



Sun Hung Kai Properties Limited

*Customer Focus  
Premium Brand  
Solid Foundations*



**Annual Report 2016/17**

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

## 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 2016/17

Interim results announcement	: 28 February 2017
Interim dividend paid	: 23 March 2017
Annual results announcement	: 14 September 2017
Closure of register of members <sup>1</sup>	: 6 to 9 November 2017 (both days inclusive)
Annual general meeting	: 9 November 2017
Ex-dividend date for final dividend	: 13 November 2017
Closure of register of members <sup>2</sup>	: 15 November 2017
Final dividend payable	: 23 November 2017

#### 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.

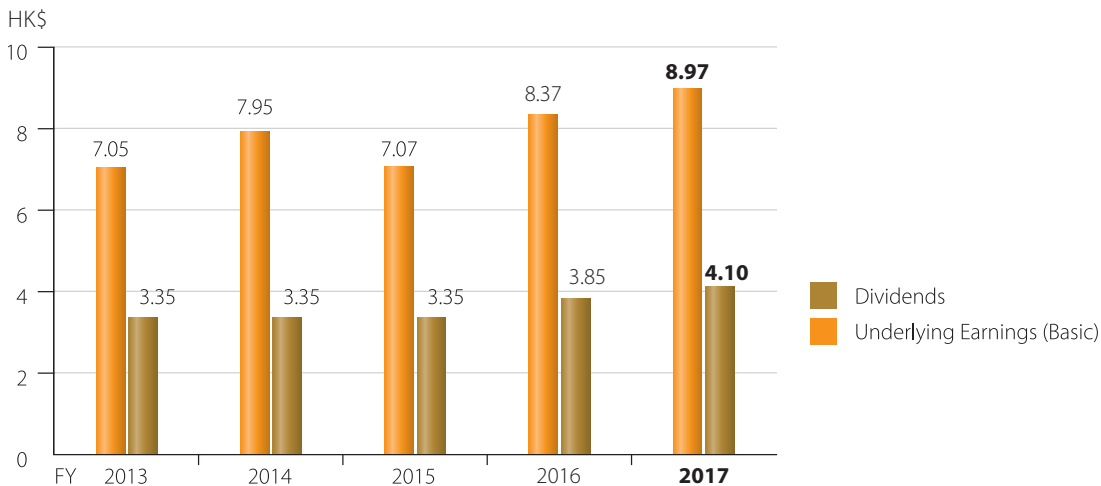
# Financial Highlights and Land Bank

For the year ended 30 June	2017	2016	Change (%)
<b>Financial Highlights (HK\$ million)</b>			
Revenue	<b>78,207</b>	91,184	-14.2
Profit attributable to the Company's shareholders			
– Reported	<b>41,782</b>	32,666	+27.9
– Underlying <sup>1</sup>	<b>25,965</b>	24,170	+7.4
Gross rental income <sup>2</sup>	<b>21,897</b>	21,036	+4.1
Net rental income <sup>2</sup>	<b>17,142</b>	16,481	+4.0
<b>Financial Ratios (%)</b>			
Net debt to shareholders' funds	<b>7.2</b>	10.8	-3.6 <sup>3</sup>
Dividend payout	<b>45.7</b>	46.0	-0.3 <sup>3</sup>
<b>Financial Information per Share (HK\$)</b>			
Basic earnings per share for profit attributable to the Company's shareholders			
– Reported	<b>14.43</b>	11.31	+27.6
– Underlying	<b>8.97</b>	8.37	+7.2
Dividends			
– Interim dividend	<b>1.10</b>	1.05	+4.8
– Final dividend	<b>3.00</b>	2.80	+7.1
– Full-year dividend	<b>4.10</b>	3.85	+6.5
Shareholders' funds	<b>172.04</b>	161.90	+6.3
<b>Land Bank in Hong Kong (gross floor area in million square feet)</b>			
Properties under development <sup>4</sup>	<b>19.6</b>	20.9	-6.2
Completed properties for rent/investment <sup>5</sup>	<b>29.8</b>	29.0	+2.8
Completed properties pending for sale	<b>2.4</b>	1.5	+60.0
Total	<b>51.8</b>	51.4	+0.8
<b>Land Bank on the Mainland (gross floor area in million square feet)</b>			
Properties under development	<b>52.6</b>	57.8	-9.0
Completed properties for rent/investment <sup>5</sup>	<b>12.8</b>	12.1	+5.8
Completed properties pending for sale	<b>1.1</b>	1.3	-15.4
Total	<b>66.5</b>	71.2	-6.6

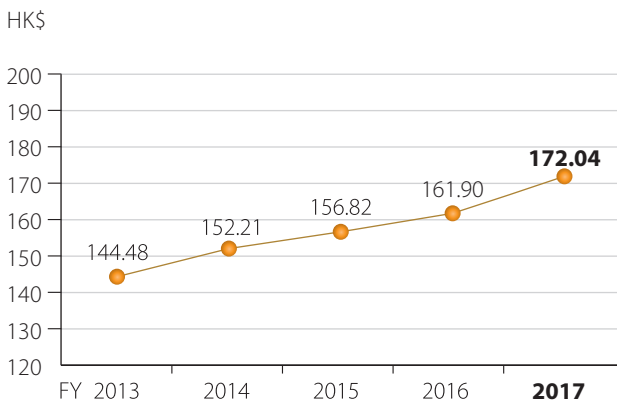
## Notes:

- 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 over 28 million square feet of agricultural land in terms of site area as at mid September 2017
- 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

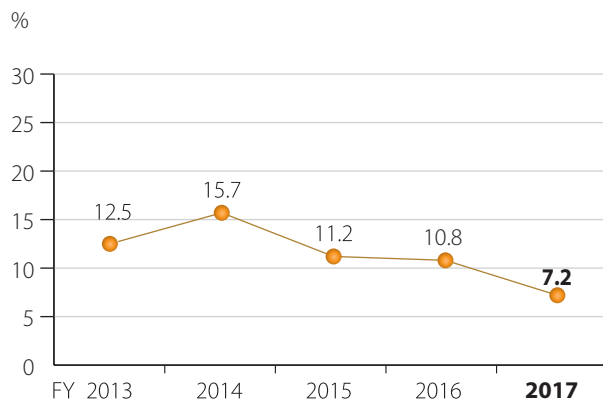
## Underlying Earnings and Dividends per Share



