable share in areas held by SUNeVision, in which the Group has a 74.04% interest

(2) Including car parking area

**Attributable Gross Floor Area (square feet)**

Residential	Shopping Centre/ Shops	Office	Hotel	Industrial	Total
–	–	392,000	–	–	392,000
–	320,000	566,000	–	–	886,000
–	–	–	550,000	–	550,000
–	53,000	851,000	–	–	904,000
–	–	700,000	–	–	700,000
–	280,000	232,000	–	–	512,000
341,000	–	–	–	–	341,000
248,000	–	–	–	–	248,000
–	172,000	–	–	–	172,000
124,000	–	–	–	–	124,000

–	29,000	2,495,000	–	–	2,524,000
–	–	–	1,023,000	–	1,023,000
–	27,000	872,000	–	–	899,000
–	–	133,000	–	–	133,000
–	598,000	308,000	–	–	906,000
–	32,000	370,000	–	–	402,000
–	725,000	475,000	–	–	1,200,000
–	–	–	400,000	–	400,000
–	–	–	295,000	–	295,000
–	–	–	–	285,000	285,000
–	–	–	–	240,000	240,000
–	205,000	–	–	–	205,000
–	205,000	–	–	–	205,000
–	–	–	–	188,000	188,000
–	–	–	–	183,000	183,000
–	–	–	–	182,000	182,000
–	53,000	124,000	–	–	177,000
–	–	–	–	114,000	114,000

–	1,300,000	–	–	–	1,300,000
–	350,000	–	–	–	350,000
–	–	96,000	–	–	96,000
–	310,000	431,000	–	–	741,000
–	–	–	258,000	–	258,000
–	600,000	569,000	–	–	1,169,000
–	–	–	626,000	–	626,000
–	108,000	–	–	–	108,000
–	589,000	–	–	–	589,000
–	583,000	–	–	–	583,000
–	79,000	401,000	–	–	480,000
–	182,000	375,000	–	–	557,000
–	415,000	–	–	–	415,000
–	–	–	310,000	–	310,000
–	269,000	–	–	–	269,000
–	249,000	–	–	–	249,000
–	245,000	–	–	–	245,000
–	195,000	–	–	–	195,000
–	99,000	32,000	47,000	–	178,000
–	35,000	137,000	–	–	172,000
–	145,000	–	–	–	145,000
–	–	–	–	142,000	142,000
–	138,000	–	–	–	138,000
–	120,000	–	–	–	120,000
–	116,000	–	–	–	116,000



New outlets and creative marketing keep the appeal fresh at East Point City in Tseung Kwan O



High visitor traffic at Tai Po Mega Mall in northeast New Territories with a rich assortment of retailers and eateries catering to all aspects of modern living



A balanced retail mix and new features attract a broad customer base to Landmark North near MTR Sheung Shui Station

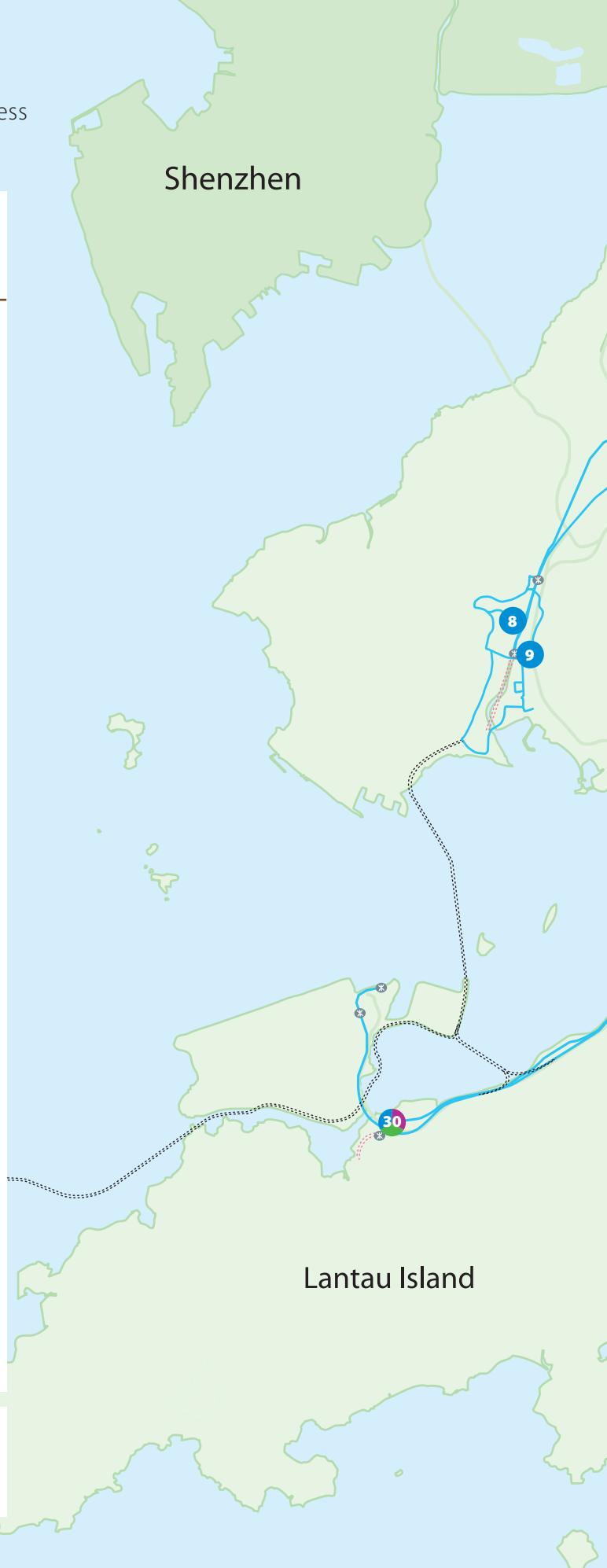
## Property Investment

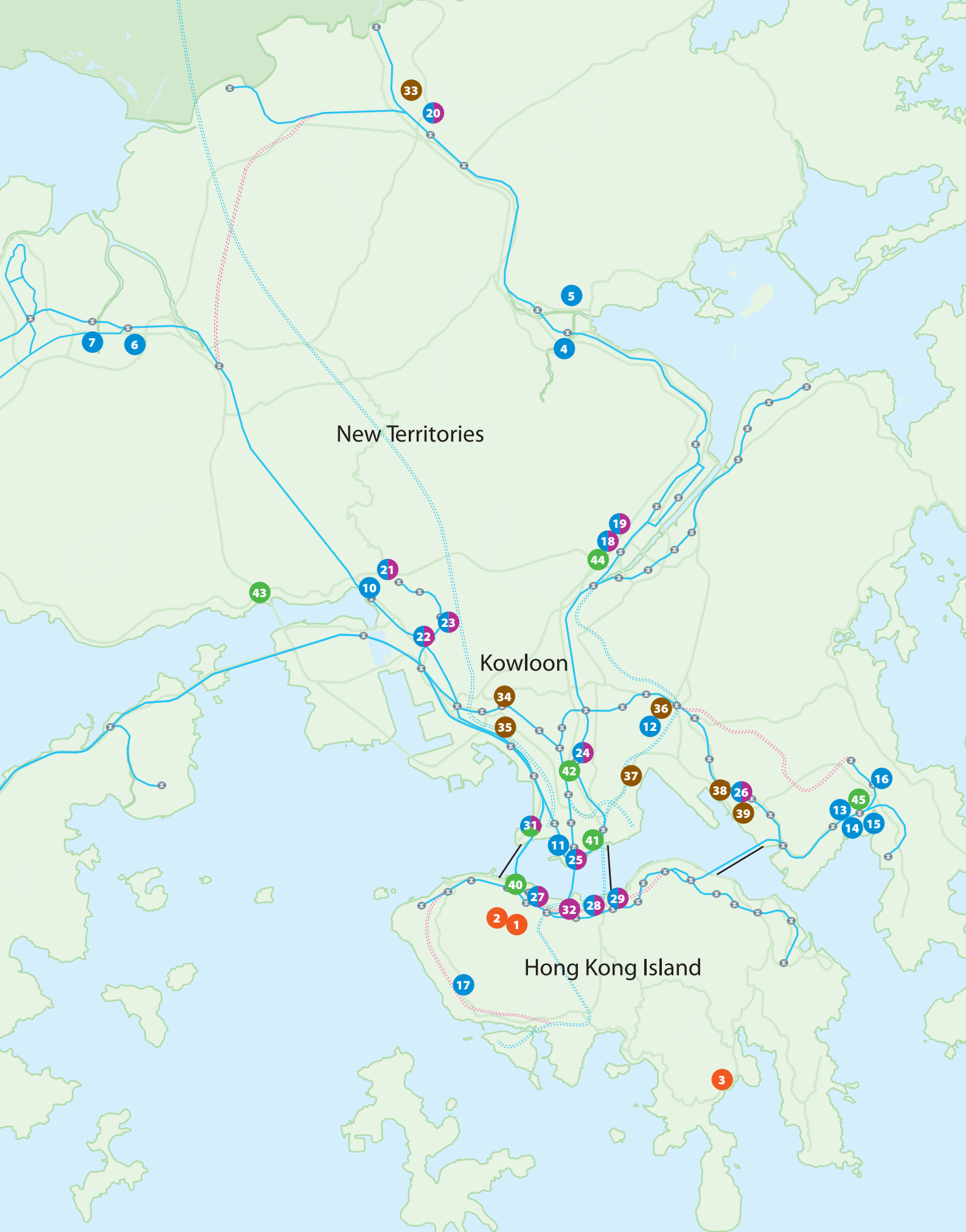
### Major Completed Investment Properties in Hong Kong

- Residential      ● Shopping Centre/Shops      ● Office
- Industrial      ● Hotel

- |    |     |   |
|----|-----|---|
| 1  | ●   | Dynasty Court   |
| 2  | ●   | Hillsborough Court  |
| 3  | ●   | Pacific View  |
| 4  | ●   | Uptown Plaza  |
| 5  | ●   | Tai Po Mega Mall  |
| 6  | ●   | YOHO Mall   |
| 7  | ●   | Yuen Long Plaza   |
| 8  | ●   | Chelsea Heights   |
| 9  | ●   | V City  |
| 10 | ●   | Tsuen Wan Plaza   |
| 11 | ●   | The Sun Arcade  |
| 12 | ●   | Mikiki  |
| 13 | ●   | Park Central  |
| 14 | ●   | PopWalk Phases 1 & 2  |
| 15 | ●   | PopCorn   |
| 16 | ●   | East Point City   |
| 17 | ●   | Chi Fu Landmark   |
| 18 | ●●  | New Town Plaza / New Town Tower   |
| 19 | ●●  | Grand Central Plaza / HomeSquare  |
| 20 | ●●  | Landmark North  |
| 21 | ●●  | Grand City Plaza  |
| 22 | ●●  | Metroplaza  |
| 23 | ●●  | Kowloon Commerce Centre   |
| 24 | ●●  | Grand Century Place / MOKO  |
| 25 | ●●  | 26 Nathan Road  |
| 26 | ●●  | Millennium City Phases 1, 2, 5 & 6 / APM  |
| 27 | ●●  | IFC / IFC Mall  |
| 28 | ●●  | Sun Hung Kai Centre   |
| 29 | ●●  | World Trade Centre / WTC More   |
| 30 | ●●● | Citygate / Novotel Citygate Hong Kong Hotel   |
| 31 | ●●● | ICC / The Ritz-Carlton, Hong Kong /<br>W Hong Kong / The HarbourView Place /<br>Sky100 Hong Kong Observation Deck |
| 32 | ●   | Central Plaza   |
| 33 | ●   | Advanced Technology Centre  |
| 34 | ●   | Peninsula Tower   |
| 35 | ●   | Kerry Hung Kai Godown   |
| 36 | ●   | New Tech Plaza  |
| 37 | ●   | Hing Wah Centre   |
| 38 | ●   | Infotech Centre   |
| 39 | ●   | APEC Plaza  |
| 40 | ●   | Four Seasons Hotel Hong Kong /<br>Four Seasons Place  |
| 41 | ●   | The Royal Garden  |
| 42 | ●   | Royal Plaza Hotel   |
| 43 | ●   | Royal View Hotel  |
| 44 | ●   | Royal Park Hotel  |
| 45 | ●   | Crowne Plaza Hong Kong Kowloon East /<br>Holiday Inn Express Hong Kong Kowloon East /<br>Vega Suites              |

- |   |  |       |
|---|--|-------|
| ⋯⋯⋯ MTR<br>(under construction)         | ⋯⋯⋯ MTR<br>(potential future projects) | — MTR |
| ⋯⋯⋯ Major roads<br>(under construction) | — Cross-Harbour Tunnel                 |       |





# Mainland Property Business

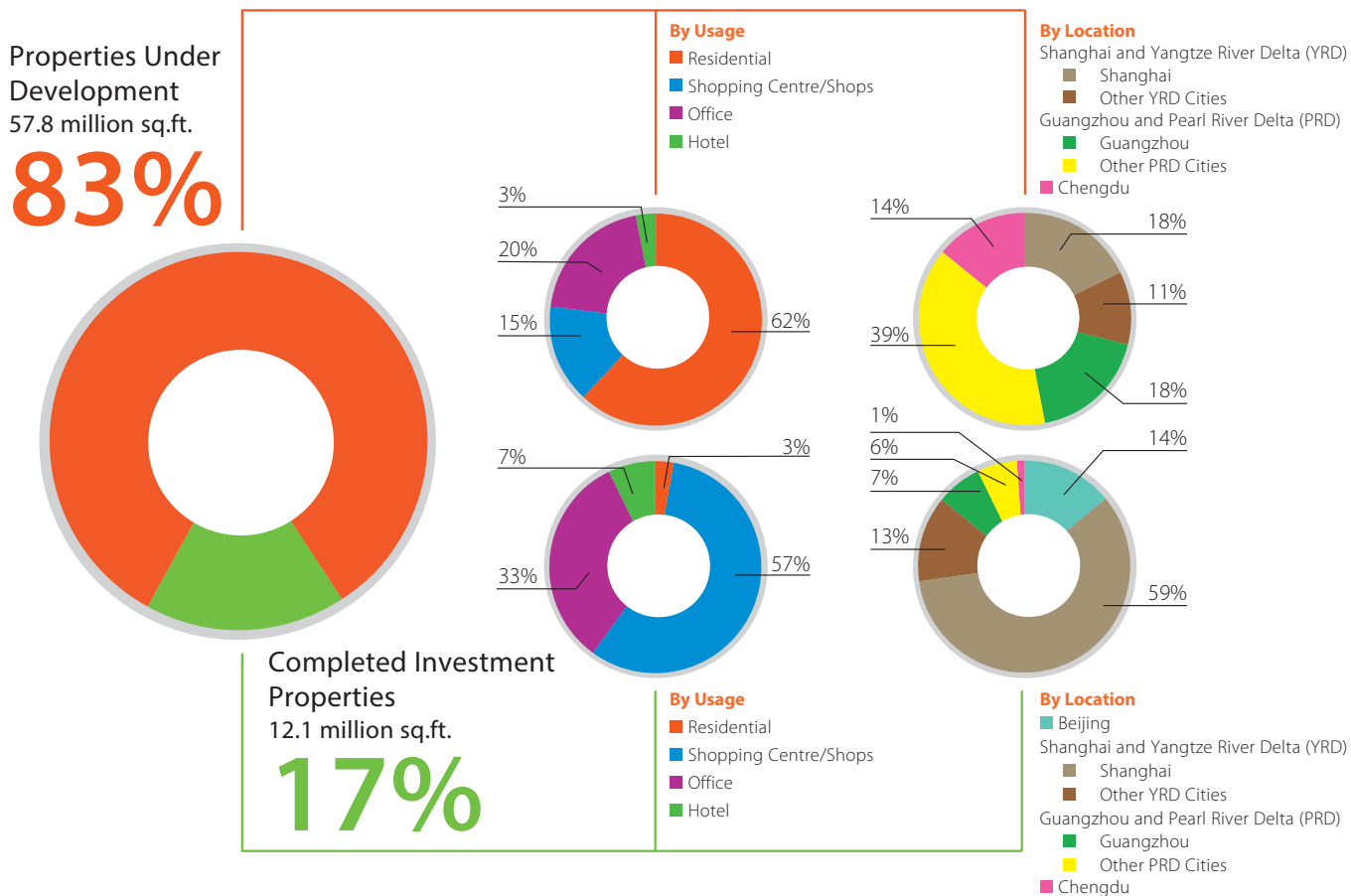
## Highlights

- Held an attributable 57.8 million square feet of properties under development as at 30 June 2016
- Completed an attributable 1.6 million square feet of residential and retail properties during the year
- Achieved attributable contracted sales of about RMB7,500 million
- Recorded an encouraging net rental income growth of 13.3% to RMB2,276 million from an expanding quality investment property portfolio
- Adhered to a selective investment approach focusing on first-tier cities

## Land Bank

### Mainland Land Bank Composition

(69.9 million square feet of attributable gross floor area as at 30 June 2016)





The Group's mainland development land bank stood at 57.8 million square feet of attributable gross floor area as at the end of June 2016, of which over 60% will be developed into quality residences and serviced apartments. The Group also held another 12.1 million square feet of completed properties for

long-term investment, of which 90% were offices and shopping centres located mainly in Shanghai, Beijing and Guangzhou.

The Group's mainland land bank as at 30 June 2016 was as follows:

	Attributable Gross Floor Area (million square feet)		
	Under Development	Completed Investment Properties	Total
<b>By Usage</b>			
Residential <sup>(1)</sup>	35.8	0.3	36.1
Shopping Centre/Shops	8.4	6.9	15.3
Office	11.6	4.0	15.6
Hotel	2.0	0.9	2.9
<b>Total</b>	<b>57.8</b>	<b>12.1</b>	<b>69.9</b>
<b>By Location</b>			
Beijing	—	1.7	1.7
Shanghai and Yangtze River Delta (YRD)	16.7	8.7	25.4
<i>Shanghai</i>	10.1	7.1	17.2
<i>Other YRD cities</i>	6.6	1.6	8.2
Guangzhou and Pearl River Delta (PRD)	33.0	1.6	34.6
<i>Guangzhou</i>	10.5	0.9	11.4
<i>Other PRD cities</i>	22.5	0.7	23.2
Chengdu	8.1	0.1	8.2
<b>Total</b>	<b>57.8</b>	<b>12.1</b>	<b>69.9</b>

<sup>(1)</sup> Including serviced apartments

# Mainland Property Business

Property Development

1



2



1. Xujiahui Centre project, Shanghai
2. Shanghai Arch

## Property Development



The grand 7.6-million-square-foot Xujiahui Centre project that comprises premium offices, upscale malls and a luxury hotel receives positive response to pre-marketing of Phase 1

The mainland residential market saw positive sales momentum during the year. Home prices in first-tier cities continued on an upward trend on the back of solid demand from end users, including upgraders. The destocking process accelerated in lower-tier cities amid a benign credit environment and revival of buyer confidence. Meanwhile, land sales continued to be strong in first-tier and leading second-tier cities, with many developers showing keen interest in replenishing their land banks.

The Group's brand name has been increasingly recognized and respected on the mainland with the delivery of various signature projects in key cities. This wide acclaim exemplified the Group's continuous efforts in building quality homes with heart through its customer-oriented approach and attentive after-sales service. Adhering to its selective approach, the Group will continue to focus on property development in first-tier cities.

During the year, the Group recorded an attributable contracted sales of about RMB7,500 million. With a sizable development land bank of 57.8 million square feet as at the end of June 2016, the Group has ample resources for future development and will continue to offer premium premises and services on the mainland.

### Major Projects under Development

#### Shanghai & Yangtze River Delta

##### Xujiahui Centre Project Xuhui, Shanghai

*(100% owned)*

Xujiahui Centre project is a mega integrated development in the core area of Xuhui District in Puxi, Shanghai. The project is being built on four neighbouring land lots and boasts an unrivalled scale, unique architectures, superior quality and convenient access through the busy Xujiahui metro station. The 7.6-million-square-foot project is being developed in phases to include over four million square feet of prime offices, over three million square feet of shopping spaces and a hotel.

Construction work on the project is in full swing. Phase 1 on Huashan Road, comprising 180,000 square feet of offices and 329,000 square feet of retail space, is undergoing interior decoration and is scheduled for completion in the first half of 2017. Phase 2 on Gongcheng Road will feature an extensive office space of some 320,000 square feet, supported by 45,000 square feet of retail space. Construction of the basement has already been completed and superstructure work is currently under way.

Development of the remaining phases is progressing as planned. The lot on Hongqiao Road will include offices, a large-scale shopping mall and a luxury hotel, spanning approximately 6.3 million square feet of gross floor area. Two office towers of 270 metres and 370 metres tall respectively and a hotel will together sit atop a multi-storey retail podium of some 2.6 million square feet. Construction work for the site will commence soon. Meanwhile, the development plan for the lot on Yishan Road has been recently submitted. Information of the Xujiahui Centre project is also covered on page 73.

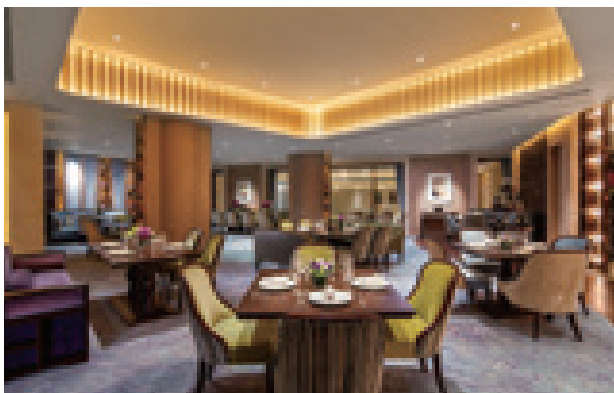
### **Shanghai Arch** **Pu Ming Road, Lujiazui, Shanghai**

*(100% owned)*

Shanghai Arch is another of the Group's signature projects in Shanghai, offering top-notch luxurious living in the city. Covering a total gross floor area of 1.7 million square feet, the project includes both premium residences and serviced apartments. The residential units boast remarkable design along with panoramic views of the Bund and the Shanghai skyline from an impeccable location next to Little Lujiazui.

Comprising about 200 luxury residences of over 500,000 square feet of gross floor area, Phase 1 of the project was completed in late 2013 and is virtually sold out.

Phase 2A has been named Arch Residence and consisted of over 170 meticulously crafted serviced apartments occupying over 200,000 square feet. Positive sales response has been received since its launch in mid 2016 while completion of these units is due for financial year 2017/18. Construction work for Phase 2B has also been progressing smoothly. It will consist of three luxury residential towers spanning 380,000 square feet and several town houses.



Distinctive design exemplified by the deluxe clubhouse at upmarket Shanghai Arch in Lujiazui

### **TODTOWN** **Minhang, Shanghai**

*(35% owned)*

Situated atop Xinzhuang metro station, a vital transportation hub of western Shanghai, TODTOWN is a large-scale project that showcases the beauty of a transit-oriented development, satisfying all essential needs of urbanites. The over four-million-square-foot mixed-use project is being developed in phases. It will consist of nearly 1.9 million square feet of quality residential units and serviced apartments, a 1.4-million-square-foot-plus shopping mall, about 500,000 square feet of office space and a hotel.

Phase 1 will comprise three residential towers spanning over 600,000 square feet of gross floor area. Superstructure work has been progressing smoothly. Handover of these carefully designed and fitted out units is scheduled for financial year 2018/19. The first two towers of Phase 2 will provide over 800,000 square feet of quality serviced apartments. The basement construction for Phase 2 has been completed as scheduled.



TODTOWN at a major transport hub in western Shanghai will have three towers of quality residences in its first phase

## Property Development

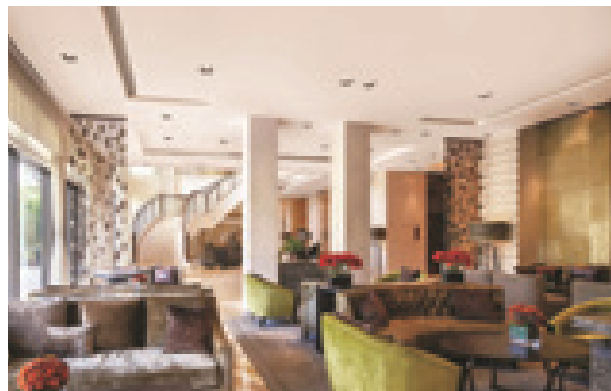
### Suzhou Project Yuanqu, Suzhou

(90% owned)

With a total gross floor area of about 3.5 million square feet, the Suzhou project located in the most prominent business hub of the city is being developed in phases. This project is situated by the famous Jinji Lake and comprises an integrated complex, Suzhou ICC, on the east bank, along with deluxe low-density residences Lake Genève and a five-star hotel on the south bank.

The two-million-square-foot Suzhou ICC consists of quality residences, offices and a shopping mall. The integrated complex boasts convenient intra-city and inter-city transportation networks, given its proximity to a metro station and a station on the Shanghai-Suzhou express rail. Basement work is under way.

Commanding panoramic views of the Jinji Lake and adjacent to the Four Seasons Hotel under development, Lake Genève with over 900,000 square feet of gross floor area has set a new benchmark for low-density residences in the city. Phase 1 comprising more than 130 houses of over 500,000 square feet of gross floor area has been virtually sold out, winning high praises for its superior design and building quality upon delivery beginning in the second half of 2013. Planning work for Phase 2 comprising over 400,000 square feet of gross floor area is under way.



Lake Genève in Suzhou is a low-density project including a clubhouse designed specifically for a soothing lifestyle

### Nanjing IFC Hexi CBD, Nanjing

(100% owned)

Nanjing IFC is a large-scale integrated development that will become a landmark in the Hexi CBD. Overlooking the Hexi Central Park, the 3.4-million-square-foot project sits atop an interchange station of two existing metro lines, enjoying excellent transportation links.

Totalling two million square feet of gross floor area, the two premium office towers of the project are scheduled for completion in 2018 by phases. The twin towers will include a 290-metre-tall skyscraper that is destined to redefine the city's skyline upon completion. Superstructure work has been progressing well. Other portions of the complex include a one-million-square-foot upmarket shopping mall and a five-star hotel. For further information on Nanjing IFC, please refer to page 73.



IGC mall at Tianhui Plaza in Guangzhou will introduce kid's features and an advanced cinema to mark its unique positioning in the district

## Guangzhou & Pearl River Delta

### **Tianhui Plaza** **Zhujiang New Town, Guangzhou** *(33.3% owned)*

The five-million-square-foot Tianhui Plaza in Guangzhou's central business district, Zhujiang New Town, comprises luxurious serviced apartments, two premium office towers, a large shopping mall and a five-star hotel. This project is within walking distance of Liede metro station.

Both the serviced apartments and the first office tower within the development were virtually sold out and completed by 2015. The development of its remaining phases has been proceeding smoothly. The second office tower, namely Top Plaza East Tower, spanning over 1.3 million square feet of gross floor area, is undergoing interior decoration. Scheduled for completion in financial year 2016/17, this office tower has recorded satisfactory sales response since it was offered for sale in the second half of 2015. Shops at the one-million-square-foot IGC mall have been gradually handed over to tenants for fitting out starting from early this year. The mall is targeted to open later this year. For further information on IGC, please refer to page 73. An international operator has been engaged to manage the hotel under development, which is expected to open in the first half of 2017.



Buyers have praised Forest Hills in Guangzhou for its superior quality

### **Forest Hills** **Tianhe, Guangzhou** *(70% owned)*

Forest Hills, situated in the prosperous north Tianhe business district, has become a widely recognized landmark project in Guangzhou. Next to Guangzhou East rail station, the 1.9-million-square-foot-plus development is well connected to the rest of the city through two metro lines. It also enjoys easy access to Hong Kong via through-train service.

Featuring over 500 premium condominiums of about 900,000 square feet of gross floor area, Phase 1 of Forest Hills has almost been sold out and was completed by mid 2015. These units have set a new standard for urban living in the city, winning high acclaim for its building quality and stylish design. Some 230 residential units providing 670,000 square feet of gross floor area in Phase 2 were launched in mid 2016 with encouraging market response. Buyers are expected to take possession of these units in financial year 2017/18.

GCC, the office portion comprising over 360,000 square feet of gross floor area in Phase 2, will be marketed for sale soon. Interior decoration of this office tower has been progressing smoothly.

### **Park Royale** **Huadu, Guangzhou** *(100% owned)*

Situated beside the Hongxiuquan reservoir and surrounded by lush greenery, Park Royale in Huadu, Guangzhou provides over eight million square feet of quality residential space that meets urbanites' demand for greenery and low-density living. The first phase of two million square feet of gross floor area was completed by 2014 and was virtually sold out.

Scheduled for completion in the second half of 2017, Phase 2A will provide over 800 quality residential units totalling about a million square feet of gross floor area. The five residential towers making up Phase 2A are being launched in batches with positive sales response. Planning for Phase 2B has been finalized. Consisting of six residential towers with a total gross floor area of about 1.2 million square feet, Phase 2B will offer more than 1,000 residential units.

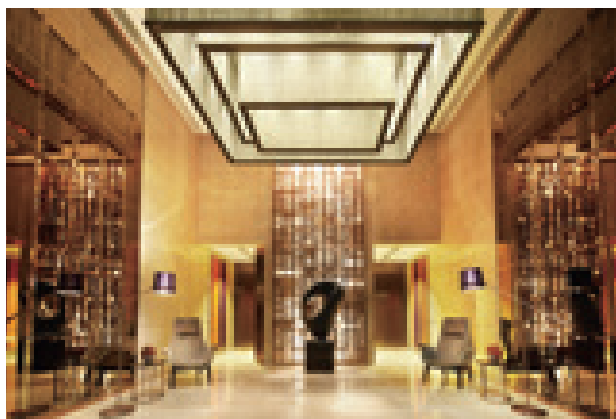
## Property Development

### **Oriental Bund Chancheng, Foshan**

*(50% owned)*

Oriental Bund is a 30-million-square-foot mega development located in the southern part of the urban area of Foshan. Adjacent to a new Guangzhou-Foshan metro station that is scheduled to begin operation at the end of 2016, the project provides easy access to Guangzhou and other parts of Foshan. The development also features a much sought-after school network and comprehensive amenities, including a central park and a more than 1.5-km long promenade along Dongping River.

Phases 1A and 1B, comprising about 1.4 million square feet of premium residential units and a 170,000-square-foot commercial street, were completed by the end of 2015. Phase 1C, providing over 1,000 quality residential units of about 1.2 million square feet, has been virtually sold out and will be handed over to buyers starting from the end of 2016. Scheduled for completion in the first half of 2018, Phase 1D will contain about 850,000 square feet of residential units and some retail space. The residential portion of Phase 1D has recorded encouraging sales results since its launch in mid 2016.



Oriental Bund in Foshan has full amenities and will soon enjoy easy access to a new metro station

### **Grand Waterfront Shilong, Dongguan**

*(100% owned)*

Grand Waterfront is a large-scale residential development located in Shilong town centre of Dongguan. In close proximity to Dongguan Station of the Guangzhou-Shenzhen railway, the project provides convenient trans-city transportation to Guangzhou, Shenzhen and Hong Kong. The 4.5-million-square-foot project is being developed in phases, with most units boasting wide river views.

Totalling some 750 units of about one million square feet of gross floor area, Phase 1 registered positive sales results. These units will be delivered to buyers by the end of 2016. Basement work for Phase 2, which will provide some 960 units with about 850,000 square feet of gross floor area, commenced in July 2016.



Grand Waterfront in Dongguan is nestled amid pleasant greenery





Different designs and layouts at Jovo Town in Chengdu appeal to all types of residents



Sirius residence in the integrated Chengdu ICC complex occupies a scenic locale above a metro station

## Other Cities

### Jovo Town Tianfu New Area, Chengdu

*(91% owned)*

Jovo Town, situated in Chengdu's new development zone Tianfu New Area, offers convenience, leisure and cultural elements all in one neighborhood, appealing to today's discerning buyers. Apart from its close proximity to an ocean park, the project also benefits from the exhibition-and-convention centre in the vicinity. Planned stations on metro line 1 and the light rail are within walking distance, adding extra accessibility to this residential enclave.

The project features over 4,000 quality residential units totalling about six million square feet. With an aggregate gross floor area of about 3.4 million square feet, Phases 1, 2A and 2B were completed before mid 2015. Phase 2C will provide over 700 units of about one million square feet of gross floor area and is scheduled for completion in financial year 2016/17.

Following a positive sales response to the earlier two phases, the Group has kicked off the design and planning for Phase 3, which is expected to house 11 residential towers totalling over two million square feet plus retail space.

### Chengdu ICC Jinjiang, Chengdu

*(40% owned)*

Chengdu ICC is a large integrated development atop a metro station with easy access to the Chengdu East rail station. Ideally situated in the future business and financial centre of Chengdu, the 14-million-square-foot project overlooks the refreshing scenery of the nearby Shahe River and Tazishan Park. The entire project will provide high-end residences of seven million square feet, prime office space of four million square feet, retail space of over 1.8 million square feet and a five-star hotel.

Sirius, the first phase of Chengdu ICC comprising more than 900 units of about 1.6 million square feet in six residential towers was virtually sold out. Most units of this phase were handed over to buyers before mid 2015 and received praises for its exquisite materials, stylish designs and premium building quality.

The second phase of Chengdu ICC will have four residential towers of 1.7 million square feet, stylish retail space of 1.3 million square feet and premium offices of over 2.2 million square feet. Scheduled for completion in financial year 2017/18, the first two residential towers will offer 550 waterfront units of about 700,000 square feet of gross floor area. Sales results of these units were satisfactory since they were put on the market in batches beginning in May 2016. The Group plans to launch the remaining two residential towers totalling about one million square feet of gross floor in the next twelve months.

## Property Development

### Major Projects Under Development on the Mainland by Year of Completion

Project	Project Name	City	Group's Interest (%)
<b>Scheduled Completion in FY2016/17</b>			
Xujiahui Centre Project Phase 1		Shanghai	100
Qianjiang New City Project Phase 2D	Hangzhou MIXC	Hangzhou	40
Linhe Project Phase 2A	GCC	Guangzhou	70
Liede Project Phases 2C & 3	Tianhui Plaza	Guangzhou	33.3
Chancheng Project Phase 1C	Oriental Bund	Foshan	50
Zhongshan 5 Road Project Phase 4D	The Woodland	Zhongshan	JV
Shilong Project Phase 1	Grand Waterfront	Dongguan	100
Shuangliu County Project Phase 2C	Jovo Town	Chengdu	91
<b>Year Total:</b>			
<b>Scheduled Completion in FY2017/18</b>			
Pu Ming Road Project Phase 2A	Arch Residence	Shanghai	100
Xujiahui Centre Project Phase 2		Shanghai	100
Hexi CBD Project Phase 1	Nanjing IFC	Nanjing	100
Linhe Project Phase 2B	Forest Hills	Guangzhou	70
Shiling Project Phase 2A	Park Royale	Guangzhou	100
Chancheng Project Phases 1D, 2A & 2B	Oriental Bund	Foshan	50
Dongda Avenue Project Phases 2A & B	The Arch-Chengdu & The Arch Riverside	Chengdu	40
<b>Year Total:</b>			
<b>Scheduled Completion in FY2018/19</b>			
Pu Ming Road Project Phase 2B	Shanghai Arch	Shanghai	100
Minhang Project Phase 1	TODTOWN	Shanghai	35
Hexi CBD Project Phase 2	Nanjing IFC	Nanjing	100
Chancheng Project Phase 2C	Oriental Bund	Foshan	50
Shilong Project Phase 2	Grand Waterfront	Dongguan	100
Dongda Avenue Project Phase 2C	The Arch Suites	Chengdu	40
<b>Year Total:</b>			
<b>Major Projects Scheduled for Completion in FY2019/20 or Beyond</b>			
Pu Ming Road Project remaining phases	Shanghai Arch	Shanghai	100
Minhang Project remaining phases	TODTOWN	Shanghai	35
Xujiahui Centre Project remaining phases		Shanghai	100
Taihu New City Project remaining phases	Taihu International Community	Wuxi	40
Suzhou Project remaining phases		Suzhou	90
Hexi CBD Project remaining phases	Nanjing IFC	Nanjing	100
Shiling Project remaining phases	Park Royale	Guangzhou	100
Dragon Lake Project remaining phases	Lake Dragon	Guangzhou	60
Chancheng Project remaining phases	Oriental Bund	Foshan	50
Zhongshan 5 Road Project remaining phases	The Woodland	Zhongshan	JV
Shilong Project remaining phases	Grand Waterfront	Dongguan	100
Shuangliu County Project remaining phases	Jovo Town	Chengdu	91
Dongda Avenue Project remaining phases	Chengdu ICC	Chengdu	40
<b>Total for Major Projects to be Completed in FY2019/20 or Beyond:</b>			

(1) Gross floor area including basement retail area; residential area including serviced apartments

**Attributable Gross Floor Area (square feet)<sup>(1)</sup>**

Residential	Shopping Centre/ Shops	Office	Hotel	Total
-	329,000	180,000	-	509,000
-	-	-	176,000	176,000
-	-	254,000	-	254,000
-	-	450,000	149,000	599,000
608,000	-	-	-	608,000
1,062,000	-	-	-	1,062,000
1,011,000	-	-	-	1,011,000
990,000	-	-	-	990,000
<b>3,671,000</b>	<b>329,000</b>	<b>884,000</b>	<b>325,000</b>	<b>5,209,000</b>

206,000	-	-	-	206,000
-	45,000	319,000	-	364,000
-	1,083,000	504,000	-	1,587,000
467,000	-	-	-	467,000
985,000	-	-	-	985,000
675,000	22,000	-	-	697,000
278,000	101,000	-	-	379,000
<b>2,611,000</b>	<b>1,251,000</b>	<b>823,000</b>	<b>-</b>	<b>4,685,000</b>

449,000	-	-	-	449,000
214,000	-	-	-	214,000
-	-	1,495,000	-	1,495,000
689,000	-	-	-	689,000
840,000	-	-	-	840,000
397,000	-	-	-	397,000
<b>2,589,000</b>	<b>-</b>	<b>1,495,000</b>	<b>-</b>	<b>4,084,000</b>

486,000	18,000	-	-	504,000
445,000	502,000	189,000	75,000	1,211,000
-	2,761,000	3,676,000	269,000	6,706,000
-	-	162,000	143,000	305,000
1,118,000	374,000	906,000	284,000	2,682,000
-	-	-	344,000	344,000
5,641,000	74,000	-	-	5,715,000
2,500,000	-	-	-	2,500,000
9,129,000	1,474,000	1,454,000	109,000	12,166,000
1,441,000	151,000	-	-	1,592,000
2,645,000	88,000	-	-	2,733,000
2,086,000	80,000	-	-	2,166,000
1,689,000	617,000	1,652,000	165,000	4,123,000
<b>27,180,000</b>	<b>6,139,000</b>	<b>8,039,000</b>	<b>1,389,000</b>	<b>42,747,000</b>



Verdant landscaping at Park Royale in Guangzhou creates a serene living environment



Top-notch facilities at Shanghai Cullinan offer stylish and luxurious living in prosperous Puxi



Nanjing IFC will be a new landmark in Nanjing above the junction of two metro lines

# Property Development

## Major Mainland Projects

- Residential
- Shopping Centre/Shops
- Office
- Hotel

City	Project Name	Usage
<b>Major Completed Properties</b>		
<b>Beijing</b>	1 Beijing APM / Sun Dong An Office Tower	<span style="color: blue;">●</span> <span style="color: purple;">●</span>
<b>SHANGHAI &amp; YANGTZE RIVER DELTA</b>		
<b>Shanghai</b>	2 Arcadia	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
	3 Shanghai IFC / Shanghai IFC Mall / The Ritz-Carlton Shanghai, Pudong / IFC Residence	<span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>
	4 Shanghai ICC / IAPM	<span style="color: blue;">●</span> <span style="color: purple;">●</span>
	5 Shanghai Central Plaza	<span style="color: blue;">●</span> <span style="color: purple;">●</span>
<b>Hangzhou</b>	6 Hangzhou MIXC	<span style="color: blue;">●</span> <span style="color: purple;">●</span>
<b>Wuxi</b>	7 Wuxi MIXC	<span style="color: blue;">●</span>
<b>GUANGZHOU &amp; PEARL RIVER DELTA</b>		
<b>Guangzhou</b>	8 Parc Central	<span style="color: blue;">●</span>
	9 IGC	<span style="color: blue;">●</span>
<b>Foshan</b>	10 Nanhai Plaza	<span style="color: blue;">●</span>
<b>Major Properties Under Development</b>		
<b>SHANGHAI &amp; YANGTZE RIVER DELTA</b>		
<b>Shanghai</b>	11 Shanghai Arch	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
	12 TODTOWN	<span style="color: orange;">●</span> <span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>
	13 Xujiahui Centre Project	<span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>
<b>Hangzhou</b>	14 Hangzhou MIXC	<span style="color: green;">●</span>
<b>Suzhou</b>	15 Suzhou Project	<span style="color: orange;">●</span> <span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>
<b>Wuxi</b>	16 Taihu International Community	<span style="color: purple;">●</span> <span style="color: green;">●</span>
<b>Nanjing</b>	17 Nanjing IFC	<span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>
<b>GUANGZHOU &amp; PEARL RIVER DELTA</b>		
<b>Guangzhou</b>	18 Park Royale	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
	19 Lake Dragon	<span style="color: orange;">●</span>
	20 Forest Hills	<span style="color: orange;">●</span> <span style="color: purple;">●</span>
	21 Tianhui Plaza	<span style="color: purple;">●</span> <span style="color: green;">●</span>
<b>Foshan</b>	22 Oriental Bund	<span style="color: orange;">●</span> <span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>
<b>Dongguan</b>	23 Grand Waterfront	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
<b>Zhongshan</b>	24 The Woodland	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
<b>OTHER CITIES</b>		
<b>Chengdu</b>	25 Jovo Town	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
	26 Chengdu ICC	<span style="color: orange;">●</span> <span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>





# Mainland Property Business

Property Investment



2



1. Shanghai IFC

2. Shanghai ICC

## Property Investment



Chic retailers and specialty restaurants give Beijing APM a distinctive image in the prime Wangfujing shopping hub

The Group continues to build up its rental portfolio on the mainland, primarily in such prime cities as Shanghai and Guangzhou. Its completed investment property portfolio amounted to an attributable 12.1 million square feet as at the end of June 2016. The Group's gross rental income rose 12.1% to RMB2,968 million while net rental income grew 13.3% to RMB2,276 million during the year, including contributions from joint-venture projects. The increases were mainly due to higher rents and additional contributions from new developments.

### Completed Investment Properties

#### Shopping Centres

Leveraging its extensive experience in developing and managing large shopping malls in Hong Kong, the Group has successfully built a strong footprint in prime cities on the mainland.



IAPM mall in Shanghai ICC impresses shoppers with an array of engaging events

In Guangzhou, the 50%-owned Parc Central held its soft opening in March this year. Sitting at the core of Tianhe commercial district and close to a metro station, Parc Central blends with an open parkland environment culminating in a relaxing ambience for shopping and leisure. The 900,000-square-foot mall features a host of mid-to high-end brands, including affordable luxuries, contemporary fashion brands and lifestyle retailers. It also houses specialty restaurants and a cinema, which help attract young customers in search of an unconventional shopping experience. Leasing for Parc Central has been progressing satisfactorily and footfall has increased steadily since its opening.

The Group has established a strong foothold in Shanghai with prominent integrated projects such as the Shanghai ICC and Shanghai IFC developments. Situated beneath two premium office towers and upscale residences within the Shanghai ICC complex, the eight-storey IAPM mall achieved high occupancy and houses over 230 top-notch and trendy brands, including duplex flagship stores showcasing global high-end names along the 220-metre-plus frontage facing Middle Huaihai Road. The mall also provides customers with culinary delights with various popular food and beverage outlets, some of which are new to Shanghai. In addition to regular tenant mix enhancement, IAPM increased





Shanghai IFC Mall is a favourite among discerning consumers of designer fashion and high-end lifestyle goods

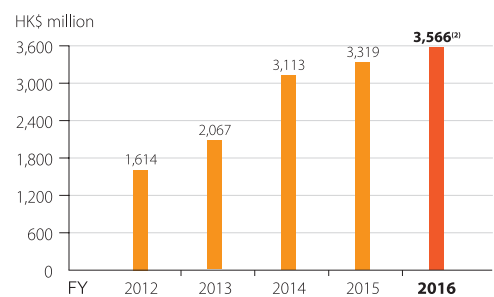
its appeals to customers by introducing a mobile app to post its latest promotions and privileges. Directly connected to a metro station, the mall enjoys greater accessibility and attracted additional footfalls after the opening of metro line 12 extension during the year. The year under review saw IAPM record steady increase in tenant sales.

Shanghai IFC Mall, a luxury shopping spot within the Shanghai IFC complex, recorded high occupancy with encouraging rental reversions during the year. With 1.2 million square feet of retail space, the mall is home to more than 240 flagship stores, renowned retailers of designer fashion, jewellery shops and international cuisine outlets. The mall is well supported by other portions within the complex including two grade-A office towers, the IFC Residence serviced suites and The Ritz-Carlton Shanghai, Pudong. Apart from its convenient connection to Lujiazui metro station, the mall will have a greater accessibility after the two tunnels linking it to nearby buildings are fully open.

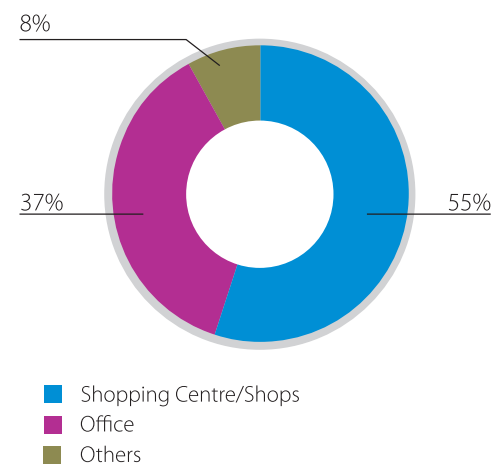


The soft opening of Parc Central this year introduced a new standard for shopping malls in Guangzhou's Tianhe District

### Gross Rental Income on the Mainland<sup>(1)</sup>



### Gross Rental Income on the Mainland by Sector<sup>(1)</sup>



(1) Including contributions from associates and joint ventures

(2) Gross rental income in terms of RMB amounted to RMB2,968 million

## Property Investment

The large-scale reconfiguration and renovation work at Shanghai Central Plaza with a retail space of over 130,000 square feet in the busy Puxi commercial district will help further enhance shopper experience upon completion in 2018. Beijing APM mall, located in the prime Wangfujing shopping area, registered satisfactory rental reversions during the year. Targeting young locals, the mall introduced a new cluster of affordable luxury retailers and brought in a variety of popular restaurants to further refine its tenant mix. Additional express escalators were installed to improve traffic circulation, and major entrances will be renovated over the coming year to enhance the mall's image.



Shanghai ICC offices in Puxi continue to be a preferred choice for multinational corporations

### Offices

The grade-A office market in the prime districts of Beijing and Shanghai remained healthy despite slower economic growth on the mainland. Featuring outstanding service and easy accessibility, the Group's high-quality office premises continued to be the preferred choice for leading multinationals, international financial institutions and local companies.

With the opening of the metro line 12 extension, Shanghai ICC in the traditional Puxi commercial district on Middle Huaihai Road is now served by three metro lines, further enhancing its accessibility. With a gross floor area of 666,000 square feet, One ICC office tower was fully let during the year and its tenants included leading multinational companies and law firms. The 600,000-square-foot-plus Two ICC office tower achieved better rental levels amid solid demand from renowned multinationals of different industries.

## Major Completed Investment Properties on the Mainland

Project	Location	Lease Expiry	Group's Interest (%)	Attributable Gross Floor Area (square feet)					
				Residential/ Serviced Apartments	Shopping Centre <sup>(1)</sup> / Shops	Office	Hotel	Total	
<b>Beijing</b>									
Beijing APM / Sun Dong An Office Tower	138 Wangfujing Dajie	2043	Joint Venture	-	1,036,000	458,000	-	-	1,494,000
<b>Shanghai &amp; Yangtze River Delta</b>									
Shanghai IFC / Shanghai IFC Mall / The Ritz-Carlton Shanghai, Pudong / IFC Residence	8 Century Avenue, Lujiazui, Shanghai	2054	100	-	1,220,000	1,572,000	940,000	-	3,732,000
Shanghai ICC / IAPM	999 Middle Huai Hai Road, Shanghai	2056	100	-	1,307,000	1,296,000	-	-	2,603,000
Shanghai Central Plaza	381 Middle Huai Hai Road, Shanghai	2044	80	-	106,000	366,000	-	-	472,000
Arcadia	88 Guang Yuan Xi Road, Shanghai	2064	100	304,000	27,000	-	-	-	331,000
Hangzhou MIXC	Qianjiang New City, Hangzhou	2046	40	-	744,000	205,000	-	-	949,000
Wuxi MIXC	Taihu New City, Wuxi	2045	40	-	631,000	-	-	-	631,000
<b>Guangzhou &amp; Pearl River Delta</b>									
Parc Central	218 Tianhe Road, Guangzhou	2050	50	-	431,000	-	-	-	431,000
IGC	222 Xingmin Road, Guangzhou	2051	33.3	-	332,000	-	-	-	332,000
Nanhai Plaza	Nanhai Avenue, Foshan	2045	100	-	640,000	-	-	-	640,000

(1) Including basement retail area



Offices in Shanghai IFC are highly regarded by tenants including leading local and international financial institutions

Strategically located in the Lujiazui Finance and Trade Zone, the Group's premium office space at Shanghai IFC was virtually fully let with strong rental reversions during the year. Distinguished by its world-class specifications, the integrated development continues to draw quality office tenants, including reputable local and international financial institutions.

The occupancy of Shanghai Central Plaza, another of the Group's office towers on Middle Huaihai Road, remained high during the year. Detailed design plans for the renovation of office lobby and common areas are nearing its final stage. Sun Dong An Office Tower in Beijing's prime commercial district achieved relatively stable rental performance. Renovation work including the enhancement of common areas and facilities is under way.

### Investment Properties under Development

The Group's investment property portfolio on the mainland continues to expand, with projects coming on stream expected to further drive its rental income growth in the future. Premium properties at strategic locations with high development potential will be retained by the Group as long-term investments.

The 33.3%-owned Tianhui Plaza is an integrated project located in Zhujiang New Town, the central business district in Guangzhou. It will include the million-square-foot IGC mall along with high-end serviced apartments, grade-A offices and a luxury hotel. With its close proximity to Liede metro station, IGC is poised to become an iconic one-stop shopping destination for executives, business travellers, as well as young and affluent families in the neighbourhood. The mall is scheduled to open by late 2016 and pre-leasing has been encouraging. A number of anchor tenants have been recruited, including affordable luxury brands, international retailers and quality eateries.

Building on the Group's growing brand recognition in Shanghai, the wholly-owned Xujiahui Centre project comprising four land lots will be developed into premium office towers, retail spaces and a hotel by phases. With about 7.6 million square feet of gross floor area, the integrated development is strategically located at the heart of the Xujiahui commercial hub, the most prosperous part of Xuhui District in Puxi. The mega project will be linked to nearby buildings and well served by convenient transportation through its connection to Xujiahui metro station, which is the interchange for three metro lines. Pre-marketing of the office premises and shopping mall at Phase 1 has started while construction work for the first two phases has been progressing well. The Group will retain the entire development for long-term investment, which will become an important growth driver for its future rental income from the mainland.

TODTOWN in Minhang, in which the Group owns a 35% stake, is another integrated project in Shanghai. Sitting atop Xin Zhuang metro station, the development enjoys convenient transportation connections and will consist of a shopping mall of some 1.4 million square feet, providing a wide selection of international brands, unique dining experience and entertainment.

Comprising 3.4 million square feet of gross floor area, the wholly-owned Nanjing IFC will incorporate quality offices, a luxury shopping mall and a hotel. Given its exquisite design and the high-end positioning of its mall, Nanjing IFC is expected to become a landmark integrated development in the Hexi CBD, comparable to the Shanghai IFC complex. Construction of the project is on schedule and pre-marketing of the offices and shopping mall is under way, drawing keen interest from a number of international corporations. The Group's rental portfolio on the mainland will be further strengthened upon completion of these new investment properties.

# Property Related Businesses





1. Four Seasons Hotel Hong Kong
2. The Ritz-Carlton, Hong Kong
3. Attentive customer service
4. Clubhouse catering

## Property Related Businesses

### Hotels

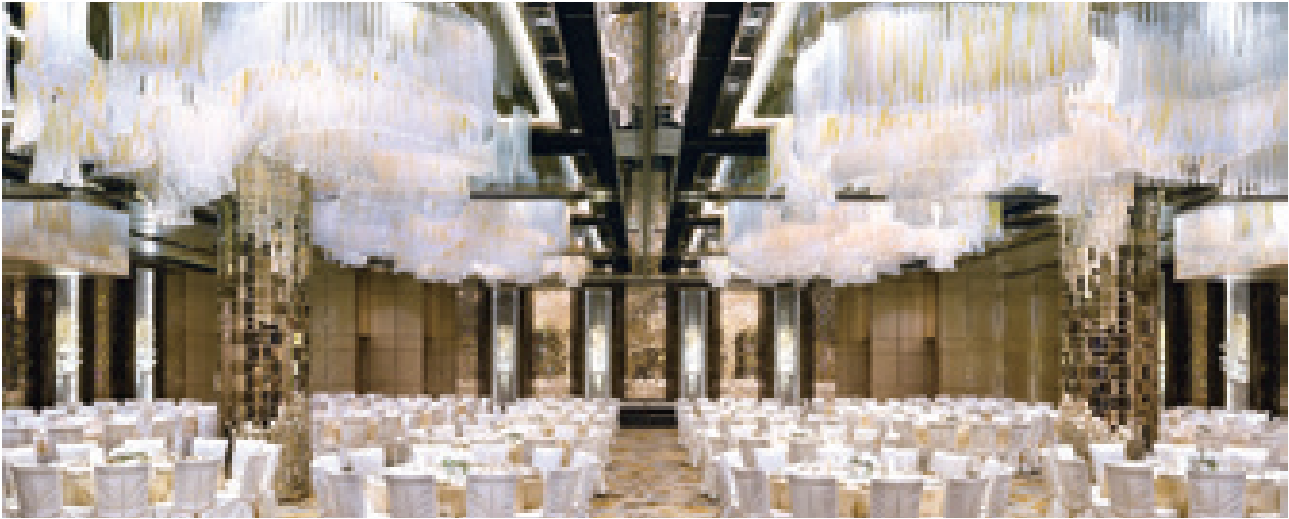
Hong Kong's hotel industry continued to face a number of headwinds during the year including falling visitor arrivals and a relatively strong local currency. To stay ahead in such a competitive and challenging environment, the Group's hotels not only continued to upgrade their facilities and services, but also implemented effective and proactive marketing and sales strategies to increase their appeal to both locals and tourists.

As one of the world's most popular hotels with a leading position in the luxury sector, Four Seasons Hotel Hong Kong maintained satisfactory average room rates though overall occupancy saw a small decline. The food and beverage business continued to record satisfactory performance. Distinguished by its outstanding customer service, the hotel continued to receive a number of accolades and awards and became one of the only three hotels in the world to earn a quadruple five-star rating in the latest *Forbes Travel Guide*. For the third consecutive year, its Chinese restaurant Lung King Heen and French restaurant Caprice were honoured with three stars and two stars respectively in the *2016 Michelin Guide Hong Kong & Macau*.

The Ritz-Carlton Hong Kong continued to record healthy room rates. Situated in Hong Kong's tallest building, ICC, and rising above Airport Express Kowloon Station with a panoramic view of the city, the hotel offers exceptional amenities and superior service for guests from around the world. Its prestigious position was acknowledged by luxury travel and lifestyle magazine *DestinAsian* in The 2016 Readers Choice Awards as one of the top-five hotels in Asia. Apart from the five-star ratings for the hotel and its spa from the *Forbes Travel Guide*, its Chinese restaurant Tin Lung Heen and Italian restaurant Tosca have reaffirmed their culinary excellence by earning Michelin star rating for yet another year.



The Four Seasons Hotel Hong Kong is known for exquisite dining



Banquet rooms in The Ritz-Carlton, Hong Kong offer a rare luxury in the city

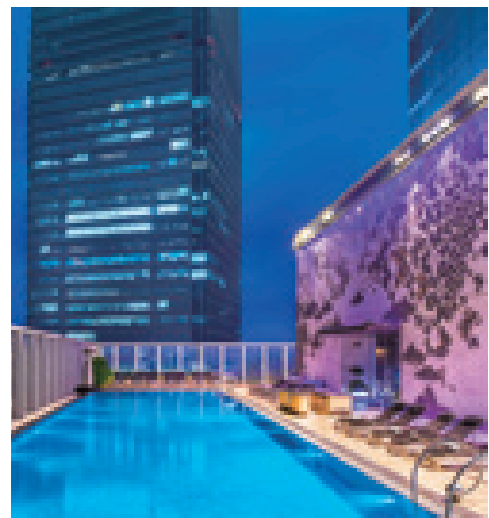
Underpinning its distinctively chic style of hospitality, W Hong Kong kept focusing on design, music and fashion-related activities. The hotel made a fresh impetus to reinforce its unique branding by promoting its signature pool-party series at the 76th-floor rooftop pool, the highest in Hong Kong. Its personalized hospitality and comprehensive service appeal to young and modern executives who look for work, live and play all within a one-stop convenience. Reflecting its unique positioning, the hotel was named Greater China Gold List 2016 — Best Boutique/Design/Art Hotel by *Condé Nast Traveler* in 2016.

The Group's two hotels atop an MTR station in Tseung Kwan O South complement each other in attracting more conference- and exhibition-related business. As a popular conference and banquet venue with over 10 meeting rooms and featuring one of Hong Kong's largest pillar-free ballrooms, Crowne

Plaza Hong Kong Kowloon East recorded decent revenue growth in its banquet business during the year. Given its proximity to various competition venues, the hotel also attracted a number of sports teams. The adjacent Holiday Inn Express Hong Kong Kowloon East has also expanded its business segment to draw more corporates and MICE (meetings, incentives, conferences and events) customers. It has thus registered steady visitor growth from Southeast Asia, the United States and Europe. Both hotels recorded high average occupancies of over 90% for the year under review.



Splendid Victoria Harbour views complement the tasteful setting of The Royal Garden's Sky Harbour Suite



Aesthetics permeate W Hong Kong including the leisure space

## Property Related Businesses



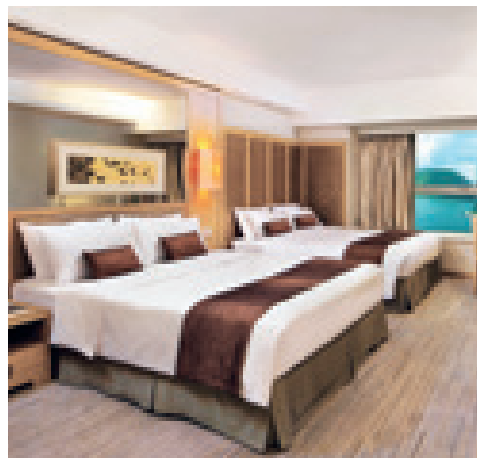
A comfortable sky lounge at the Royal Park Hotel beckons guests

The Group's four Royal brand hotels maintained high levels of occupancy although room rates were under pressure during the year. With the completion and opening of its new rooftop floors in May this year, The Royal Garden features 28 new guest rooms, a magnificent Sky Pool as well as contemporary health, recreation and spa facilities. The hotel's revenue from rooms remained relatively stable while its food and beverage outlets garnered more recognitions. The Chinese restaurant Dong Lai Shun and the Vietnamese restaurant Le Soleil were listed in the *2016 Michelin Guide Hong Kong & Macau*.

Located at the hub of Mong Kok with direct connections to an MTR station, Royal Plaza Hotel is a part of the Group's integrated project that also houses the MOKO mall. The hotel sustained high level of occupancy and recorded modest revenue growth from the food and beverage business during the



The Royal Plaza Hotel enjoys extensive transport links and boasts a contemporary main lobby offering space and comfort



Scenic surroundings help make a stay at the Royal View Hotel idyllic

year. Within a complex, patrons can enjoy the stylish and cozy amenities as well as leisure shopping and spend their time in different entertainment facilities. To further diversify its customer portfolio, the hotel has been marketing its facilities through electronic media while continuing to cater for the needs of discerning travellers. It received a Top Class Comfort hotel citation from Michelin.

The Royal Park Hotel continued with its business development efforts including the promotion of membership scheme which aims to bring greater appeal to guests and raise customer loyalty through exclusive offers. The hotel won a number of accolades during the year such as the Certificate of Excellence from noted international travel website TripAdvisor and Best Hotel Restaurant Award from renowned online travel agency on the mainland.

The Royal View Hotel maintained high occupancy despite keen competition in the area through flexible sales and marketing strategies. The hotel has bolstered its serviced suites business to expand and widen its customer reach. The hotel's award-winning home-away-from-home accommodation provides long-stay guests with comfortable living complemented by a wide range of facilities.





International visitors give The Ritz-Carlton Shanghai, Pudong high ratings for prestigious location and amazing views

On the mainland, The Ritz-Carlton Shanghai, Pudong continued to stay ahead of its peers in terms of occupancy and average room rate, recording a growth in revenue per available room for the year under review. Performance of its restaurants and banquet venues remained strong with notable revenue growth year-on-year. The luxury hotel received a *Forbes Travel Guide* five-star designation in 2016, and rated among the top hotels in Shanghai on TripAdvisor.

The Group's hotel portfolio and its market position in hospitality will be further enhanced upon the completion of new projects in Hong Kong and on the mainland. Upcoming projects in Hong Kong will include a waterfront hotel within the North Point integrated development, and a premium establishment in Sha Tin as a sister project of the Royal Park Hotel. On the mainland, the Group is developing hotels within integrated projects in several major cities, which are poised to generate synergies with other components within the same complexes.



Diners can take in spectacular views at the Crowne Plaza Hong Kong Kowloon East



The Holiday Inn Express Hong Kong Kowloon East suits guests looking for simple and convenient lodging

## Property Related Businesses



Residents appreciate the professional and friendly service by frontline staff

### Property Management

As at 30 June 2016, the Group's property management subsidiaries, Hong Yip Service Company Limited and Kai Shing Management Services Limited, managed a total area of over 250 million square feet of residential and non-residential properties in Hong Kong and on the mainland with their professional and quality services. New management projects undertaken during the year included Twelve Peaks, YOHO Mall, 50 Stanley Village Road and W50 in Hong Kong, along with Top Plaza in Guangzhou and Oriental Bund in Foshan on the mainland.

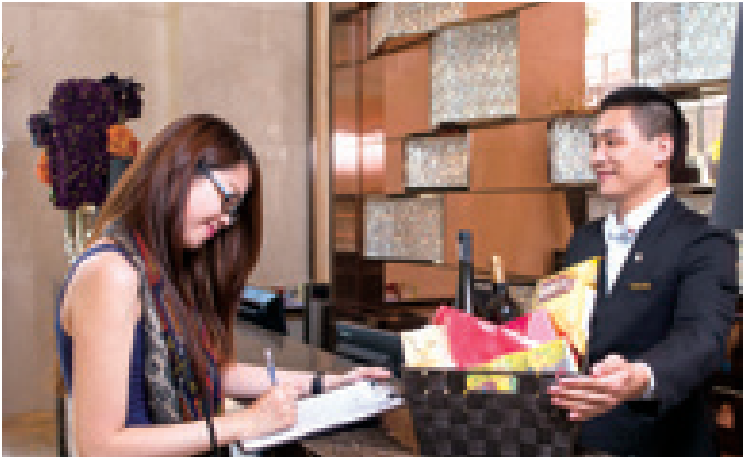
The property management subsidiaries strive to provide comfortable and carefree living for residents and tenants through comprehensive customer support, including not only cleaning and security services but also a range of value-added services like landscaping and other home-convenience assistance. The delivery of attentive service begins as soon as buyers take possession of their properties. As a unit of the Group's inter-departmental property handover team, property management staff make meticulous efforts to handle customers' requests to ensure that their units are defect-free. Hong

Yip and Kai Shing continue to provide quality landscape design and horticulture maintenance in properties under their management. The remarkable service of the two companies has been widely recognized and they together received a total of 26 gold, merit and environmental-efficiency awards in the 2016 Best Landscape Award organized by the Leisure and Cultural Services Department.

The Group's smart property management is well adapted to urban living and helps customers better manage their daily activities. Smartphone apps developed by Kai Shing and Hong Yip enable users to obtain the latest information about the premises where they live and work, and to keep informed about road issues and traffic conditions that help them plan their journey and steer clear of congestion.



Green initiatives in residential developments create sustainable and verdant environments

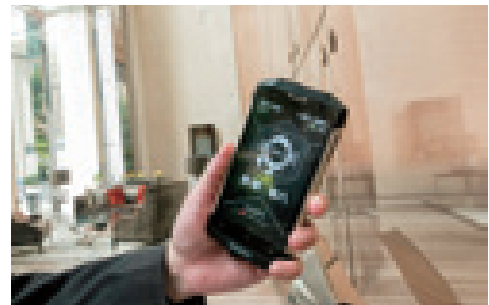


A variety of concierge services offer residents immense convenience



Seasoned staff and regular system improvements ensure peace of mind and comfort

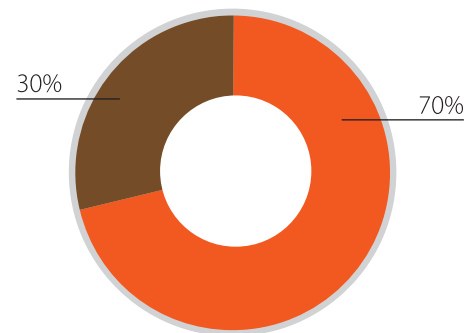
Echoing the Group's vision on sustainability, both companies have identified and utilized green initiatives for effective energy management. Hong Yip installed Energy-saving Light, which allows efficacious control of electricity consumed by air-conditioning according to the daily weather forecast of the Hong Kong Observatory, and Kai Shing set up energy forecast facilities through CLP's Meter Online to monitor the use of electricity in clubhouses. The Group's successful implementation of green property management was acknowledged at the 2015 Hong Kong Awards for Environmental Excellence, with 13 developments receiving gold, bronze or certificate-of-merit awards. For other eco-friendly initiatives of the Group's property management network, please refer to page 99 of the Sustainable Development section.



Mobile technology enhances security management

The endeavour of Kai Shing and Hong Yip to keep up with the industry's best practices was also acknowledged in the *Reader's Digest* Trusted Brands 2016 in which they earned their fifth consecutive gold awards. The two companies have provided well-structured training programmes to enhance the professional competence of employees. Their efforts have been widely recognized by the industry, and for several years both companies have received the Excellence Award for Employers under the Employees Retraining Board's (ERB) Manpower Development Scheme. At the 2015 Security Services Best Training Award organized by the Vocational Training Council and Hong Kong Police Force, Hong Yip received special acclamation for winning the gold award for five consecutive years, and Kai Shing was also commended with a gold award as a first-timer in this competition.

### Floor Area Under Hong Yip and Kai Shing by Usage



- Residential
- Non-Residential

## Property Related Businesses



Close monitoring of details is part of the Group's dedication to quality

### Construction

During the year under review, the construction division completed four residential developments, totalling 4.7 million square feet of construction floor area. The four developments completed included Century Link, Ultima, The Wings IIIA and Imperial Kennedy.

Major Hong Kong residential developments in progress include Victoria Harbour, Babington Hill, King's Hill, 97 Belcher's Street, 18 Stubbs Road, Lime Gala, Nam Cheong Station Development, The Wings IIIB, Grand YOHO, Park YOHO Phase 2, St. Moritz, Twin Regency, Ocean Wings, Eight Regency, Sha Tin Town Lot No. 581, and LOHAS Park Package 4. Major non-residential developments in progress include W668 and Kwun Tong Inland Lot No. 759, as well as the hotel projects at Inland Lot No. 9020 in North Point and Sha Tin Town Lot No. 248. Various asset enhancement works are also in progress. The construction division also plays a project management role for the Group's major mainland development projects.

The construction division, comprising mainly Sanfield (Management) Limited and its several wholly-owned subsidiaries, also operates in construction-related businesses and offers a wide range of services to the Group and third-parties, including landscaping, provision of electrical and fire prevention systems as well as leasing of construction plant and machinery. The division also supplies concrete to the Group and external contractors through an associated company.

### Insurance and Mortgage Services

Sun Hung Kai Properties Insurance Limited, a wholly owned subsidiary of the Group, made a considerable effort to maintain the performance of its insurance business during the year despite a mild drop in turnover compared with the previous year. Overall profit of the company declined as a result of shrinkage in investment profits recorded. The company will closely monitor its business development and investment strategies while continuing to do its best to provide professional service to the insuring public in the coming year.

The financial services division, comprising Hung Kai Finance Company Limited and Honour Finance Company Limited, will remain focused on mortgages, mortgage referrals and other services that support the Group's property development business. The division has maintained profitability during the year.

## Telecommunications and Information Technology



SmarTone has earned trust for its supportive customer service and innovative offerings

### Telecommunications

During the year, SmarTone Telecommunications Holdings Limited's local service revenue net of handset subsidy amortization continued to strengthen, reflecting satisfactory growth in the company's core service business. However, the company's overall profitability was lower than the previous year, as profits from popular handset trading for the previous year were much higher.

SmarTone has invested in new initiatives to further enhance user experience and brand loyalty. As pioneer in the industry, SmarTone provided a wide range of attentive services to customers such as offering new subscribers the flexibility to switch plans within the first three months of service contracts. To provide better value and convenience, SmarTone introduced a user-friendly data roaming plan to customers travelling to over 60 popular destinations around the world. In addition, the company has launched an online store for handsets and accessories to enrich customer experience. It has also implemented enhancement works on its spectra to increase the capacity and speed of its network, especially in high traffic locations.

The company's balance sheet remains strong, providing it with the financial flexibility to meet challenges and pursue new opportunities ahead. The Group is confident in SmarTone's prospects and will continue to hold its stake in the company as a long-term investment.

### Information Technology

SUNeVision Holdings Ltd. had a fruitful year with higher revenue and underlying profit during the year under review. The company's core data centre business, iAdvantage, continued to perform well. Super e-Technology and Super e-Network of the company continued to focus on a range of services covering design, build and maintenance of communications systems and infrastructure.



SUNeVision strives for excellence in high-quality data technology and service

To maintain iAdvantage's position as a leading carrier-neutral data centre operator in Hong Kong, SUNeVision made considerable efforts to enhance its existing data centres through upgrading its facilities and service level. Investments were made, in particular, in the establishment of fibre connections between data centre sites to further strengthen connectivity. iAdvantage is focused on maintaining a strong presence in the financial services and telecommunications sectors, while further establishing its foothold in the fast growing cloud services and content distribution segments. Overall, SUNeVision is committed to investing in infrastructure and people to sustain the quality of the data centres, thus enhancing their further development and growth.

The development of MEGA Plus in Tseung Kwan O, the company's first facility on land dedicated for data centre use, is on track and due for completion in 2017. The facility, designed to meet tenants' diverse business needs and compliance requirements, has drawn encouraging interest from potential partners and customers. The transformation of MEGA Two in Sha Tin into a dedicated data centre is progressing smoothly, and is gaining traction from major telecommunications and cloud players. Plans are also in place to further upgrade and expand the capacity of the current flagship facility MEGA-i in Chai Wan, leveraging its already well-established connectivity to drive growth.

## Infrastructure and Other Businesses



The Wilson Group is a major operator with extensive experience in car park management

### Transport Infrastructure Operations and Management

The Group maintained a significant presence in the operation and management of Hong Kong's transport infrastructure through its wholly-owned Wilson Group, the 70%-owned Route 3 (CPS) Company Limited and the publicly listed Transport International Holdings Limited, in which the Group has an approximate 35% stake.

Wilson Group, as a leading player in Hong Kong's transport infrastructure sector with long-term and multifaceted experience in the management of car parks, tunnels, bridges and toll roads, continued to deliver satisfactory performance for the year under review. Its major subsidiary Wilson Parking won a substantial number of public and private parking contracts, further reinforcing its position as the local market leader with some 400 car parks and over 103,000 parking bays. The company was the first and only car park operator in Hong Kong to have won a top Platinum honour in the *Reader's Digest* Trusted Brand Awards for four consecutive years. It also received a number of industry awards, including Best Car Park Operator accredited by the Hong Kong Housing Authority for the seventh consecutive year, acknowledging its service excellence.

Continuing to expand its operations in car park management and parking system installation on the mainland, Wilson Parking now manages 40 car parks that provide some 30,000 parking bays. Its new parking mobile application launched in Shanghai and Beijing has been catering to the needs of motorists who like to live a digital life.

Wilson Group operates and maintains major road infrastructure in Hong Kong, including the Tsing Ma Control Area and Route 3 (Country Park Section) and Aberdeen Tunnel. Wilson Group and its 50%-owned subsidiary Autotoll stay abreast of the latest technological developments in managing the transport infrastructure business, including the use of e-payment. During the year, Wilson developed an integrated payment kiosk and a ticketless system for parking. Autotoll won awards for two mobile applications. These applications



The Route 3 (Country Park Section) is a popular choice for driving from northwest New Territories to urban areas

provide e-payment solutions for electric vehicle chargers and enable users to keep track of pick-up and drop-off time for a family member needing extra care from social welfare organizations. Autotoll also maintained its leading position in the market with more than 310,000 vehicle users for automatic toll collection and some 13,000 telematics users.

The Route 3 (CPS) Company Limited operates the 3.8-kilometre Tai Lam Tunnel and 6.3-kilometre Tsing Long Highway under a 30-year build-operate-transfer franchise which runs until 2025. Its dual three-lane north-south expressway offers a more direct, faster and safer alternative route to Tuen Mun Road and Tolo Highway for cross-boundary and local commuters travelling between northwest New Territories and urban areas. Traffic remained relatively stable during the year.

The performance of Transport International Holdings Limited's franchised bus operations continued to improve due to the fall in international fuel prices and efficiency enhancements, as well as a growth in ridership. The company looks to tailor its bus services to meet the impending opening of new railway projects and to capture business opportunities arising from growing population in respective residential areas in Kowloon and the New Territories.

## Port Business

Hoi Kong Container Services Company Limited, a wholly-owned subsidiary of the Group, operates four berths and 3.3 hectares of container yard space at a convenient location in Kwai Tsing, providing cost-effective mid-stream container handling services for intra-Asia shipping lines. Sluggish global trade presented a challenge during the year, but continued tight cost control and flexible operations ensured a satisfactory performance.

The River Trade Terminal, in which the Group has a 50% interest, provides container handling and consolidation services, as well as container freight services and storage. The business recorded healthy growth for the year under review as a result of increased demand for refrigerated and break-bulk cargoes in an otherwise sluggish market. The 65-hectare facility located in Tuen Mun has 3,000 metres of quay with 49 berths and is ideally positioned to serve as a logistics hub for the Pearl River Delta.

## Air Transport and Logistics Business

The Group's wholly-owned Airport Freight Forwarding Centre Company Limited operates a premium logistics facility at the Hong Kong International Airport with over 1.5 million square feet of warehouse space and offices. Sustained demand for ramp-access warehousing over the past year



More business aircraft based in the city bode well for the Hong Kong Business Aviation Centre



The Airport Freight Forwarding Centre benefits from the sustained demand for quality warehouse space

contributed to positive performance in rental income for the company amid the static air-cargo market. The company will capitalize on opportunities expected to arise from the major infrastructure projects under construction, in particular the Hong Kong-Zhuhai-Macao Bridge, Hong Kong Boundary Crossing Facilities, and the Tuen Mun-Chek Lap Kok Link. In the long run, the company will also benefit from an additional runway to be built at the Hong Kong International Airport.

The Hong Kong Business Aviation Centre Limited, in which the Group owns a 35% stake, holds the franchise for handling business aircraft flying in and out of Hong Kong. The company as the region's premier business gateway provides a highly efficient service, benefitting from continued healthy demand for business travel during the year. The growing recognition of business aviation as a time-saving tool for investors, entrepreneurs and executives has led to an increase in the number of aircraft based in Hong Kong while the challenge of keen competition for landing slots at the Hong Kong International Airport has started to emerge.

## Waste Management

Green Valley Landfill Limited, in which the Group has a 20% interest, is responsible for both the daily operation and long-term aftercare of the South East New Territories Landfill in Tseung Kwan O. Covering an area of 100 hectares, the site has the capacity to handle 43 million cubic metres of waste. Tonnage received was reduced starting from January 2016 when the government designated the landfill to accept construction waste only.