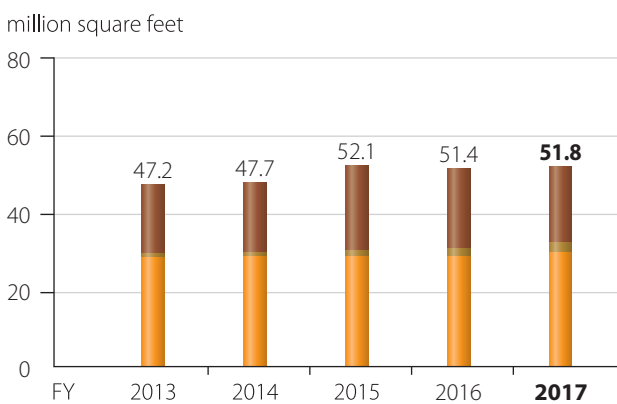
## Shareholders' Funds per Share



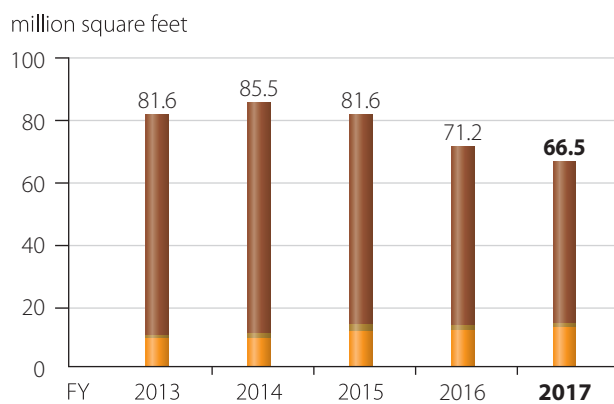
## Net Debt to Shareholders' Funds Ratio



## Land Bank in Hong Kong



## Land Bank on the Mainland



Properties Under Development
  Completed Properties Pending For Sale
  Completed Properties For Rent/Investment

# Group Financial Summary

Key Financial Information and Ratios					
Financial year	2017	2016	2015	2014	2013
	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Reported earnings per share (basic)</b>	<b>14.43</b>	11.31	11.09	12.45	15.28
<b>Underlying earnings per share (basic)</b>	<b>8.97</b>	8.37	7.07	7.95	7.05
<b>Dividends per share</b>	<b>4.10</b>	3.85	3.35	3.35	3.35
<b>Shareholders' funds at book value per share</b>	<b>172.04</b>	161.90	156.82	152.21	144.48
<b>Net debt/Shareholders' funds (%)</b>	<b>7.2</b>	10.8	11.2	15.7	12.5
<b>Interest cover (times)<sup>1</sup></b>	<b>14.2</b>	12.5	9.3	11.1	8.7

Key Consolidated Income Statement Items					
For the year ended 30 June	2017	2016	2015	2014	2013
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<b>Revenue</b>	<b>78,207</b>	91,184	66,783	75,100	53,793
<b>Operating profit before changes in fair value of investment properties</b>	<b>29,526</b>	28,856	22,778	24,982	19,300
<b>Operating profit after changes in fair value of investment properties</b>	<b>43,336</b>	37,625	33,765	37,113	38,487
<b>Profit attributable to the Company's shareholders</b>	<b>41,782</b>	32,666	31,082	33,520	40,329
<b>Underlying profit attributable to the Company's shareholders<sup>2</sup></b>	<b>25,965</b>	24,170	19,825	21,415	18,619

Key Consolidated Statement of Financial Position Items					
As at 30 June	2017	2016	2015	2014	2013
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
<b>Investment properties and fixed assets</b>	<b>364,957</b>	343,963	334,826	303,016	281,637
<b>Associates and joint ventures</b>	<b>63,841</b>	60,807	56,975	53,589	53,534
<b>Other financial assets and loans</b>	<b>8,356</b>	4,361	4,030	3,527	4,176
<b>Intangible assets</b>	<b>5,524</b>	3,754	4,090	4,539	4,937
<b>Net current assets</b>	<b>145,766</b>	142,559	146,456	145,822	117,295
<b>Non-current liabilities</b>	<b>(81,081)</b>	(80,936)	(89,559)	(90,804)	(71,050)
<b>Net assets</b>	<b>507,363</b>	474,508	456,818	419,689	390,529
<b>Share capital</b>	<b>70,516</b>	70,384	68,451	53,464	1,335
<b>Share premium<sup>3</sup></b>	<b>–</b>	–	–	–	46,880
<b>Reserves</b>	<b>427,699</b>	398,323	382,575	361,319	337,697
<b>Shareholders' funds</b>	<b>498,215</b>	468,707	451,026	414,783	385,912
<b>Perpetual capital securities</b>	<b>3,910</b>	–	–	–	–
<b>Non-controlling interests</b>	<b>5,238</b>	5,801	5,792	4,906	4,617
<b>Total Equity</b>	<b>507,363</b>	474,508	456,818	419,689	390,529

Notes:

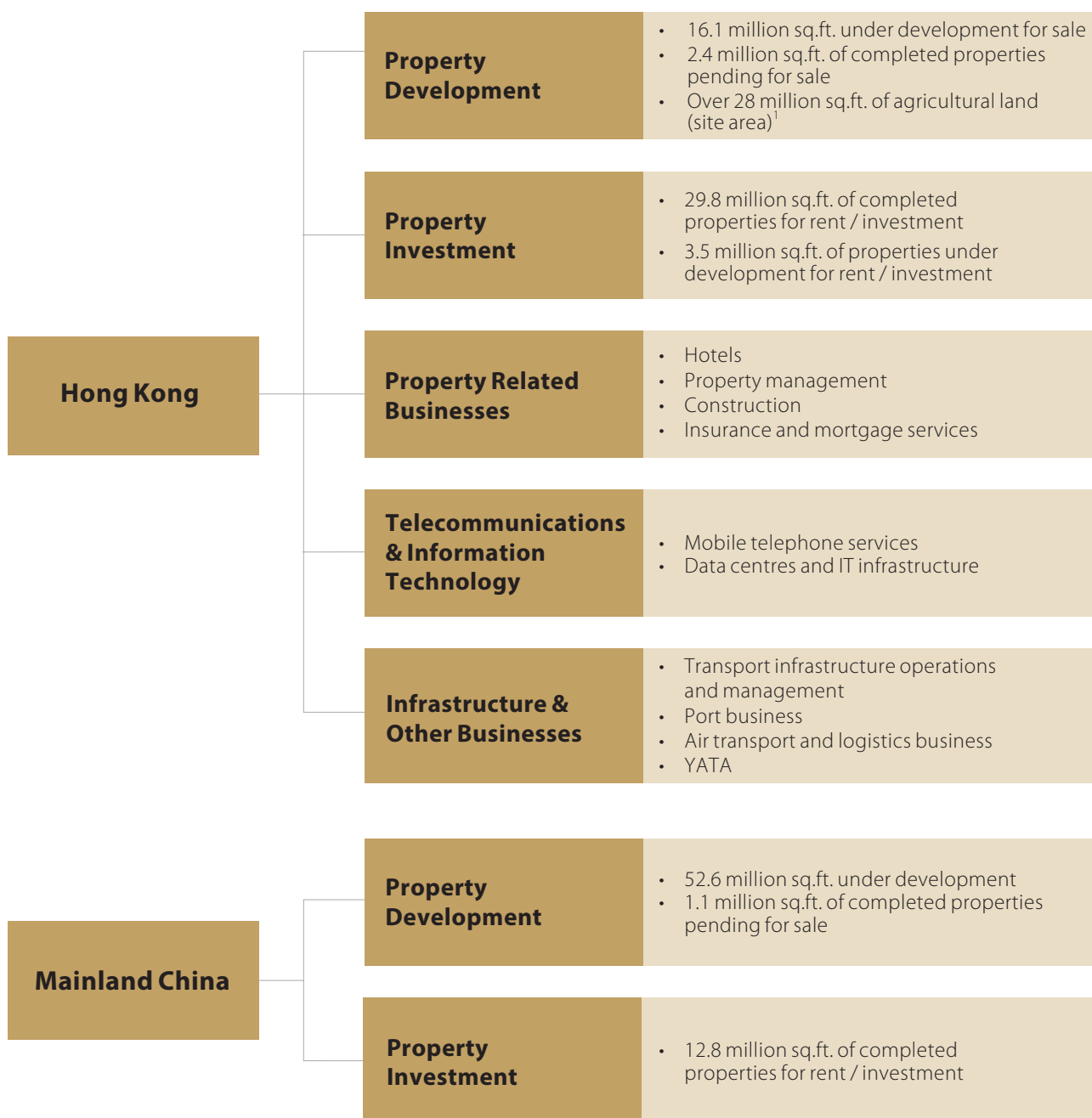
1. Interest cover represents operating profit before changes in fair value of investment properties divided by net interest expenses before notional non-cash interest accretion and capitalization
2. Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the 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 2017



Note:

1. Information as at mid September 2017

The Group's principal subsidiaries, joint ventures and associates are listed on pages 216 to 224

# 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 2017, excluding the effect of fair-value changes on investment properties, amounted to HK\$25,965 million, compared to HK\$24,170 million last year. Underlying earnings per share were HK\$8.97, compared to HK\$8.37 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$41,782 million and HK\$14.43 respectively, compared to HK\$32,666 million and HK\$11.31 last year. The reported profit included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK\$16,851 million, compared to HK\$8,870 million last year.

## Dividend

The directors have recommended the payment of a final dividend of HK\$3.00 per share for the year ended 30 June 2017. The dividend will be payable on 23 November 2017. Together with the interim dividend of HK\$1.10 per share, the dividend for the full year will be HK\$4.10 per share, an increase of 6.5% 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\$38,629 million. Profit generated from property sales was HK\$11,917 million, as compared to HK\$11,701 million in the last financial year. The Group achieved record contracted sales of about HK\$52,400 million for the year in attributable terms.

#### **Rental Income**

Gross rental income, including contributions from joint-venture projects, rose 4% year-on-year to HK\$21,897 million while net rental income increased by 4% year-on-year to HK\$17,142 million. The Group continued to register rent increases for new leases and renewals during the year. Contributions from new investment properties, primarily on the mainland, further boosted the solid rental income.



A choice location in the upscale Ho Man Tin residential area and close proximity to MTR transport convenience highlight Ultima's prestige



PARK YOHO is one of the largest residential developments in the New Territories and has lush wetland greenery appealing to nature lovers

## Property Business – Hong Kong

### Land Bank

During the year under review, the Group added two sites to its land bank through government tender and land use conversion, providing a total of 2.8 million square feet of gross floor area. The 434,000-square-foot residential site in Sha Tin acquired through government tender will be developed into stylish and luxury residences with diverse layouts, replete with rich greenery. The Group also completed in May the land use conversion with premium paid for

a site in Tuen Mun which is only about a five-minute drive to MTR Siu Hong Station. With a gross floor area of about 2.3 million square feet, this site will be developed into a residential enclave comprising mainly small- to medium-sized units. Details of the sites added during the year are shown in the table below.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Tuen Mun Town Lot No. 483	Residential/Shopping Centre	100	2,328,000
Sha Tin Town Lot No. 609	Residential	100	434,000
<b>Total</b>			<b>2,762,000</b>

These new acquisitions brought the Group's land bank in Hong Kong, inclusive of completed properties pending for sale, to 51.8 million square feet of attributable gross floor area as at the end of June 2017, of which 19.6 million square feet were properties under development and 29.8 million square feet were completed properties for rental purpose. This compared to 51.4 million square feet a year ago using the same basis of calculation.

Despite the increasingly competitive land sales market, the Group continues to replenish its development land bank through various means, including actively participating in public tenders and land use conversions when appropriate opportunities arise. After the financial year end, the premium for converting various agricultural lots in Shap Sz Heung into residential use was settled at a reasonable level. The project will entail substantial additional infrastructure expenditure during the development process

# Chairman's Statement



Grand YOHO Club has multiple facilities including the largest children's pool in the neighbourhood

and a long development period of over eight years. Nestled in a picturesque suburb away from town centres and the mass transit network, the site with a gross floor area of nearly 4.8 million square feet will be developed into a large residential cluster in phases. The Group will continue to make active efforts to convert its existing agricultural lands of over 28 million square feet in terms of site area, which are in various stages of land use conversion, into buildable lands.