Green Valley signed a contract with a gas company in Hong Kong, turning landfill gas produced at the landfill into synthetic natural gas that will integrate into the gas supply network. This project will contribute to both energy conservation and emission reduction in Hong Kong.

## Infrastructure and Other Businesses

### YATA Limited

YATA Limited, a wholly-owned subsidiary of the Group, operates department stores and supermarkets in Hong Kong with seven outlets in different parts of the city. During the year under review, the company continued with its steady growth and satisfactory performance, although the retail sector in Hong Kong remained sluggish.

YATA has undertaken a proactive approach to fine-tune its merchandise mix, enhance ancillary services and strengthen promotional activities to cater to changing consumer needs and preferences. The biannual major promotion event has become a shopping spotlight event in the city with encouraging response from the public.

Looking ahead, YATA will continue to explore favourable opportunities for store expansion, with two new stores scheduled to open in Tseung Kwan O and Kwai Fong in 2017 and 2018 respectively. The company will also give priorities to enhance shopping experience in existing stores, with the aim of bringing out the concept of Quality Shopping at Modern Japanese Lifestyle and satisfying the desire of customers who are looking for a quality lifestyle.



YATA outlets are popular with shoppers looking for quality lifestyle goods

### Sky100 Hong Kong Observation Deck

Located on the 100th floor of the ICC, Sky100 Hong Kong Observation Deck is the city's only indoor observation platform that offers a panoramic view of the territory and Victoria Harbour.

During the year, Sky100 registered a healthy mix of visitors and saw tourists from around the world make up the majority of its visitors. Corporate and wedding event businesses performed well, reinforcing the successful contributions of Sky100 Events and Sky100 Weddings that were launched two years ago.

Widely recognized as Hong Kong's answer to the world's most famous and iconic towers, including the Eiffel Tower in France, Sky100 has successfully elevated its global awareness and is now the city's only member of the World

Federation of Great Towers. In 2016, Sky100 received the prestigious Certificate of Excellence by TripAdvisor for the third year running, putting the observation deck in the top 10% of TripAdvisor's listed attractions worldwide.

Sky100 plays an important role in promoting the local tourism industry. It features a large-scale interactive multi-media exhibit that brings insights on local history and culture, offering a unique experience to visitors who want to gain a deeper understanding of Hong Kong.



A panoramic view of the city and Victoria Harbour makes Sky100 Hong Kong Observation Deck a must-see tourist attraction



## Corporate Finance



Group Chairman and Managing Director Raymond Kwok (front, fourth left) and bank representatives at the syndicated loan signing

Prudent financial management has always been the Group's first and foremost strategy as reflected by its low gearing and high liquidity. The Group maintained a strong financial position with a net debt to shareholders' funds ratio of 10.8% as at 30 June 2016 and an interest coverage ratio at 12.5 times. The solid financial profile together with its leading position in the property business has earned the Group A1 and A+ credit ratings with stable outlooks from Moody's and Standard & Poor's respectively, making it one of the most highly rated Hong Kong property companies by the two agencies.

In addition to strong credit ratings, the Group has maintained excellent long-term relationships with leading banks, enabling it to raise ample liquidity from banks and debt capital markets for future development and expansion needs.

In March 2016, the Group self-arranged a HK\$15,000 million five-year term loan/revolving credit syndicated facility on competitive terms, providing it with substantial committed standby banking facilities. The arrangement was well received by the banking community. The Group has also arranged a 15-year RMB14,500 million syndicated banking facility on the mainland, mainly for funding of the phased construction of the Xujiahui Centre project in Shanghai. In addition, the Group issued HK\$1,240 million 10-year fixed rate notes to extend its debt maturities and diversify its sources of funding. After June 2016, the Group has further issued HK\$963 million 10-year fixed rate notes. These issues were structured on favorable terms under the Group's Medium Term Note Programme.

Apart from ample funding from banks and the debt capital market, the two-year bonus warrant scheme with an exercise price of HK\$98.60 ended in late April 2016 and provided the Group with additional capital. The scheme raised about HK\$16,400 million of cash for the Group, further strengthening its financial resources to pursue business development opportunities in the future.

The majority of the Group's borrowings are denominated in Hong Kong dollars and therefore the exposure to foreign exchange risk is small. As at 30 June 2016, the Group recorded a net debt of about RMB2,900 million denominated in Renminbi. Besides, the Group funds the construction costs of mainland projects from internal cash generated from mainland operations and onshore bank loans, in an effort to manage Renminbi exchange rate risk. In line with its prudent financial policy, the Group has not engaged in any speculative positions in derivatives and structured products.

# Financial Review

## Review of Operating Results

Profit attributable to the Company's shareholders for the year ended 30 June 2016 was HK\$32,666 million, representing an increase of HK\$1,584 million or 5.1% when compared to HK\$31,082 million of the previous year. The improvements in reported profit are primarily attributable to better performance in property sales and increase in rental income. The Group has recognized in the consolidated income statement an increase in fair value of its investment properties (before related deferred taxation and non-controlling interests) of HK\$8,769 million (2015: HK\$10,987 million) and a share of an increase of HK\$1,229 million (2015: HK\$2,290 million) in fair value of investment properties held by its joint ventures and associates.

Underlying profit, which excludes the net effect of changes in fair value of investment properties, attributable to the Company's shareholders for the year ended 30 June 2016 was HK\$24,170 million and increased by HK\$4,345 million or 21.9% when compared to HK\$19,825 million for the previous year.

Profit from property sales for the year, including share of joint ventures and associates, amounted to HK\$11,701 million, increased by HK\$4,369 million or 59.6% compared to HK\$7,332 million for the last year. Profit from property sales in Hong Kong amounted to HK\$9,671 million, it is the key impetus to the overall increase in profit from property sales in the current financial year and represents contributions mostly by residential units sold in Ultima Phases 1 & 2, Century Link I & II, The Wings IIIA, Imperial Kennedy and Park Vista. Property sales in the Mainland delivered a profit of HK\$2,008 million mainly from the sales of residential units in Shanghai Arch Phase 1, Shanghai Cullinan, Hangzhou MIXC Phase 2C and Forest Hills Phases 1A & B. At the year end date, the Group had contracted property sales of HK\$19.4 billion not yet recognized, of which HK\$12.7 billion was derived from the presale of residential and office units for Hong Kong development projects including Ocean Wings, The Wings IIIB, Twin Regency, King's Hill, Park YOHO Venezia and W668.

Net rental income for the year from the Group's diverse rental portfolio, including contributions of joint ventures and associates, increased by HK\$1,129 million or 7.4% to HK\$16,481 million, primarily driven by positive rental reversions. Net income from the Group's rental portfolios in Hong Kong and the Mainland amounted to HK\$13,233 million and HK\$2,737 million respectively, which correspond to year-on-year increases of 7.6% and 8.6%.

The Group's hotel operations (including share of joint ventures) recorded an operating profit of HK\$1,259 million for the year. This is mildly lower than the result of last year by HK\$34 million or 2.6%, and reflects the impacts of declining tourist arrivals in Hong Kong and increasingly competitive environment in the local hotel industry.

SmarTone reported an operating profit of HK\$1,104 million for the year, a decrease of HK\$147 million or 11.8% when compared to a year ago, largely as a result of lower profits from its handset business which had overshadowed the solid improvements from the growth in its core mobile service operations.

The Group's transport infrastructure and logistics businesses (including share of joint ventures and associates) continued to improve and had an operating profit of HK\$1,553 million for the year, translating into year-on-year increase of HK\$108 million or 7.5%.

Other businesses of the Group (including share of joint ventures and associates), mainly comprising property management, data center business of SUNeVision, and department store operation, have been growing steadily with operating profit increased by HK\$69 million to HK\$1,642 million.

## Financial Resources and Liquidity

### (a) Capital management, net debt and gearing

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

The Group's financial position remains strong, with total shareholders' equity increased over the financial year by HK\$17,681 million to HK\$468,707 million or HK\$161.9 per share as at 30 June 2016. The increase was mainly attributable to the increase in the Group's underlying retained earnings, revaluation gains from investment properties as well as a HK\$1.8 billion increase in the Company's share capital from warrants exercised. The effects of these increases were partially offset by a HK\$6.6 billion decrease in exchange reserve mostly arising from translation of the financial statements of subsidiaries and joint ventures in Mainland China with functional currency of Renminbi into the Group's presentation currency at the year-end exchange rate, due to the strengthening of Hong Kong dollar. As at 30 June 2016, about 20% of the Group's net assets were denominated in Renminbi. All exchange differences resulting from the translation of foreign operations were recorded in the exchange reserve under shareholders' equity, and there was no impact on the Group's earnings.

The Group's strong balance sheet allows it to continue raising long-term financing at competitive rates, thus reducing the overall cost of capital. The Group's financial position remains sound with a low debt leverage and high interest cover. Gearing ratio as at 30 June 2016, calculated on the basis of net debt to shareholders' funds of the Company, was 10.8% compared to 11.2% a year ago. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 12.5 times compared to 9.3 times for the previous year.

As at 30 June 2016, the Group's gross borrowings totalled HK\$80,761 million. Net debt, after deducting bank deposits and cash of HK\$30,048 million, amounted to HK\$50,713 million, representing an increase of HK\$142 million since 30 June 2015. The maturity profile of the Group's gross borrowings is set out as follows:

	<b>30 June 2016 HK\$ Million</b>	30 June 2015 HK\$ Million
Repayable:		
Within one year	<b>17,486</b>	10,816
After one year but within two years	<b>3,642</b>	17,415
After two years but within five years	<b>39,452</b>	29,563
After five years	<b>20,181</b>	25,338
Total bank and other borrowings	<b>80,761</b>	83,132
Bank deposits and cash	<b>30,048</b>	32,561
Net debt	<b>50,713</b>	50,571

# Financial Review

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

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

## **(b) Treasury policies**

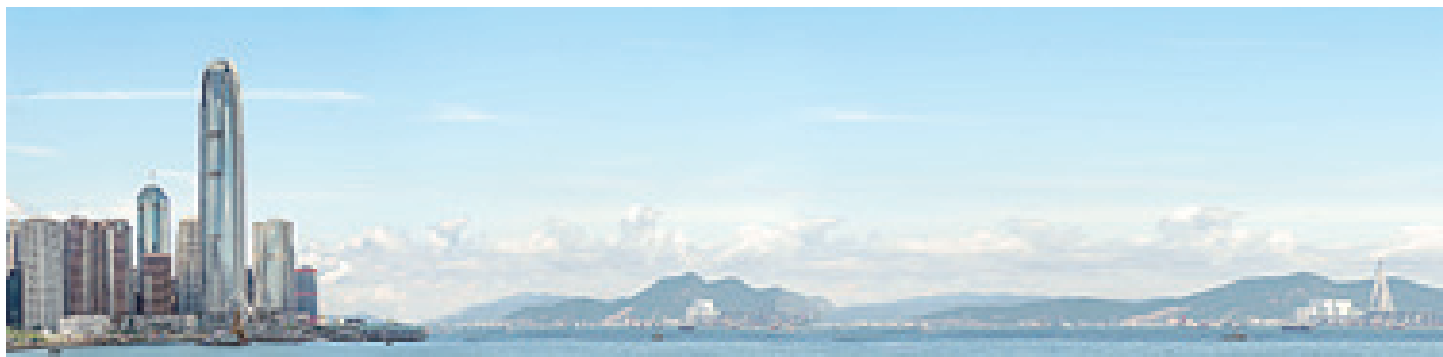
The Group adopts a prudent policy in cash and debt management. The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2016, about 80% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 20% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollars. As at 30 June 2016, about 62% of the Group's total borrowings were denominated in Hong Kong dollars and 24% in US dollars, these were raised for financing the Group's business operations in Hong Kong while the remaining 14% were in Renminbi and for financing the construction cost of property projects on the Mainland. All land acquisition costs for the Mainland projects are financed by capital injection funded by the Group's equity and internally generated funds. The Group is financing the Mainland China's business operations through borrowings denominated in Renminbi to minimize currency risk exposure.

The Group maintained an appropriate mix of fixed and floating rate borrowings to mitigate interest rate risk. As at 30 June 2016, about 58% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps, and 42% were on fixed rate basis. The use of derivative instruments is strictly controlled and solely for managing the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 30 June 2016, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK\$2,223 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in notional principal amount of HK\$158 million, and currency swaps (to hedge principal repayment of foreign currency borrowings) in the aggregate notional principal amount of HK\$9,451 million.

As at 30 June 2016, about 73% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 25% in Renminbi, and 2% in US dollars. The Renminbi deposits were held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.



## **Charges of Assets**

As at 30 June 2016, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$7 million were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK\$2,407 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

## **Contingent Liabilities**

As at 30 June 2016, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK\$1,112 million (30 June 2015: HK\$702 million).



# Investor Relations

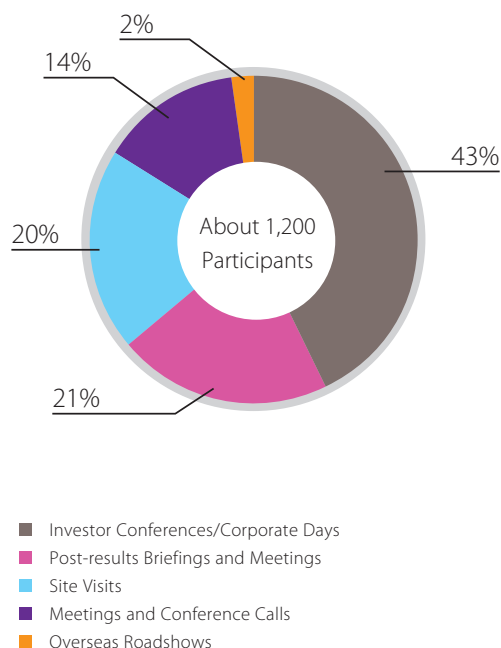
The Group is committed to maintaining a high standard of transparency to ensure stakeholders from around the globe are being provided with accurate, comprehensive and timely information.

In line with this, corporate information is disseminated on a timely basis through annual and interim reports, press releases and public announcements, all of which are also promptly uploaded onto the Group's website. Post-result conferences and analysts' meetings are convened shortly after results are announced, with management available to answer questions.

The Group is also proactive in communicating with various stakeholders, including investors, analysts and credit rating agencies. In addition to frequent meetings and conference calls, the Group has been increasingly active in participating in large-scale conferences and presentations. All such activities have helped investors better understand the Group's strategy and business development as well as its views on the local property market. As a two-way communication, the Group will also listen to feedback and advice from various stakeholders, which will help formulate long-term sustainable business development strategies.

Over the years, the Group has been widely acclaimed by international financial magazines and organizations for its seasoned management team and its dedication in maintaining effective investor relations and high standard of corporate governance.

## Communications with the Investment Community in Financial Year 2015/16



The management explains the Group's business development to the investment community at analyst briefings

## Major Investor Relations Events in Financial Year 2015/16

### Quarter      Event

#### 2015

- 3rd Quarter
- 2014/15 annual results announcement
    - Press conference
    - Analysts briefing
    - Post-results meetings with fund managers
  - Investor forum in Hong Kong

- 4th Quarter
- Non-deal roadshow in the US
  - Investor conference in Singapore

#### 2016

- 1st Quarter
- Investor luncheons in Hong Kong
  - Investor group breakfasts in Hong Kong
  - Investor corporate day in Hong Kong
  - 2015/16 interim results announcement
    - Press conference
    - Analysts briefing
    - Post-results meetings with fund managers
  - Investor conference in Hong Kong

- 2nd Quarter
- Investor conferences in Hong Kong
  - Investor corporate days in Hong Kong

## Awards

### Financial Year 2015/16

- Asia's Best Managed Company in the Real Estate/Property Sector and the Best Office/Business Developer from *Euromoney magazine*
- Asia's Best Real Estate Company and Best Managed Company in Hong Kong from the 20th Anniversary Platinum Award from *FinanceAsia magazine*
- Platinum Award for Excellence in Governance, CSR and Investor Relations from *The Asset magazine*
- Asia's Best CSR and Hong Kong's Best Investor Relations Company, Best Environmental Responsibility, Best Corporate Communications, and Best Investor Relations Professional from *Corporate Governance Asia magazine*
- Best IR Company (Large Cap) from *Hong Kong Investor Relations Association*



Extensive recognition for the Group's professional management and good corporate governance

# Sustainable Development







1. SHKP Vertical Run for Charity
2. SHKP Read to Dream
3. Sun Hung Kai Properties Hong Kong Cyclothon
4. Adhering to customer-focus culture

# Sustainable Development



Tailored clubhouse service stems from the Group's commitment to customer focus

The Group works to strengthen its business continuity by delivering the finest products and services and reinforcing its customer focus, which has buttressed its premier position as a leader of quality developments in the market over the years and generated long-term value for both internal and external stakeholders. As a responsible corporate citizen, the Group integrates social and environmental concerns in its operations and makes strategic use of its resources to benefit the wider public, with a view to making Hong Kong a more liveable and sustainable city. During the year, the Group published its fifth stand-alone sustainability report\*, and has been selected as a constituent of the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland and HK) Corporate Sustainability Index.

## Commitment to Quality Products and Services

The Group's initiatives in pursuit of ever-higher quality are consolidated under the umbrella of the SHKP Quality Campaign. Staff are encouraged to take advantage of the SHKP Quality Academy, a group-wide learning platform, to acquire the knowledge and skills needed for the successful delivery of premium quality.

\* For details, please refer to the separate stand-alone report accessible via the Group's website



The SHKP Quality Academy facilitates the gathering and exchange of knowledge for continuous improvement



Professional staff closely examine new units to ensure quality

The three-year quality guarantee for all newly sold residential units in Hong Kong, introduced as part of the SHKP Quality Campaign in late 2013, helps reinforce the Group's reputation for quality excellence. The Group's pre-eminence in quality was founded on its well-planned property development process, which is vertically integrated from land acquisition, project planning, project management, material sourcing and construction all the way through to sales and marketing and property management. To ensure that homebuyers are hassle-free after moving in, an inter-departmental property handover team checks new flats at least three times and examines over 120 items before owners take possession.



The SHKP Club connects with customers through different activities and regular surveys



Shoppers appreciate the attentive and professional service from Customer Care Ambassadors

In keeping with its belief in Building Homes with Heart, the Group works relentlessly to maximize customer satisfaction and proactively engages customers for valuable insights for continual enhancement of its deliverables. A structured approach, utilizing both traditional and online channels, is in place to build long-term relationships with customers. During the year, the management visited residents at The Wings II and YOHO Midtown to collect their feedback. The SHKP Club, which celebrated its 20th anniversary during the period, serves effectively as a vehicle for two-way communication between the Group and the community. For the past two decades, the Club has been organizing regular activities and conducting surveys to take in the views of members and the public.

The Group is also dedicated to making shopping mall customers feel that they are being valued. The annual SHKP Malls Serving with Heart Customer Care Ambassador Election reinforces the idea that customers deserve attentive care down to the last detail. Candidates of the latest election received better overall scores from mystery shoppers, who have been helping to identify areas for improvement over the years. Additionally, the Group regularly refines its tenant mix and renovates its malls, aiming at providing the best shopping environment and ushering in a fresh lifestyle for customers.

Keeping staff up to date and maintaining motivation is also essential to the Group's ability to deliver superior products and services. Reflecting the Group's belief in life-long learning, the SHKP Quality Academy invites experts in various disciplines, including architecture, construction, engineering and customer service, to help strengthen staff professionalism and practice of the corporate culture.

The Group emphasizes teamwork and encourages its staff to put forward innovative and practical ideas through its Quality Raising Suggestion Scheme and Work Safety Suggestion Scheme, which have already seen half of the winning ideas implemented throughout the Group's businesses. During the year, the gold award of the Quality Raising Suggestion Scheme went to an idea for a more efficient automated plastering system that promises more consistent quality and cuts 80% off the time traditional methods need. The Work Safety gold went to a new method of installing curtain walls that eliminates the need for workers to extend out of the building.

### Continuous Staff Development

With a staff of more than 37,000, the Group regards human capital as one of its valuable assets which is crucial to its continuous development. It strives to be an employer of choice by enhancing employees' professional competence and paying attention to their general well-being.

The Group's training programmes focus on preaching corporate culture and enhancing professionalism of all levels of staff. Modular workshops are designed for general staff to cultivate their minds and hone their job-related skills while a series of special training programmes over a period of six months helps supervisory staff to coach and interact with subordinates. Talented staff members receive leadership-development and executive coaching, with opportunities to attend related programmes at prestigious overseas universities.

# Sustainable Development



Group undergraduate scholarships support the children of staff to pursue university education

Additionally, staff can enjoy the flexibility of self-learning by getting access to materials in the Group's training library, along with a wide range of e-learning programmes and reference materials on its intranet. The Group also sponsors external training in work-related courses, ranging from short seminars to tertiary courses.

To help foster business sustainability, the Group has implemented Management Trainee and Graduate Engineer programmes since 2002 to take in high-calibre graduates from leading local, mainland and overseas universities. Designed to nurture future leaders of the Group, the programmes offer a fast track for career development to promising graduates. The Group also attaches great importance to retaining and motivating talents by offering performance-based remuneration incentives, including promotion and professional advancement.

The Group understands the nature of its operations, especially in construction, and therefore makes work safety a priority. Its safety practices on construction sites are overseen by an Occupational Health and Safety Committee. As a result of its focus on preparedness and training, the Group's construction



Regular blood donation days are one of the ways that the Group encourages staff to contribute to society



Internships offer opportunities for young people to explore career aspirations

accident rate continues to be significantly lower than the industry average in Hong Kong. The Group also cares for its staff's general well-being outside the workplace. It promotes work-life balance and offers a selection of interest classes, sports events and parent-child workshops to help employees live a fuller life. This caring spirit extends to their children through the SHKP Group Undergraduate Scholarship, which offers financial assistance to study at universities and other tertiary institutions. The scholarship programme has benefitted 54 students since it began in 2010.



A broad range of interest classes foster the personal growth of staff



The Group donated land in Yuen Long to Hong Kong Sheng Kung Hui for city's first intergenerational service centre

### Commitment to the Environment

The Group operates in harmony with the environment and incorporates modern eco-friendly concepts into the design and construction of its buildings. Diverse measures are taken to reduce waste at source, conserve energy and keep its carbon footprint to a minimum.

As one of the leading property developers in Hong Kong, the Group makes green procurement a pre-requisite in project tendering. Whenever possible, renewable or recycled materials are procured, and all timbers used by the Group are from sources certified as sustainable. The green efforts in project planning and development have earned BEAM (Building Environmental Assessment Method) and LEED (Leadership in Energy and Environmental Design) certifications for 35 of its developments in Hong Kong.

The Group goes all out to recycle its construction waste as part of its effort to answer and promote the call for reducing waste at source. In keeping with its comprehensive approach to waste management with priorities on prevention, reuse and recycling, the Group has introduced a range of recycling and reuse schemes at properties under its management. For the year under review, in support of the government's Food Waste Recycling Projects in Housing Estates, more than 40 properties under the Group's management rallied behind the initiative and worked diligently to recycle food waste to useful resources.



Green corners set aside in the Group's office developments give tenants space to relax



The Love Nature Campaign spreads environmental care to a wider public

The Group constantly calls on its properties to support energy saving causes. In the 2015 Power Smart Energy Saving Contest, its property management subsidiaries won the championship and the second-runner-up title in the Biggest Units Saver Award (Property Management), in acknowledgement of their year-to-year reduction of 11.2 million kWh in electricity consumption.

Recognizing that climate change poses a continuous challenge to humankind, the Group never ceases tracking its carbon footprint and monitored greenhouse gas emissions of 80 buildings for the year under review. To reinforce its promotion of environmental conservation, the Group runs the Love Nature Campaign that combines elements of learning with appreciation and outdoor exploration to nurture the love of nature in children. The campaign has organized 22 beach and countryside clean-ups collecting over 22,000 kg of waste and recyclables to date.



The Young Writers' Debut Competition spurs talented young people to unlock their creativity

# Sustainable Development



Routes of the second Sun Hung Kai Properties Hong Kong Cyclothon were extended to take in more best known landmarks of the city

## Corporate Social Responsibility

As a responsible corporate citizen, the Group adopts a three-pronged approach to fulfill its corporate social responsibility and to benefit the community at large. This includes promoting healthy and sustainable living, reading and holistic development, and caring for the underprivileged. It supports a wide range of charitable causes to extend compassion in the community and strengthen social cohesion.

During the year, the Group continued to promote 'exercise for good' through its fourth SHKP Vertical Run for Charity and the first-ever Sun Hung Kai Properties Hong Kong Cyclothon. For yet another year, the SHKP Vertical Run for Charity — Race to Hong Kong ICC and the concomitant Race to Shanghai IFC became the grand finale and the seventh stop of the Vertical World Circuit, attracting a total of over 3,000 runners. Race to Hong Kong ICC drew a record-breaking 1,600-plus runners, including 22 elite athletes who competed for world championships. Participants were between the ages of 10 and 68 and include amputees and visually or hearing-impaired athletes, demonstrating



SHKP Reading Club celebrity talks encourage youngsters to learn from books and broaden their minds and horizons

the inclusiveness of the sporting event. Since 2012, SHKP Vertical Run for Charity has raised substantial donations for child and youth services from races in Hong Kong and Shanghai.

The Group took on the title and charity sponsorship of the first-ever Sun Hung Kai Properties Hong Kong Cyclothon, an international cycling event organized by the Hong Kong Tourism Board held last October. The contest was meant to be an authentic Hong Kong cycling event for locals and visitors, and allows them to pedal around some of Hong Kong's landmarks. Additionally, the Group supported the Hong Chi Climbathon, Hike for Hospice, Hong Kong Marathon and more during the year as a way to motivate its staff to take on different challenges and support a wide range of charitable causes.

The Group places equal emphasis on enhancing the physical and intellectual well-being of Hong Kong people. The SHKP Reading Club consolidates the Group's reading-related initiatives and stages various programmes to promote appreciation of reading among the general public with a primary focus on young people. The Club's signature programme, the Young Writers' Debut Competition, launched its sixth contest during the year, which aims to encourage young people with a passion for writing to take their first steps towards their dreams. The year under review saw the Club making extensive efforts to drive reading interests among younger generations, particularly primary and secondary school students. The Club also leveraged synergy with the Group's sports for charity theme for its reading activities with seminars and forums that feature interesting books on sports and sharing by renowned athlete speakers.

Another major commitment of the Group is to foster the growth of young people and guide them to discover the infinite possibilities in life. It has been sponsoring the Modern Apprenticeship Programme since 2003, with veteran staff in different fields acting as mentors to provide training on conduct, social skills and job skills to young people who underperformed in public



The fifth SHKP Vertical Run for Charity promotes exercise for good and raises funds for child and youth services

examinations as a way to help them achieve a better future. More than 200 young people have benefitted from the programme to date. The Group's resolve to nurture the next generation can also be demonstrated by its support for education. Since 2004, Sun Hung Kai Properties Charitable Fund has been making donations to more than 10 primary and secondary schools in the New Territories, allowing them to promote holistic development in a well-structured approach both in academic subjects and extra-curricular activities. Established in 2002, the SHKP-Kwoks' Foundation provides scholarships both in Hong Kong and on the mainland, helping over 9,000 students to pursue higher education at prestigious universities. After the end of the financial year, the Group continued with its commitment to benefit the youth and the community through its pledge to support the Hong Kong X-Tech Startup Platform, along with an agreement to donate a site in Yuen Long to Hong Kong Sheng Kung Hui Welfare Council for the construction of the city's first purpose-built integrated service tower to address young people's housing needs and promote social harmony.



The Group is providing office and co-working space to the Hong Kong X-Tech Startup Platform for helping young people to start an innovative business

The Building Homes with Heart Caring Initiative continues to make efforts to show that the Group cares for different segments of society. Participants visit disadvantaged families and seniors to help with renovations or pass out treats during festivals. Since 2011, Poon Choi lunches for seniors have been organized in various districts as part of the initiative. These events and related home visits, in conjunction with dozens of social service agencies, have benefited more than 40,000 people over the years. In keeping with the Group's commitment to give back to society, the SHKP Volunteer Team put in some 120,000 hours of community service to spread warmth to the needy in 2015.

The Group recognizes the importance of social harmony in sustaining a community. Its Social Inclusion for the Underprivileged guided tour programme takes housebound and underprivileged young people to Sky100 Hong Kong Observation Deck and Noah's Ark Hong Kong to broaden their horizons and encourage them to get more involved in the community. The SHKP Club continues to promote domestic harmony in lively ways. In 2016, the Grateful Story of My Family competition which invited people to promote their love for those closest to them lead the way of spreading loving home messages in the annual theme of Grateful Love at Home.

# Corporate Governance Report

Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting the Group's businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders. Details of the Group's investor relations initiatives and the recognition it has received for good management and corporate governance are set out under the section headed "Investor Relations" on pages 92 and 93.

## Corporate Governance Practices

Rigorous standards of corporate governance enhance the Group's accountability and transparency, earning the confidence of its shareholders and the public. The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30 June 2016, except that there is no separation of the roles of chairman and chief executive.

The Board of Directors of the Company (the "Board") continues to monitor and review the Company's corporate governance practices to ensure compliance.

## Board of Directors

### Board Composition

The Board currently has 18 Directors comprising eight Executive Directors, three Non-Executive Directors and seven Independent Non-Executive Directors. Further details of the current composition of the Board are set out on page 2.

The changes to the composition of the Board during the year ended 30 June 2016 were as follows:

- Mr. Chan Kwok-wai, Patrick retired as an Executive Director of the Company by rotation at the annual general meeting of the Company held on 12 November 2015. He also resigned as the Chief Financial Officer of the Company with effect from 1 January 2016;
- Mr. Wong Yick-kam, Michael resigned as a Non-Executive Director of the Company with effect from 13 November 2015; and
- Mr. Kwok Kai-wang, Christopher was appointed as an Executive Director of the Company with effect from 26 April 2016.

An updated list of Directors identifying their roles and functions (the "Directors List") is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx"). Independent Non-Executive Directors are identified as such in the Directors List and all other corporate communications containing the names of the Directors.

Mr. Kwok Ping-luen, Raymond is a nephew of Mr. Kwong Chun and an uncle of Mr. Kwok Kai-fai, Adam. He is also the father of Mr. Kwok Kai-wang, Christopher and Mr. Kwok Ho-lai, Edward. Mr. Kwok Kai-wang, Christopher is a cousin of Mr. Kwok Kai-fai, Adam and the younger brother of Mr. Kwok Ho-lai, Edward. In addition, Sir Po-shing Woo is the father of Mr. Woo Ka-biu, Jackson. Save as disclosed above, there are no family or other material relationships among the members of the Board.

### Board Diversity

Prior to the implementation of the code provision in the Code on board diversity in September 2013, the Company adopted a board diversity policy (the "Diversity Policy") setting out the approach to achieve diversity on the Board members in June 2013. The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company sees diversity as a wide concept and believes that diversity of Board members can be achieved through consideration of a number of factors, including but not limited to background, age, gender, culture, industry experience, skills and knowledge, educational background and other qualities. The Company takes into account these factors based on its own business model and specific needs from time to time as well as the availability of suitable candidates in the market. The Nomination Committee monitors the implementation of the Diversity Policy and reviews the same as appropriate.



The members of the Board come from a variety of different backgrounds and have a diverse range of business, financial services and professional expertise. The Company requests the Directors to disclose annually to the Company the number and nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved. The Directors' biographical information is set out on pages 140 to 149 and is also available on the website of the Company.

The Board believes that the balance between Executive and Non-Executive Directors (including the Independent Non-Executive Directors) is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. Non-Executive Directors and Independent Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgment and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, to ensure that the interests of shareholders are taken into account.

The Company currently has seven Independent Non-Executive Directors, representing more than one-third of the Board, and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from all Independent Non-Executive Directors their confirmation of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules (the "Independence Guidelines") and considers that they are independent.

Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard, both being Independent Non-Executive Directors, have served the Company for more than nine years, and will retire and being eligible, have offered themselves for re-election at the forthcoming annual general meeting of the Company (the "AGM"). The Nomination Committee considered that their long service will not affect their exercise of independent judgment and was satisfied that each of them has the required integrity and experience to continue fulfilling the role of an Independent Non-Executive Director. Taking into consideration the above and the confirmations on the Independence Guidelines made by Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard, the Board is of the view that both Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard remain independent notwithstanding the length of their service and should be re-elected at the forthcoming AGM. In accordance with the Code, the re-election of Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard will be subject to separate resolutions to be approved at the forthcoming AGM.

### **Board Meetings**

The Board meets at least four times a year, and a tentative schedule for regular Board meetings for each year is provided to the Directors prior to the beginning of each calendar year. In addition, at least 14 days' notice of all regular Board meetings together with the meeting agenda is given to all Directors such that all Directors are given the opportunity to include matters for discussion in the agenda. Meeting agenda and accompanying meeting papers are sent to all relevant Directors at least three days in advance of every regular Board meeting and committee meeting. Directors may participate in meetings in person, by phone or by other communication means. Between regularly scheduled Board meetings, Directors may approve various matters by way of passing written resolutions. Additional Board meetings may be convened, if necessary.

The Company Secretary assists the Chairman in preparing the agenda for the Board meetings and ensures that all applicable rules and regulations regarding the proceedings of the Board meetings are followed. Draft and final versions of minutes of each Board meeting are sent to all Directors for their comments and records respectively within a reasonable time. The Company also keeps detailed minutes of each Board meeting, which are available to all Directors for inspection.

All Directors give sufficient time and attention to the affairs of the Group. During the year ended 30 June 2016, the Board discussed the overall strategies of the Group, monitored the financial and operational performance, and approved the annual and interim results of the Group. It approved the change of name of the Audit Committee to the Audit and Risk Management Committee, the amendments to its terms of reference, and the change of its members. It also approved the appointment of an Executive Director and a new member of the Executive Committee, the proposal on the adoption of new articles of association of the Company (the "Articles of Association"), and other significant matters, including the publication of announcements with respect to an issuance of debt instruments by a wholly-owned subsidiary, the retirement of an Executive Director and the resignation of a Non-Executive Director.

# Corporate Governance Report

The Board held four regular meetings during the year under review, and the attendance records of the Directors at the Board meetings are set out below:

Directors	Meetings attended/held
<b>Executive Directors</b>	
Kwok Ping-luen, Raymond	4/4
Wong Chik-wing, Mike	4/4
Lui Ting, Victor	4/4
Kwok Kai-fai, Adam	4/4
Kwok Kai-wang, Christopher <i>(appointed with effect from 26 April 2016)</i>	1/1
Kwong Chun	4/4
Tung Chi-ho, Eric	4/4
Fung Yuk-lun, Allen	4/4
Chan Kwok-wai, Patrick <i>(retired with effect from 12 November 2015)</i>	2/2
<b>Non-Executive Directors</b>	
Lee Shau-kee	3/4
Woo Po-shing	<sup>#</sup> 3/4
Kwan Cheuk-yin, William	4/4
Wong Yick-kam, Michael <i>(resigned with effect from 13 November 2015)</i>	1/2
<b>Independent Non-Executive Directors</b>	
Yip Dicky Peter	4/4
Wong Yue-chim, Richard	4/4
Li Ka-cheung, Eric	2/4
Fung Kwok-lun, William	3/4
Leung Nai-pang, Norman	4/4
Leung Kui-king, Donald	4/4
Leung Ko May-yee, Margaret	3/4

<sup>#</sup> attended by his Alternate Director, Mr. Woo Ka-biu, Jackson

Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Directors are given sufficient time for discussion at the Board meetings. Management is invited to join the Board meetings, where appropriate, to provide information to the Directors to enable the Board to make informed decisions. Where queries are raised by Directors, prompt and full responses will be given if possible.

Directors are required to declare their interests (if any) in the matters to be considered at the Board meetings in accordance with the Articles of Association. Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in a physical meeting, as opposed to being dealt with by written resolution. Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors. In addition, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Articles of Association.

### **Chairman**

Mr. Kwok Ping-luen, Raymond is the Chairman and Managing Director of the Company. This is at variance with code provision A.2.1 of the Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Although the positions of Chairman and Managing Director are not separate, the powers and authorities have not been concentrated as all major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are three Non-Executive Directors and seven Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings of which they are members.

During the year ended 30 June 2016, the Chairman held a meeting with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the Executive Directors.

### **Training and Support for Directors**

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or Alternate Director would receive an induction package, which contains an overview of the Group's businesses and the applicable statutory and regulatory obligations of a director of a listed company.

The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are also issued to Directors and senior executives where appropriate to keep them abreast of any latest changes in applicable legal and regulatory requirements and corporate governance practices.

Reading materials regarding the new Competition Ordinance and the new Contracts (Rights of Third Parties) Ordinance were provided to the Directors and the Executive Directors respectively in December 2015. The Company has also provided a briefing on the directors' duties and responsibilities to the newly appointed Executive Director.

# Corporate Governance Report

During the year ended 30 June 2016, the Directors also participated in the following trainings:

<b>Directors</b>	<b>Types of training</b>
<b>Executive Directors</b>	
Kwok Ping-luen, Raymond	A, B, C
Wong Chik-wing, Mike	A, B, C
Lui Ting, Victor	A, B, C
Kwok Kai-fai, Adam	A, C
Kwok Kai-wang, Christopher <i>(appointed with effect from 26 April 2016)</i>	A, C
Kwong Chun	C
Tung Chi-ho, Eric	C
Fung Yuk-lun, Allen	A, C
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	A, C
<b>Non-Executive Directors</b>	
Lee Shau-kee	A, C
Woo Po-shing	C
Kwan Cheuk-yin, William	C
Woo Ka-biu, Jackson <i>(Alternate Director to Woo Po-shing)</i>	A, C
<b>Independent Non-Executive Directors</b>	
Yip Dicky Peter	A, C
Wong Yue-chim, Richard	A, C
Li Ka-cheung, Eric	A, C
Fung Kwok-lun, William	A, B, C
Leung Nai-pang, Norman	C
Leung Kui-king, Donald	A, C
Leung Ko May-yee, Margaret	A, B, C

A : attending seminars and/or conferences and/or forums and/or briefings

B : giving talks at seminars and/or conferences and/or forums

C : reading newspapers and journals on various topics, including corporate governance matters and directors' duties and responsibilities

## Compliance with Model Code

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as the codes of conduct for the Directors and the relevant employees, who are likely to possess inside information of the Group (the "Relevant Employees"), in their dealings in the Company's securities.