## Property Development

Homebuyers' confidence remained solid, buoyed by record land prices, low mortgage rates, healthy economic conditions and relatively positive demographics in the city. Demand for residential properties was mainly driven by end-users. Sales in the primary market have been encouraging with record sales values for the year to date. While the supply of new projects has been increasing, the Government's stringent restrictive measures continued to constrain activities in the residential market, especially in the secondary market.

The Group's dedication to premium quality and customer-oriented services has made its projects the preferred choice for homebuyers. To satisfy the ever-changing market preferences and customer expectations, the Group always

takes initiatives to add value to its projects at all stages of the development, from practical layout designs with a proper flat mix to quality finishes and after-sale service. The impressive sales response to new launches has demonstrated customers' recognition of the Group and further strengthened its leading position in the market.

The Group achieved remarkable sales results for Hong Kong properties, with contracted sales in attributable terms amounting to about HK\$44,700 million for the year under review. This was mainly contributed by a wide range of high-quality residences spanning various locations of the territory with easy access to public transport, including Cullinan West atop MTR Nam Cheong Station, Grand YOHO and PARK YOHO developments in Yuen Long, the first phase of Ultima in Ho Man Tin, Eight Regency in Tuen Mun, Ocean Wings in Tseung Kwan O South, and Lime Gala in Shau Kei Wan.

During the financial year, the Group completed eight projects with 4.1 million square feet of attributable gross floor area in Hong Kong. Of this, over three million square feet were residential properties for sale, some of which are yet to be put on the market. About 825,000 square feet were non-residential

properties retained for long-term investment. Details of the projects are shown in the following table.

<b>Project</b>	<b>Location</b>	<b>Usage</b>	<b>Group's Interest (%)</b>	<b>Attributable Gross Floor Area (square feet)</b>
Grand YOHO Phases 1 & 2	9 Long Yat Road, Yuen Long	Residential/ Shopping Centre	100	1,842,000
PARK YOHO Genova & PARK YOHO Phase 2B	18 Castle Peak Road Tam Mi, Yuen Long	Residential	100	1,073,000
MEGA Plus	299 Wan Po Road, Tseung Kwan O	Data Centre	74	351,000
The Wings III B	19 Chi Shin Street, Tseung Kwan O	Residential/Shops	100	257,000
Twin Regency	11 Tak Yip Street, Yuen Long	Residential	100	232,000
St. Moritz	88 Lai Ping Road, Sha Tin	Residential	100	130,000
W668	668-680 Castle Peak Road, Cheung Sha Wan	Industrial	100	95,000
King's Hill	38 Western Street, Sai Ying Pun	Residential/Shops	92	76,000
<b>Total</b>				<b>4,056,000</b>



The low-density St. Moritz in the upper reaches of exclusive Kau To Shan offers a quiet environment with views of Tolo Harbour



The Wings III B clubhouse has stylish and modern design offering a metropolitan lifestyle

# Chairman's Statement

## Property Investment

With over 29 million square feet of completed investment properties, mostly high-quality retail and office space, the Group's rental business in Hong Kong delivered a healthy performance during the year. Gross rental income from Hong Kong, including contributions from joint-venture projects, rose by 4% to HK\$17,439 million, primarily attributable to higher rents for new leases and renewals. Overall occupancy also remained high at around 95%. The Group additionally owns over three million square feet of investment properties under development.

### *Retail portfolio*

Hong Kong's retail market showed signs of improvement. The Group's retail rental business continued to perform well during the year with positive rental reversions and sustained high occupancy. This is largely attributable to its consistent and proactive approach in managing its quality retail portfolio totalling over 11 million square feet of gross floor area. The Group also leverages new technologies such as mobile apps to create a more refreshing shopping experience and establish synergies among its malls. This, together with tenant mix refinements and asset enhancement initiatives, will further strengthen the rental value of the Group's portfolio, as well as its brand in the shopping mall industry.

Representing one of the Group's latest developments, the 1.1-million-square-foot YOHO Mall comprises YOHO Mall I and II, the 450,000-square-foot extension of YOHO Mall I and future retail space of 107,000 square feet at the Yuen Long Station Development. During the year, YOHO Mall I and II delivered encouraging performance and have seen stronger footfall since the opening

of YOHO I Extension in July 2017. With 300-plus outlets of fashion, cosmetics, kids' products, lifestyle superstores and the region's biggest collection of food and beverages complete with an IMAX cinema and an outdoor park, YOHO Mall provides customers with a whole new shopping and leisure experience and has turned the vicinity into a vibrant community. Supported further by its direct connection to a major transportation network, YOHO Mall boasts a large catchment area and has become a leading retail hotspot in northwest New Territories.

The PopWalk retail cluster in Tseung Kwan O South covers about 240,000 square feet of retail space, including the 66,000-square-foot PopWalk already in operation, the newly opened 95,000-square-foot PopWalk 2 and 3 and the 80,000-square-foot Ocean PopWalk currently under development. With diversified tenants and offerings, the retail cluster fulfils daily needs of the people in the neighbourhood. Ocean PopWalk, representing the last phase of PopWalk, is scheduled to open in early 2019 and pre-leasing is under way.



YOHO Mall forms an integrated development with Grand YOHO and is a retail hotspot in northwest New Territories offering convenience to residents and bringing vibrancy to Yuen Long

With an approximate area of 145,000 square feet, Harbour North is the retail portion of the Group's development projects on North Point waterfront, providing a wide range of international cuisine, leisure brands and lifestyle offerings. Scheduled to open in late 2018, the first phase of some 7,000-square-foot street-level shops is expected to revitalize the respective portion of Java Road. The second phase will have a gross floor area of about 138,000 square feet. Harbour North will feature an al fresco dining area for shoppers to enjoy a moment of tranquility complemented by spectacular harbour views. The mall is set to synergize with the adjacent Hotel Vic, which will offer around 70,000 square feet of retail space, as well as the Victoria Harbour residences within the integrated development, injecting new energy into Island East.

Sitting atop the only interchange for the Tung Chung Line and West Rail Line, the 300,000-square-foot mall of Nam Cheong Station Development is just one station along West Rail away from the future Express Rail Link (HK section) terminus. Such transport convenience is anticipated to bring in more shoppers from near and far. With its wide selection of shops and premium leisure facilities, the mall is poised to become a new shopping destination in the region upon its scheduled opening in mid 2019. Pre-marketing is under way with positive response.