Before the Group's interim and annual results are announced, notifications are sent to the Directors and the Relevant Employees to remind them not to deal in the securities of the Company during the blackout periods. In response to specific enquiry by the Company, all Directors confirmed that they have complied with the Model Code during the year ended 30 June 2016.

In addition, the Company has a policy on inside information in place setting out the principles and procedures for handling and disclosing inside information of the Group in compliance with the requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules, and such policy has been communicated to the relevant senior executives of the Group.

## Delegation by the Board

The Board directs and approves the Group's overall strategies. Given the diversity and volume of the Group's businesses, responsibilities for execution and daily operations are delegated to management. The Board gives clear directions as to management's power, and periodically reviews the delegations to management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

The Board has delegated specific roles and responsibilities to the Executive, Remuneration, Nomination, and Audit and Risk Management Committees. All the Committees have specific terms of reference clearly defining their powers and responsibilities, and they are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action. Meetings of the Committees are convened as often as necessary and some decisions of the Committees are made by way of passing written resolutions.

## Executive Committee

The Executive Committee was established in 1977 and now consists of all eight Executive Directors and four full time senior executives of the Group. During the year under review, two new members joined the Committee (including one joined following his appointment as an Executive Director and another was appointed by the Board) whereas a member ceased his office following his retirement as an Executive Director. A list of the current members of the Committee and their biographical information are set out on page 2 and pages 140 to 150 respectively.

The Executive Committee meets regularly, usually once every week. It is primarily responsible for formulating business policies, making decisions on key business issues and policies, facilitating the approval of certain corporate actions and exercising the powers and authority delegated by the Board in respect of matters which arise between regularly scheduled Board meetings.

The Board has delegated its responsibilities to the Executive Committee to develop, review and monitor the policies and practices on corporate governance of the Group and make recommendations to the Board, to review and monitor the Company's policies and practices on legal and regulatory compliance, to review and monitor the code of conduct and ethical behaviour applicable to the Directors and employees and the training and continuous professional development of Directors and senior management, and to review the Company's compliance with the Code and disclosures in the corporate governance report.

# Corporate Governance Report

During the year ended 30 June 2016, the Executive Committee oversaw the daily business operations of the Group and made key business decisions. In addition, the Committee reviewed the Company's compliance with the Code and the applicable statutory and regulatory requirements, and the disclosure in this corporate governance report. The attendance records of the members at the Committee meetings held during the year are set out below:

<b>Committee members</b>	<b>Meetings attended/held</b>
Kwok Ping-luen, Raymond	40/42
Wong Chik-wing, Mike	39/42
Lui Ting, Victor	40/42
Kwok Kai-fai, Adam	40/42
Kwok Kai-wang, Christopher <i>(became a member with effect from 26 April 2016)</i>	7/7
Kwong Chun	34/42
Tung Chi-ho, Eric	37/42
Fung Yuk-lun, Allen	35/42
Chow Kwok-yin, Eric	39/42
Wong Chin-wah, Jimmy	36/42
Yung Sheung-tat, Sandy	39/42
Li Ching-kam, Frederick <i>(appointed as a member with effect from 7 October 2015)</i>	30/30
Chan Kwok-wai, Patrick <i>(ceased to act as a member with effect from 12 November 2015)</i>	14/16

## Remuneration Committee

The Remuneration Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director. Other members of the Committee are Dr. Li Ka-cheung, Eric, Mr. Kwan Cheuk-yin, William and Dr. Leung Nai-pang, Norman. All members are Non-Executive Directors and the majority of them are Independent Non-Executive Directors.

The Company has adopted the model to delegate the determination of the remuneration packages of individual Executive Directors to the Remuneration Committee. The Committee is responsible for formulating and recommending remuneration policy to the Board and reviewing and making recommendations on compensation-related issues. The fees for the Directors are subject to the approval of the shareholders at the general meetings in accordance with the Articles of Association. The Committee, with the assistance of the Head of Internal Affairs, consults with the Chairman on its proposals and recommendations if necessary, and also has access to independent professional advice if necessary. The Committee is also provided with sufficient resources enabling it to perform its duties. The Committee's specific terms of reference are posted on the websites of the Company and HKEx.

During the year ended 30 June 2016, the Remuneration Committee reviewed the Directors' fees and the emoluments of the Executive Directors as well as the remuneration package of the newly appointed Executive Director. Particulars of the Directors' emoluments are set out in note 5 to the consolidated financial statements. The Committee held a meeting during the year and the attendance records of the members at the meeting are set out below:

<b>Committee members</b>	<b>Meeting attended/held</b>
Wong Yue-chim, Richard	1/1
Li Ka-cheung, Eric	1/1
Kwan Cheuk-yin, William	1/1
Leung Nai-pang, Norman	1/1

## Nomination Committee and Appointment of Directors

The Nomination Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director. Other members of the Committee are Mr. Kwan Cheuk-yin, William, Mr. Yip Dicky Peter and Dr. Leung Nai-pang, Norman. All members are Non-Executive Directors and the majority of them are Independent Non-Executive Directors.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations and appointment of Directors, and Board succession. The Committee develops selection procedures for candidates, and will consider different criteria including appropriate professional knowledge and industry experience, as well as consult external recruitment professionals when required. The Committee also reviews the size, structure and composition of the Board and assesses the independence of the Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary. The Committee's specific terms of reference are posted on the websites of the Company and HKEx.

During the year ended 30 June 2016, the Nomination Committee reviewed the structure, size and composition of the Board, the retirement and re-election of Directors (including two Independent Non-Executive Directors who have served the Company for more than nine years), and the appointment of an Executive Director. The Committee held a meeting during the year and the attendance records of the members at the meeting are set out below:

<b>Committee members</b>	<b>Meeting attended/held</b>
Wong Yue-chim, Richard	1/1
Kwan Cheuk-yin, William	1/1
Yip Dicky Peter	1/1
Leung Nai-pang, Norman	1/1

All Directors have formal letters of appointment setting out the key terms of their appointments. In accordance with the Articles of Association, new Director appointed by the Board shall hold office until the next following AGM or general meeting of the Company and shall then be eligible for re-election. In addition, one-third of the Directors are required to retire from office by rotation and are eligible for re-election at each AGM and each Director should be subject to retirement by rotation at least once every three years. Non-Executive Directors (including Independent Non-Executive Directors) will be subject to a term of approximately two years commencing from the date of the AGM at which they are re-elected and expiring at the AGM to be held two years thereafter, and they shall be eligible for re-election at that AGM for a like term upon the expiry of their term of office. In addition, when an Independent Non-Executive Director proposed for re-election has served the Company for more than nine years, his or her re-election will be subject to a separate resolution to be approved at the AGM.

## Audit and Accountability

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors also acknowledge their responsibility for preparing the financial statements that give a true and fair view of the Group's financial position on a going-concern basis, and for presenting a balanced, clear and understandable assessments in its annual and interim reports, and other inside information announcements and other financial disclosures. Board members are provided with monthly updates, including contracted property sales updates, projects launched, upcoming projects, leasing updates, financial position and hotel occupancy, which give the Directors a balanced and understandable assessment of the performance, position and prospects of the Group. Management provides all relevant information to the Board, giving the members sufficient explanation and information they need to discharge their responsibilities. A statement by the external auditor of the Company in respect of its reporting responsibilities is set out in the Independent Auditor's Report.

# Corporate Governance Report

## Audit and Risk Management Committee

The Audit Committee was established in 1999. In view of the recent amendments to the Code relating to risk management and internal control, the Board has approved the amendments to the terms of reference of the Audit Committee to include risk management function, and the Audit Committee was renamed as the Audit and Risk Management Committee with effect from 10 June 2016 to reflect its role in risk management. The Committee is chaired by Dr. Li Ka-cheung, Eric, an Independent Non-Executive Director. Other members of the Committee are Mr. Yip Dicky Peter, Mr. Leung Kui-king, Donald and Dr. Leung Nai-pang, Norman, who was appointed as a member with effect from 13 November 2015 in place of Mr. Wong Yick-kam, Michael. After the aforesaid appointment, all members are Independent Non-Executive Directors.

No former partner of the Company's existing auditing firm acted as a member of the Audit and Risk Management Committee within one year from ceasing to be a partner or to have any financial interest in the auditing firm.

The duties of the Audit and Risk Management Committee include:

- reviewing the Group's financial statements and annual reports and accounts, and interim reports before submitting them to the Board;
- reviewing the Group's financial controls, and its risk management and internal control systems;
- ensuring that management has fulfilled its duty to establish and maintain an effective risk management and internal control systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- considering major investigation findings on risk management and internal control matters;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter and questions raised by the external auditor to management, and management's response to such questions;
- reporting to the Board on matters in the code provision under C.3 of the Code;
- meeting with the external auditor to discuss issues regarding audit at least once a year in the absence of management; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters.

The Audit and Risk Management Committee is provided with sufficient resources enabling it to perform its duties. The updated terms of reference of the Committee are posted on the websites of the Company and HKEx.



The Audit and Risk Management Committee held three meetings during the year ended 30 June 2016. It had reviewed the interim and annual results of the Group and discussed and approved the relevant financial reports; reviewed the Group's internal control system, risk assessment result and internal audit activities; and discussed the audit plan for the financial year 2016/17. Two private sessions between the members of the Committee and the external auditor without the presence of the management had been arranged in the aforesaid meetings. The attendance records of the members at the Committee meetings are set out below:

<b>Committee members</b>	<b>Meetings attended/held</b>
Li Ka-cheung, Eric	3/3
Yip Dicky Peter	3/3
Leung Kui-king, Donald	3/3
Leung Nai-pang, Norman <i>(appointed as a member with effect from 13 November 2015)</i>	2/2
Wong Yick-kam, Michael <i>(ceased to act as a member with effect from 13 November 2015)</i>	1/1

There was no disagreement between the Board and the Audit and Risk Management Committee on the selection, appointment, resignation or dismissal of the external auditor.

The Audit and Risk Management Committee monitors the audit and non-audit services rendered to the Group by the external auditor and ensures that the engagement of the external auditor in other non-audit services will not impair its audit independence or objectivity. An independence confirmation has been obtained from the external auditor which confirmed that during the course of its audit on the Company's consolidated financial statements for the year ended 30 June 2016 and thereafter to the date of the annual report, it is independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the external auditor for the year ended 30 June 2016 amounted to approximately HK\$17 million and HK\$6 million respectively. The non-audit services mainly consist of consultancy, taxation, review and other reporting services.

## **Risk Management and Internal Control**

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and stakeholders' interests, as well as for reviewing the effectiveness of the systems. The Board assesses the effectiveness of the risk management and internal control systems through the reviews performed by the Audit and Risk Management Committee, executive management and both internal and external auditors. The Group's internal control system was developed based on the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) principles as follows:

### **(i) Control Environment**

- demonstrates a commitment to integrity and ethical values
- the Board demonstrates independence from management and exercises oversight of the development and performance of internal control
- management establishes, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives
- demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives
- holds individuals accountable for their internal control responsibilities in the pursuit of objectives

# Corporate Governance Report

## **(ii) Risk Assessment**

- specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives
- identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed
- considers the potential for fraud in assessing risks to the achievement of objectives
- identifies and assesses changes that could significantly impact the system of internal control

## **(iii) Control Activities**

- selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels
- selects and develops general control activities over technology to support the achievement of objectives
- deploys control activities through policies that establish what is expected and procedures that put policies into place

## **(iv) Information and Communication**

- obtains or generates and uses relevant, quality information to support the functioning of internal control
- internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control
- communicates with external parties regarding matters affecting the functioning of internal control

## **(v) Monitoring**

- selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning
- evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate

The internal control system aims at safeguarding assets from inappropriate use, maintaining proper accounts and ensuring compliance with regulations. Management is primarily responsible for the design, implementation and maintenance of the internal controls. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. Policies and procedures are laid down for its key business processes and business units covering project development, tendering, sales and leasing, financial reporting, human resources and computer systems.

The Group's Code of Conduct, freely accessible on the Group's intranet, is maintained and communicated to all employees for compliance. In addition, a whistleblowing policy was established for our employees to raise concerns in confidence about suspected misconducts, malpractices or fraudulent activities relating to the Group. The identity of the whistleblower will be treated with the strictest confidence.

The Board reviewed the Group's risk management and internal control systems for the year ended 30 June 2016, including financial, operational and compliance controls. The Board's review includes considering the internal control evaluations conducted by the Audit and Risk Management Committee, executive management and the internal and external auditors. The annual review also considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions.

The Group's Internal Audit Department has been established for more than 20 years and the department has direct access to the Audit and Risk Management Committee. The department has rights to access all records, assets and personnel as stipulated in the Internal Audit Charter. The department follows a risk-based approach to formulate the audit plan. The risks for departments and business units are assessed using the pre-determined risk criteria. The assessment results are consolidated and ranked from an enterprise-wide perspective. The Audit and Risk Management Committee reviews and approves annually the audit plan, which is formulated based on the risk assessment result. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit and Risk Management Committee. The department monitors the follow-up actions agreed upon in response to recommendations.

## Shareholder Relations

The Board established a shareholders' communication policy setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the shareholders are timely, transparent, accurate and open. Information would be communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars) and AGMs, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are also available on the websites of the Company and HKEx. The Company's website provides shareholders with the corporate information, such as principal business activities and major property projects, the development of corporate governance and the corporate social responsibilities of the Group. For efficient communication with shareholders and in the interest of environmental protection, arrangements are made to allow shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website. Text-only versions of the interim reports and annual reports are also available on the websites of the Company and HKEx, which are easier and quicker for downloading by the shareholders.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any queries that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact the share registrar of the Company if they have any enquiries about their shareholdings and entitlements to dividend.

The Company is committed to protecting the privacy right on all personal data collected from shareholders. When collecting personal data from the shareholders, the Company will specify in the relevant documents the purpose of collection and the use of personal data etc. Contact details are also provided to the shareholders for accessing and correcting their personal data.

The AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each substantially separate matter to be considered. Members of the Audit and Risk Management, Remuneration and Nomination Committees and the external auditor also attend the AGM to answer questions from shareholders. Simultaneous interpretation is provided to facilitate smooth and direct communication between shareholders and Directors.

AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken and the share registrar of the Company acts as the scrutineer for the vote-taking at the meeting. Voting results are posted on the websites of the Company and the HKEx on the day of the AGM.

The 2015 AGM was held on 12 November 2015 at the Company's headquarters to transact businesses, including the adoption of audited consolidated financial statements, the approval of final dividend, the re-election of Directors, the re-appointment of auditor, the renewal of general mandates with respect to the buy-back of shares and issue of shares, and the adoption of new Articles of Association. There was a strong participation by the shareholders at the 2015 AGM where the Directors answered various questions relating to the Company raised by the shareholders.

# Corporate Governance Report

The attendance records of the Directors at the 2015 AGM are set out below:

Directors	AGM attended
<b>Executive Directors</b>	
Kwok Ping-luen, Raymond	✓
Wong Chik-wing, Mike	✓
Lui Ting, Victor	✓
Kwok Kai-fai, Adam	✓
Kwong Chun	✓
Tung Chi-ho, Eric	✓
Fung Yuk-lun, Allen	✓
Chan Kwok-wai, Patrick	✓
<i>(retired with effect from 12 November 2015)</i>	
<b>Non-Executive Directors</b>	
Lee Shau-kee	x
Woo Po-shing	x
Kwan Cheuk-yin, William	✓
Wong Yick-kam, Michael	x
<i>(resigned with effect from 13 November 2015)</i>	
<b>Independent Non-Executive Directors</b>	
Yip Dicky Peter	✓
Wong Yue-chim, Richard	✓
Li Ka-cheung, Eric	✓
Fung Kwok-lun, William	x
Leung Nai-pang, Norman	✓
Leung Kui-king, Donald	✓
Leung Ko May-yee, Margaret	x

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can send a request to the Company to convene a general meeting pursuant to Section 566 of the Companies Ordinance. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form.

Besides, Section 615 of the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company who have a right to vote on the resolution at the AGM or (ii) at least 50 shareholders who have a right to vote on the resolution at the AGM may request the Company to circulate a notice of a resolution for consideration at the AGM. Such request must identify the resolution to be moved at the AGM and must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form not later than six weeks before the relevant AGM or if later, the time when the notice of the AGM is despatched.

The latest version of the Articles of Association, which was adopted by special resolution passed by the shareholders of the Company at the AGM held on 12 November 2015 for alignment with the Companies Ordinance, is available on the websites of the Company and HKEx.

# Directors' Report

The Directors present their report for the year ended 30 June 2016:

## Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the Group are the development of and investment in properties for sale and rent, hotel operation, telecommunications, transport infrastructure and logistics. Other ancillary and supporting businesses, which are described under principal subsidiaries, joint ventures and associates on pages 204 to 212, are integrated with the main business of the Group. An analysis of the Group's performance for the year by reportable and operating segments in business operation and geographical area is set out in note 2 to the consolidated financial statements.

## Business Review

A fair review of the Group's business, an indication of its likely future development and an analysis of it using financial key performance indicators as well as particulars of important events affecting the Group that have occurred since the end of the year ended 30 June 2016 (if any) are provided in the sections headed "Financial Highlights and Land Bank", "Group Financial Summary", "Chairman's Statement", "Business Model and Strategic Direction", "Review of Operations" and "Financial Review" on pages 4 to 91. A discussion on the Group's environmental policies and performance and an account of the Group's key relationships with its stakeholders are included in the sections headed "Investor Relations" and "Sustainable Development" on pages 92 to 101 and the standalone Sustainability Report. The above discussions form part of this report.

The Residential Properties (First-hand Sales) Ordinance regulates the sales of first-hand uncompleted and completed residential properties in Hong Kong, with a view to enhancing the transparency, fairness and consumer protection of the sales of first-hand residential properties. The Group takes particular care to comply with the requirements of the Ordinance in relation to sales brochures, price lists, show flats, disclosure of transaction information, advertisements, sales arrangements, and mandatory provisions for preliminary agreement for sale and purchase and agreement for sale and purchase for the sales of first-hand residential properties, not only through established internal procedures, but also by engaging external professional advisors including architects, surveyors and solicitors in the checking of the accuracy of the information contained in the relevant documents made available to the public in connection with such sales.

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees, tenants and purchasers of its properties, members of the SHKP Club and owners of properties under its management.

On the corporate level, the Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

# Directors' Report

## Key Risk Factors

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this Annual Report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

### *Risks Pertaining to the Property Market in Hong Kong*

A substantial part of the Group's property portfolio is located in Hong Kong, and a substantial part of the Group's revenue is derived in Hong Kong. As a result, the general state of the economy and the property market, legislative and regulatory changes, government policies and political conditions, interest rate changes, labour market and availability of financing in Hong Kong have a significant impact on the Group's operating results and financial conditions. For instance, profitability of property development business may be affected due to deteriorating economic conditions or intense competition from other developers and property owners. The government may introduce property cooling measures from time to time, which may have a significant bearing on the property market and adversely affect the Group's property sales performance, and financial condition. Further growth of the Group's property development business may also be impacted by the supply and price levels of land in Hong Kong.

Rental levels in Hong Kong are subject to competition arising from supply in the primary sector. In addition to the economic and market conditions mentioned above, other domestic and external economic factors including but not limited to supply and demand conditions, and stock market performance may affect the Group's property investment business.

### *Risks Pertaining to the Property Market on the Mainland*

The Group has material interests in residential and commercial property development and property investment on the mainland and is therefore subject to the risks associated with China's property market. The Group's operations on the mainland may also be exposed to the risks of policy changes, interest rate changes, demand-supply imbalance, and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations.

### *Operational Risks*

The Group's operation is subject to a number of risk factors distinctive to property development, property investment, and property related businesses. Default on the part of our buyers, tenants and strategic business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation.

### *Past Performance and Forward-Looking Statements*

The performance and the results of operation of the Group as set out in this Annual Report are historical in nature and past performance is not a guarantee of future performance. This Annual Report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligations to correct or update the forward-looking statements or opinions contained in this Annual Report; and (b) any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

## Group Profits

Profit after taxation for the year ended 30 June 2016, including share of results from joint ventures and associates, amounted to HK\$33,396 million (2015: HK\$32,364 million). After taking non-controlling interests into account, profit attributable to the Company's shareholders was HK\$32,666 million (2015: HK\$31,082 million).

## Dividends

An interim dividend of HK\$1.05 per share (2015: HK\$0.95 per share) was paid on 22 March 2016. The Board of Directors of the Company (the "Board") has recommended a final dividend of HK\$2.80 per share (2015: HK\$2.40 per share), making a total dividend of HK\$3.85 per share for the full year ended 30 June 2016 (2015: HK\$3.35 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Wednesday, 9 November 2016 (the "2016 Annual General Meeting"), will be payable on Thursday, 24 November 2016 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 16 November 2016. Shares of the Company will be traded ex-dividend as from Monday, 14 November 2016.

## Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2016.

## Shares Issued

During the year, the Company has issued shares as follows:

- (i) 846,000 shares (2015: 3,677,000 shares), fully paid, were issued for the total consideration of HK\$93 million (2015: HK\$408 million) as a result of the exercise of share options under the share option schemes of the Company; and
- (ii) 18,435,169 shares (2015: 146,902,747 shares), fully paid, were issued for the total consideration of HK\$1,817 million (2015: HK\$14,485 million) as a result of the exercise of warrants issued by the Company.

Details of the shares issued by the Company during the year are shown in note 26 to the consolidated financial statements and on page 157 respectively.

## Reserves

Movements in the reserves of the Company and the Group during the year are shown in note 28 to the consolidated financial statements and on page 157 respectively.

## Fixed Assets

Movements in fixed assets during the year are shown in notes 10 and 11 to the consolidated financial statements.

## Group Financial Summary

The results, assets and liabilities of the Group for the last five years are summarized on page 6.

# Directors' Report

## Development and Investment Properties

Particulars of major development and investment properties in Hong Kong held by the Group are set out on pages 38 and 39, and pages 50 and 51 respectively; and particulars of major development and investment properties on the mainland held by the Group are set out on pages 64 and 65, and page 72 respectively.

## Directors

The list of Directors and their biographical information are set out on page 2, and pages 140 to 149 respectively.

During the year, Mr. Chan Kwok-wai, Patrick retired as an Executive Director of the Company by rotation at the annual general meeting of the Company held on 12 November 2015 (the "2015 Annual General Meeting") and resigned as the Chief Financial Officer of the Company with effect from 1 January 2016. Mr. Wong Yick-kam, Michael resigned as a Non-Executive Director of the Company with effect from 13 November 2015. In addition, Mr. Kwok Kai-wang, Christopher was appointed as an Executive Director of the Company with effect from 26 April 2016. All other Directors held office for the whole year.

In accordance with Article 93 of the Company's articles of association (the "Articles of Association"), Mr. Kwok Kai-wang, Christopher, who was appointed as an additional Director of the Company by the Board after the 2015 Annual General Meeting, will hold office until the 2016 Annual General Meeting and, being eligible, has offered himself for re-election.

In addition, in accordance with Article 103(A) of the Articles of Association, Mr. Kwok Ping-luen, Raymond, Dr. Lee Shau-kee, Mr. Wong Chik-wing, Mike, Mr. Yip Dicky Peter, Professor Wong Yue-chim, Richard, Dr. Fung Kwok-lun, William, Dr. Leung Nai-pang, Norman, Mr. Leung Kui-king, Donald and Mr. Kwan Cheuk-yin, William will retire from office and, being eligible, have offered themselves for re-election at the 2016 Annual General Meeting. Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard, both Independent Non-Executive Directors, have served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Listing Rules, their re-election will be subject to separate resolutions to be approved at the 2016 Annual General Meeting.

None of the above Directors proposed for re-election has a service agreement with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

The Company has received from each Independent Non-Executive Director a confirmation of his or her independence pursuant to the independence guidelines under the Listing Rules, and considers that all the Independent Non-Executive Directors are independent.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at [www.shkp.com](http://www.shkp.com) under the "Corporate Governance" section.



## Directors' and Chief Executives' Interests

As at 30 June 2016, the interests and short positions of the Directors and chief executives 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 SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

### 1. Long positions in shares and underlying shares of the Company

Name of Director	Number of shares held				Sub-total	Number of underlying shares held under equity derivatives <sup>1</sup>	Total	% of issued voting shares as at 30.06.2016
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	188,743	–	–	510,342,186 <sup>2,6</sup>	510,530,929	–	510,530,929	17.63
Lee Chau-kee	526,868	–	58,607,000 <sup>3</sup>	–	59,133,868	–	59,133,868	2.04
Wong Chik-wing, Mike	317,695	–	–	–	317,695	–	317,695	0.01
Lui Ting, Victor	60,000	–	–	–	60,000	100,000	160,000	0.01
Wong Yue-chim, Richard	–	1,000 <sup>4</sup>	–	–	1,000	–	1,000	0.00
Li Ka-cheung, Eric	–	4,028 <sup>4</sup>	–	–	4,028	–	4,028	0.00
Fung Kwok-lun, William	220,000	9,739 <sup>4</sup>	–	–	229,739	–	229,739	0.01
Leung Nai-pang, Norman	–	10,833 <sup>4</sup>	–	–	10,833	–	10,833	0.00
Leung Kui-king, Donald	–	2,000 <sup>4</sup>	–	–	2,000	–	2,000	0.00
Leung Ko May-yee, Margaret	15,372	–	–	–	15,372	–	15,372	0.00
Woo Po-shing	1,540,913	–	–	–	1,540,913	–	1,540,913	0.05
Kwok Kai-fai, Adam	9,000	–	–	635,777,747 <sup>5,6,8,7</sup>	635,786,747	23,000	635,809,747	21.96
Kwok Kai-wang, Christopher	110,000 <sup>8</sup>	60,000 <sup>4</sup>	–	637,295,601 <sup>2,6,8,7</sup>	637,465,601	–	637,465,601	22.02
Kwong Chun	762,722	339,358 <sup>4</sup>	–	–	1,102,080	–	1,102,080	0.04
Tung Chi-ho, Eric	–	–	–	–	–	100,000	100,000	0.00
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	9,000	–	–	637,295,601 <sup>2,6,8,7</sup>	637,304,601	23,000	637,327,601	22.01
Woo Ka-biu, Jackson (Alternate Director to Woo Po-shing)	–	1,000 <sup>4</sup>	–	–	1,000	–	1,000	0.00

# Directors' Report

## Notes:

1. *These underlying shares held under equity derivatives represented the share options granted by the Company (being regarded for the time being as unlisted physically settled equity derivatives). Details of the share options are set out in the section headed "Share Option Schemes" below.*
2. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 510,342,186 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*
3. *Dr. Lee Shau-kee was deemed to be interested in the 58,607,000 shares in the Company held through Superfun Enterprises Limited ("Superfun") and Kinnox Investment Limited ("Kinnox"). Superfun was wholly-owned by The Hong Kong and China Gas Company Limited ("HK China Gas") which was 41.52% held by Henderson Land Development Company Limited ("Henderson Land"). Henderson Land was taken to be 72.27% held by Henderson Development Limited ("Henderson Development"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust owned all the issued ordinary shares of Henderson Development. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as respective trustees of two discretionary trusts held units in this unit trust. Kinnox was wholly-owned by Financial Enterprise Investments Limited ("Financial Enterprise") which was wholly-owned by Shau Kee Financial Enterprises Limited ("SK Financial"). Lee Financial (Cayman) Limited ("Lee Financial") as trustee of another unit trust owned all the issued shares of SK Financial. Leeworld (Cayman) Limited ("Leeworld") and Leesons (Cayman) Limited ("Leesons") as respective trustees of another two discretionary trusts held units in this unit trust. The entire issued share capital of Hopkins, Rimmer, Riddick, Lee Financial, Leeworld and Leesons were owned by Dr. Lee Shau-kee. He was taken to be interested in the 58,607,000 shares in the Company held by Superfun and Kinnox by virtue of Part XV of the SFO.*
4. *These shares in the Company were held by the spouse of the Director concerned.*
5. *Mr. Kwok Kai-fai, Adam was deemed to be interested in 508,824,332 shares in the Company by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.*
6. *Of the said 510,342,186 shares and 508,824,332 shares in the Company as stated in Notes 2 and 5 above respectively, Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 62,584,223 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*
7. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were also deemed to be interested in 126,953,415 shares in the Company by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*
8. *These shares in the Company were held jointly with the spouse of Mr. Kwok Kai-wang, Christopher.*

## 2. Long positions in shares and underlying shares of associated corporations of the Company

### (a) SUNeVision Holdings Ltd. ("SUNeVision")

Name of Director	Number of shares held			Sub-total	Number of underlying shares held under equity derivatives <sup>1</sup>	Total	% of issued voting shares as at 30.06.2016
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests				
Kwok Ping-luen, Raymond	–	–	3,485,000 <sup>2&amp;3</sup>	3,485,000	–	3,485,000	0.15
Wong Chik-wing, Mike	218,000	–	–	218,000	–	218,000	0.01
Lui Ting, Victor	356	–	–	356	–	356	0.00
Leung Nai-pang, Norman	41,000	142 <sup>4</sup>	–	41,142	–	41,142	0.00
Leung Ko May-yee, Margaret	1,000	2,000 <sup>4</sup>	–	3,000	–	3,000	0.00
Kwok Kai-fai, Adam	–	–	11,927,658 <sup>2&amp;5</sup>	11,927,658	–	11,927,658	0.51
Kwok Kai-wang, Christopher	–	–	13,272,658 <sup>2,3&amp;5</sup>	13,272,658	–	13,272,658	0.57
Kwong Chun	600,000	–	–	600,000	–	600,000	0.03
Fung Yuk-lun, Allen	–	–	–	–	4,000,000	4,000,000	0.17
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	–	–	13,272,658 <sup>2,3&amp;5</sup>	13,272,658	–	13,272,658	0.57

#### Notes:

1. These underlying shares held under equity derivatives represented the share options granted by SUNeVision (being regarded for the time being as unlisted physically settled equity derivatives). Details of the share options are set out in the section headed "Share Option Schemes" below.
2. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 2,140,000 shares in SUNeVision by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.
3. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were also deemed to be interested in 1,345,000 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.
4. These shares in SUNeVision were held by the spouse of the Director concerned.
5. Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 9,787,658 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.

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## (b) SmarTone Telecommunications Holdings Limited ("SmarTone")

Name of Director	Number of shares held			Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 30.06.2016
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	–	–	4,639,434 <sup>1</sup>	4,639,434	–	4,639,434	0.43
Lee Shau-kee	–	546,000 <sup>2</sup>	–	546,000	–	546,000	0.05
Kwok Kai-fai, Adam	–	–	6,155,399 <sup>3</sup>	6,155,399	–	6,155,399	0.57
Kwok Kai-wang, Christopher	–	–	10,794,833 <sup>1&amp;3</sup>	10,794,833	–	10,794,833	1.00
Fung Yuk-lun, Allen	252,841	–	–	252,841	–	252,841	0.02
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	–	–	10,794,833 <sup>1&amp;3</sup>	10,794,833	–	10,794,833	1.00

### Notes:

- Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 4,639,434 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.
- Dr. Lee Shau-kee was deemed to be interested in 546,000 shares in SmarTone held through Good Treasure Limited ("Good Treasure"). Good Treasure was wholly-owned by Financial Enterprise Group Limited, which was a wholly-owned subsidiary of Furnline Limited. Furnline Limited was wholly-owned by Jetwin International Limited ("Jetwin"). Triton (Cayman) Limited ("Triton") as trustee of a unit trust owned all the issued shares of Jetwin. Victory (Cayman) Limited ("Victory") and Triumph (Cayman) Limited ("Triumph") as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Triton, Victory and Triumph were owned by Dr. Lee Shau-kee. He was taken to be interested in the 546,000 shares in SmarTone held by Good Treasure by virtue of Part XV of the SFO.
- Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 6,155,399 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.

(c) **Transport International Holdings Limited (“Transport International”)**

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 30.06.2016
	Personal interests (held as beneficial owner)	Sub-total			
Kwok Ping-luen, Raymond	411,015 <sup>1</sup>	411,015	–	411,015	0.10

Note:

1. Of these shares in Transport International, 407,750 shares were held jointly with the spouse of Mr. Kwok Ping-luen, Raymond.

(d) **RoadShow Holdings Limited (“RoadShow”)**

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 30.06.2016
	Personal interests (held as beneficial owner)	Sub-total			
Kwok Ping-luen, Raymond	37,400 <sup>1</sup>	37,400	–	37,400	0.00

Note:

1. These shares in RoadShow were held jointly with the spouse of Mr. Kwok Ping-luen, Raymond.

(e) **Each of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward had the following interests in shares of the following associated corporations:**

Name of associated corporation	Attributable shares held through corporation	Attributable % of issued voting shares held through corporation as at 30.06.2016	Actual shares held through corporation	Actual % of interests in issued voting shares as at 30.06.2016
Splendid Kai Limited	2,500	25.00	1,500 <sup>1</sup>	15.00
Hung Carom Company Limited	25	25.00	15 <sup>1</sup>	15.00
Tinyau Company Limited	1	50.00	1 <sup>1</sup>	50.00
Open Step Limited	8	80.00	4 <sup>1</sup>	40.00

Note:

1. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in these shares by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.

# Directors' Report

(f) **Dr. Lee Shau-kee had the following corporate interests in shares of the following associated corporations:**

Name of associated corporation	Total number of shares held	% of issued voting shares as at 30.06.2016
Anbok Limited	2 <sup>2</sup>	50.00
Billion Ventures Limited	1 <sup>3</sup>	50.00
Central Waterfront Property Holdings Limited	100 <sup>4</sup>	100.00
Central Waterfront Property Investment Holdings Limited	50 <sup>5</sup>	50.00
CWP Limited	1 <sup>6</sup>	50.00
Daily Win Development Limited	100 <sup>7</sup>	25.00
E Man – Sanfield JV Construction Company Limited	1 <sup>8</sup>	50.00
Everise (H.K.) Limited	1 <sup>9</sup>	50.00
Fullwise Finance Limited	2 <sup>2</sup>	50.00
Gold Sky Limited	1 <sup>10</sup>	50.00
Jade Land Resources Limited	1 <sup>11</sup>	25.00
Karnold Way Limited	2,459 <sup>12</sup>	24.59
Maxfine Development Limited	3,050 <sup>13</sup>	33.33
Royal Peninsula Management Service Company Limited	1 <sup>14</sup>	50.00
Special Concept Development Limited	1 <sup>11</sup>	25.00
Star Play Development Limited	1 <sup>15</sup>	33.33
System Link Development Limited	2 <sup>16</sup>	50.00
Tartar Investments Limited	300 <sup>17</sup>	30.00
Teamfield Property Limited	4,918 <sup>18</sup>	49.18
Topcycle Development Limited	1 <sup>19</sup>	50.00
World Space Investment Limited	4,918 <sup>18</sup>	49.18

Notes:

1. Dr. Lee Shau-kee was deemed to be interested in the 58,607,000 shares in the Company held through Superfun and Kinnox. Superfun was wholly-owned by HK China Gas which was 41.52% held by Henderson Land. Henderson Land was taken to be 72.27% held by Henderson Development. Hopkins as trustee of a unit trust owned all the issued ordinary shares of Henderson Development. Rimmer and Riddick as respective trustees of two discretionary trusts held units in this unit trust. Kinnox was wholly-owned by Financial Enterprise which was wholly-owned by SK Financial. Lee Financial as trustee of another unit trust owned all the issued shares of SK Financial. Leeworld and Leesons as respective trustees of another two discretionary trusts held units in this unit trust. The entire issued share capital of Hopkins, Rimmer, Riddick, Lee Financial, Leeworld and Leesons were owned by Dr. Lee Shau-kee. He was taken to be interested in the 58,607,000 shares in the Company held by Superfun and Kinnox by virtue of Part XV of the SFO.
2. Dr. Lee Shau-kee was deemed to be interested in the two shares held through Everise (H.K.) Limited which was 50% held by Masterland Limited ("Masterland").
3. Dr. Lee Shau-kee was deemed to be interested in the one share held through Chico Investment Limited ("Chico").
4. Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Central Waterfront Property Investment Holdings Limited which was 34.21% held by Starland International Limited ("Starland").
5. Dr. Lee Shau-kee was deemed to be interested in a total of 50 shares of which 34.21 shares were held through Starland and 15.79 shares were held through Prominence Properties Limited which was wholly-owned by HK China Gas. HK China Gas was 41.52% held by Henderson Land.

6. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Starland.*
7. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Citiright Development Limited.*
8. *Dr. Lee Shau-kee was deemed to be interested in the one share held through E Man Construction Company Limited.*
9. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Masterland.*
10. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Atex Resources Limited which was wholly-owned by Mightymark Investment Limited.*
11. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Citiplus Limited.*
12. *Dr. Lee Shau-kee was deemed to be interested in the 2,459 shares held through Chico.*
13. *Dr. Lee Shau-kee was deemed to be interested in the 3,050 shares held through Quickcentre Properties Limited, a wholly-owned subsidiary of Henderson (China) Investment Company Limited which in turn was wholly-owned by Andco Limited. Andco Limited was a wholly-owned subsidiary of Henderson China Holdings Limited which was wholly-owned by Brightland Enterprises Limited.*
14. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Well Born Real Estate Management Limited.*
15. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Benewick Limited which was wholly-owned by Dorway Investment Limited.*
16. *Dr. Lee Shau-kee was deemed to be interested in the two shares held through Mightymark Investment Limited.*
17. *Dr. Lee Shau-kee was deemed to be interested in the 300 shares held through Kenforce Investment Limited which was wholly-owned by Henderson China Properties Limited.*
18. *Dr. Lee Shau-kee was deemed to be interested in the 4,918 shares held through Billion Ventures Limited which was 50% held by Chico.*
19. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Dandy Investments Limited.*
20. *Masterland, Chico, Starland and companies mentioned in Notes 7, 8, 10, 11, 13 to 17 and 19 above were wholly-owned subsidiaries of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1 above.*

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executives of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations that were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or that were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# Directors' Report

## Share Option Schemes

### 1. Share option schemes of the Company

On 5 December 2002, the Company adopted a share option scheme (the "Old Scheme"). Under the Old Scheme, the Board shall be entitled at any time within ten years commencing on 5 December 2002 to make an offer for the grant of a share option to any employee as the Board may in its absolute discretion select. Due to the expiry of the Old Scheme on 5 December 2012 and in order to ensure continuity of a share option scheme for the Company to incentivize its employees, the Shareholders at the annual general meeting of the Company held on 15 November 2012 passed an ordinary resolution to approve the adoption of a new share option scheme (the "New Scheme") and the termination of the Old Scheme.