Positive developments were observed in the Group's major malls during the year under review. The Sun Arcade was fully let and recorded a pickup in retail sales. IFC Mall was also nearly fully let with positive rental reversions. Supported by resilient domestic consumption, the Group's regional malls, including APM, Tsuen Wan Plaza and V City, also continued to perform well.

During the year, several shopping malls of the Group were under phased renovation. The outdoor piazza at Metroplaza in Kwai Fong will introduce new features, which are expected to attract family shoppers and increase traffic upon completion of its renovation. At New Town Plaza in Sha Tin, new layouts will be introduced at Phase III to accommodate a refined tenant mix while a



PopWalk has a diverse mix of tenants catering to the rising number of young families in Tseung Kwan O



IFC in Hong Kong's Central core is a magnet for prestigious international financial institutions

new deluxe cinema with seven houses in Phase I is scheduled to open in the second half of 2018. At APM in Kwun Tong, the conversion of over 150,000 square feet of office area in the same tower into retail space is progressing well.

#### *Office portfolio*

Leasing demand for grade-A offices in Hong Kong is supported by the growing momentum of the local economy and its role as a world-class business hub. With its well-recognized brand, the Group's portfolio of about 10 million square feet of premium offices continued to bolster its leading position during the year, delivering promising results with high occupancy and positive rental reversions.

# Chairman's Statement

Supported by its premium brand, the iconic International Finance Centre (IFC) maintained its leading position in the market. The virtually fully let office towers recorded a rise in rental income, partly attributable to the scarcity of prime office supply in the core financial district. IFC continued to be the preferred choice for respected financial institutions from around the globe including those from the mainland.

International Commerce Centre (ICC), the Group's another signature project, upheld its commanding position with top quality and excellent specifications. Sitting in a strategic location, which will be reinforced by the targeted completion of the high-speed rail link in the third quarter of 2018 and the emerging West Kowloon Cultural District, ICC is poised to capitalize on the increasing vibrancy of the area. ICC is also a much sought-after address for multinational and mainland corporations. During the year, the office skyscraper was almost fully let and recorded higher rents driven by its robust demand.

Supported by its high specifications with large floor plates and close proximity to MTR stations, the Millennium City cluster continues to attract solid demand from high-quality tenants despite an increasing supply of strata-titled offices in Kowloon East. During the year, the office cluster continued to record high occupancy with positive rental reversions. Millennium City will achieve greater synergy in the area with the inclusion of the 98 How Ming Street development, of which the Group owns an effective stake of about 68%, into the Group's commercial portfolio in Kowloon East. This new commercial project has a gross floor area of about 1.2 million square feet, a majority of which is planned for office usage. The remainder will be developed into a premium shopping mall.



ICC near the future high-speed rail terminus in West Kowloon provides easy access and an ideal location for multinational and mainland corporations

The Group's 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 also performed well. These office developments, marked by diversified and resilient tenant bases, were able to achieve high occupancies and steady rental increases.

Central Plaza will embark on another phase of refurbishment following the completion of the first phase of renovation in late 2016. A revamp for Grand Central Plaza also started and is progressing on track. Looking ahead, the Group's effort in asset enhancement will further strengthen its premium brand as well as rental value through raising premises quality and customer satisfaction.

## **Property Business – Mainland**

### **Land Bank**

As at 30 June 2017, the Group's total land bank on the mainland, inclusive of completed properties pending for sale, totalled 66.5 million square feet of attributable gross floor area, as compared to 71.2 million square feet a year ago using the same basis of calculation. About 12.8 million square feet were completed investment properties retained for rental purpose, which are primarily signature integrated projects in strategic locations in Shanghai, Guangzhou and Beijing. Properties under development added up to 52.6 million square feet, a majority of which has been earmarked for developing quality residences. The Group will maintain a selective and focused approach to exploring investment opportunities in first-tier cities.





Shanghai Arch is highly praised by buyers for sweeping views of the Bund and high quality

### Property Development

Following strong growth in both home prices and transaction volumes last year, the mainland residential market has cooled off with prices being reined in and transaction volumes reduced due to effective regulatory measures. Such measures should help sustain a healthy housing market and operating environment over the medium-to-long term. Land market sentiments remained positive, with developers still eager to replenish their land banks.

The Group achieved attributable contracted sales of about RMB6,800 million on the mainland during the year under review. Major contributors included luxury residential units in the wholly-owned Shanghai Arch, which is set in a prestigious location adjacent to Little Lujiazui in Shanghai, and premium condominiums in Phase 2 of the 70%-owned Forest Hills ideally located in the north Tianhe business hub of Guangzhou. Two office projects situated in the prime business districts of Guangzhou, the 70%-owned GCC and



The GCC office in the busy Tianhe North business district in Guangzhou has the advantage of being close to the Guangzhou East Railway Station

33.3%-owned Top Plaza East Tower, were also well received by the market.

The Group's brand name has become increasingly respected with the delivery of various premium projects in key cities. During the year, the Group completed 5.2 million square feet of attributable gross floor area, of which about 833,000 square feet were non-residential properties for long-term investment. The superior building quality of these projects and the Group's attentive after-sale service were highly praised by buyers. Projects completed during the year are shown in the following table.

Project	Location	Usage	Attributable	
			Group's Interest (%)	Gross Floor Area (square feet)
The Woodland Phase 4D	Zhongshan 5 Road, Zhongshan	Residential	JV	1,062,000
Grand Waterfront Phase 1	Shilong, Dongguan	Residential	100	1,011,000
Jovo Town Phase 2C	Tianfu New Area, Chengdu	Residential	91	990,000
Long King (formerly known as Oriental Bund) Phase 1C	Chancheng, Foshan	Residential	50	608,000
Top Plaza East Tower & Conrad Guangzhou (Tianhui Plaza Phases 2C & 3)	Zhujiang New Town, Guangzhou	Office/Hotel	33.3	604,000
One ITC	Huashan Road, Xujiahui, Shanghai	Office/ Shopping Centre	100	508,000
GCC	Tianhe, Guangzhou	Office	70	254,000
Park Hyatt Hangzhou (Hangzhou MIXC Phase 2D)	Qianjiang New City, Hangzhou	Hotel	40	176,000
<b>Total</b>				<b>5,213,000</b>

# Chairman's Statement

## Property Investment

Following years of expansion, the Group's completed investment property portfolio on the mainland reached 12.8 million square feet as at the end of June 2017, contributing to a notable portion of the Group's total rental income. For the year under review, gross rental income from the mainland, including contributions from joint-venture projects, grew by 12% to RMB3,321 million. Such healthy growth was mainly due to positive rental reversions and additional contributions from new investment properties. In addition, the Group will complete about 12 million square feet of investment properties under development in the next five to six years.