Following the termination of the Old Scheme, no further share options can be granted under the Old Scheme but the provisions of the Old Scheme remain in full force and effect in all other respects in relation to the share options granted under the Old Scheme. All outstanding share options granted under the Old Scheme and yet to be exercised shall remain valid.

During the year ended 30 June 2016, no share options were granted under the New Scheme. Particulars of the outstanding share options granted under the Old Scheme and the New Scheme and their movements during the year ended 30 June 2016 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period <sup>1</sup>	Number of share options					Closing price per share (HK\$)
				Balance as at 01.07.2015	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2016	
<b>(I) Old Scheme</b>									
<b>(i) Directors</b>									
Wong Chik-wing, Mike	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	-	(100,000)	-	-	123.30 <sup>2</sup>
Lui Ting, Victor	11.07.2012	96.15	11.07.2013 to 10.07.2017	100,000	-	-	-	100,000	N/A
Chan Kwok-wai, Patrick <i>(retired as a Director on 12 November 2015)</i>	11.07.2011	116.90	11.07.2012 to 10.07.2016	100,000	-	-	(100,000) <sup>3</sup>	-	N/A
<b>(ii) Associate of a Director</b>	12.07.2010	111.40	12.07.2011 to 11.07.2015	6,000	-	(6,000)	-	-	115.10 <sup>2</sup>
<b>(iii) Other employees</b>	12.07.2010	111.40	12.07.2011 to 11.07.2015	660,000	-	(660,000)	-	-	119.39 <sup>2</sup>
	11.07.2011	116.90	11.07.2012 to 10.07.2016	1,088,000	-	-	-	1,088,000	N/A
	11.07.2012	96.15	11.07.2013 to 10.07.2017	862,000	-	(56,000)	(29,000)	777,000	119.51 <sup>2</sup>



Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period <sup>1</sup>	Number of share options				Balance as at 30.06.2016	Closing price per share (HK\$)
				Balance as at 01.07.2015	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
<b>(II) New Scheme</b>									
<b>(i) Directors</b>									
Kwok Kai-fai, Adam	12.07.2013	102.30	12.07.2014 to 11.07.2018	23,000	–	–	–	23,000	N/A
Tung Chi-ho, Eric	11.07.2014	106.80	11.07.2015 to 10.07.2019	100,000	–	–	–	100,000	N/A
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	12.07.2013	102.30	12.07.2014 to 11.07.2018	23,000	–	–	–	23,000	N/A
<b>(ii) Other employees</b>									
	12.07.2013	102.30	12.07.2014 to 11.07.2018	851,000	–	(22,000)	(32,000)	797,000	121.29 <sup>2</sup>
	11.07.2014	106.80	11.07.2015 to 10.07.2019	980,000	–	(2,000)	(6,000)	972,000	119.80 <sup>2</sup>
<b>Total</b>				4,893,000	–	(846,000)	(167,000)	3,880,000	

Notes:

1. The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
2. This represented the weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised.
3. Mr. Chan Kwok-wai, Patrick retired as a Director of the Company by rotation at the 2015 Annual General Meeting and resigned as the Chief Financial Officer of the Company with effect from 1 January 2016.
4. The accounting policy adopted for the share options is set out in note 1(t) to the consolidated financial statements.

Save as disclosed above, there were no outstanding share options granted under the Old Scheme and the New Scheme during the year ended 30 June 2016.

# Directors' Report

The major terms of the Old Scheme and the New Scheme (collectively the "Schemes"), in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The purpose of the Schemes is to attract and retain the best quality personnel for the development of the Company's businesses, to provide additional incentives to the employees of the Company or any of its subsidiaries, and to promote the long term financial success of the Company by aligning the interests of the grantees to the Shareholders.
2. The participants of the Schemes are the employees of the Company or any of its subsidiaries (including any Executive Directors of the Company or any of its subsidiaries) as the Board may in its absolute discretion select.
3. The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Schemes and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the respective dates of approval of each of the Schemes. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. Following the termination of the Old Scheme, no further share options can be granted under the Old Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. As at 8 September 2016, the number of shares of the Company available for issue in respect thereof was 254,945,604 shares, representing approximately 8.81% of the issued shares of the Company.

4. The total number of shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) granted under the Schemes in any 12-month period to each grantee must not exceed 1% of the shares of the Company in issue.
5. The exercise period of any share option granted under the Schemes shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.
6. The Schemes do not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.
7. The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK\$1.00 from each grantee.
8. The exercise price of a share option to subscribe for shares of the Company shall not be less than the following prices, whichever is higher:
  - the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
  - the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.
9. The Old Scheme was terminated on 15 November 2012 and all outstanding share options granted under the Old Scheme and yet to be exercised shall remain valid. The New Scheme shall be valid and effective for a period of ten years commencing on the adoption of the New Scheme on 15 November 2012.

## 2. Share option schemes of the subsidiaries

### (I) SUNeVision

On 3 December 2002, SUNeVision adopted a share option scheme which became effective on 5 December 2002 (the "SUNeVision Old Scheme").

At the extraordinary general meeting of SUNeVision held on 1 November 2011, an ordinary resolution was passed by the shareholders of SUNeVision (the "SUNeVision Shareholders") for approving the adoption of a new share option scheme (the "SUNeVision Proposed Scheme") in contemplation of the transfer of listing of the shares in SUNeVision to the Main Board of the Stock Exchange then proposed and the termination of the SUNeVision Old Scheme when the SUNeVision Proposed Scheme became effective. Since SUNeVision did not proceed with the application for the transfer of listing of its shares (as announced by it on 10 June 2012), not all the conditions to which the SUNeVision Proposed Scheme was subject were fulfilled and the SUNeVision Proposed Scheme therefore did not take effect. Consequently, the SUNeVision Proposed Scheme can no longer be implemented as originally contemplated and no share options have been and will be granted under the SUNeVision Proposed Scheme.

Due to the expiry of the SUNeVision Old Scheme on 3 December 2012, the SUNeVision Shareholders approved the adoption of a new share option scheme (the "SUNeVision New Scheme") and the termination of the SUNeVision Old Scheme at the annual general meeting of SUNeVision held on 1 November 2012. The adoption of the SUNeVision New Scheme and the termination of the SUNeVision Old Scheme became effective on 15 November 2012 following the passing of an ordinary resolution approving the same by the Shareholders at the annual general meeting of the Company held on 15 November 2012. No share options can be granted under the SUNeVision Old Scheme upon its termination.

During the year ended 30 June 2016, SUNeVision granted 14,600,000 share options under the SUNeVision New Scheme on 8 March 2016. Particulars of the outstanding share options granted under the SUNeVision New Scheme and their movements during the year ended 30 June 2016 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period <sup>1</sup>	Number of share options				Balance as at 30.06.2016	Closing price per share (HK\$)
				Balance as at 01.07.2015	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year		
<b>SUNeVision New Scheme</b>									
(i) Directors of SUNeVision	08.03.2016	2.45	08.03.2017 to 07.03.2021	N/A	8,000,000	–	–	8,000,000	2.44 <sup>2</sup>
(ii) Other employees of SUNeVision	08.03.2016	2.45	08.03.2017 to 07.03.2021	N/A	6,600,000	–	–	6,600,000	2.44 <sup>2</sup>
<b>Total</b>				N/A	14,600,000	–	–	14,600,000	

Notes:

- The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
- This represented the closing price of the shares of SUNeVision immediately before the date on which the share options were granted.

Save as disclosed above, there were no outstanding share options granted under the SUNeVision Old Scheme and the SUNeVision New Scheme during the year ended 30 June 2016.

# Directors' Report

The fair values of the share options granted by SUNeVision were determined by using the Black-Scholes model which is one of the models to estimate the fair value of a share option. The total value of the share options granted on 8 March 2016 under the SUNeVision New Scheme amounting to approximately HK\$5,988,000 was estimated based on the following variables and assumptions:

Risk free interest rate	1.14% <sup>1</sup>
Expected volatility	28.27% <sup>2</sup>
Expected dividend yield	5.02% <sup>3</sup>
Expected life of the share options	5 years <sup>4</sup>

Notes:

1. This represented the approximate yield of 5-year Exchange Fund Note traded on 8 March 2016.
2. This represented the annualized volatility of the closing price of the shares of SUNeVision in the year preceding the date of grant.
3. This represented the yield of the expected dividend, being the historical dividend of the shares of SUNeVision in the year preceding the date of grant.
4. This was based on the assumption that there was no material difference between the expected volatility over the whole life of the share options and the historical volatility of the shares of SUNeVision in the year preceding the date of grant.

The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

The major terms of the SUNeVision New Scheme are as follows:

1. The purpose of the SUNeVision New Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the SUNeVision group and to provide SUNeVision with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as the board of SUNeVision may approve from time to time.
2. The participants of the SUNeVision New Scheme include (i) any executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the SUNeVision group; (ii) any consultants, professional and other advisers to each member of the SUNeVision group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of SUNeVision; (iv) any associates of a director, chief executive or substantial shareholder of SUNeVision; and (v) any employees of the substantial shareholder of SUNeVision, provided that the board of SUNeVision shall have absolute discretion to determine whether or not one falls within the above categories.

3. The total number of shares of SUNeVision which may be issued upon exercise of all share options to be granted under the SUNeVision New Scheme and any other share option schemes of SUNeVision shall not in aggregate exceed 10% of the total number of shares of SUNeVision in issue as at the date of approval of the SUNeVision New Scheme by the SUNeVision Shareholders. The 10% limit may be refreshed with the approval of the SUNeVision Shareholders in general meeting. The maximum number of shares of SUNeVision which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SUNeVision New Scheme and any other share option schemes of SUNeVision must not exceed 30% of the total number of shares of SUNeVision in issue from time to time (or such higher percentage as may be allowed under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange). As at 8 September 2016, the number of shares of SUNeVision available for issue under the SUNeVision New Scheme was 232,222,953 shares, representing approximately 10% of the issued shares of SUNeVision.
4. The total number of shares of SUNeVision issued and to be issued upon exercise of the share options granted under the SUNeVision New Scheme and any other share option schemes of SUNeVision to each participant (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the total number of shares of SUNeVision in issue.
5. A share option granted under the SUNeVision New Scheme may be exercised at any time during the option period after the share option has been granted by the board of SUNeVision. A share option period is a period to be determined by the board of SUNeVision at its absolute discretion and notified by the board of SUNeVision to each grantee as being the period during which a share option may be exercised, such period shall not be longer than ten years from the date of grant of the share option.
6. Unless otherwise determined by the board of SUNeVision and specified in the offer letter at the time of the offer, there is neither any performance target that needs to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised.
7. The acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
8. The exercise price of a share option to subscribe for shares of SUNeVision shall be at least the highest of:
  - the closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;
  - the average closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made to a participant; and
  - the nominal value of the shares of SUNeVision.
9. The SUNeVision New Scheme shall be valid and effective for a period of ten years commencing on the day on which the SUNeVision New Scheme takes effect.

# Directors' Report

## (II) SmarTone

SmarTone operates the following two share option schemes:

- (1) share option scheme adopted and became effective on 15 November 2002, and terminated on 8 December 2011 (the "SmarTone Old Scheme"); and
- (2) share option scheme adopted on 2 November 2011 and became effective on 8 December 2011 (the "SmarTone New Scheme").

Pursuant to the terms of the SmarTone Old Scheme and the SmarTone New Scheme (collectively the "SmarTone Schemes"), SmarTone granted or may grant share options to the participants, including directors and employees of SmarTone group, to subscribe for shares of SmarTone. No further share options can be granted under the SmarTone Old Scheme upon its termination. However, for the outstanding share options granted and yet to be exercised under the SmarTone Old Scheme, the existing rights of the grantees are not affected.

During the year ended 30 June 2016, no share options were granted under the SmarTone New Scheme. Particulars of the outstanding share options granted under the SmarTone Schemes and their movements during the year ended 30 June 2016 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period <sup>1</sup>	Number of share options				Balance as at 30.06.2016	Closing price per share (HK\$)
				Balance as at 01.07.2015	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
<b>(I) SmarTone Old Scheme</b>									
(i) Directors of SmarTone	13.06.2011	12.78	13.06.2012 to 12.06.2016	13,400,000	-	(3,950,000)	(9,450,000)	-	13.52 <sup>2</sup>
(ii) Other employees of SmarTone	13.06.2011	12.78	13.06.2012 to 12.06.2016	9,378,500	-	(6,703,500)	(2,675,000)	-	13.42 <sup>2</sup>
	30.11.2011	13.02	30.11.2012 to 29.11.2016	277,500	-	-	-	277,500	N/A
<b>(II) SmarTone New Scheme</b>									
(i) Other employees of SmarTone	30.12.2011	13.52	30.12.2012 to 29.12.2016	112,500	-	-	(37,500)	75,000	N/A
<b>Total</b>				<b>23,168,500</b>	<b>-</b>	<b>(10,653,500)</b>	<b>(12,162,500)</b>	<b>352,500</b>	

Notes:

1. The share options can be exercised up to one-third of the grant from the first anniversary of the date of grant, up to two-thirds of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
2. This represented the weighted average closing price of the shares of SmarTone immediately before the date on which the share options were exercised.

Save as disclosed above, there were no outstanding share options granted under the SmarTone Schemes during the year ended 30 June 2016.

The major terms of the SmarTone Schemes, in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The purpose of the SmarTone Schemes is to reward participants who have made a valuable contribution to the growth of the SmarTone group and to enable the SmarTone group to recruit and/or to retain employees who are regarded as valuable to the SmarTone group or are expected to be able to contribute to the business development of the SmarTone group.
2. Any employee, agent, consultant or representative of SmarTone or any of its subsidiaries, including any director of SmarTone or any of its subsidiaries, who has made valuable contribution to the growth of the SmarTone group based on his work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the SmarTone Schemes at the invitation of the directors of SmarTone.
3. SmarTone can issue share options so that the total number of shares of SmarTone that may be issued upon exercise of all share options to be granted under all the share option schemes of SmarTone does not in aggregate exceed 10% of the shares in issue of SmarTone on the respective dates of adoption of each of the SmarTone Schemes. In respect of the SmarTone New Scheme, SmarTone may renew this limit at any time, subject to its shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding share options of SmarTone granted and yet to be exercised under all the share option schemes of SmarTone does not exceed 30% of the shares in issue of SmarTone from time to time. As at 8 September 2016, the number of shares of SmarTone available for issue in respect thereof was 102,761,185 shares which represented approximately 9.50% of the issued shares of SmarTone.
4. The maximum entitlement for any participant is that the total number of shares of SmarTone issued and to be issued upon exercise of share options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the relevant class of shares in issue of SmarTone.
5. The exercise period of any share option granted under the SmarTone Schemes shall be determined by the board of SmarTone but such period must not exceed ten years from the date of grant of the relevant share option.
6. The SmarTone Schemes do not specify any minimum holding period before the share option can be exercised but the board of SmarTone has the authority to determine the minimum holding period when the share options are granted.

# Directors' Report

7. Acceptance of offer to grant a share option shall be sent in writing together with a remittance in favour of SmarTone of HK\$1.00 by way of consideration for the grant and must be received by the company secretary of SmarTone within 28 days from the date of the making of such offer.
8. The option price per share of SmarTone payable upon the exercise of any share option will be determined by the directors of SmarTone upon the grant of such share option. It shall be at least the highest of:
  - the average closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the day of offer of such share option;
  - the closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheet on the day of offer of such share option, which must be a business day; and
  - the nominal value of a share of SmarTone.
9. The SmarTone Old Scheme was terminated on 8 December 2011 and the existing rights of the grantees under the outstanding share options granted and yet to be exercised under the SmarTone Old Scheme are not affected. The SmarTone New Scheme shall be valid and effective for a period of ten years commencing from the adoption of the SmarTone New Scheme on 2 November 2011.

## Arrangement to Purchase Shares or Debentures

Other than the share option schemes as disclosed above, at no time during the year was the Company or any of its 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 of any other body corporate.

## Equity-linked Agreements

Other than the share option schemes of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.



## Interests of Substantial Shareholders and Other Persons

As at 30 June 2016, substantial shareholders of the Company and other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

	Number of shares held			Total	% of issued voting shares as at 30.06.2016
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
<b>(I) Substantial shareholders</b>					
HSBC Trustee (C.I.) Limited	–	–	943,490,444 <sup>1,2&amp;3</sup>	943,490,444	32.59
Kwong Siu-hing	25,024	–	756,132,737 <sup>1&amp;3</sup>	756,157,761	26.12
Adolfa Limited (“Adolfa”)	231,182,838	62,584,223	–	293,767,061 <sup>3</sup>	10.15
Bertana Limited (“Bertana”)	231,182,838	62,584,223	–	293,767,061 <sup>3&amp;4</sup>	10.15
Cyric Limited (“Cyric”)	231,182,838	62,584,223	–	293,767,061 <sup>3&amp;5</sup>	10.15
<b>(II) Other persons</b>					
Credit Suisse Trust Limited	–	–	216,581,592 <sup>6&amp;7</sup>	216,581,592	7.48
HSBC Trustee (Guernsey) Limited	–	–	215,057,271 <sup>8</sup>	215,057,271	7.43
Kwok Ping-sheung, Walter	81,250	–	211,173,896 <sup>2&amp;9</sup>	211,255,146	7.30
Thriving Talent Limited	191,351,595 <sup>8</sup>	–	–	191,351,595	6.61
Rosy Result Limited	189,149,595 <sup>6</sup>	–	–	189,149,595	6.53
Asporto Limited	187,357,707 <sup>2&amp;9</sup>	–	–	187,357,707	6.47

Notes:

- Madam Kwong Siu-hing was deemed to be interested in 756,132,737 shares in the Company by virtue of her being a founder and a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. These shares formed part of the shares in the Company in which HSBC Trustee (C.I.) Limited was deemed to be interested by virtue of it being the trustee of certain discretionary trusts and were therefore duplicated between these two substantial shareholders.
- In addition to the deemed interests as stated in Note 1 above, HSBC Trustee (C.I.) Limited was deemed to be interested in 187,357,707 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. These shares represented the same interests held by Asporto Limited and also formed part of the shares in the Company in which Mr. Kwok Ping-sheung, Walter was deemed to be interested by virtue of him being a founder and/or a beneficiary of a discretionary trust for the purpose of Part XV of the SFO and were therefore duplicated amongst them.
- Of the respective shares in the Company held by Adolfa, Bertana and Cyric, 62,584,223 shares were held through corporations of which each of Adolfa, Bertana and Cyric was interested in one-third of the entire issued share capital. These 62,584,223 shares represented the same interests and were therefore duplicated amongst these companies. Further, the respective shares held by Adolfa, Bertana and Cyric formed part of the shares in the Company in which each of Madam Kwong Siu-hing and HSBC Trustee (C.I.) Limited was deemed to be interested.
- These shares were the same shares in the Company included in “other interests” of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed “Directors’ and Chief Executives’ Interests” above, and were therefore duplicated between them.

# Directors' Report

5. *These shares were the same shares in the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.*
6. *Credit Suisse Trust Limited was deemed to be interested in 216,575,125 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 189,149,595 shares represented the same interests held by Rosy Result Limited and were therefore duplicated between them.*

*The 216,575,125 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.*

7. *In addition to the deemed interests as stated in Note 6 above, Credit Suisse Trust Limited was deemed to be interested in 6,467 shares in the Company by virtue of it being the trustee of certain discretionary trusts for the purpose of Part XV of the SFO.*
8. *HSBC Trustee (Guernsey) Limited was deemed to be interested in 215,057,271 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 191,351,595 shares represented the same interests held by Thriving Talent Limited and were therefore duplicated between them.*

*The 215,057,271 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.*

9. *Mr. Kwok Ping-sheung, Walter was deemed to be interested in 211,173,896 shares in the Company by virtue of him being a founder and/or a beneficiary of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 187,357,707 shares represented the same interests held by Asporto Limited and deemed to be held by HSBC Trustee (C.I.) Limited and were therefore duplicated amongst them.*

Save as disclosed above, as at 30 June 2016, there were no other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

## Emolument Policy and Long-term Incentive Schemes of the Group

As at 30 June 2016, the Group employed close to 37,000 employees. The related employees' costs before reimbursements for the year amounted to approximately HK\$9,759 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. A share option scheme is in place to provide appropriate long-term incentive to the key staff of the Group. Details of the old and new share option schemes of the Company are set out in the section headed "Share Option Schemes".

## Basis of Determining Emolument to Directors

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

## Permitted Indemnity

The Articles of Association provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

## Bank and Other Borrowings

Details of bank and other borrowings as at 30 June 2016 are set out in notes 21 and 23 to the consolidated financial statements.

## Interest Capitalized

Interest capitalized during the year amounted to HK\$306 million (2015: HK\$339 million).

## Charitable Donations

HK\$41 million (2015: HK\$70 million) was donated during the year.

## Directors' Interests in Competing Businesses

The interests of the Directors of the Company in competing businesses that were required to be disclosed pursuant to Rule 8.10 of the Listing Rules as informed by the relevant Directors were as follows:

Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward (the Alternate Director to Mr. Kwok Ping-luen, Raymond) (collectively the "Kwok Family") maintain certain interests in businesses which consist of property developments and investments in Hong Kong and Singapore and hotel operation in Hong Kong. As such, they are regarded as being interested in such competing businesses with the Group (the "Excluded Businesses"). However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. The Kwok Family does not have property developments and investments business and hotel operation business in Mainland China. Therefore, they are not regarded as being interested in such Excluded Businesses in Mainland China. The Group does not have (i) property developments and investments in locations other than Hong Kong, Mainland China and Singapore, and (ii) hotel operation in locations other than Hong Kong and Mainland China.

Messrs. Kwok Ping-luen, Raymond and Fung Yuk-lun, Allen are non-executive directors of Transport International. The businesses of Transport International consist of property holdings and development. Therefore, each of Messrs. Kwok Ping-luen, Raymond and Fung Yuk-lun, Allen is regarded as being interested in such Excluded Businesses.

Mr. Kwok Ping-luen, Raymond is a non-executive director of Wing Tai Properties Limited ("Wing Tai") and Mr. Kwok Ho-lai, Edward is his alternate. The businesses of Wing Tai consist of property development, property investment and management, and hospitality investment and management. Therefore, each of Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward is regarded as being interested in such Excluded Businesses.

Dr. Lee Shau-kee is the chairman and managing director of Henderson Land. He is also an executive director of Henderson Investment Limited, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. In addition to his directorships, Dr. Lee Shau-kee is also deemed to be a substantial shareholder of such companies by virtue of his deemed interest therein under the Listing Rules and Part XV of the SFO. The businesses of these companies principally consist of investment holding, property development and investment, hotel operation, project and property management, construction, department store operation, and provision of finance, which may be deemed to constitute the Excluded Businesses. As such, Dr. Lee Shau-kee is regarded as being interested in such Excluded Businesses. He is a Non-Executive Director of the Company and is not involved in the daily management and operation of the Group.

# Directors' Report

Sir Po-shing Woo is a director of Henderson Development, the businesses of which principally consist of investment holding as well as property development and investment in Hong Kong. In addition, both Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson hold directorships in certain companies (including the Kailey Group) and/or are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of these companies. The businesses of these companies consist of property development and investment. Accordingly, Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson are regarded as being interested in such Excluded Businesses. Sir Po-shing Woo, being a Non-Executive Director of the Company, and his alternate, Mr. Woo Ka-biu, Jackson, are not involved in the daily management and operation of the Group.

Other than the family businesses of the Kwok Family, the above-mentioned Excluded Businesses are managed by separate companies or public listed companies with independent management and administration. In this respect, coupled with the diligence of the Independent Non-Executive Directors and the Audit and Risk Management Committee of the Company, the Group is capable of carrying on its businesses independent of, and at arm's length from, the Excluded Businesses mentioned above.

## Connected Transactions

During the period from the date of the 2014/15 annual report of the Company to the date of this report, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

## Directors' Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Management Contracts

Save for employment contracts, no other contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

## Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers combined and five largest suppliers combined respectively.

## Auditor

The retiring auditor, Messrs. Deloitte Touche Tohmatsu, has signified its willingness to continue in office. A resolution will be proposed at the 2016 Annual General Meeting to re-appoint it and to authorize the Directors to fix its remuneration.

## Audit and Risk Management Committee

The annual results for the year have been reviewed by the Audit and Risk Management Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, and it has issued an unmodified opinion.

## Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 102 to 114.

## **Sufficiency of Public Float**

As at the date of this report, based on information that was publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained the amount of public float as required under the Listing Rules.

This report is signed for and on behalf of the Board.

**Kwok Ping-luen, Raymond**

*Chairman & Managing Director*

Hong Kong, 8 September 2016

# Directors' Biographical Information

## Directors

### **Kwok Ping-uen, Raymond**

Hon LLD, Hon DBA, MBA, MA (Cantab), JP  
*Chairman & Managing Director (Age: 63)*

Mr. Kwok has been Chairman of the Company since December 2011. Prior to the appointment as Chairman of the Company, Mr. Kwok had acted as Vice Chairman of the Company for 21 years. He is also the Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 38 years. Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. Mr. Kwok is the chairman and an executive director of SUNeVision Holdings Ltd. He is also the chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a director of The Real Estate Developers Association of Hong Kong and a member of the council of The Chinese University of Hong Kong.

Mr. Kwok is a son of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is the father of Messrs. Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward. He is also an uncle of Mr. Kwok Kai-fai, Adam.

For the year ended 30 June 2016, Mr. Kwok is entitled to receive a fee of HK\$320,000 for being the Chairman of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK\$3.06 million, including fees of approximately HK\$48,000 and HK\$180,000 for being the chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited respectively.

### **Dr. the Hon Lee Shau-kee**

DBA(Hon), DSSc(Hon), LLD(Hon), GBM  
*Vice Chairman & Non-Executive Director (Age: 88)*

Dr. Lee has been a Non-Executive Director of the Company for the last 44 years. He is the founder and chairman and managing director of Henderson Land Development Company Limited. He continues to act as an executive director of Henderson Investment Limited after his stepping down as chairman and managing director in July 2015. He has been engaged in property development in Hong Kong for more than 60 years. Dr. Lee is also the chairman of The Hong Kong and China Gas Company Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Dr. Lee the Grand Bauhinia Medal for his distinguished community service.

For the year ended 30 June 2016, Dr. Lee is entitled to receive a fee of HK\$310,000 for being the Vice Chairman of the Company.

**Wong Chik-wing, Mike**

MSc(IRE), FHKIS, RPS (BS), JP

*Deputy Managing Director (Age: 60)*

Mr. Wong has been a Deputy Managing Director of the Company since July 2012. He joined the Group in 1981 and has been an Executive Director of the Company since January 1996. He is also a member of the Executive Committee of the Company. Mr. Wong graduated from The Hong Kong Polytechnic University with distinction and holds a Master's degree in International Real Estate. He is a fellow of the Hong Kong Institute of Surveyors and a registered professional surveyor. Also, he is an Honorary Professor in the Department of Real Estate and Construction of The University of Hong Kong, and an Adjunct Professor of the Department of Building and Real Estate of The Hong Kong Polytechnic University. In addition, he is a member of the Hong Kong Housing Society. He is currently responsible for project management matters of the Group's development projects.

For the year ended 30 June 2016, Mr. Wong is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$20.96 million.

**Lui Ting, Victor**

BBA

*Deputy Managing Director (Age: 62)*

Mr. Lui has been an Executive Director and a Deputy Managing Director of the Company since April and July 2012 respectively. He is also a member of the Executive Committee of the Company. He joined the Group in 1977 and is currently responsible for the sales and marketing of a number of large residential developments as well as acquisition and disposal of non-core property investment projects of the Group. He holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong.

For the year ended 30 June 2016, Mr. Lui is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$21.72 million.

**Yip Dicky Peter**

MBA, BBS, MBE, JP

*Independent Non-Executive Director (Age: 69)*

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of both the Audit and Risk Management Committee and the Nomination Committee of the Company. He joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in London, China and San Francisco. Mr. Yip worked in a number of departments of HSBC, which included trade services, corporate banking, group consultancy service and regional training. His previous assignment prior to becoming CEO China had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. From January 2003 to April 2005, Mr. Yip was appointed chief executive China business, based in Shanghai; meanwhile, he was also a director of Bank of Shanghai, Ping An Insurance and Ping An Bank in China. Mr. Yip became a general manager of HSBC in April 2005 until his retirement from HSBC in June 2012. He was the executive vice president of Bank of Communications Co., Ltd. He was the chief representative for the Asia-Pacific Region of Institute of International Finance from July 2012 to July 2015. Mr. Yip is currently an independent non-executive director of South China Holdings Company Limited and Ping An Insurance (Group) Company of China, Ltd., and an independent director of DSG International (Thailand) PLC.

# Directors' Biographical Information

Mr. Yip is an elected associated member of the Chartered Institute of Bankers, London. He was educated in Hong Kong with an MBA from The University of Hong Kong. He has a Certified Financial Planner certificate issued by the Institute of Financial Planners of Hong Kong. Mr. Yip received the Ten Outstanding Young Persons Award in 1984 for his contribution to the banking industry and the community in Hong Kong. Mr. Yip was awarded the MBE by the British Government in 1984. In 1999, he was appointed Unofficial Justice of the Peace in Hong Kong. In 2000, he was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In June 2008, he was elected a member of Shanghai Committee of the Chinese People's Political Consultative Conference.

Mr. Yip is active in community and youth activities in Hong Kong and is a member of a number of service organisations such as Hong Kong Committee for United Nations Children Fund and the 8th National Council of Red Cross Society of China.

For the year ended 30 June 2016, Mr. Yip is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$240,000 for being a member of the Audit and Risk Management Committee of the Company and HK\$60,000 for being a member of the Nomination Committee of the Company.

## **Professor Wong Yue-chim, Richard**

SBS, JP

*Independent Non-Executive Director (Age: 64)*

Professor Wong has been an Independent Non-Executive Director of the Company since May 2005. He is the Chairman of both the Nomination Committee and the Remuneration Committee of the Company. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He is Professor of Economics at The University of Hong Kong. Professor Wong was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000.

Professor Wong serves as an independent non-executive director of Great Eagle Holdings Limited, Orient Overseas (International) Limited and Pacific Century Premium Developments Limited. He retired as an independent non-executive director of Link Asset Management Limited as the manager of Link Real Estate Investment Trust with effect from 27 July 2016. In addition, Professor Wong was an independent non-executive director of CK Life Sciences Int'l, (Holdings) Inc. and a member of the managing board of the Kowloon-Canton Railway Corporation.

For the year ended 30 June 2016, Professor Wong is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$70,000 for being the Chairman of each of the Nomination Committee and the Remuneration Committee of the Company.

## **Dr. Li Ka-cheung, Eric**

LLD, DSocSc., B.A., GBS, OBE, JP

*Independent Non-Executive Director (Age: 63)*

Dr. Li was appointed as a Non-Executive Director of the Company in May 2005. He is currently an Independent Non-Executive Director, the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee of the Company. He is also an independent non-executive director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Li is the senior partner of Li, Tang, Chen & Co., Certified Public Accountants. He is also an independent non-executive director of Transport International Holdings Limited, Wong's International Holdings Limited, Hang Seng Bank Limited, China Resources Beer (Holdings) Company Limited and RoadShow Holdings Limited.



Dr. Li is a member of The 12th National Committee of the Chinese People's Political Consultative Conference. He was a former member of the Legislative Council of Hong Kong, the chairman of its Public Accounts Committee, a past president of the Hong Kong Institute of Certified Public Accountants and a former convenor-cum-member of the Financial Reporting Review Panel.

For the year ended 30 June 2016, Dr. Li is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$280,000 for being the Chairman of the Audit and Risk Management Committee of the Company and HK\$60,000 for being a member of the Remuneration Committee of the Company. He is also entitled to receive other emoluments in the total sum of HK\$288,000 for being a director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

**Dr. Fung Kwok-lun, William**

SBS, OBE, JP

*Independent Non-Executive Director (Age: 67)*

Dr. Fung has been an Independent Non-Executive Director of the Company since February 2010. He graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred the degrees of Doctor of Business Administration, *honoris causa*, by The Hong Kong University of Science and Technology and by The Hong Kong Polytechnic University.

Dr. Fung is the group chairman of Li & Fung Limited, chairman and non-executive director of Global Brands Group Holding Limited, and a non-executive director of Convenience Retail Asia Limited and Trinity Limited, all within the Fung Group. He is also an independent non-executive director of VTech Holdings Limited, Shui On Land Limited, The Hongkong and Shanghai Hotels, Limited and Singapore Airlines Limited.

Dr. Fung has held key positions in major trade associations. He is the past chairman of the Hong Kong General Chamber of Commerce (1994-1996), the Hong Kong Exporters' Association (1989-1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993-2002). He has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008.

For the year ended 30 June 2016, Dr. Fung is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

**Dr. Leung Nai-pang, Norman**

LLD, GBS, JP

*Independent Non-Executive Director (Age: 76)*

Dr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee of the Company. Dr. Leung is the chairman and an independent non-executive director of Transport International Holdings Limited. He was the executive chairman of Television Broadcasts Limited.

Dr. Leung has been active in public service for 40 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, chairman of the Broadcasting Authority from 1997 to 2002, council chairman of City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of City University of Hong Kong from 2005 to 2016. He is the council chairman of The Chinese University of Hong Kong.

For the year ended 30 June 2016, Dr. Leung is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company. In addition, he is entitled to receive a fee of approximately HK\$151,000 for being a member of the Audit and Risk Management Committee of the Company for the period from 13 November 2015 (being the date of his appointment as a member of this Committee) to 30 June 2016.

# Directors' Biographical Information

## **Leung Kui-king, Donald**

BSc

*Independent Non-Executive Director (Age: 60)*

Mr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit and Risk Management Committee of the Company. Mr. Leung graduated from The University of California, Berkeley with a Bachelor of Science degree in Business Administration and completed Harvard University's Advanced Management Program. He is currently an independent non-executive director of Tern Properties Company Limited.

Mr. Leung started his career with Bank of America in 1977 and joined Wardley Limited (a member of HSBC group) in 1984. He then joined the Company in 1986 and worked until his retirement in 2006.

For the year ended 30 June 2016, Mr. Leung is entitled to receive fees of HK\$300,000 and HK\$240,000 for being a Director and a member of the Audit and Risk Management Committee of the Company respectively.

## **Leung Ko May-yee, Margaret**

SBS, JP

*Independent Non-Executive Director (Age: 64)*

Mrs. Leung has been an Independent Non-Executive Director of the Company since March 2013. She holds a Bachelor's degree in Economics, Accounting and Business Administration from The University of Hong Kong. She was the vice-chairman and the chief executive of Hang Seng Bank Limited, the chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and the Group General Manager of HSBC Holdings plc prior to her retirement from the HSBC group in June 2012.

Mrs. Leung is currently the deputy chairman, managing director and chief executive of Chong Hing Bank Limited. She is also an independent non-executive director of First Pacific Company Limited, Li & Fung Limited, Hong Kong Exchanges and Clearing Limited and QBE Insurance Group Limited. She no longer served as an independent non-executive director of China Construction Bank Corporation after the expiry of her term of office on 17 June 2016. In addition, she was an independent non-executive director of Swire Pacific Limited and Hutchison Whampoa Limited.

Mrs. Leung is a Steward of The Hong Kong Jockey Club. She is also a council member, the treasurer and the chairman of the finance committee and a member of the human resources policy committee of The University of Hong Kong. Mrs. Leung was the chairman of the board of governors of Hang Seng Management College and Hang Seng School of Commerce, a court member of the Hong Kong Baptist University, and a member of the advisory board and the chairman of the investment committee of the Hong Kong Export Credit Insurance Corporation from 2005 to 2010. She was also a member of the Greater Pearl River Delta Business Council, the advisory committee of the Securities and Futures Commission, the Banking Review Tribunal, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the Hong Kong Special Administrative Region, the chairman of the executive committee of The Community Chest of Hong Kong, and a member of the board of directors and the finance committee of the Hospital Authority.

For the year ended 30 June 2016, Mrs. Leung is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

**Sir Po-shing Woo**

Hon.LLD., FCI Arb, F.I.Mgt., FlntD, FHKMA  
*Non-Executive Director (Age: 87)*

Sir Po-shing Woo has been a Non-Executive Director of the Company since August 1972. He was admitted to practise as solicitor in England and Hong Kong and is also a fellow of The Hong Kong Management Association, The Chartered Institute of Arbitrators, The Institute of Management and The Institute of Directors of England. He was awarded an Hon.LLD. by City University of Hong Kong and is a fellow of King's College of London as well as honorary professor of Nankai University of Tianjin. He is also the founder of the Woo Po Shing Medal in Law and the Woo Po Shing Overseas Summer School Travelling Scholarship, both at The University of Hong Kong, and the Woo Po Shing Professor (Chair) of Chinese and Comparative Law at City University of Hong Kong. Sir Po-shing Woo is also a director of Henderson Development Limited. He is the father of Mr. Woo Ka-biu, Jackson.

For the year ended 30 June 2016, Sir Po-shing Woo is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

**Kwan Cheuk-yin, William**

LLB  
*Non-Executive Director (Age: 81)*

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of the Nomination Committee and the Remuneration Committee of the Company. As a managing partner with the solicitors firm of Woo Kwan Lee & Lo, Mr. Kwan has 53 years of experience in legal practice. He is a former director and advisor and currently a voting member of the Tung Wah Group of Hospitals, a past member of the Stamp Advisory Committee, vice chairman of the Hong Kong Scout Foundation Management Committee, vice chairman of the Scout Performing Arts Committee, chairman of Air Activities Committee, adviser of Air Activities Development Fund Committee, elected member of Scout Counsel of Hong Kong, chairman of Scout Association of Hong Kong Leadership Training Institute Foundation Management Committee, president of the Hong Kong Branch of the King's College London Association, president of the Hong Kong Philatelic Society, life member of the Federation of Inter-Asia Philately, president of FIAP Grand Prix Club, a permanent advisor of Wah Yan (Hong Kong) Past Students Association, a director and honorary secretary of Wah Yan Dramatic Society, a committee member and legal advisor of South China Athletic Association and former vice manager of its Football Section as well as manager of its Ten Pin Bowling Section and an honorary legal advisor of the Hong Kong Society for Reproductive Society.

Mr. Kwan was commissioner general and vice chairman of the Organizing Committees of the Hong Kong 1994, 1997, 2001 and 2004 International Stamp Exhibitions and was commissioner general and chairman of the Organizing Committees of the Hong Kong 2009 and 2015 International Stamp Exhibitions. He served on the Hong Kong Golf Club General Committee on several occasions in various capacities. He graduated from King's College, London University and is a fellow of King's College London, the Institute of Arbitrators and the Royal Philatelic Society, London.

For the year ended 30 June 2016, Mr. Kwan is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

# Directors' Biographical Information

## **Kwok Kai-fai, Adam**

MBA, BSc

*Executive Director (Age: 33)*

Mr. Kwok has been an Executive Director of the Company since December 2014. He is also a member of the Executive Committee of the Company. Mr. Kwok acted as an Alternate Director to Mr. Kwok Ping-kwong, Thomas from July 2012 until the resignation of Mr. Kwok Ping-kwong, Thomas as Chairman and Managing Director of the Company in December 2014. He holds a Bachelor of Science degree in Management Science and Engineering from Stanford University and a Master's degree in Business Administration from Harvard Business School. He worked in an international investment bank prior to joining the Group in November 2008, and has substantial experience in corporate finance. He was the project director taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region. Since April 2013, he has taken up the overall responsibilities for the property business in Southern China.

In addition, Mr. Kwok is a vice-president of The Real Estate Developers Association of Hong Kong, a member of board of directors of The Community Chest of Hong Kong, a member of the Working Group on Transportation under Economic Development Commission of the Government of the Hong Kong Special Administrative Region, a member of board of directors of the Faculty of Business and Economics of The University of Hong Kong and a vice-chairman of Hong Kong United Youth Association. He is also a member of Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a member of All-China Youth Federation and a vice-chairman of Friends of Hong Kong Association Development Foundation.

Mr. Kwok is a nephew of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward.

For the year ended 30 June 2016, Mr. Kwok is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$5.93 million.

## **Kwok Kai-wang, Christopher**

MBA, BSc

*Executive Director (Age: 29)*

Mr. Kwok was appointed as an Executive Director of the Company with effect from 26 April 2016. He is also a member of the Executive Committee of the Company. Mr. Kwok holds a Bachelor of Science Degree in Chemistry from Harvard University and a Master's degree in Business Administration from Stanford Graduate School of Business. He worked in an international management consultancy firm before joining the Group in 2011. He is responsible for sales, project management and leasing of major residential and commercial properties of the Group in Hong Kong and mainland China. He assists the Chairman of the Company in all other businesses, in particular, the non-property related matters.

Mr. Kwok is a son of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Mr. Kwok Kai-fai, Adam and the younger brother of Mr. Kwok Ho-lai, Edward.

Mr. Kwok is entitled to receive a fee of approximately HK\$54,000 for being a Director of the Company and other emoluments of approximately HK\$0.35 million for the period from 26 April 2016 (being the date of his appointment as a Director) to 30 June 2016.

**Kwong Chun**

*Executive Director (Age: 87)*

Mr. Kwong has been an Executive Director of the Company since October 1992. He is also a member of the Executive Committee of the Company. He graduated from the Zhong Nan Finance & Economics College of Wuhan in China. He worked for the Guangzhou office of the People's Bank of China before coming to Hong Kong in 1962 to work for Eternal Enterprises Limited. He was transferred to Sun Hung Kai Enterprises Limited in 1963. In 1972, the Company became a listed company and he has worked for it ever since.

Mr. Kwong is the younger brother of Madam Kwong Siu-hing, who is the mother of Mr. Kwok Ping-luen, Raymond and the grandmother of Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward. Madam Kwong is also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

For the year ended 30 June 2016, Mr. Kwong is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$5.60 million.

**Tung Chi-ho, Eric**

BA(AS)Hons, BArch, HKIA, Registered Architect, Authorized Person (List of Architects)

*Executive Director (Age: 57)*

Mr. Tung has been an Executive Director of the Company since December 2013. He is also a member of the Executive Committee of the Company. Mr. Tung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a member of The Hong Kong Institute of Architects and a Registered Architect. Mr. Tung joined the Group in 1987 and has progressed through the ranks with increasing project management, sales and marketing responsibilities for a number of signature projects of the Group in Hong Kong, Singapore and China. He is also an executive director of SUNeVision Holdings Ltd.

For the year ended 30 June 2016, Mr. Tung is entitled to receive a fee of HK\$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK\$17.03 million, including emoluments of HK\$48,000 for being a director of SUNeVision Holdings Ltd.

**Fung Yuk-lun, Allen**

BA, Ph.D.

*Executive Director (Age: 48)*

Mr. Fung has been an Executive Director of the Company since December 2013. He is also a member of the Executive Committee of the Company and the chief executive officer of the Group's non-property related portfolio investments. Mr. Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr. Fung was a Teaching Fellow at Harvard University in 1993-1994 and a visiting Assistant Professor of History at Brown University in 1996-1997. Mr. Fung is a vice chairman and a non-executive director of SUNeVision Holdings Ltd. as well as a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited. He is also a non-executive director of Transport International Holdings Limited and RoadShow Holdings Limited.

Mr. Fung joined McKinsey & Company ("McKinsey"), a global management consulting company, in 1997. He primarily served clients in China and Hong Kong, and also served institutions in Europe and Southeast Asia. Mr. Fung was the co-leader of the infrastructure practice for McKinsey. He was the managing partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a director of McKinsey globally, being the first Hong Kong Chinese to become a director in McKinsey's history. He was also the head of recruiting for the Asia region in McKinsey.

# Directors' Biographical Information

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, the president of the Hong Kong Society for the Protection of Children, a council member of both The Hong Kong Federation of Youth Groups and The Hong Kong Management Association, and a member of the executive committee of The Hong Kong Council of Social Service. He is also a council member of Sir Edward Youde Memorial Fund.

For the year ended 30 June 2016, Mr. Fung is entitled to receive a fee of HK\$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK\$16.57 million, including fees of HK\$42,000 and HK\$162,000 for being a vice chairman and a director of SUNeVision Holdings Ltd. as well as a deputy chairman and a director of SmarTone Telecommunications Holdings Limited respectively.

## **Kwok Ho-lai, Edward**

BA

*Alternate Director to Kwok Ping-luen, Raymond (Age: 35)*

Mr. Kwok has been an Alternate Director to Mr. Kwok Ping-luen, Raymond since July 2012. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. He is also an alternate director to Mr. Kwok Ping-luen, Raymond, a non-executive director of Wing Tai Properties Limited.

Mr. Kwok has joined the Group since January 2010 and is now a sales and project manager, responsible for feasibility study, marketing and planning of new residential projects of the Group in Hong Kong. Before joining the Group, Mr. Kwok worked in a major international audit firm.

Mr. Kwok is a son of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Mr. Kwok Kai-fai, Adam and the elder brother of Mr. Kwok Kai-wang, Christopher.

## **Woo Ka-biu, Jackson**

MA (Oxon)

*Alternate Director to Sir Po-shing Woo (Age: 53)*

Mr. Woo has been an Alternate Director to Sir Po-shing Woo since October 2002. He holds a Master's degree in Jurisprudence from Oxford University and is qualified as a solicitor in Hong Kong, Australia, England and Wales. He is an honorary director of Tsinghua University as well as a China-Appointed Attesting Officer appointed by the Ministry of Justice, PRC. Mr. Woo is a director of Kailey group of companies, the chief executive officer of Challenge Capital Management Limited and a consultant of Messrs. Guantao & Chow. He had previously been a director of N M Rothschild & Sons (Hong Kong) Limited and then a partner of Ashurst Hong Kong. Prior to that, he was a partner in the corporate finance department of Woo Kwan Lee & Lo. Mr. Woo is an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and Henderson Land Development Company Limited. In January 2008, Mr. Woo was awarded 2008 World Outstanding Chinese Award by the United World Chinese Association and Honorary Doctor Degree from The University of West Alabama. He is the son of Sir Po-shing Woo.

Save as disclosed above, all the Directors and Alternate Directors did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas, and do not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

All the Directors and Alternate Directors of the Company have not entered into any service contract with the Company. In accordance with the articles of association of the Company, Directors are subject to retirement and shall be eligible for re-election at the annual general meeting of the Company. For the Non-Executive Directors (including the Independent Non-Executive Directors), they will be subject to a term of approximately two years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held two years thereafter, and they shall be eligible for re-election for a like term at that annual general meeting upon the expiry of their term of office. In accordance with the articles of association of the Company, the appointment of Alternate Directors will cease if their appointors cease to be Directors of the Company.

The Directors' fees are proposed by the Board of Directors and approved by the shareholders of the Company at the annual general meeting and their other emoluments are subject to review by the Board of Directors from time to time pursuant to the power given to it under the articles of association of the Company with reference to their contribution in terms of time, effort and accomplishments. Alternate Directors shall not be entitled to receive from the Company any remuneration in respect of their appointment as Alternate Directors except only such part (if any) of the remuneration otherwise payable to their appointors as such appointors may by notice in writing to the Company from time to time direct.

### **Senior Management**

The Executive Directors of the Company are also members of senior management of the Group.

# Executive Committee

## Executive Committee

All Executive Directors of the Company are members of the Executive Committee of the Company. Other members and their profiles are as follows:

### **Chow Kwok-yin, Eric**

ACIS

Mr. Chow graduated from The Hong Kong Polytechnic University. He is a member of The Institute of Chartered Secretaries and Administrators. Mr. Chow joined the Group in 2000 and is currently responsible for sales and marketing of selected residential projects in Hong Kong and the mainland. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since April 2005.

### **Wong Chin-wah, Jimmy**

BSc(Est Mgt), Cert Ed, MSISV, MHKIS, MAPFM, FHIREA, RPS(GP), RPHM

Mr. Wong holds a Bachelor of Science degree in Estate Management from The University of Singapore and obtained a Certificate in Education from Singapore Teachers' Training College. He is a member of The Singapore Institute of Surveyors and Valuers, The Hong Kong Institute of Surveyors and the Association of Property and Facility Managers. He is also a fellow member of the Hong Kong Institute of Real Estate Administration and registered as a professional surveyor and housing manager. Mr. Wong joined the Group in 1989 and is mainly responsible for one of our property management businesses as well as leasing of key projects in Hong Kong, the mainland and Singapore. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since August 2005.

### **Yung Sheung-tat, Sandy**

BA(Law)Hons

Mr. Yung holds a Bachelor of Arts degree in Law from Middlesex University, England. He has been qualified as a solicitor in Hong Kong since 1987 and was admitted as a solicitor in England and Wales in 1991 and as an advocate and solicitor in Singapore in 1995. Mr. Yung joined the Group in 1996 and is currently the Group General Counsel and Company Secretary of the Company. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since July 2009.

### **Li Ching-kam, Frederick**

FCCA, CPA

Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He joined the Group in 1989 and is currently the Group Chief Accountant. Mr. Li has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since October 2015.



# Consolidated Financial Statements

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# Independent Auditor's Report



## TO THE SHAREHOLDERS OF SUN HUNG KAI PROPERTIES LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Sun Hung Kai Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 153 to 212, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### Deloitte Touche Tohmatsu

*Certified Public Accountants*

Hong Kong

8 September 2016

# Consolidated Income Statement

For the year ended 30 June 2016

(Expressed in millions of Hong Kong dollars)

	Notes	2016	2015
<b>Revenue</b>	2(a)	<b>91,184</b>	66,783
Cost of sales		<b>(56,445)</b>	(38,989)
Gross profit		<b>34,739</b>	27,794
Other net income		<b>763</b>	594
Selling and marketing expenses		<b>(4,250)</b>	(3,269)
Administrative expenses		<b>(2,396)</b>	(2,341)
<b>Operating profit before changes in fair value of investment properties</b>	2(a)	<b>28,856</b>	22,778
Increase in fair value of investment properties		<b>8,769</b>	10,987
<b>Operating profit after changes in fair value of investment properties</b>		<b>37,625</b>	33,765
Finance costs		<b>(2,289)</b>	(2,445)
Finance income		<b>234</b>	265
Net finance costs	3	<b>(2,055)</b>	(2,180)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$1,163 million (2015: HK\$2,174 million)) of:			
Associates		<b>602</b>	493
Joint ventures		<b>3,614</b>	5,057
	2(a) & 9(b)	<b>4,216</b>	5,550
<b>Profit before taxation</b>	4	<b>39,786</b>	37,135
Taxation	7	<b>(6,390)</b>	(4,771)
<b>Profit for the year</b>	2(a)	<b>33,396</b>	32,364
<b>Attributable to :</b>			
Company's shareholders		<b>32,666</b>	31,082
Non-controlling interests		<b>730</b>	1,282
		<b>33,396</b>	32,364
<i>(Expressed in Hong Kong dollars)</i>			
<b>Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)</b>	9(a)		
Basic		<b>\$11.31</b>	\$11.09
Diluted		<b>\$11.30</b>	\$10.98
<b>Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)</b>	9(b)		
Basic		<b>\$8.37</b>	\$7.07
Diluted		<b>\$8.36</b>	\$7.01

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

(Expressed in millions of Hong Kong dollars)

	2016	2015
<b>Profit for the year</b>	<b>33,396</b>	32,364
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translating financial statements of foreign operations		
– exchange difference arising during the year	<b>(5,914)</b>	(49)
– exchange gains released on disposal of foreign operation	<b>(112)</b>	–
	<b>(6,026)</b>	(49)
Cash flow hedge		
– fair value losses recognized during the year	<b>(1)</b>	(3)
– fair value losses transferred to consolidated income statement	<b>2</b>	–
	<b>1</b>	(3)
Available-for-sale investments		
– fair value (losses)/gains recognized during the year	<b>(203)</b>	117
– fair value gains transferred to consolidated income statement on disposal	<b>(83)</b>	–
	<b>(286)</b>	117
Share of other comprehensive loss of associates and joint ventures	<b>(794)</b>	(358)
<b>Item that will not be reclassified to profit or loss:</b>		
Share of other comprehensive loss of an associate	<b>(55)</b>	(19)
<b>Other comprehensive loss for the year</b>	<b>(7,160)</b>	(312)
<b>Total comprehensive income for the year</b>	<b>26,236</b>	32,052
<b>Total comprehensive income for the year attributable to :</b>		
Company's shareholders	<b>25,703</b>	30,772
Non-controlling interests	<b>533</b>	1,280
	<b>26,236</b>	32,052

# Consolidated Statement of Financial Position

As at 30 June 2016  
(Expressed in millions of Hong Kong dollars)

	Notes	2016	2015
<b>Non-current assets</b>			
Investment properties	10	318,517	309,205
Fixed assets	11	25,446	25,621
Associates	12	4,576	4,018
Joint ventures	13	56,231	52,957
Loan receivables	14	1,035	820
Other financial assets	15	3,326	3,210
Intangible assets	16	3,754	4,090
		<b>412,885</b>	399,921
<b>Current assets</b>			
Properties for sale	17	144,844	149,750
Inventories		596	294
Debtors, prepayments and others	18	25,024	20,690
Other financial assets	19	1,118	894
Bank deposits and cash	20	30,048	32,561
		<b>201,630</b>	204,189
<b>Current liabilities</b>			
Bank and other borrowings	21	(17,486)	(10,816)
Trade and other payables	22	(27,493)	(25,690)
Deposits received on sales of properties		(6,976)	(13,904)
Taxation		(7,116)	(7,323)
		<b>(59,071)</b>	(57,733)
<b>Net current assets</b>			
		<b>142,559</b>	146,456
<b>Total assets less current liabilities</b>			
		<b>555,444</b>	546,377
<b>Non-current liabilities</b>			
Bank and other borrowings	23	(63,275)	(72,316)
Deferred taxation	24	(17,410)	(16,824)
Other long-term liabilities	25	(251)	(419)
		<b>(80,936)</b>	(89,559)
<b>NET ASSETS</b>			
		<b>474,508</b>	456,818
<b>CAPITAL AND RESERVES</b>			
Share capital	26	70,384	68,451
Reserves		398,323	382,575
<b>Shareholders' funds</b>			
		<b>468,707</b>	451,026
<b>Non-controlling interests</b>			
		<b>5,801</b>	5,792
<b>TOTAL EQUITY</b>			
		<b>474,508</b>	456,818

Directors:

**Kwok Ping-luen, Raymond**  
**Lui Ting, Victor**

# Consolidated Statement of Cash Flows

For the year ended 30 June 2016

(Expressed in millions of Hong Kong dollars)

	Notes	2016	2015
<b>Operating activities</b>			
Cash generated from operations	29(a)	<b>20,334</b>	16,139
Hong Kong profits tax paid		<b>(3,839)</b>	(2,161)
Outside Hong Kong tax paid		<b>(1,199)</b>	(735)
<b>Net cash from operating activities</b>		<b>15,296</b>	13,243
<b>Investing activities</b>			
Purchase of an associate		<b>(114)</b>	(33)
Purchase of a joint venture		<b>(1)</b>	–
Purchase of other financial assets		<b>(1,235)</b>	(369)
Net (advances to)/repayments from associates and joint ventures		<b>(124)</b>	240
Additions to fixed assets		<b>(2,075)</b>	(1,694)
Additions to investment properties		<b>(4,559)</b>	(2,797)
Purchase of a subsidiary	29(b)	<b>(117)</b>	–
Payment of telecommunications licence fees		<b>(203)</b>	(193)
Net proceeds from disposal of investment properties		<b>144</b>	1,166
Proceeds from disposal of other financial assets		<b>472</b>	150
Proceeds from disposal of fixed assets		<b>10</b>	17
Net cash outflow on disposal of subsidiaries	29(c)	<b>(52)</b>	–
Interest received from investments		<b>201</b>	97
Dividends received from listed investments		<b>78</b>	70
Dividends received from unlisted investments		<b>42</b>	43
Dividends received from associates and joint ventures		<b>2,290</b>	2,301
Loans and advances made		<b>(578)</b>	(23)
<b>Net cash used in investing activities</b>		<b>(5,821)</b>	(1,025)
<b>Financing activities</b>			
Bank and other borrowings raised		<b>9,024</b>	8,525
Repayment of bank and other borrowings		<b>(10,171)</b>	(8,780)
Decrease/(increase) in bank deposits maturing after more than three months		<b>1,583</b>	(12,135)
Interest paid		<b>(2,574)</b>	(2,688)
Interest received		<b>251</b>	236
Proceeds from issue of shares		<b>1,910</b>	14,893
Proceeds from issue of shares by a subsidiary		<b>136</b>	110
Purchase of additional interest in a subsidiary		<b>(28)</b>	–
Increase/(decrease) in fundings from non-controlling interests		<b>345</b>	(569)
Dividends paid to shareholders		<b>(9,982)</b>	(9,502)
Dividends paid to non-controlling interests		<b>(535)</b>	(436)
<b>Net cash used in financing activities</b>		<b>(10,041)</b>	(10,346)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(566)</b>	1,872
<b>Cash and cash equivalents at beginning of year</b>		<b>18,866</b>	16,991
<b>Effect of foreign exchange rates changes</b>		<b>(398)</b>	3
<b>Cash and cash equivalents at end of year</b>	29(d)	<b>17,902</b>	18,866

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

(Expressed in millions of Hong Kong dollars)

	Attributable to Company's shareholders					Total	Non-controlling interests	Total
	Share capital	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits			
At 1 July 2014	53,464	865	1,134	7,500	351,820	414,783	4,906	419,689
Profit for the year	–	–	–	–	31,082	31,082	1,282	32,364
Other comprehensive (loss)/ income for the year	–	(3)	115	(403)	(19)	(310)	(2)	(312)
Total comprehensive (loss)/ income for the year	–	(3)	115	(403)	31,063	30,772	1,280	32,052
Shares issued on exercise of share options	502	(94)	–	–	–	408	–	408
Shares issued on exercise of warrants	14,485	–	–	–	–	14,485	–	14,485
Recognition of equity-settled share-based payments	–	12	–	–	–	12	–	12
Shares options of a subsidiary lapsed	–	–	–	–	1	1	(1)	–
Final dividend paid	–	–	–	–	(6,774)	(6,774)	–	(6,774)
Interim dividend paid	–	–	–	–	(2,728)	(2,728)	–	(2,728)
Adjustments relating to changes in interests in a subsidiary	–	67	–	–	–	67	71	138
Dividends paid to non-controlling interests	–	–	–	–	–	–	(464)	(464)
At 30 June 2015 and 1 July 2015	68,451	847	1,249	7,097	373,382	451,026	5,792	456,818
Profit for the year	–	–	–	–	<b>32,666</b>	<b>32,666</b>	<b>730</b>	<b>33,396</b>
Other comprehensive (loss)/ income for the year	–	<b>1</b>	<b>(288)</b>	<b>(6,622)</b>	<b>(54)</b>	<b>(6,963)</b>	<b>(197)</b>	<b>(7,160)</b>
Total comprehensive (loss)/ income for the year	–	<b>1</b>	<b>(288)</b>	<b>(6,622)</b>	<b>32,612</b>	<b>25,703</b>	<b>533</b>	<b>26,236</b>
Shares issued on exercise of share options	<b>116</b>	<b>(23)</b>	–	–	–	<b>93</b>	–	<b>93</b>
Shares issued on exercise of warrants	<b>1,817</b>	–	–	–	–	<b>1,817</b>	–	<b>1,817</b>
Recognition of equity-settled share-based payments	–	<b>5</b>	–	–	–	<b>5</b>	<b>1</b>	<b>6</b>
Shares options of a subsidiary lapsed	–	–	–	–	<b>19</b>	<b>19</b>	<b>(19)</b>	–
Final dividend paid	–	–	–	–	<b>(6,944)</b>	<b>(6,944)</b>	–	<b>(6,944)</b>
Interim dividend paid	–	–	–	–	<b>(3,038)</b>	<b>(3,038)</b>	–	<b>(3,038)</b>
Disposal of subsidiaries	–	<b>3</b>	–	–	–	<b>3</b>	<b>(56)</b>	<b>(53)</b>
Adjustments relating to changes in interests in a subsidiary	–	<b>23</b>	–	–	–	<b>23</b>	<b>115</b>	<b>138</b>
Dividends paid to non-controlling interests	–	–	–	–	–	–	<b>(565)</b>	<b>(565)</b>
At 30 June 2016	<b>70,384</b>	<b>856</b>	<b>961</b>	<b>475</b>	<b>396,031</b>	<b>468,707</b>	<b>5,801</b>	<b>474,508</b>

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1 Basis of Preparation and Principal Accounting Policies

### a. Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance (Cap. 622) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value, as explained in the principal accounting policies set out below.

### b. Changes in accounting policies

In the current year, the Group adopted accounting policies in the consolidated financial statements that are consistent with those set out in the consolidated financial statements for the year ended 30 June 2015.

Up to the date of approval for the issuance of the consolidated financial statements, the HKICPA has issued a number of new and revised standards and amendments which are not yet effective for the year. These include the following which may be relevant to the Group.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure initiative <sup>1</sup>
Amendments to HKAS 7	Disclosure initiative <sup>2</sup>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization <sup>1</sup>
Amendments to HKAS 27	Equity method in separate financial statements <sup>1</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers <sup>4</sup>
HKFRS 9	Financial instruments <sup>4</sup>
HKFRS 15	Revenue from contracts with customers <sup>4</sup>
HKFRS 16	Leases <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2019

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



## 1 **Basis of Preparation and Principal Accounting Policies (cont'd)**

### **c. Basis of consolidation**

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 30 June each year and include the Group's interests in associates and joint ventures on the basis set out in note 1(g) and note 1(h) below, respectively. The financial statements of the associates and joint ventures used for this purpose are either coterminous with the financial statements of the Company or cover a year end not more than three months before the Company's year-end. The results of subsidiaries, associates and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and to the effective dates of disposal. All material intra-group transactions and balances are eliminated on consolidation. Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture.

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Non-controlling interests in the net assets or liabilities consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

### **d. Revenue**

Revenue derived from the Group's principal activities comprises proceeds from sale of properties (excluding proceeds on development properties sold prior to their completion which are included in deposits received on sale of properties under current liabilities), gross rental income from properties letting under operating leases, revenue from telecommunications, revenue from hotel operation, revenue from transport infrastructure and logistics and revenue derived from other business activities including property management, construction, financial services, data centre facilities and department store. It does not include the revenue of associates and joint ventures.

### **e. Revenue recognition**

Revenue of a transaction is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and these benefits can be measured reliably, on the following bases:

#### **(i) Property sales**

Revenue from sale of properties is recognized when the significant risks and rewards of ownership of the properties are transferred to the buyers. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

#### **(ii) Rental income**

Rental income from properties letting under operating leases is recognized on a straight line basis over the lease terms.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1 Basis of Preparation and Principal Accounting Policies (cont'd)

### e. Revenue recognition (cont'd)

#### (iii) Hotel operation

Revenue from hotel operation is recognized upon provision of services.

#### (iv) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### (v) Construction

Revenue in respect of building construction job is recognized based on the stage of completion method measured by reference to the proportion that costs incurred to date bear to estimated total costs for the contract.

#### (vi) Dividend income

Dividend income from investments is recognized when the right to receive payment is established.

#### (vii) Use of data centre facilities

Revenue from customer use of data centre facilities is recognized ratably over the term of the agreement.

#### (viii) Telecommunications

Revenue from telecommunication service is recognized when the services are rendered. Revenue from sales of handsets and related accessories is recognized upon the transfer of risks and rewards of ownership.

#### (ix) Toll income

Toll income is recognized upon the passage of vehicles through tunnel.

#### (x) Department store

Revenue from sale of goods and commission income from concession and consignment sales from department store operations are recognized upon the transfer of risks and rewards of ownership of the goods.

#### (xi) Provision of container and cargo handling service

Revenue from the provision of container and cargo handling service is recognized when the service is rendered.

#### (xii) Others

Other revenue including property management service fee, car parking management fee and insurance income are recognized when the services are rendered.

## **1 Basis of Preparation and Principal Accounting Policies (cont'd)**

### **f. Subsidiaries**

A subsidiary is an entity controlled by the Company. The Group controls an entity when the Group has power over the entity; is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns.

### **g. Associates**

Associates are those in which the Group is in a position to exercise significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions.

Results of associates are incorporated in the consolidated income statement to the extent of the Group's share of post-acquisition profits less losses.

Interests in associates are accounted for in the consolidated statement of financial position under the equity method and are carried at cost as adjusted for post acquisition changes in the Group's share of their results and other comprehensive income less any identified impairment loss.

### **h. Joint arrangements**

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

#### **(i) Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement in accordance with contractual arrangements.

Results of joint ventures are incorporated in the consolidated income statement to the extent of the Group's share of post-acquisition profits less losses.

Interests in joint ventures are accounted for in the consolidated statement of financial position under the equity method and are carried at cost as adjusted for post-acquisition changes in the Group's share of their results and other comprehensive income less any identified impairment loss.

#### **(ii) Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement in accordance with contractual arrangements.

Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1 Basis of Preparation and Principal Accounting Policies (cont'd)

### i. Intangible assets

#### (i) Telecommunication licences

Spectrum utilization fees represent the payments for using the assigned spectrum to provide telecommunication services in Hong Kong within a specified period. The upfront payments and the present value of the annual fixed fees payable over the period are recorded as intangible assets, together with the related obligations. Amortization is provided on a straight line basis over the remaining assignment period from the date when the asset is ready for its intended use.

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing and, accordingly, for the period prior to the asset being ready for its intended use, is capitalized as part of the intangible asset. Subsequent to the date when the asset is ready for its intended use, such finance costs are charged to the consolidated income statement in the year in which they are incurred.

Variable annual payments on top of the minimum annual payments, if any, are recognized in the consolidated income statement as incurred.

#### (ii) Goodwill

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries, associates and joint ventures at the date of acquisition.

Goodwill is tested annually for impairment loss and carried at cost less accumulated impairment losses. Impaired losses recognized on goodwill are not reversed. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures respectively.

Any excess of the Group's interest in fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in the consolidated income statement.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### (iii) Concession assets

The Group has entered into a service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructures. Under the arrangement, the Group carries out the construction of toll road for the granting authority and receives in exchange a right to operate the toll road and the entitlement to toll fees collected from users of the toll road. The assets including the cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement are recorded as intangible assets. Once the underlying infrastructure of the concession arrangement is completed, the concession assets are amortized over the term of the concession on a straight line basis.

## 1 Basis of Preparation and Principal Accounting Policies (cont'd)

### j. *Financial assets, financial liabilities and equity*

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired and is reviewed by the management at every reporting date.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition.

#### (i) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise marketable securities held for trading. At each year end date subsequent to initial recognition, these investments are measured at fair value. Changes in fair value are recognized in profit or loss.

#### (ii) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortized cost using the effective interest method less impairment loss.

#### (iii) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any identified impairment loss. Any impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired.

#### (iv) **Available-for-sale investments**

Available-for-sale investments are non-derivatives that are either designated or not classified as any of the other categories. At each year end date subsequent to initial recognition, available-for-sale investments are measured at fair value by reference to market prices. Changes in fair value are recognized in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gains or losses previously recognized in other comprehensive income are removed from equity and recognized in profit or loss. Any impairment loss on available-for-sale investments is immediately recognized in profit or loss. Impairment loss recognized on available-for-sale equity investments will not reverse through consolidated income statement in subsequent periods.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment loss at each year end date subsequent to initial recognition. Any impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. Such impairment loss will not reverse in subsequent periods.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument. Financial liabilities are measured at amortized cost, using the effective interest method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1 Basis of Preparation and Principal Accounting Policies (cont'd)

### k. *Derivative financial instruments and hedging*

The Group only enters into derivative financial instruments in order to hedge its underlying exposures. Derivative financial instruments are initially recognized at fair value on the date derivative contracts are entered into and are subsequently remeasured at their fair value.

The method of recognizing the resulting gain or loss depends on the nature of the item being hedged. The Group designates certain derivatives as hedging instruments in hedges of the fair value of a recognized asset or liability.

For fair value hedges that qualify for hedge accounting, gains or losses arising on changes in fair values of hedging instruments are recognized immediately in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other income line item. Amounts previously recognized in other comprehensive income are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair values of currency swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

# 1 Basis of Preparation and Principal Accounting Policies (cont'd)

## I. Properties

### (i) Investment properties

Investment properties are properties held for long term rental income or capital appreciation or both. These include completed properties, those under construction and properties that are being redeveloped for continuing use as investment properties.

Investment properties are carried at fair value based on valuations performed by independent professional valuers on a market value basis related to individual properties, and separate values are not attributed to land and buildings. Changes in fair values are recognized in consolidated income statement in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected to arise from its disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is included in consolidated income statement in the period in which the asset is derecognized.

### (ii) Hotel properties

Hotel properties and their integral fixed plant used in the operation of hotel are included in fixed assets at cost less accumulated depreciation and accumulated impairment losses, if any. Any gain or loss on disposal of a hotel property is recognized in the consolidated income statement.

### (iii) Properties pending/under development for sale

Properties pending/under development for sale are included in properties for sale at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized and the anticipated costs to completion.

### (iv) Stocks of completed properties for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realizable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Net realizable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the year end date, or by management estimates based on prevailing market conditions.

### (v) Other properties

Other properties are properties held for production or administrative purposes and are included in fixed assets at cost less accumulated depreciation and accumulated impairment losses, if any. Any gain or loss on disposal of other properties is recognized in the consolidated income statement.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1 Basis of Preparation and Principal Accounting Policies (cont'd)

### m. Depreciation

#### (i) Hotel properties

Depreciation is provided on hotel property and on its integral fixed plant and calculated on a straight line basis to write off their costs less accumulated impairment losses over the shorter of the term of the lease and estimated useful lives at rates ranging from 0.68% to 20% per annum.

#### (ii) Properties under development

No depreciation is provided on properties under development.

#### (iii) Network equipment

Network equipment including assets and equipment of the telecommunications networks are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight line basis to write off their costs over their estimated useful lives at rates ranging from 10% to 50% per annum. No depreciation is provided on network equipment under construction.

#### (iv) Other properties

The cost of leasehold land and construction cost of buildings thereon are depreciated on a straight line basis over the shorter of the term of the lease and their estimated useful lives.

#### (v) Other fixed assets

Other fixed assets including equipment, furniture, fixtures, vessels and vehicles are stated at cost less accumulated depreciation calculated on a straight line method to write off their costs over their estimated useful lives at rates ranging from 4% to 33.3% per annum.

### n. Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost, using effective interest method. The carrying amount of hedged borrowings is adjusted for the change in fair value attributable to the hedged risk when accounting for fair value hedges set out in note 1(k) applies.

Borrowing costs are expensed as incurred, except to the extent that they are capitalized as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale.

### o. Inventories

Inventories comprising mainly building materials, hotel stocks, handsets and consumable goods are stated at the lower of cost and net realizable value. Cost is calculated on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.



## **1 Basis of Preparation and Principal Accounting Policies (cont'd)**

### ***p. Translation of foreign currencies***

Foreign currency transactions during the year are converted into functional currency at the market rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at closing rates of exchange ruling at the year end date. Exchange differences arising in these cases are dealt with in the consolidated income statement.

The assets and liabilities of overseas subsidiaries, associates and joint ventures expressed in their respective functional currencies are translated into Hong Kong dollars at the closing rates of exchange ruling at the year end date whereas the income statement are translated at average exchange rates for the year. Exchange differences arising on translation are recognized in other comprehensive income.

### ***q. Deferred taxation***

Deferred tax liabilities are provided in full, using the liability method, on all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits, while deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

### ***r. Provisions***

Provisions are recognized when the Group has a present obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle that obligation and the amount of obligation can be reliably estimated.

### ***s. Retirement benefit costs***

The retirement benefit costs charged to the consolidated income statement represent the contributions payable in respect of the current year to the Group's defined contribution schemes and the Mandatory Provident Fund Schemes.

### ***t. Share-based payments***

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted at the grant date and expensed on a straight line basis over the relevant vesting periods with a corresponding increase in capital reserves within equity. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in consolidated income statement such that the calculated expense reflects the revised estimates with a corresponding adjustment to capital reserves.

At the time when the share options are exercised, the amount previously recognized in capital reserves will be transferred to share capital. When the share options are forfeited, lapsed or cancelled, after the vesting date or are still not exercised on the expiry date, the amount previously recognized in capital reserves will be transferred to retained profits.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 2 Segment Information

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

### (a) Segment revenue and results

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

#### For the year ended 30 June 2016

	The Company and its subsidiaries		Associates and joint ventures		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	36,432	9,659	14	12	36,446	9,671
Mainland China	4,358	1,429	2,505	579	6,863	2,008
Singapore	–	–	47	22	47	22
	40,790	11,088	2,566	613	43,356	11,701
Property rental						
Hong Kong	13,954	10,854	2,846	2,379	16,800	13,233
Mainland China	3,286	2,575	280	162	3,566	2,737
Singapore	–	–	670	511	670	511
	17,240	13,429	3,796	3,052	21,036	16,481
Hotel operation	4,031	1,018	680	241	4,711	1,259
Telecommunications	18,356	1,104	–	–	18,356	1,104
Transport infrastructure and logistics	3,781	1,195	3,106	358	6,887	1,553
Other businesses	6,986	1,579	414	63	7,400	1,642
	91,184	29,413	10,562	4,327	101,746	33,740
Other net income		763		–		763
Unallocated administrative expenses		(1,320)		–		(1,320)
Operating profit before changes in fair value of investment properties		28,856		4,327		33,183
Increase in fair value of investment properties		8,769		1,229		9,998
Operating profit after changes in fair value of investment properties		37,625		5,556		43,181
Net finance costs		(2,055)		(363)		(2,418)
Profit before taxation		35,570		5,193		40,763
Taxation						
– Group		(6,390)		–		(6,390)
– Associates		–		(61)		(61)
– Joint ventures		–		(916)		(916)
Profit for the year		29,180		4,216		33,396

## 2 Segment Information (cont'd)

### (a) Segment revenue and results (cont'd)

For the year ended 30 June 2015

	The Company and its subsidiaries		Associates and joint ventures		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	11,067	4,446	186	125	11,253	4,571
Mainland China	6,609	1,672	3,842	1,092	10,451	2,764
Singapore	–	–	–	(3)	–	(3)
	17,676	6,118	4,028	1,214	21,704	7,332
Property rental						
Hong Kong	12,910	9,975	2,765	2,324	15,675	12,299
Mainland China	3,143	2,456	176	64	3,319	2,520
Singapore	–	–	687	533	687	533
	16,053	12,431	3,628	2,921	19,681	15,352
Hotel operation	4,136	1,058	702	235	4,838	1,293
Telecommunications	18,659	1,251	–	–	18,659	1,251
Transport infrastructure and logistics	3,549	1,137	2,870	308	6,419	1,445
Other businesses	6,710	1,501	471	72	7,181	1,573
	66,783	23,496	11,699	4,750	78,482	28,246
Other net income		594		79		673
Unallocated administrative expenses		(1,312)		–		(1,312)
Operating profit before changes in fair value of investment properties		22,778		4,829		27,607
Increase in fair value of investment properties		10,987		2,290		13,277
Operating profit after changes in fair value of investment properties		33,765		7,119		40,884
Net finance costs		(2,180)		(297)		(2,477)
Profit before taxation		31,585		6,822		38,407
Taxation						
– Group		(4,771)		–		(4,771)
– Associates		–		(45)		(45)
– Joint ventures		–		(1,227)		(1,227)
Profit for the year		26,814		5,550		32,364

Results from property sales include selling and marketing expenses of HK\$531 million (2015: HK\$593 million) and HK\$62 million (2015: HK\$44 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively. The corresponding property sales revenue is recognized in subsequent financial years upon completion.

Other businesses comprise revenue and profit derived from other activities including property management, construction, mortgage and other loan financing, data centre facilities and department store.