The wholly-owned ITC is located at the heart of Xujiahui, which has been upgraded to become a core business district in Shanghai with enormous potential for future growth. With grade-A offices, premium shopping malls and a luxury hotel to fill up its 7.6 million square feet of gross floor area, ITC also takes advantage of its direct access to Xujiahui metro station – the junction of three existing lines and two future lines that underscores its transport convenience. The mega project is being developed into a new landmark in the city, bolstering the Group's strong presence in Shanghai.



Shanghai IFC Mall is a renowned upscale mall in the city and a pull for locals and foreign visitors



Innovative promotions at Shanghai IAPM are a big draw for international retailers and people seeking a trendy lifestyle

One ITC, Phase 1 of the project, was completed during the year with office tenants gradually moving in. Its 170,000-square-foot offices in two towers have attracted keen interest from multinational corporations from different sectors. One ITC will additionally provide an upscale 340,000-square-foot mall, of which the pre-marketing has received encouraging response from international luxury brands and dining outlets. The second phase of ITC, comprising 320,000 square feet of offices and 43,000 square feet of retail space, is scheduled for completion in the second half of 2018. Pre-leasing for its offices has drawn positive response. Construction of the remaining phases is under way, one of which comprising a 2.5-million-square-foot mall, two office towers including a 370-metre-skyscraper plus a five-star hotel will represent the most striking part of ITC. The mega development is planned for full completion by late 2023.



IGC in Guangzhou houses a variety of fashion retailers and popular eateries, some of which are new to the city

The integrated Nanjing IFC project located in the Hexi CBD is also under development. With a gross floor area of 3.4 million square feet, the complex will benefit from its direct connection to a metro station sitting along two lines. The project is targeted for full completion in 2020. Pre-marketing for its two-million-square-foot offices in two towers and a one-million-square-foot mall is under way. The positioning of the upmarket mall will resemble the Shanghai IFC Mall. Upon completion, ITC in Shanghai and Nanjing IFC are expected to significantly drive the Group's future rental income growth.

The Group's premium brand and reputation have been increasingly recognized on the mainland following the successful presence of Shanghai IFC and Shanghai ICC. The fully let Shanghai IFC Mall in Little Lujiazui recorded notable growth in tenant sales and rental reversions. It has become even more accessible after two pedestrian tunnels connecting to nearby buildings opened during the year. The Group's office space at Shanghai IFC was almost fully let with positive rental reversions.

Shanghai ICC in the Puxi commercial area represents another landmark of the Group in the city. IAPM continues to avail itself of new technologies and promotional events to increase shoppers' engagement. Visitor traffic has been driven by the opening of its podium garden on Nanchang Road in early 2017. The two office towers atop IAPM continued to draw demand from diverse tenants. During the year, One ICC was virtually fully occupied with decent rental reversions. Two ICC is now 90% leased and its occupancy is expected to go up.

With the opening of IGC and Parc Central in Guangzhou last year, the Group has expanded its retail network to another first-tier city on the mainland. Both of the malls saw traffic and tenant sales ramping up steadily. A direct connection between the one-million-square-foot IGC, of which the Group has a 33.3% interest, and Liede metro station in Zhujiang New Town was opened this year, ensuring easy accessibility. Located in the Tianhe commercial hub, the 50%-owned 900,000-square-foot Parc Central has attracted considerable attention through its cutting-edge design and distinctive shopping concept in an urban park.

Situated at the core of Wangfujing, Beijing APM recorded healthy growth in tenant sales and positive rental reversions during the year. Targeting middle-class families, the mall brought in affordable luxury brands to boost its allure. As part of its plan to enhance the internal layout and shopper experience, the mall will introduce a new sports zone in the second half of 2017.

# Chairman's Statement

## Other Businesses

### Hotels

The operating environment of Hong Kong's hospitality industry has shown some signs of improvement. During the year under review, the Group's hotels in Hong Kong achieved satisfactory results with modest earnings growth. Room revenue slightly increased while the food and beverage business also fared well, supported mainly by the hotels' renowned restaurants and solid consumer spending.

The Group's deluxe hotels delivered satisfactory performance and maintained their status as market leaders in the luxury sector. Occupancies of Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong increased moderately, attributed primarily to their proper sales tactics. The Crowne Plaza Hong Kong Kowloon East and the Holiday Inn Express Hong Kong Kowloon East recorded respectable revenue growth, driven not only by their reputation as one of the top picks for MICE events, but also by an increasing number of repeat guests and business travellers. Meanwhile, occupancy of the Group's four Royal brand hotels reached over 95%.

As part of the Group's integrated development on North Point waterfront, Hotel Vic is scheduled to open in the first half of 2018. Preparation work for its inauguration is progressing smoothly. With its seasoned management team, modern and trendy facilities along with a spectacular view of Victoria Harbour, the hotel is expected to provide a luxury living experience at reasonable prices. Another new quality hotel in Sha Tin, a sister project of Royal Park Hotel, is targeted to open in the first half of 2019. The new hotels will further expand the Group's hospitality network and help boost its recurrent income over time.



Guests can take in phenomenal views of Victoria Harbour and the city from The Ritz-Carlton, Hong Kong

The Ritz-Carlton Shanghai, Pudong upheld its leading position in Shanghai's luxury hotel market. During the year, the hotel registered steady growth in both occupancy and room rates while its food and beverage business also performed well. With its prestigious location, excellent service and well-recognized brand, the hotel is well positioned to capture growth opportunities arising from Shanghai's position as a major business hub and travel destination. The Group's two joint-venture hotel projects on the mainland, namely Park Hyatt Hangzhou and Conrad Guangzhou, have been operating smoothly since their recent openings. The construction of Four Seasons Hotel in Suzhou is under way.

## Telecommunications and Information Technology

### SmarTone

During the year under review, SmarTone has maintained a stable net local mobile service revenue and achieved an increase in the number of customers in spite of greater competition in the industry. Nonetheless, structural changes in the roaming and handset trading businesses, as well as rising spectrum costs have contributed to a decline in net profit. The external market is likely to remain difficult. Despite such challenges, the company will continue to improve its customer propositions by targeting different market segments with tailored services and offerings. Combined with its continued focus on delivering excellent customer experience and extending technological leadership, SmarTone is well placed to weather challenges and capitalize on future opportunities. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

### *SUNeVision*

SUNeVision recorded healthy growth for the year under review. The company's core business in data centre iAdvantage continued to deliver promising results. The MEGA-i data centre in Chai Wan remains a prominent connectivity hub in Hong Kong. In view of a surge in data usage driven by continued growth in digitization and cloud computing, the company has invested in new facilities and optimized existing infrastructure to meet growing customer needs. The company's latest development in Tseung Kwan O, MEGA Plus, is the first facility in Hong Kong built on dedicated land for data centre usage. The development was already completed and is now ready for service. MEGA TWO in Sha Tin is also in the final stage of transforming itself into a fully dedicated data centre facility. The company is committed to providing superior infrastructure and service to its customers, and achieving sustained profitability.

### **Infrastructure and Other Businesses**

The Group's infrastructure and transport businesses continued to see satisfactory performance during the year. Traffic on Route 3 (Country Park Section) remained steady while the Wilson Group continued to deliver stable performance. Business at the Hong Kong Business Aviation Centre was supported by good demand, but the keen competition for flight slots has posed challenges to its operations. The Airport Freight Forwarding Centre continued to perform well on the back of a pickup in the air cargo shipment market and sustained demand for modern warehouse space. Performance of the River Trade Terminal also continued to improve, resulting from its efforts to enhance operational efficiency and renew business models. In addition to expanding its network in the territory, YATA enhanced its performance by offering a better shopping experience at existing stores to keep up with changing customer needs.



SUNeVision's MEGA Plus is the first purpose-built high-tier data centre in a designated zone of Hong Kong equipped with next-generation technology

### **Corporate Finance**

The Group continues to adopt a prudent financial management approach which has been part and parcel of its success over the years. For the year under review, the Group has consistently maintained a low gearing and high liquidity. As at 30 June 2017, the Group's net debt to shareholders' funds recorded a low 7.2% while its interest coverage reached a high of 14.2 times. This strong financial position enables the Group to weather unanticipated challenges in an ever-changing environment.

During the year, the Group has been affirmed ratings of A1 by Moody's and A+ by Standard & Poor's with stable outlook from both, reflecting again its strong financial position. Such ratings continued to be the highest among real estate companies in Hong Kong.

With strong support from the banking community, the Group arranged a HK\$22,000 million 5-year syndicated loan at competitive terms in March 2017. The financing arrangement was in line with the Group's policy of extending debt maturity and procuring abundant undrawn committed banking facilities for its business development. On the mainland, a RMB3,700 million 5-year syndicated loan was arranged for the Group's Shanghai IFC project in January 2017 for refinancing purpose.

# Chairman's Statement

Apart from plentiful liquidity from banks, the Group leverages capital markets to diversify its funding sources with various financial instruments. In May 2017, the Group issued US\$500 million Perpetual Capital Securities with a Fixed-for-life coupon rate of 4.45%, drawing overwhelming subscription response. The Group additionally issued a total of HK\$1,935 million 10-year bond under its Medium Term Note Programme during the year under review, followed by another HK\$950 million 7-year bond and HK\$1,043 million 10-year bond issued after the end of the financial year. The US\$775 million 3.5% 5-year bond and US\$264.3 million 5.375% 10-year bond were redeemed in full upon maturity in November 2016 and March 2017 respectively.

The majority of the Group's borrowings are denominated in Hong Kong dollars with the remainder mostly in US dollars and Renminbi, and the exposure to foreign exchange risk is therefore small. To fund the construction expenditures of mainland projects, the Group continues to utilize internal cash generated from mainland operations as well as onshore bank loans. As in years past, the Group has not been exposed to any derivatives or structured products for speculative purpose.

## Corporate Governance

The Group has upheld its high standards of corporate governance with an effective Board of Directors, well-developed risk management and internal control system, as well as a proactive investor relations programme.



The SHKP Vertical Run for Charity raises funds to support disadvantaged children and youth

The Board directs and approves the Group's overall strategies with the support of Board Committees. The 11-member Executive Committee meets regularly to formulate policies and make key business decisions. The Remuneration, the Nomination, and the Audit and Risk Management Committees are all chaired by Independent Non-Executive Directors to ensure proper implementation of the Group's strategies. The Board also maintains and consistently assesses the effectiveness of the risk management and internal control system by evaluating reviews performed by the Audit and Risk Management Committee, the management and both internal and external auditors. These sound systems and rigorous internal controls are aimed at safeguarding the Group's assets and the interests of its shareholders.

The Group places great importance on interactive communications with its multiple stakeholders and provides them with corporate information on a timely basis through various channels to maintain a high level of transparency. In addition to frequent meetings, other initiatives to keep stakeholders abreast of the Group's strategies and businesses include participating in large-scale conferences and staging non-deal overseas roadshows.

The Group received various major awards from leading financial publications for its ongoing effort in corporate governance during the year, including Best Mixed Developer in the Global, Asia, China and Hong Kong categories as well as Hong Kong's Best Overall Developer from *Euromoney* magazine. The Group also earned the title of Asia's Best Real Estate Company and Hong Kong's Best Managed Company from *FinanceAsia* magazine. Other accolades included Hong Kong's Best Investor Relations Company and Best Corporate Communications from *Corporate Governance Asia* magazine.



The Sun Hung Kai Properties Hong Kong Cyclothon draws cyclists from all over the world to exercise for good

## Sustainable Development

Creating long-term value for stakeholders including customers, employees, shareholders and the community remains a primary focus of the Group's strategy for sustainable development. This people-oriented principle echoes the Group's long-standing belief in Building Homes with Heart, which underlines its commitment to quality and reinforces its premium brand over the years.

With a constant customer focus, the Group is able to exceed people's expectations for living, work and leisure with premium projects and thoughtful service. The pioneering first three-year warranty on newly sold residential units continues to underpin homebuyers' confidence in the Group's quality assurance. As the Group's effective vehicle for two-way communication, the SHKP Club keeps the Group informed of needs for continuous enhancements. Management also leads by example through making home visits to hear homebuyers' feedback on quality.