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

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 2 Segment Information (cont'd)

### (b) Segment assets and liabilities

The Group's assets and liabilities by reportable and operating segments are analyzed as follows:

	The Company and its subsidiaries	Associates and joint ventures	Total assets	Total liabilities
<b>At 30 June 2016</b>				
Property development				
Hong Kong	142,039	2,105	144,144	(15,327)
Mainland China	19,933	6,105	26,038	(4,486)
Singapore	–	123	123	–
	161,972	8,333	170,305	(19,813)
Property investment				
Hong Kong	235,704	35,847	271,551	(3,653)
Mainland China	84,940	6,733	91,673	(1,966)
Singapore	–	4,754	4,754	–
	320,644	47,334	367,978	(5,619)
Hotel operation	16,259	1,209	17,468	(465)
Telecommunications	6,334	–	6,334	(2,517)
Transport infrastructure and logistics	4,077	3,632	7,709	(616)
Other businesses	6,646	299	6,945	(3,600)
	515,932	60,807	576,739	(32,630)
Bank deposits and cash			30,048	–
Other financial assets			4,444	–
Bank and other borrowings			–	(80,761)
Unallocated corporate assets/(liabilities)			3,284	(2,090)
Taxation			–	(7,116)
Deferred taxation			–	(17,410)
Total assets/(liabilities)			614,515	(140,007)
<b>At 30 June 2015</b>				
Property development				
Hong Kong	134,428	1,866	136,294	(17,620)
Mainland China	28,362	4,274	32,636	(5,762)
Singapore	–	135	135	–
	162,790	6,275	169,065	(23,382)
Property investment				
Hong Kong	224,977	35,151	260,128	(4,713)
Mainland China	86,282	6,375	92,657	(2,156)
Singapore	–	4,445	4,445	–
	311,259	45,971	357,230	(6,869)
Hotel operation	16,755	1,148	17,903	(481)
Telecommunications	6,711	–	6,711	(3,260)
Transport infrastructure and logistics	4,243	3,270	7,513	(576)
Other businesses	5,247	311	5,558	(3,434)
	507,005	56,975	563,980	(38,002)
Bank deposits and cash			32,561	–
Other financial assets			4,104	–
Bank and other borrowings			–	(83,132)
Unallocated corporate assets/(liabilities)			3,465	(2,011)
Taxation			–	(7,323)
Deferred taxation			–	(16,824)
Total assets/(liabilities)			604,110	(147,292)

## 2 Segment Information (cont'd)

### (c) Other segment information

The Group's depreciation and amortization and additions to non-current assets by reportable and operating segments are analyzed as follows:

	Depreciation and amortization charged to consolidated income statement		Additions to non-current assets	
	2016	2015	2016	2015
Property investment for rental	–	–	4,715	2,950
Hotel operation	400	430	716	807
Telecommunications	870	896	596	680
Transport infrastructure and logistics	406	367	77	28
Other businesses	232	236	749	245
Unallocated corporate assets	42	43	21	16
	<b>1,950</b>	1,972	<b>6,874</b>	4,726

### (d) Geographical information

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

	2016	2015
Hong Kong	82,262	55,645
Mainland China	8,197	10,280
Others	725	858
	<b>91,184</b>	66,783

An analysis of the Group's non-current assets by geographical location is as follows:

	2016			2015		
	The Company and its subsidiaries	Associates and joint ventures	Consolidated	The Company and its subsidiaries	Associates and joint ventures	Consolidated
Hong Kong	259,994	42,865	302,859	249,698	41,746	291,444
Mainland China	87,455	13,065	100,520	88,964	10,649	99,613
Singapore	–	4,877	4,877	–	4,580	4,580
Others	268	–	268	254	–	254
	<b>347,717</b>	<b>60,807</b>	<b>408,524</b>	338,916	56,975	395,891
Loan receivables			1,035			820
Other financial assets			3,326			3,210
Total non-current assets			<b>412,885</b>			399,921

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 3 Net Finance Costs

	2016	2015
Interest expenses	2,543	2,717
Notional non-cash interest accretion	52	67
Less : Amount capitalized	(306)	(339)
	<b>2,289</b>	2,445
Interest income on bank deposits	(234)	(265)
	<b>2,055</b>	2,180

Finance costs have been capitalized for properties under development at rates ranging from 2.50% to 6.00% (2015: 2.44% to 7.38%) per annum.

Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of asset retirement obligations and contractual obligations of telecommunications licence recognized in the consolidated statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future.

## 4 Profit before Taxation

	2016	2015
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	26,992	9,836
Cost of inventories sold	13,828	13,719
Depreciation and amortization of hotel properties	325	343
Depreciation of other properties, plant and equipment	1,177	1,180
Amortization of intangible assets (included in cost of sales)	448	449
Impairment of intangible assets	4	–
Operating lease rentals for land and buildings, transmission sites and leased lines	1,538	1,447
Staff costs (including directors' emoluments and retirement schemes contributions)	6,948	6,626
Share-based payments	6	12
Auditors' remuneration	23	22
Loss on disposal of financial assets at fair value through profit or loss	–	9
Impairment loss of available-for-sale investments	–	5
Fair value losses on financial assets at fair value through profit or loss	173	–
Loss on disposal of fixed assets	12	23
and crediting:		
Dividend income from:		
listed investments	78	70
unlisted investments	42	43
Interest income from listed debt securities	102	62
Profit on disposal of available-for-sale investments	52	60
Profit on disposal of financial assets at fair value through profit or loss	1	–
Fair value gains on financial assets at fair value through profit or loss	–	91

## 5 Directors' Emoluments and Five Highest Paid Individuals

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year are as follows:

Name of director	Notes	Salaries, allowances and benefits		Discretionary bonuses	Retirement scheme contributions	(Note f) Share-based payments	2016 Total emoluments	2015 Total emoluments
		Fees						
<b>Executive Directors</b>								
Kwok Ping-kwong, Thomas	a	–	–	–	–	–	–	1.77
Kwok Ping-luen, Raymond		0.55	2.35	0.26	0.22	–	3.38	3.21
Wong Chik-wing, Mike		0.30	12.00	8.08	0.88	–	21.26	20.68
Lui Ting, Victor		0.30	9.51	11.33	0.88	0.01	22.03	21.19
Chan Kui-yuen, Thomas	a	–	–	–	–	–	–	4.28
Kwok Kai-fai, Adam	b	0.30	5.31	0.60	0.02	0.06	6.29	1.76
Kwok Kai-wang, Christopher	c	0.05	0.34	–	0.01	–	0.40	–
Kwong Chun		0.30	3.05	2.55	–	–	5.90	5.56
Tung Chi-ho, Eric		0.34	7.55	8.79	0.65	0.31	17.64	17.51
Fung Yuk-lun, Allen		0.50	6.44	9.60	0.33	0.30	17.17	15.80
Chan Kwok-wai, Patrick	d	0.11	3.47	4.93	0.13	–	8.64	15.79
<b>Non-Executive Directors</b>								
Lee Shau-kee		0.31	–	–	–	–	0.31	0.31
Woo Po-shing		0.30	–	–	–	–	0.30	0.30
Kwan Cheuk-yin, William		0.42	–	–	–	–	0.42	0.42
Wong Yick-kam, Michael	e	0.20	–	–	–	–	0.20	0.54
<b>Independent Non-Executive Directors</b>								
Yip Dicky Peter		0.60	–	–	–	–	0.60	0.60
Wong Yue-chim, Richard		0.44	–	–	–	–	0.44	0.44
Li Ka-cheung, Eric		0.93	–	–	–	–	0.93	0.88
Fung Kwok-lun, William		0.30	–	–	–	–	0.30	0.30
Leung Nai-pang, Norman		0.57	–	–	–	–	0.57	0.42
Leung Kui-king, Donald		0.54	–	–	–	–	0.54	0.54
Leung Ko May-yee, Margaret		0.30	–	–	–	–	0.30	0.30
<b>Total 2016</b>		<b>7.66</b>	<b>50.02</b>	<b>46.14</b>	<b>3.12</b>	<b>0.68</b>	<b>107.62</b>	112.60
Total 2015		8.00	52.60	47.68	3.39	0.93		

The above analysis included four (2015: three) individuals whose emoluments were among the five highest pay in the Group.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 5 Directors' Emoluments and Five Highest Paid Individuals (cont'd)

Details of the emoluments paid to the remaining one (2015: two) individual are:

	2016	2015
Salaries, allowances and benefits in kind	6.72	16.85
Discretionary bonuses	10.02	17.42
Retirement scheme contributions	0.62	1.63
	<b>17.36</b>	35.90

Number of employees whose emoluments fell within:

Emoluments Band			Number of employees	Number of employees
HK\$M		HK\$M		
16.0	–	16.5	–	1
17.0	–	17.5	1	–
19.5	–	20.0	–	1
			<b>1</b>	2

- (a) Mr. Kwok Ping-kwong, Thomas and Mr. Chan Kui-yuen, Thomas resigned as Executive Directors on 19 December 2014.
- (b) Mr. Kwok Kai-fai, Adam was appointed as an Executive Director on 19 December 2014.
- (c) Mr. Kwok Kai-wang, Christopher was appointed as an Executive Director on 26 April 2016.
- (d) Mr. Chan Kwok-wai, Patrick retired as a Director of the Company at the annual general meeting of the Company held on 12 November 2015.
- (e) Mr. Wong Yick-kam, Michael resigned as a Non-Executive Director on 13 November 2015.
- (f) Share-based payments are the fair values of share options granted to employees (including directors), which are determined at the date of grant and expensed over the vesting period.

## 6 Staff Retirement Schemes

The Group operates a number of defined contribution schemes for all qualified employees. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions to these schemes are made by both the employers and employees at rates ranging from 5% to 10% on the employees' salary.

As required by the municipal or provincial social insurance laws and regulations, the Group made contributions to the pension insurance managed by the local municipal governments in Mainland China. The rates of contributions in general ranged from 13% to 21% of staff's monthly salary during the relevant period.



## 6 Staff Retirement Schemes (cont'd)

With effect from 1 December 2000, the Group sets up an employer sponsored scheme ("MPF Scheme") for other employees. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates. Contributions of the Group to the MPF Scheme are charged to consolidated income statement as incurred.

Total contributions to the retirement schemes made by the Group during the year amounted to HK\$316 million (2015: HK\$315 million). Forfeited contributions for the year of HK\$2 million (2015: HK\$2 million) were used to reduce the existing level of contributions.

## 7 Taxation

	2016	2015
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	3,618	2,952
Under provision in prior years	17	5
	<b>3,635</b>	2,957
Tax outside Hong Kong	1,241	746
Over provision in prior years	(6)	-
	<b>1,235</b>	746
	<b>4,870</b>	3,703
Deferred taxation charge		
Changes in fair value of investment properties	1,042	754
Other origination and reversal of temporary differences	478	314
	<b>1,520</b>	1,068
	<b>6,390</b>	4,771

(a) Hong Kong profits tax is provided at the rate of 16.5% (2015: 16.5%) based on the estimated assessable profits for the year. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rate:

	2016	2015
Profit before share of results of associates, joint ventures and taxation	35,570	31,585
Tax at Hong Kong profits tax rate of 16.5% (2015: 16.5%)	5,869	5,211
Effect of different tax rates of subsidiaries operating outside Hong Kong	1,422	906
Net effect of non-deductible expenses and non-taxable income	(1,059)	(1,523)
Utilization of tax losses not previously recognized	(60)	(73)
Tax losses and other temporary differences not recognized	215	190
Under provision in prior years	11	5
Others	(8)	55
Tax expenses	<b>6,390</b>	4,771

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 8 Dividends

	2016	2015
Dividends recognized as distribution during the year:		
2015 final dividend of HK\$2.40 per share based on 2,893 million shares (2015: 2014 final dividend of HK\$2.40 per share based on 2,823 million shares)	<b>6,944</b>	6,774
2016 interim dividend of HK\$1.05 per share based on 2,893 million shares (2015: HK\$0.95 per share based on 2,872 million shares)	<b>3,038</b>	2,728
	<b>9,982</b>	9,502

## 9 Earnings Per Share

### (a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK\$32,666 million (2015: HK\$31,082 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,887,319,897 (2015: 2,803,709,401). The diluted earnings per share is based on 2,889,821,657 (2015: 2,829,858,793) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 2,501,760 (2015: 26,149,392) shares deemed to be issued at no consideration if all outstanding options and warrants had been exercised.

### (b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK\$24,170 million (2015: HK\$19,825 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2016	2015
Profit attributable to the Company's shareholders as shown in the consolidated income statement	<b>32,666</b>	31,082
Increase in fair value of investment properties	<b>(8,769)</b>	(10,987)
Effect of corresponding deferred tax charges	<b>1,042</b>	754
Fair value gains realized on disposal of investment properties net of deferred tax		
– Subsidiaries	<b>374</b>	982
– Associates and joint ventures	–	111
Share of results of associates and joint ventures		
– fair value gains of investment properties	<b>(1,229)</b>	(2,290)
– effect of corresponding deferred tax charges	<b>66</b>	116
	<b>(8,516)</b>	(11,314)
Non-controlling interests	<b>20</b>	57
Net effect of changes in the valuation of investment properties	<b>(8,496)</b>	(11,257)
Underlying profit attributable to the Company's shareholders	<b>24,170</b>	19,825

## 10 Investment Properties

### (a) Movement during the year

	Completed	Under development	Total
Valuation			
At 1 July 2014	254,625	23,015	277,640
Additions	675	2,275	2,950
Transfer upon completion	6,664	(6,664)	–
Disposals	(1,049)	–	(1,049)
Transfer to			
– properties for sale	–	(1)	(1)
– other properties	(31)	–	(31)
Redesignate from properties for sales	–	18,689	18,689
Exchange difference	13	7	20
Increase in fair value	10,152	835	10,987
At 30 June 2015 and 1 July 2015	271,049	38,156	309,205
Additions	<b>1,184</b>	<b>3,531</b>	<b>4,715</b>
Transfer upon completion	<b>950</b>	<b>(950)</b>	<b>–</b>
Transfer upon redevelopment	<b>(357)</b>	<b>357</b>	<b>–</b>
Disposals	<b>(132)</b>	<b>–</b>	<b>(132)</b>
Transfer to			
– properties for sale	<b>–</b>	<b>(523)</b>	<b>(523)</b>
– other properties	<b>(3)</b>	<b>–</b>	<b>(3)</b>
Redesignate from			
– properties for sale	<b>–</b>	<b>1,802</b>	<b>1,802</b>
– properties under development	<b>–</b>	<b>573</b>	<b>573</b>
Exchange difference	<b>(3,807)</b>	<b>(2,082)</b>	<b>(5,889)</b>
Increase in fair value	<b>6,593</b>	<b>2,176</b>	<b>8,769</b>
At 30 June 2016	<b>275,477</b>	<b>43,040</b>	<b>318,517</b>

### (b) Investment properties valuation

The Group's investment properties were valued at their fair values at 30 June 2016 and 30 June 2015 by Knight Frank Petty Limited, an independent firm of professional qualified valuers. The current use of the investment properties equates to their highest and best use.

Fair values of the Group's investment properties are categorized as Level 3 measurement in the three-level fair value hierarchy. During the year, there were no transfers between different levels within the fair value hierarchy.

The Group's completed investment properties are valued using the income capitalization method by capitalizing the net income from the existing tenancies with due allowance for reversionary income potential at appropriate capitalization rates for individual properties. The capitalization rate adopted, which varies according to the type and class of property concerned, its location and position and the type of tenant in occupation, is derived by reference to the yields achieved from analysis of recent comparable property investment transactions and encapsulates future expectations of the investors regarding income and capital growth and perceived risks.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 10 Investment Properties (cont'd)

### (b) Investment properties valuation (cont'd)

The Group's investment properties under development are valued using the residual method by estimating the fair value of the completed project using either a sales comparison or income capitalization method less estimated costs to completion, financing cost and a market based margin for profit and risk.

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

	Fair value		Weighted average capitalization rate	
	2016	2015	2016	2015
<b>Completed</b>				
Hong Kong	<b>222,348</b>	215,583	<b>5.2%</b>	5.2%
Mainland China	<b>53,129</b>	55,466	<b>6.6%</b>	6.6%
	<b>275,477</b>	271,049		
<b>Under development</b>				
Hong Kong	<b>11,912</b>	8,057	<b>4.5%</b>	4.7%
Mainland China	<b>31,128</b>	30,099	<b>6.6%</b>	6.6%
	<b>43,040</b>	38,156		

The fair values of the Group's investment properties are inversely related to capitalization rates, which are determined by investors' expectations on investment yields, rental growth and the risk profile of the properties being valued. A lower (higher) capitalization rate would imply a higher (lower) property value.

- (c) Profit on disposal of the Group's investment properties during the year amounted to HK\$11 million (2015: HK\$117 million).
- (d) Gross rental income and direct operating expenses from investment properties during the year amounted to HK\$16,564 million (2015: HK\$15,449 million) and HK\$3,622 million (2015: HK\$3,459 million) respectively.

## 11 Fixed Assets

### Movement during the year

	Properties					Total
	Hotel properties	under development	Other properties	Network equipment	Other fixed assets	
Cost						
At 1 July 2014	13,316	5,633	5,752	5,300	4,793	34,794
Additions	196	688	8	576	308	1,776
Transfer from completed investment properties	–	–	31	–	–	31
Reclassification	–	–	112	–	(112)	–
Disposals	–	–	–	(496)	(85)	(581)
Exchange difference	1	–	–	–	–	1
At 30 June 2015 and 1 July 2015	13,513	6,321	5,903	5,380	4,904	36,021
Acquired on acquisition of a subsidiary	–	–	–	–	3	3
Additions	102	1,024	147	507	376	2,156
Transfer from completed investment properties	–	–	3	–	–	3
Redesignate to investment properties under development	–	(573)	–	–	–	(573)
Transfer to joint venture	–	–	–	–	(14)	(14)
Disposals	–	–	–	(367)	(118)	(485)
Exchange difference	(125)	(117)	(4)	–	(28)	(274)
At 30 June 2016	13,490	6,655	6,049	5,520	5,123	36,837
Accumulated depreciation						
At 1 July 2014	2,609	–	1,634	2,279	2,896	9,418
Charge for the year	343	–	130	597	453	1,523
Disposals	–	–	–	(466)	(75)	(541)
At 30 June 2015 and 1 July 2015	2,952	–	1,764	2,410	3,274	10,400
Charge for the year	325	–	133	577	467	1,502
Disposals	–	–	–	(351)	(112)	(463)
Transfer to joint venture	–	–	–	–	(7)	(7)
Exchange difference	(21)	–	(1)	–	(19)	(41)
At 30 June 2016	3,256	–	1,896	2,636	3,603	11,391
Net book value at 30 June 2016	10,234	6,655	4,153	2,884	1,520	25,446
Net book value at 30 June 2015	10,561	6,321	4,139	2,970	1,630	25,621

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 12 Associates

	2016	2015
Unlisted shares, at cost less impairment loss	37	37
Hong Kong listed shares, at cost	732	618
Share of post-acquisition reserves	3,787	3,343
	<b>4,556</b>	3,998
Amounts due from associates	20	20
	<b>4,576</b>	4,018
Market value of Hong Kong listed shares	2,802	2,499

Amounts due from associates are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders.

The Group's effective interest in the revenue, results, assets and liabilities of its associates are summarized below:

	2016	2015
Investment properties	1,386	1,081
Other non-current assets	3,130	2,719
Current assets	2,139	1,937
Current liabilities	(1,054)	(782)
Non-current liabilities	(1,045)	(957)
Net assets	<b>4,556</b>	3,998
Revenue	2,932	2,778
Fair value changes of investment properties net of related deferred tax	291	109
Profit for the year	<b>602</b>	493

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2016.

## 13 Joint Ventures

	2016	2015
Unlisted shares, at cost less impairment loss	3,098	3,045
Share of post-acquisition reserves	43,304	42,717
	<b>46,402</b>	45,762
Amounts due from joint ventures	9,829	7,195
	<b>56,231</b>	52,957

Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders except for the amounts of HK\$959 million (2015: HK\$851 million) which are interest bearing at market rates.

### 13 Joint Ventures (cont'd)

The Group's effective interest in the revenue, results, assets and liabilities of its joint ventures are summarized below:

	2016	2015
Investment properties	<b>62,762</b>	61,647
Other non-current assets	<b>3,841</b>	6,296
Current assets	<b>17,370</b>	13,970
Current liabilities	<b>(15,421)</b>	(12,448)
Non-current liabilities	<b>(22,150)</b>	(23,703)
Net assets	<b>46,402</b>	45,762
Revenue	<b>7,630</b>	8,921
Fair value changes of investment properties net of related deferred tax	<b>872</b>	2,065
Profit for the year	<b>3,614</b>	5,057

Particulars regarding principal joint ventures are set out in the section headed "Principal Joint Ventures" of the Annual Report 2016.

### 14 Loan Receivables

	2016	2015
Loan receivables	<b>1,617</b>	1,039
Less: Amount due within one year included under current assets	<b>(582)</b>	(219)
	<b>1,035</b>	820

Loan receivables include mortgage loan receivables which are secured on properties and repayable by monthly instalments with various tenors not more than 25 years (2015: 20 years) at the year end date and carry interest at rates with reference to banks' lending rates.

As at 30 June 2016, 0.3% (2015: 0.4%) of loan receivables have been overdue but not impaired, of which 100% (2015: 65%) are aged less than three months since the due dates. These relate to a number of independent customers for whom the creditworthiness, collateral and subsequent settlement after reporting date are assessed and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of loan receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loan receivables directly. The balance and movement of the impairment allowance as at 30 June 2016 and 30 June 2015 is not significant.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 15 Other Financial Assets

	2016	2015
<b>Held-to-maturity debt securities</b>		
Listed debt securities, overseas	121	–
Listed debt securities, Hong Kong	616	–
	<b>737</b>	–
<b>Available-for-sale debt securities</b>		
Listed debt securities, overseas	246	674
Listed debt securities, Hong Kong	369	324
	<b>615</b>	998
<b>Available-for-sale equity securities</b>		
Listed equity securities, overseas	611	648
Listed equity securities, Hong Kong	1,135	1,255
Unlisted equity securities	228	309
	<b>1,974</b>	2,212
	<b>3,326</b>	3,210
Market value of listed securities		
Listed overseas	981	1,322
Listed in Hong Kong	2,142	1,579
	<b>3,123</b>	2,901

## 16 Intangible Assets

	Concession assets	Telecommunications licences	Goodwill	Total
Cost				
At 1 July 2014, 30 June 2015 and 1 July 2015	6,934	2,492	35	9,461
Additions	–	–	116	116
At 30 June 2016	<b>6,934</b>	<b>2,492</b>	<b>151</b>	<b>9,577</b>
Accumulated amortization and impairment				
At 1 July 2014	4,114	808	–	4,922
Amortization	259	190	–	449
At 30 June 2015 and 1 July 2015	4,373	998	–	5,371
Amortization	258	190	–	448
Impairment	–	–	4	4
At 30 June 2016	<b>4,631</b>	<b>1,188</b>	<b>4</b>	<b>5,823</b>
Net Book Value at 30 June 2016	<b>2,303</b>	<b>1,304</b>	<b>147</b>	<b>3,754</b>
Net Book Value at 30 June 2015	2,561	1,494	35	4,090

Concession assets represent cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructure, which have finite useful lives of 27 years, and are amortized on a straight line basis.



## 16 Intangible Assets (cont'd)

Telecommunications licences represent the discounted value of the annual fees payable for the telecommunications licences over the licence period, which have finite useful lives ranging from 12 to 15 years, and are amortized on a straight line basis. The corresponding non-current and current portion of these contractual liabilities are recorded in other long-term liabilities and other payables respectively.

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. At the year end date, an impairment test was performed by comparing the carrying amount of the business with the recoverable amount.

## 17 Properties for Sale

	2016	2015
Stock of completed properties for sale	<b>28,638</b>	24,854
Properties pending/under development for sale	<b>116,206</b>	124,896
	<b>144,844</b>	149,750

## 18 Debtors, Prepayments and Others

	Notes	2016	2015
Debtors, deposits and prepayments		<b>23,485</b>	16,061
Deposits for acquisition of properties		<b>378</b>	3,938
Amounts due from customers for contract works	18a	<b>149</b>	116
Short-term loans		<b>582</b>	219
Derivative financial instruments	18b	<b>430</b>	356
		<b>25,024</b>	20,690

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

Included in debtors, prepayments and others of the Group are trade debtors of HK\$14,969 million (2015: HK\$8,748 million), of which 94% (2015: 87%) are aged less than 60 days, 1% (2015: 1%) between 61 to 90 days and 5% (2015: 12%) more than 90 days.

As at 30 June 2016, 10% (2015: 19%) of trade debtors are past due but not impaired, of which 64% (2015: 53%) are aged less than three month since the due dates. These relate to a number of independent customers for whom there is no recent history of default and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The balance and movement of the impairment allowance as at 30 June 2016 and 30 June 2015 is not significant.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 18 Debtors, Prepayments and Others (cont'd)

### 18a. Amounts due from/(to) customers for contract works

	Notes	2016	2015
Contract costs incurred plus recognized profits less recognized losses		<b>2,115</b>	2,740
Less: Progress billings		<b>(1,974)</b>	(2,628)
		<b>141</b>	112
Represented by:			
Due from customers included in current assets	18	<b>149</b>	116
Due to customers included in current liabilities	22	<b>(8)</b>	(4)
		<b>141</b>	112

### 18b. Derivative financial instruments

	Notes	2016		2015	
		Assets	Liabilities	Assets	Liabilities
Fair value hedges	18 & 22				
– interest rate swaps		<b>235</b>	–	306	–
– currency swaps		<b>195</b>	<b>223</b>	50	369
		<b>430</b>	<b>223</b>	356	369
Cash flow hedge					
– interest rate swap		–	<b>2</b>	–	3

At the year end date, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps to hedge the fair value interest rate risk of the Group's fixed interest rate borrowings and currency swaps (to hedge principal repayment of foreign currency debt) analyzed as follows :

	Notional principal amount	
	2016	2015
Fixed-to-floating interest rate swaps maturing		
Within one year	–	1,800
After one year, but within five years	<b>1,923</b>	1,323
After five years	<b>300</b>	900
	<b>2,223</b>	4,023
Currency swaps maturing		
Within one year	<b>477</b>	–
After one year, but within five years	<b>1,995</b>	477
After five years	<b>6,979</b>	8,974
	<b>9,451</b>	9,451

## 18 Debtors, Prepayments and Others (cont'd)

### 18b. Derivative financial instruments (cont'd)

The fixed-to-floating interest rate swaps converted the fixed rates to floating rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a weighted average margin of 0.79% (2015: 0.54%) per annum. The currency swaps converted the foreign currency interest rates to Hong Kong dollars fixed and floating rates at effective rate of 3.94% (2015: 3.94%) and HIBOR plus weighted average margin of 1.50% (2015: 1.50%) respectively. The swaps are measured at fair value at the year end date and the increase in fair value during the year in the amount of HK\$220 million (2015: decrease of HK\$372 million) along with the corresponding change in fair value of the hedged borrowings attributable to the hedged risk of the same amount has been recognized in consolidated income statement.

At the year end date, the Group had outstanding cash flow hedge in respect of floating-to-fixed interest rate swap to hedge the exposure to variability in cash flows of the Group's floating interest rate borrowing analyzed as follows :

	<b>Notional principal amount</b>	
	<b>2016</b>	2015
Floating-to-fixed interest rate swap maturing		
Within one year	<b>146</b>	–
After one year, but within five years	<b>12</b>	181
	<b>158</b>	181

The floating-to-fixed interest rate swaps converted the floating rate to fixed rate at weighted average 4.53% (2015: 4.53%) per annum. The swaps are measured at fair value and the increase in fair value during the year in the amount of HK\$1 million (2015: decrease of HK\$3 million) are recognized in consolidated statement of comprehensive income and will be released to the consolidated income statement when the hedged forecast cash flows affect profit or loss.

## 19 Other Financial Assets

	<b>2016</b>	2015
<b>Financial assets at fair value through profit or loss</b>		
Listed equity securities, Hong Kong	<b>573</b>	746
<b>Available-for-sale debt securities maturing within one year</b>		
Listed debt securities, overseas	<b>278</b>	148
Listed debt securities, Hong Kong	<b>148</b>	–
	<b>426</b>	148
<b>Held-to-maturity debt securities maturing within one year</b>		
Listed debt securities, overseas (Market value: HK\$125 million (2015: Nil))	<b>119</b>	–
	<b>1,118</b>	894

## 20 Bank Deposits and Cash

Deposits with banks are interest bearing at prevailing market rates. About 73% (2015: 80%) of the Group's bank deposits and cash are denominated in Hong Kong dollars, 25% (2015: 19%) in Renminbi and 2% (2015: 1%) in US dollars.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 21 Bank and Other Borrowings

	Note	2016	2015
Unsecured bank overdrafts		153	119
Long-term bank and other borrowings due within one year	23	17,333	10,697
		<b>17,486</b>	10,816

## 22 Trade and Other Payables

	Notes	2016	2015
Creditors and accrued expenses		25,672	23,020
Amounts due to customers for contract works	18a	8	4
Amounts due to non-controlling interests		1,588	2,294
Derivative financial instruments	18b	225	372
		<b>27,493</b>	25,690

Included in trade and other payables of the Group are trade creditors of HK\$2,303 million (2015: HK\$2,385 million), of which 75% (2015: 79%) are aged less than 60 days, 2% (2015: 2%) between 61 to 90 days and 23% (2015: 19%) more than 90 days.

The amounts due to non-controlling interests are interest free, unsecured and have no fixed terms of repayment.

## 23 Bank and Other Borrowings

	2016	2015
Unsecured bank overdrafts	153	119
Long-term bank and other loans	80,608	83,013
	<b>80,761</b>	83,132

## 23 Bank and Other Borrowings (cont'd)

The maturity of the Group's long-term bank and other loans are as follows:

	Note	2016	2015
<b>Secured bank loans repayable</b>			
Within one year		250	251
After one year, but within two years		256	775
After two years, but within five years		1,295	1,543
After five years		41	48
		<b>1,842</b>	2,617
<b>Unsecured bank loans repayable</b>			
Within one year		7,963	8,281
After one year, but within two years		3,386	7,595
After two years, but within five years		29,865	26,219
After five years		115	247
		<b>41,329</b>	42,342
<b>Guaranteed notes repayable</b>			
Within one year		9,120	2,165
After one year, but within two years		–	9,045
After two years, but within five years		8,292	1,801
After five years		20,025	25,043
		<b>37,437</b>	38,054
		<b>80,608</b>	83,013
Less : Amount due within one year included under current liabilities	21	<b>(17,333)</b>	(10,697)
		<b>63,275</b>	72,316

The fair values of the long-term borrowings as estimated by discounting their future cash flows at the prevailing market borrowing rates at the year end date for similar borrowings are as follows:

	Carrying amount		Fair value	
	2016	2015	2016	2015
Secured bank loans	1,592	2,366	1,592	2,366
Unsecured bank loans	33,366	34,062	33,235	33,905
Guaranteed notes	28,317	35,888	29,065	36,012
	<b>63,275</b>	72,316	<b>63,892</b>	72,283

- (a) As at 30 June 2016, the Group had entered into fixed-to-floating interest rate swaps in the aggregate notional amount of HK\$2,223 million (2015: HK\$4,023 million) to hedge the fair value interest rate risk of certain fixed interest rate borrowings and currency swaps in the aggregate notional amount of HK\$9,451 million (2015: HK\$9,451 million) to hedge principal repayment of foreign currency debt (see note 18b). The carrying amount of these borrowings comprises items measured at amortized cost and an element of changes in fair value attributable to the hedged risks.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 23 Bank and Other Borrowings (cont'd)

- (b) Secured bank loans related to bank borrowings of the Group's subsidiaries which are secured by way of legal charges over certain of its assets and business undertakings.
- (c) The above bank loans are repayable on various dates up to May 2027 (2015: May 2027) and carry interest, after hedging where appropriate, at effective rate per annum of 2.21% (2015: 2.49%). The carrying amounts of guaranteed notes issued by Sun Hung Kai Properties (Capital Market) Limited and SmarTone Finance Limited are HK\$35,885 million and HK\$1,552 million (2015: HK\$36,503 million and HK\$1,551 million), respectively. The guaranteed notes are repayable on various dates up to August 2026 (2015: August 2026), unsecured and carry interest, after hedging where appropriate, at effective rate per annum of 3.56% (2015: 3.42%).
- (d) The carrying amount of the gross borrowings by currency (after currency swaps) is as follows:

	2016	2015
Hong Kong dollars	50,184	51,157
US dollars	19,708	20,251
Renminbi	10,869	11,724
	<b>80,761</b>	83,132

## 24 Deferred Taxation

The components of the carrying amount of deferred tax balances and the movements during the year are as follows:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Others	Total
At 1 July 2014	4,528	11,512	(421)	134	15,753
Charged/(credited) to consolidated income statement	315	742	23	(12)	1,068
Exchange difference	–	3	–	–	3
At 30 June 2015 and 1 July 2015	4,843	12,257	(398)	122	16,824
Charged/(credited) to consolidated income statement	<b>438</b>	<b>997</b>	<b>106</b>	<b>(21)</b>	<b>1,520</b>
Exchange difference	<b>(90)</b>	<b>(847)</b>	<b>11</b>	<b>(8)</b>	<b>(934)</b>
At 30 June 2016	<b>5,191</b>	<b>12,407</b>	<b>(281)</b>	<b>93</b>	<b>17,410</b>

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK\$5,105 million (2015: HK\$4,550 million), of which HK\$173 million (2015: HK\$8 million) of tax losses will expire at various dates up to 2020 (2015: 2019). Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

## 25 Other Long-Term Liabilities

	2016	2015
Asset retirement and other obligations	48	53
Contractual obligations for telecommunications licences	203	366
	<b>251</b>	419

## 26 Share Capital

	2016		2015	
	Number of shares in million	Amount	Number of shares in million	Amount
<b>Issued and fully paid:</b>				
Ordinary shares				
At beginning of year	2,876	68,451	2,725	53,464
Share issued on exercise of share options	1	116	4	502
Share issued on exercise of warrants	18	1,817	147	14,485
At end of year	<b>2,895</b>	<b>70,384</b>	2,876	68,451

### (a) Exercise of warrants

On 28 February 2014, the Board of Directors announced the proposed bonus issue of warrants (the "Warrants") to the shareholders of the Company on the basis of one Warrant for every twelve existing shares of the Company held on 14 April 2014. 225,378,231 units of Warrants were issued on 23 April 2014.

Each Warrant entitles the holder to subscribe in cash for one new share of the Company at an initial subscription price of HK\$98.60, subject to adjustments. It is exercisable at any time during the period of two years commencing from 23 April 2014 and ending on 22 April 2016 (both days inclusive). During the year ended 30 June 2016, 18,401,267 (2015: 146,919,938) units of Warrants had been exercised by the holders thereof and 18,435,169 (2015: 146,902,747) shares were issued and allotted by the Company to the holders of the Warrants. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. At 30 June 2015, 77,561,710 units of Warrants remained outstanding. The subscription rights attaching to the remaining unexercised units of Warrants lapsed at 4:00 p.m. on 22 April 2016.

### (b) Exercise of share options

During the year ended 30 June 2016, 846,000 (2015: 3,677,000) shares were issued on exercise of share options.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 27 Share Option Schemes

The Company has a share option scheme which was adopted on 15 November 2012 (“the New Scheme”) to replace a former scheme previously adopted on 5 December 2002 (“the Old Scheme”), whereby the directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Details of share option schemes adopted by the Company are set out in the Directors’ Report of the Annual Report 2016.

### The Old Scheme

Upon the termination of the Old Scheme, no further share options could be granted but the outstanding share options granted shall continue to be valid and exercisable in accordance with its provisions.

- (a) Movements in share options to subscribe for ordinary shares in the Company under the Old Scheme during the year ended 30 June 2016 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2015	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2016
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	766,000	–	(766,000)	–	–
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	1,188,000	–	–	(100,000)	1,088,000
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	962,000	–	(56,000)	(29,000)	877,000
			<b>2,916,000</b>	<b>–</b>	<b>(822,000)</b>	<b>(129,000)</b>	<b>1,965,000</b>
Weighted average exercise prices (HK\$)			<b>108.61</b>	<b>–</b>	<b>110.36</b>	<b>112.24</b>	<b>107.64</b>

Movements in share options to subscribe for ordinary shares in the Company under the Old Scheme during the year ended 30 June 2015 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2014	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2015
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	3,912,000	–	(2,746,000)	(400,000)	766,000
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	1,930,000	–	(546,000)	(196,000)	1,188,000
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	1,244,000	–	(229,000)	(53,000)	962,000
			7,086,000	–	(3,521,000)	(649,000)	2,916,000
Weighted average exercise prices (HK\$)			110.22	–	111.26	111.82	108.61

- (b) Details of share options exercised

Share options exercised during the year resulted in 822,000 (2015: 3,521,000) shares being issued. The related weighted average share price at the time of exercise was HK\$120.54 (2015: HK\$126.68) per share.



## 27 Share Option Schemes (cont'd)

### The New Scheme

During the year, no share options were granted under the New Scheme.

- (a) Movements in share options to subscribe for ordinary shares in the Company under the New Scheme during the year ended 30 June 2016 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2015	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2016
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	897,000	–	(22,000)	(32,000)	843,000
11 July 2014	HK\$106.80	11.7.2015 to 10.7.2019	1,080,000	–	(2,000)	(6,000)	1,072,000
			<b>1,977,000</b>	<b>–</b>	<b>(24,000)</b>	<b>(38,000)</b>	<b>1,915,000</b>
Weighted average exercise prices (HK\$)			<b>104.76</b>	<b>–</b>	<b>102.68</b>	<b>103.01</b>	<b>104.82</b>

Movements in share options to subscribe for ordinary shares in the Company under the New Scheme during the year ended 30 June 2015 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2014	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2015
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	1,112,000	–	(156,000)	(59,000)	897,000
11 July 2014	HK\$106.80	11.7.2015 to 10.7.2019	–	1,106,000	–	(26,000)	1,080,000
			1,112,000	1,106,000	(156,000)	(85,000)	1,977,000
Weighted average exercise prices (HK\$)			102.30	106.80	102.30	103.68	104.76

- (b) Details of share options exercised  
Share options exercised during the year resulted in 24,000 (2015: 156,000) shares being issued. The related weighted average share price at the time of exercise was HK\$121.54 (2015: HK\$123.15) per share.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 28 Parent Company Statement of Financial Position

	Notes	2016	2015
<b>Non-current assets</b>			
Subsidiaries	28(a)	<b>30,200</b>	30,203
<b>Current assets</b>			
Amounts due from subsidiaries		<b>154,308</b>	150,073
Debtors, prepayments and others		–	6
Bank deposits and cash		<b>29</b>	32
		<b>154,337</b>	150,111
<b>Current liabilities</b>			
Trade and other payables		<b>(52)</b>	(55)
		<b>154,285</b>	150,056
<b>NET CURRENT ASSETS</b>			
		<b>184,485</b>	180,259
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	26	<b>70,384</b>	68,451
Reserves	28(b)	<b>114,101</b>	111,808
<b>SHAREHOLDERS' FUNDS</b>			
		<b>184,485</b>	180,259

Directors:

**Kwok Ping-luen, Raymond**

**Lui Ting, Victor**

- (a) Particulars regarding principal subsidiaries are set out in the section headed "Principal Subsidiaries" of the Annual Report 2016.
- (b) The movement of reserves during the year are as follows:

	Capital reserve	Retained profits	Total
At 1 July 2014	5,458	98,284	103,742
Transfer to share capital upon shares issued on exercise of share options	(94)	–	(94)
Recognition of equity-settled share-based payments	12	–	12
Profit for the year	–	17,650	17,650
Final dividend paid for the year ended 30 June 2014	–	(6,774)	(6,774)
Interim dividend paid for the year	–	(2,728)	(2,728)
At 30 June 2015 and 1 July 2015	5,376	106,432	111,808
Transfer to share capital upon shares issued on exercise of share options	<b>(23)</b>	–	<b>(23)</b>
Recognition of equity-settled share-based payments	<b>5</b>	–	<b>5</b>
Profit for the year	–	<b>12,293</b>	<b>12,293</b>
Final dividend paid for the year ended 30 June 2015	–	<b>(6,944)</b>	<b>(6,944)</b>
Interim dividend paid for the year	–	<b>(3,038)</b>	<b>(3,038)</b>
At 30 June 2016	<b>5,358</b>	<b>108,743</b>	<b>114,101</b>

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2016 amounted to HK\$108,743 million (2015: HK\$106,432 million).

## 29 Notes to Consolidated Statement of Cash Flows

### (a) Reconciliation of operating profit to cash generated from operations

	2016	2015
Operating profit before changes in fair value of investment properties	<b>28,856</b>	22,778
Depreciation and amortization	<b>1,950</b>	1,972
Impairment of assets	<b>4</b>	5
Profit on disposal of subsidiaries	<b>(436)</b>	–
Profit on disposal of investment properties	<b>(11)</b>	(117)
Loss on disposal of fixed assets	<b>12</b>	23
Profit on disposal of a joint venture	<b>–</b>	(5)
Profit on disposal of available-for-sale investments	<b>(52)</b>	(60)
Dividend income from investments	<b>(120)</b>	(113)
Interest income	<b>(171)</b>	(94)
Share-based payments	<b>6</b>	12
Exchange difference	<b>99</b>	(58)
<b>Operating profit before changes in working capital</b>	<b>30,137</b>	24,343
Decrease/(increase) in properties for sale	<b>12,389</b>	(3,850)
Additions to properties pending development for sale	<b>(13,264)</b>	(15,288)
(Increase)/decrease in inventories	<b>(302)</b>	5
(Increase)/decrease in debtors, prepayments and others	<b>(6,313)</b>	1,888
Decrease/(increase) in financial assets at fair value through profit or loss	<b>173</b>	(70)
Increase in trade and other payables	<b>4,442</b>	745
(Decrease)/increase in deposits received on sales of properties	<b>(6,928)</b>	8,366
<b>Cash generated from operations</b>	<b>20,334</b>	16,139

### (b) Purchase of a subsidiary

In November 2015, the Group acquired 100% controlling interest of a company which provides car parking management services in Hong Kong. The acquired subsidiary contributed revenues of HK\$114 million and underlying profits attributable to the Company's shareholders of HK\$9 million from the date of acquisition to 30 June 2016. If this acquisition had occurred on 1 July 2015, total Group revenues and profit attributable to the Company's shareholders would not be significantly different from that reported in consolidated income statement.

	2016
The fair value of net assets acquired:	
Fixed assets	<b>3</b>
Debtors, prepayments and others	<b>46</b>
Bank deposits and cash	<b>3</b>
Trade and other payables	<b>(32)</b>
Taxation	<b>(3)</b>
	<b>17</b>
Goodwill on acquisition	<b>116</b>
	<b>133</b>
Satisfied by:	
Cash consideration paid	<b>120</b>
Deferred consideration	<b>13</b>
	<b>133</b>
Net cash outflow in respect of the acquisition of a subsidiary:	
Cash consideration paid	<b>120</b>
Bank deposits and cash acquired	<b>(3)</b>
	<b>117</b>

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 29 Notes to Consolidated Statement of Cash Flows (cont'd)

### (c) Disposal of subsidiaries and assets

Analysis of assets and liabilities over which control was lost:

	2016
Fixed assets	7
Properties for sales	3,628
Debtors, prepayments and others	3,872
Bank deposits and cash	403
Trade and other payables	(1,791)
Bank and other borrowings	(775)
Net assets disposed of	5,344
Joint ventures	(2,701)
Non-controlling interests	(1,107)
Release of cumulative exchange gains	(112)
Profit on disposal of subsidiaries	436
Total consideration	1,860
Representing:	
Consideration received	351
Deferred consideration	1,509
	1,860
Net cash outflow on disposal of subsidiaries:	
Consideration received	351
Bank deposits and cash disposed of	(403)
	(52)

### (d) Analysis of the balance of cash and cash equivalents at end of year

	2016	2015
Bank deposits and cash	30,048	32,561
Bank overdrafts	(153)	(119)
	29,895	32,442
Less: Bank deposits maturing after more than three months	(11,986)	(13,569)
Less: Pledged bank deposits	(7)	(7)
	17,902	18,866

### 30 Joint Operations

At the year end date, the aggregate amounts of assets and liabilities recognized in the consolidated financial statements relating to the Group's interests in joint operations are as follows :

	2016	2015
Investment properties	<b>15,402</b>	14,305
Stocks of completed properties for sale	<b>163</b>	142
Properties pending development for sale	<b>84</b>	84
	<b>15,649</b>	14,531
Trade and other payables	<b>294</b>	272
Taxation	<b>62</b>	61
Deferred taxation	<b>143</b>	135
	<b>499</b>	468
Revenue	<b>858</b>	829
Expenses	<b>205</b>	204

### 31 Related Party Disclosures

During the year, the Group undertook various transactions with related parties. The following is a summary of significant transactions, in addition to those disclosed elsewhere in the consolidated financial statements, between the Group and related parties, which were carried out in the normal course of the Group's business at similar terms to other customers or suppliers and at market prices:

	Notes	Associates		Joint ventures	
		2016	2015	2016	2015
Interest income	a	–	–	<b>84</b>	35
Rental income	b	–	–	<b>1</b>	1
Rental expenses	b	<b>1</b>	1	<b>54</b>	49
Other revenue from services rendered	c	<b>118</b>	76	<b>32</b>	61
Purchase of goods and services	c	–	–	<b>652</b>	845

- (a) The outstanding balances with associates and joint ventures at the year end date are disclosed in notes 12 and 13 respectively.
- (b) The Group has, in the normal course of its business, entered into lease agreements to lease premises to and from related parties. The leases were entered into on normal commercial terms.
- (c) Purchase of goods and services from and rendering of services to related parties were conducted in the normal course of business at prices and on terms comparable to those contracted with other suppliers/customers of the Group.

Emoluments to directors (being the key management personnel compensation) are disclosed in note 5.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 32 Contingent Liabilities and Commitments

At the year end date, the Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

	2016	2015
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	<b>4,702</b>	2,489
Authorized but not contracted for	<b>470</b>	1,424
(b) The Group's share of capital commitments of joint ventures		
Contracted but not provided for	<b>1,582</b>	282
Authorized but not contracted for	<b>48</b>	527
(c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK\$1,108 million (2015: HK\$700 million) and other guarantees of HK\$4 million (2015: HK\$2 million).		

The Group has not recognized any deferred income of the above guarantees for joint ventures as their fair value cannot be reliably measured and their transaction price was nil.

## 33 Operating Lease

At the year end date, the future aggregate minimum lease income receivable by the Group under non-cancellable operating leases for land and buildings is analyzed as follows:

	2016	2015
Not later than one year	<b>14,339</b>	13,613
Later than one year but not later than five years	<b>17,487</b>	16,530
Later than five years	<b>2,216</b>	1,488
	<b>34,042</b>	31,631

At the year end date, the future aggregate minimum lease charges payable by the Group under non-cancellable operating leases for land and buildings, transmission sites and leased lines is analyzed as follows:

	2016	2015
Not later than one year	<b>1,242</b>	1,045
Later than one year but not later than five years	<b>1,413</b>	1,401
Later than five years	<b>871</b>	883
	<b>3,526</b>	3,329

### **34 Charges of Assets**

At the year end date, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$7 million (2015: HK\$7 million) have been pledged for securing guarantees issued by the banks.

At the year end date, certain assets of the Group's subsidiaries with an aggregate carrying value of HK\$2,407 million (including bank deposits and cash of HK\$15 million) (2015: HK\$2,877 million (including bank deposits and cash of HK\$233 million)) have been charged to secure its bank borrowings.

### **35 Critical Accounting Judgements and Estimations**

In the application of the Group's accounting policies, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions used in preparing the consolidated financial statements are continually evaluated based on historical experience and other factors that are considered relevant, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

#### **(a) Fair value of investment properties**

At each year end date, the Group's investment properties are stated at fair value based on the valuation carried out by an independent qualified professional valuer. In determining the fair value, the valuer has based on market value basis which takes into account, inter-alia, certain estimates, including open market rents, appropriate capitalization rates, reversionary income potential, redevelopment potential and comparable market transactions. The management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable.

#### **(b) Impairment of assets**

Assets including goodwill and intangible assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. Estimating the value in use of an asset involves estimating the future cash flows expected to arise from its continuing use and from its disposal at the end of its useful life and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

#### **(c) Income taxes**

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

#### **(d) Recognition of deferred tax assets**

The amount of the deferred tax assets included in the consolidated financial statements of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgements, based on assessment regarding future financial performance, about the amount of future taxable profits and the timing of when these will be realized.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 35 Critical Accounting Judgements and Estimations (cont'd)

### (e) *Assessment of useful economic lives*

Fixed assets and intangibles (other than goodwill) are depreciated or amortized over their useful economic lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value.

### (f) *Fair value of financial instruments*

Financial instruments such as available-for-sale securities and derivative financial instruments are measured in the consolidated financial statements at fair values. The management uses its judgement in selecting the appropriate valuation technique for financial instruments that are not quoted in an active market. For derivative financial instruments such as interest rate swaps and currency swaps, assumptions are made based on inputs supported by observable market prices or rates.

## 36 Financial Risk Management

The Group's major financial instruments include investments, amounts due from associates and joint ventures, loan receivables, trade debtors, bank deposits and cash, trade creditors, bank and other borrowings and other long-term liabilities. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments are managed by the Group's financial management policies and practices described below:

### (a) *Foreign currency risk*

Foreign currency exposure does not pose a significant risk for the Group as most of the Group's assets, operational cash flows and borrowings are mainly denominated in Hong Kong dollars. The Group aims to minimize its currency risk using forward contracts where feasible and cost effective. The Group's primary foreign currency exposures arise mainly from the property development and investment activities in Mainland China and Singapore, whose net assets are exposed to foreign currency translation risk. Where appropriate, the Group seeks to finance these investments through borrowings denominated in the relevant foreign currencies. Exchange differences arising from the translation of the net investment in these Mainland China and Singapore subsidiaries, associates and joint ventures have been dealt with in consolidated statement of comprehensive income.

The Group is also exposed to foreign currency risk in respect of its foreign currency borrowings, bank deposits and cash, mainly denominated in US dollars. Where appropriate, the Group may enter into currency swaps to hedge the currency risks associated with its borrowings. Foreign currency exposure of the Group's other monetary assets/liabilities is minimal.

At 30 June 2016, it is estimated that a 10% increase/decrease in exchange rate of Hong Kong dollars against all other currencies, with all other variables held constant, would increase/decrease the profit before taxation for the year by approximately HK\$1,336 million (2015: HK\$1,775 million). The other comprehensive income would be decreased/increased by HK\$74 million (2015: HK\$82 million).



## 36 Financial Risk Management (cont'd)

### (b) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly, at times of interest rate uncertainty, through the use of interest rate swaps.

The Group's interest rate risks arise principally from borrowings. Borrowings raised at floating rates expose the Group to cash flow interest rate risk. Interest rate risk is managed by the Group's senior management through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to the Group's businesses and investments.

The Group's borrowings are principally arranged on a floating rate basis. When appropriate, interest rate swaps are used to hedge and manage its long-term interest rate exposure. Speculative derivative transactions are strictly prohibited.

As at 30 June 2016, it is estimated that an increase/a decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the profit before taxation for the year by approximately HK\$181 million (2015: HK\$234 million).

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the year end date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for financial year 2015.

### (c) Price risk

The Group is exposed to price risk through the Group's certain available-for-sale investments and other financial assets that are measured at fair value at each year end date with reference to the quoted market prices. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

As at 30 June 2016, it is estimated that an increase/a decrease of 10% in equity prices, with all other variables held constant, would increase/decrease the profit before taxation for the year and the other comprehensive income by approximately HK\$50 million and HK\$279 million, respectively (2015: HK\$72 million and HK\$305 million, respectively).

### (d) Credit risk

The Group's credit risk is primarily attributable to trade debtors, loan receivables, derivative financial instruments and deposits with banks and financial institutions.

The Group's trade debtors mainly arise from sale of properties developed by the Group and rent receivables from tenants. Occasionally, long term loans are provided to purchasers of the Group's properties and carry interest at rates with reference to banks' lending rates. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each year end date to ensure that adequate impairment loss is made for irrecoverable amounts.

Counterparty exposure from derivatives is managed, together with that from deposits and bank account balances, with credit limit that reflect published credit ratings and monitored on a regular basis to ensure there is no significant risk to any individual counterparty.

The Group has no significant concentration of credit risk. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated financial statements after deducting any impairment loss. Except for the financial guarantees as set out in note 32, the Group does not provide any other guarantee which would expose the Group to material credit risk.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 36 Financial Risk Management (cont'd)

### (e) Liquidity risk

The Group's financial and treasury activities are centrally managed and controlled at the corporate level. The Group takes liquidity risk into consideration when deciding its sources of finances and their respective tenors. The Group aims to diversify its funding sources and minimize its refinancing risk by preventing substantial refinancing in any one period. The Group also maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following tables detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

As at 30 June 2016	Notes	Total contractual					
		Carrying amount	undiscounted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	22	25,672	25,679	21,023	2,725	1,827	104
Amounts due to non-controlling interests	22	1,588	1,588	1,588	–	–	–
Bank and other borrowings	21 & 23	80,761	89,766	19,594	5,319	43,214	21,639
Other long-term liabilities	25	251	287	–	62	187	38
Derivative financial instruments	18b	225	235	89	(10)	156	–
		<b>108,497</b>	<b>117,555</b>	<b>42,294</b>	<b>8,096</b>	<b>45,384</b>	<b>21,781</b>

As at 30 June 2015	Notes	Total contractual					
		Carrying amount	undiscounted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	22	23,020	23,028	18,523	2,419	1,842	244
Amounts due to non-controlling interests	22	2,294	2,294	2,294	–	–	–
Bank and other borrowings	21 & 23	83,132	94,081	13,329	19,481	33,717	27,554
Other long-term liabilities	25	419	501	–	213	187	101
Derivative financial instruments	18b	372	400	(12)	152	32	228
		109,237	120,304	34,134	22,265	35,778	28,127

### (f) Fair values

Available-for-sale debt securities and listed equity securities are stated at quoted market prices. The fair value of unlisted equity securities is determined by using valuation techniques which are based on observable market data. Unlisted equity securities for which fair values cannot be reliably measured are stated at cost less impairment losses.

The fair values of trade receivables, bank deposits, trade payables, accruals and short-term borrowings approximate to their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

## 36 Financial Risk Management (cont'd)

### (f) Fair values (cont'd)

The fair values of currency swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The carrying amounts of mortgage loan receivables, which carry variable interest rates and reprice with reference to market changes, approximate their fair values.

The carrying amounts of other financial assets and liabilities in the consolidated financial statements are not materially different from their fair values.

The following tables present the carrying value of financial instruments that are measured at fair value at end of reporting date, categorized across the levels of fair value hierarchy defined as follows:

Level 1 Fair values measured at quoted prices (unadjusted) in active markets.

Level 2 Fair values measured using inputs other than quoted prices where those inputs are based on observable market data.

#### As at 30 June 2016

	Level 1	Level 2	Total
<b>Financial assets</b>			
Available-for-sale debt securities			
Listed debt securities, overseas	524	–	524
Listed debt securities, Hong Kong	517	–	517
Available-for-sale equity securities			
Listed equity securities, overseas	611	–	611
Listed equity securities, Hong Kong	1,135	–	1,135
Unlisted equity securities	–	11	11
Financial assets at fair value through profit or loss			
Listed equity securities, Hong Kong	573	–	573
Derivative financial instruments			
Interest rate swaps	–	235	235
Currency swaps	–	195	195
	<b>3,360</b>	<b>441</b>	<b>3,801</b>
<b>Financial liabilities</b>			
Derivative financial instruments			
Interest rate swap	–	2	2
Currency swaps	–	223	223
	–	<b>225</b>	<b>225</b>

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 36 Financial Risk Management (cont'd)

### (f) Fair values (cont'd)

As at 30 June 2015

	Level 1	Level 2	Total
<b>Financial assets</b>			
Available-for-sale debt securities			
Listed debt securities, overseas	822	–	822
Listed debt securities, Hong Kong	324	–	324
Available-for-sale equity securities			
Listed equity securities, overseas	648	–	648
Listed equity securities, Hong Kong	1,255	–	1,255
Unlisted equity securities	–	107	107
Financial assets at fair value through profit or loss			
Listed equity securities, Hong Kong	746	–	746
Derivative financial instruments			
Interest rate swaps	–	306	306
Currency swaps	–	50	50
	3,795	463	4,258
<b>Financial liabilities</b>			
Derivative financial instruments			
Interest rate swap	–	3	3
Currency swaps	–	369	369
	–	372	372

### 37 Capital Management

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business and to continue to provide returns for shareholders while maintaining a prudent level of financial leverage.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net debt-to-shareholders' funds ratio. For this purpose the Group defines net debt as total borrowings less bank deposits and cash. Shareholders' funds comprise share capital and reserves attributable to the Company's shareholders as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt-to-shareholders' funds ratios at the year end were as follows:

	2016	2015
Secured bank loans	1,842	2,617
Unsecured bank and other loans	78,919	80,515
Total borrowings	80,761	83,132
Less: Bank deposits and cash	(30,048)	(32,561)
Net debt	50,713	50,571
Shareholders' funds	468,707	451,026
Net debt-to-shareholders' funds ratio	10.8%	11.2%

### 38 Approval of the Consolidated Financial Statements

The consolidated financial statements set out on pages 153 to 212 were approved by the board of directors on 8 September 2016.

# Principal Subsidiaries

The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 30 June 2016 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal subsidiaries were incorporated and are operating in Hong Kong, unlisted and are indirectly held by the Company.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
SUNeVision Holdings Ltd. (Listed in Hong Kong)	2	74.04	Provision of data centre, facilities management, web applications and value added services and installation and maintenance services	232,237,283
SmarTone Telecommunications Holdings Limited (Listed in Hong Kong)	3	66.35	Mobile telephone system operation	108,117,754
Sun Hung Kai Real Estate Agency Limited	7	100	General management & agency	1,000,000
New Town (N.T.) Properties Limited	8	100	Investment holding	2,287,658,338
Fidelity Finance Company, Limited	7	100	Finance	200
Honour Finance Company, Limited	7	100	Finance	500,000
Sun Hung Kai Properties (Financial Services) Limited	7	100	Finance	100,000
Sun Hung Kai Properties Insurance Limited	7	100	General insurance	75,000,000
Sun Hung Kai Architects and Engineers Limited	7	100	Architectural & engineering	350,000
Sanfield Building Contractors Limited		100	Building construction	40,000,000
Sanfield (Management) Limited		100	Building construction & project management	2
Everlight Engineering Company, Limited		100	Fire prevention & mechanical engineering	50,000
Aegis Engineering Company, Limited		100	Plant and machine hire	100,000
Hong Yip Service Company Limited		100	Property & facility management	100,000
Kai Shing Management Services Limited	7	100	Property & facility management	10,000
Mantegna Investment Company Limited	1	100	Property investment	2
		100		(Note 10) 9,999,998
Royaltelle International Limited		100	Hotel management	2
Access Orient Investments Limited	1	100	Property investment	US\$1
Ace Peace Limited		100	Property investment	1
Additech Ltd.	1	100	Property investment	US\$1
Advance Vision Enterprises Limited		100	Property investment	2
Airport Freight Forwarding Centre Company Limited		100	Freight forwarding centre	100
Annadale Development Limited		100	Property development and investment	2
Antanpark Limited	1	100	Property investment	US\$1
Antinio Investments Limited	1	100	Property investment	US\$1
Artsland Properties Investment Limited	1	100	Property investment	US\$1
Assured Outcome Limited	1	100	Property investment	US\$1
Barnard Enterprises Limited	1	75	Property investment	US\$100
Beauty Marble Investment Limited		100	Property investment	2

Name	Note	Total		Activities	Issued Share Capital/ Registered Capital* (HK\$)
		Attributable Equity Interest Held by the Company (%)			
Beijing New Town Plaza Real Estate Co., Ltd.	6c	100		Property investment	US\$9,000,000*
Beijing Sun Dong An Co., Ltd.	6a	100		Property investment	US\$129,000,000*
Best Numbers Limited	1	100		Property investment	US\$1
Best Winners Limited	1	100		Property investment and hotel management	US\$1
Biliboss Ltd.	1	100		Property investment	US\$1
Billion Great Investment Limited		100		Property development	2
Branhall Investments Limited	1	100		Property investment	2
		100			(Note 10) 39,999,998
Brave One Investments Limited	1	100		Property investment	US\$1
Bright Strong Limited		100		Property development and investment	2
Buratto Limited	1	100		Property investment	US\$1
Capital Mind Investments Limited	1	100		Property investment	US\$1
Champion Dynasty Investments Limited	1	100		Property investment	US\$1
Champion Era Investments Limited	1	100		Property investment	US\$1
Charmford Holdings Limited		100		Property development	1
Cheerlord Investment Ltd.	1	100		Property investment and hotel management	US\$1
成都忠捷置業有限公司	6b	91		Property development	RMB213,000,000*
Choice Win (H.K.) Limited		100		Property development and investment	1
Citijoy Limited		100		Property development	2
City Lion Investment Limited	1	100		Property investment	US\$1
City Success Limited		100		Property development and investment	2
Classic Best Investments Limited	1	100		Property investment	US\$1
Classic Success Investments Limited	1	100		Property investment	US\$1
Connick Limited	1	100		Property investment	US\$1
Cranejoy Limited		100		Property development	350,000,000
Crown World Investment Limited		100		Property development and investment	1
Dictado Company Limited		100		Property investment	200
Digital Chance Investments Limited	1	100		Property investment	US\$1
Dipende Limited	1	100		Property investment	US\$1
Dragon Value Investments Limited	1	100		Property investment	US\$1
Ease Gold Development Limited		100		Property development and investment	2
Easywise Limited		64.3		Property development	1
Entero Company Limited	9	100		Property investment	200
Even Decade Limited	1	100		Property investment	US\$1
Ever Channel Limited		100		Property investment	2
Ever Crystal Limited		100		Property investment	1
Ever Fast Limited		100		Property development and investment	2
Evermax Development Limited		100		Property development and investment	2
Excellent Chance Limited	1	100		Property investment	US\$1
Fast Commerce Global Limited	1	100		Property investment	US\$1
Fit Sharp Limited	1	100		Property investment	US\$1
Forever Glory Investments Limited	1	100		Property investment	US\$1
Fortin International Limited	1	100		Property development and investment	US\$1

# Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
Fortune Honor Limited		100	Property investment	2
Fortune Sign Global Limited	1	100	Property investment	US\$1
Fortune Yield Investment Limited		100	Property investment	2
佛山市新普房地產開發有限公司	6c	100	Property development and investment	US\$34,000,000*
東莞創紀房地產開發有限公司	6c	100	Property development	US\$121,000,000*
Full Market Limited		100	Property investment	2
Garudia Limited		100	Property investment	2
Gleamland Limited	1	100	Property investment	US\$1
Golden Square Properties Enterprises Limited	1	100	Property investment	2
		100		(Note 10) 999,998
Good Assets Limited		100	Property development	1
Goodwick Limited		100	Property development and investment	1
Great Assets Global Limited	1	100	Property investment	US\$1
Group Allied Limited		100	Property development and investment	1
Guangzhou Dragon Lake Real Estate Ltd.	6c	60	Property development	604,965,400*
廣州新天房地產發展有限公司	6b	70	Property development	RMB798,000,000*
廣州市匯信房地產開發有限公司	6a	95	Property development	RMB82,000,000*
廣州市佳俊房地產開發有限公司	6c	100	Property development	RMB210,000,000*
Harbour Vantage Limited		100	Property development	2
Harrison Global Limited	1	100	Property investment	US\$1
Headmaster Assets Limited	1	100	Property investment	US\$1
Hero Town Limited	1	100	Property investment	US\$86,500,001
Herowell Limited		100	Property investment	1
Hinwood Investment Limited		100	Property development and investment	1
Hoi Kong Container Services Company Limited		100	Mid stream operator	40,000,000
Honenberg Limited		100	Property investment	2
Hong Kong Business Aviation Centre Limited		35	Business Aviation Centre	1,000,000
Hong Kong Sky Deck Limited		100	Observation deck	1
Hung Kai Finance Investment Holding Limited		100	Property investment	200
Jayan Company Limited		100	Property investment and investment holding	2
Joinyield Limited		100	Property development and investment	1
Jugada Company Limited		100	Property investment	2
Kamchatka Company Limited		100	Property investment	200
Kamsford Hong Kong Limited		100	Property investment	16,500,000
Kartasun Limited		100	Property investment	2
Kimrose Investments Ltd.	1	100	Property investment	US\$1
Kintech Investment Limited		100	Property development	1
Laboster Company Limited	7	100	Property investment	2
Lanecove Enterprise Limited	1	100	Property investment	US\$1
Lansmart Limited		100	Property development and investment	2
Large City Investments Limited	1	100	Property investment	US\$1
Lee Bit Kai Investment Company Limited	7	100	Property investment	1,000



<b>Name</b>	<b>Note</b>	<b>Total Attributable Equity Interest Held by the Company (%)</b>	<b>Activities</b>	<b>Issued Share Capital/ Registered Capital* (HK\$)</b>
Leverson Limited	1	100	Property investment and hotel management	US\$1
Long Kinetic Limited		100	Property investment	1
Long Tesak Company Limited		100	Property investment	100,000
Lonsale Company Limited		100	Property investment	2
Lorient Holdings Ltd.	1	100	Property investment	US\$1
Lunalite Company Limited		100	Property investment	2
Manceton Limited		100	Property investment	2
Market Century Global Limited	1	100	Property investment	US\$1
Market Talent Investments Limited	1	100	Property investment	US\$1
Masston Limited		100	Property investment	1
Maxwear Limited	1	100	Property investment	US\$1
Mighty Choice Assets Limited	1	100	Property investment	US\$1
Mindano Limited		100	Property investment	10,000
Moscova Company Limited	7	100	Property investment	200
Nixon Cleaning Company Limited		100	Cleaning service	100,000
Obvio Yip Company Limited	7	100	Property development and investment	15,000,000,000
On Best Capital Investment Limited		100	Property development and investment holding	1
Open Step Limited		60	Property investment	10
Oriental Way Limited		100	Hotel development and property investment	1
Pacific Earth Enterprise Limited		100	Property development	1
Pacotilla Company Limited		100	Property investment	200
Panaview Ltd.	1	100	Property development	US\$1
Partner Sino Assets Limited	1	100	Property investment	US\$1
Pawling Limited	1	100	Property investment	US\$1
Polarland Limited		100	Property development	1
Pontamell Limited	1	100	Property investment	US\$1
Potential Area Limited	1	100	Property investment	US\$1
Profit Richness Ltd.	1	100	Property investment	US\$1
Progress Success Investments Limited	1	100	Property investment	US\$1
Protasan Limited		100	Property investment	100
Red Stand Investments Limited	1	100	Property investment	US\$1
Rinnovare Limited	1	100	Property investment	US\$1
Route 3 (CPS) Company Limited		70	Toll road operation	10,000
Score Best Investments Limited	1	100	Property investment	US\$1
Scott Global Investments Limited	1	100	Property investment	US\$1
Senmark Limited		100	Hotel development	2
Shanghai Central Plaza Property Co., Ltd.	6a	80	Property investment	US\$42,000,000*
Shanghai International Commerce Centre Co., Ltd.	6c	100	Property development and investment	US\$290,500,000*
Shanghai SHK International Commerce Centre Co., Ltd.	6c	100	Property development and investment	US\$90,000,000*
Shanghai SHK Weiyi Property Co., Ltd.	6c	100	Property investment	RMB1,200,000,000*
Shanghai SHK Weijing Property Co., Ltd.	6c	100	Property investment	RMB1,200,000,000*

# Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
Shanghai SHK Weizheng Property Co., Ltd.	6c	100	Property investment	RMB1,220,000,000*
Shanghai SHK Weiwan Property Co., Ltd.	6c	100	Property investment	RMB18,500,000,000*
Shanghai Xin Zhong Hui Property Co., Ltd.	6c	100	Property investment	US\$35,000,000*
Sharp Act Investments Limited	1	100	Property investment	US\$1
Shubbery Company Limited		100	Property investment	200
Shunyue Investments Limited	1	100	Property investment	US\$1
Silver Knight Developments Limited	1	100	Property investment	US\$1
Smart Globe Limited		100	Property development	1
Smithtown Investments Limited	1	100	Property investment	US\$1
Solar Kingdom Limited		100	Property investment	2
Speed Wise Limited	7	100	Property investment	2
Speedway Assets Limited	1	100	Property investment	US\$1
Spring Bliss Investments Limited	1	100	Property investment	US\$1
Standard Top Limited		100	Property investment	2
Starry View Holdings Limited	1	100	Property investment	US\$1
Startrack Company Limited		100	Property investment	200
Success Wide Holdings Limited	1	100	Property investment	US\$1
Sun Carol Company Limited		100	Property investment	200
Sun Hung Kai Development (China) Limited		100	Investment holding	20,000,000
Sun Hung Kai Development (Lujiazui I) Ltd.	6c	100	Property investment	US\$214,482,000*
Sun Hung Kai Development (Lujiazui II) Ltd.	6c	100	Property investment	US\$121,355,000*
Sun Hung Kai Development (Zhang Yang) Ltd.	6c	100	Property development and investment	US\$165,000,000*
Sun Hung Kai IFC (Nanjing) Co., Ltd. (formerly Sun Hung Kai ICC (Nanjing) Co., Ltd.)	6c	100	Property investment	RMB721,914,400*
Sun Hung Kai ICC (Suzhou) Co., Ltd.	6b	90	Property development and investment	RMB1,800,000,000*
Sun Hung Kai Properties (Capital Market) Limited	5,7	100	Finance	US\$10
Sun Hung Kai Properties Investment (Guangzhou) Limited	6c	100	Investment holding	US\$90,000,000*
Sun Hung Kai Secretarial Services Limited	7	100	Secretarial services	200
Sun Yuen Long Centre Management Company Limited		100 75	Property investment and management	(Note 11) 25,000 (Note 12) 25,000
Sunfez Company Limited		100	Property investment	200
Sunrit Enterprises Limited		100	Property investment	4,000,000
Tainam Holdings Limited	1	100	Property investment	US\$1
Ten Choice Development Limited		100	Property investment	2
Tenuta Limited	1	100	Property investment	US\$1
Tipro Development Limited		100	Property investment	1,000,000
Tonthai Investment Enterprises Limited	1	100	Property investment	US\$1
Town Descant Company Limited		100	Property investment	200
Transport Infrastructure Management Limited		100	Road management	70,000,000
Tsi Mai Company Limited		100	Property investment	200
Tuxedos Company Limited		100	Property investment and trading	200
Uniland Investment Enterprises Limited	1	100	Property investment	US\$1
United Way Investments Limited	4, 7	100	Owner of trade mark	US\$1
		100		(Note 10) US\$83,400

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
Upper Hill Company Limited	1	100	Property investment	US\$1
Vast Earn Property Corp.	1	100	Property investment	US\$2
Wai Hung Development Company Limited	7	100	Investment holding and property investment	70,000
Warrior Company Limited		100	Property investment	300
Wealth Capsule Investments Limited	1	100	Property investment	US\$1
Well Famous Enterprise Limited		100	Property investment	1
Well Logic Properties Investment Limited	1	100	Property investment	US\$1
Wellden Limited		100	Property investment	2
Wensley Developments Limited	1	100	Property investment	US\$1
Wetland Park Management Service Limited		100	Property development and investment	2
Willmax Limited		100	Property investment	2
Wilson Parking (Holdings) Limited		100	Investment holding and carpark operation	1,000
Winbox Investment Limited		100	Property development and investment	1
Winner Land Enterprises Limited		100	Property investment	2
Wisecity Development Limited		100	Property development	2
WTC (Club) Limited		100	Club management	200
YATA Limited		100	Department store operation	30,000,000
Zarabanda Company Limited		100	Property investment	2
Zhongshan SHKP Taoyuan Real Estate Development Co. Ltd.	6a	75	Property development	40,000,000*

- Notes:
1. Incorporated in the British Virgin Islands and operating in Hong Kong.
  2. Incorporated in the Cayman Islands and operating in Hong Kong.
  3. Incorporated in Bermuda and operating in Hong Kong.
  4. Incorporated in the British Virgin Islands.
  5. Incorporated in the Cayman Islands.
  6. Incorporated and operating in the People's Republic of China:
    - a. Co-operative joint venture enterprise
    - b. Equity joint venture enterprise
    - c. Wholly foreign owned enterprise
  7. Directly held by the Company.
  8. 11.89% directly and 88.11% indirectly held by the Company.
  9. 50% directly and 50% indirectly held by the Company.
  10. Redeemable share.
  11. "A" share.
  12. "B" share.

# Principal Joint Ventures

The directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of joint ventures as at 30 June 2016 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal joint ventures were incorporated and are operating in Hong Kong and unlisted.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share/Registered Capital
+ Altomatic Limited		50	Property investment	Ordinary
# China Resources Sun Hung Kai Properties (Hangzhou) Limited	5	40	Property development and investment	Registered capital
# China Resources Sun Hung Kai Properties (Wuxi) Limited	5	40	Property development and investment	Registered capital
# Dragon Beauty International Limited		50	Property development	Ordinary
+ First Star Development Limited		50	Property development	Ordinary
+ Glorious Concrete (BVI) Limited	4	50	Manufacturer of precast	Ordinary
+ Glorious Concrete (H.K.) Limited		50	Manufacturer of ready mixed concrete	Ordinary
## Green Valley Landfill, Limited		20	Landfill waste disposal facility	Ordinary
## Guangzhou Fujing Properties Development Co., Ltd.	3	33.3	Property development	Registered capital
# 廣州宏城廣場房地產開發有限公司	6	50	Property investment	Registered capital
# Hangzhou Runhong Properties Limited	5	40	Property development	Registered capital
IFC Development Limited	1	50	Property investment	Ordinary
Jade Land Resources Limited		25	Property development and investment	Ordinary
# Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited		50	Godown operation	Ordinary
+ Newfoundland Investment Holdings Limited	1	20	Investment holding	Ordinary
## Orchard Turn Holding Pte. Ltd.	2	50	Investment holding	Ordinary
+ Ranny Limited		50	Property investment	Ordinary
## River Trade Terminal Co. Ltd.	1	50	River trade terminal	Ordinary
## Senica International Limited	4	22.5	Investment holding	Ordinary
## Shanghai Xintian Real Estate Co., Ltd.	3	35	Property development and investment	Registered capital
Special Concept Development Limited		25	Property development and investment	Ordinary
+ Splendid Shing Limited		50	Property investment	Ordinary
## Star Play Development Limited		33.3	Property investment	Ordinary
## 祥寶投資(成都)有限公司	5	40	Property development and investment	Registered capital
Teamfield Property Limited		57.52	Property investment	Ordinary
+ Tinyau Company Limited		50	Property investment	Ordinary
+ Topcycle Development Limited		50	Property development	Ordinary
# Wolver Hollow Company Limited		50	Property investment	Ordinary
+ Xipho Development Company Limited		33.3	Property development	Ordinary

# Principal Joint Ventures

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share/ Registered Capital
<sup>#+</sup> 佛山市新升房地產開發有限公司	5	50	Property development	Registered capital
<sup>#+</sup> 佛山市新鋒房地產開發有限公司	5	50	Property development	Registered capital
<sup>#+</sup> 佛山市新晉房地產開發有限公司	5	50	Property development	Registered capital
<sup>#+</sup> 佛山市新駿房地產開發有限公司	5	50	Property development	Registered capital
<sup>#+</sup> 佛山市新昊房地產開發有限公司	5	50	Property development	Registered capital
<sup>#+</sup> 佛山市新匯房地產開發有限公司	5	50	Property development	Registered capital
<sup>#+</sup> 佛山市新景房地產開發有限公司	5	50	Property development	Registered capital

<sup>+</sup> The financial statements of these companies were not audited by Deloitte Touche Tohmatsu.

<sup>#</sup> Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.

- Notes:
1. Incorporated in the British Virgin Islands and operating in Hong Kong.
  2. Incorporated and operating in the Republic of Singapore.
  3. Incorporated and operating in the People's Republic of China as equity joint venture enterprise.
  4. Incorporated in the British Virgin Islands.
  5. Incorporated and operating in the People's Republic of China as wholly foreign owned enterprise.
  6. Incorporated and operating in the People's Republic of China as co-operative joint venture enterprise.

# Principal Associates

The directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of associates as at 30 June 2016 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal associates were incorporated and are operating in Hong Kong and unlisted.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share
<sup>#+</sup> Transport International Holdings Limited (Listed in Hong Kong)	1	35.13	Public transportation	Ordinary
<sup>#+</sup> Ranex Investments Limited		29	Property development and investment	Ordinary
<sup>#+</sup> The Hong Kong School of Motoring Limited		30	Driving School	Ordinary
<sup>#+</sup> Onluck Finance Limited		35.44	Finance	Ordinary
<sup>#+</sup> Treasure Peninsula Limited		29	Finance	Ordinary

<sup>+</sup> *The financial statements of these companies were not audited by Deloitte Touche Tohmatsu.*

<sup>#</sup> *Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.*

Note: 1. *Incorporated in Bermuda and operating in Hong Kong.*

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