The Group encourages its most valuable asset, its employees, to move with the times and grow with the Group through continuous learning and training. As a caring employer, the Group adopts a five-day work week for office staff in general to enhance work-life balance for employees.

The Group's quality commitment does not stop at its buildings, but takes on a strategic holistic approach to benefit the wider community. At PARK YOHO for example, great effort was spent on restoring a barren marsh into a vibrant wetland which is now home to over 180 living species including one listed as 'near-threatened'.



The SHKP Club collects feedback through different channels to better understand customer needs

Community well-being is another important focus on sustainable development. Highlights include the annual SHKP Vertical Run for Charity, and the Group's title and charity sponsorship of the Sun Hung Kai Properties Hong Kong Cyclothon. Both sporting-for-charity events raise substantial donations to support child and youth services. Taking the Group's reading promotion effort to a new stage, the SHKP Reading Club rolled out in July 2017 a free new multimedia online reading platform, 'linepaper', which uses the latest online and social channels to stimulate happy reading among the young generations.

The Group sponsored the Hong Kong X-Tech Startup Platform with fitted offices in Kwun Tong as the headquarters of its operation in Hong Kong, along with co-working spaces to support young people in pursuit of technological innovation and entrepreneurship. In a similar vein, the Group donated during the year a site in Yuen Long for the development of Hong Kong's first purpose-built integrated social service facility that will include a youth hostel, elderly home and special-need childcare centre, seeking to promote intergenerational interaction and social harmony.

# Chairman's Statement

## Prospects

The global economy is expanding steadily with a broadening base. With price and wage inflation anticipated to be well under control, nominal interest rates should maintain at a relatively low level. Nonetheless, uncertainties over normalization of monetary policies in most of the developed countries coupled with continuous geopolitical tensions in certain areas may pose downside risks to global growth and affect the stability of the financial market.

Supported by growing exports, solid consumer demand and continuous expenditures on infrastructure, the mainland economy is expected to grow at a reasonable pace. The performance of the residential market is anticipated to vary from city to city, largely affected by the nature of city-specific land and housing policies. Stringent restrictive measures implemented in first-tier and most of the second-tier cities should constrain local market activities in the short term. With effective regulatory initiatives and deleveraging policies, the property market as a whole will be able to operate in a healthy and sustainable environment. Together with continuous economic growth and ongoing urbanization, the Group is positive about the long-term prospects of the mainland property market.

In Hong Kong, with solid local consumer spending, improving external demand and continuous investment in infrastructural developments, the economy is likely to pick up its momentum modestly in the year ahead. The gradual completion of key cross-border infrastructure projects and Central Government's initiatives such as Bond Connect and the Greater Bay Area development plans are expected to underpin the city's long-term economic prospects. This, together with a healthy job market, low interest rates and relatively positive demographics will be conducive to the demand for residential properties. Market activities, particularly in the secondary market, will however continue to be constrained by restrictive housing measures.



The completion of One ITC marks a significant stage in realizing the full mega ITC integrated project

Amid the prevailing competitive operating environment, the Group will continue to strengthen its property development business. Over the next three years, the average annual residential space scheduled for completion in Hong Kong will be more than three million square feet. To sustain a high residential production volume, the Group will continue to seek opportunities to acquire new sites with reasonable development margins, particularly in Hong Kong, through different means such as the conversion of agricultural land and public tenders.

The Group is adopting a proactive approach to launch its projects on the back of its abundant saleable resources, offering a profusion of products with a diverse flat mix that ranges from units for mass market to high-end residences. Over the next nine months, major residential developments offered for sale in Hong Kong will include Wings at Sea in LOHAS Park, Tseung Kwan O; Victoria Harbour in North Point; Cullinan West II at MTR Nam Cheong Station; Babington Hill in Mid-levels; St. Barths in Ma On Shan; St. Moritz in Kau To; and first phases of two premium residential projects located in Pak Shek Kok, Tai Po and Tuen Mun respectively. On the mainland, major residential developments to be put on the market will include joint-venture projects, Phase 1 of TODTOWN in Shanghai and The Arch Suites at Chengdu ICC, as well as new batches of the wholly-owned Grand Waterfront in Dongguan. With its well-recognized brand and seasoned sales team, the Group is confident of the sales performance of its upcoming launches.



With the opening of new shopping malls, as well as anticipated high occupancy and positive rental reversions from its existing rental portfolio, the Group's rental income is expected to perform well in the coming year. Over the next five to six years, there will be several major investment projects coming on stream. In Hong Kong, Harbour North on North Point waterfront and a premium shopping mall at MTR Nam Cheong Station are planned to open gradually from late 2018 onwards. On the mainland, ITC in Shanghai is earmarked for full completion in stages by 2023. The Group's rental portfolio will be further strengthened by the Nanjing IFC, which is scheduled for completion in 2020, along with the Four Seasons Hotel in Suzhou. These new developments in Hong Kong and on the mainland amount to an aggregate gross floor area of about 15 million square feet in attributable terms, of which around 12 million square feet are projects on the mainland that will almost double its existing mainland portfolio upon completion, further elevating the Group's rental income and leading position in the market.

The Group is keen to foster its competence in a bid to stay ahead of the market. In addition to upholding its commitment to quality products and attentive service to underscore its premium brand, the Group will continue to make greater use of digital platforms to better understand the behaviour of shoppers and homebuyers as well as the marketing landscape. The Group also places high emphasis on developing human capital, which is essential to its long-term development and growth. Going forward, underpinned by its growing property portfolios in Hong Kong and on the mainland, the Group's earnings quality and visibility will be further enhanced. With a strong financial position, a reputable brand and a professional management team, the Group will uphold and continue to optimize its strategy of creating long-term value for stakeholders and sustain business growth in a fast-moving digital era.

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

## Appreciation

I would 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, 14 September 2017



The Victoria Harbour waterfront residences, the Harbour North mall and Hotel Vic under development will add vitality to Island East

# 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 different 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, Eric Chow, Allen Fung, Christopher Kwok, Victor Lui, Raymond Kwok, Mike Wong, Adam Kwok, Eric Tung, Sandy Yung and Frederick Li

The Group adds new sites to its Hong Kong land bank through tenders, land use conversions 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 and sustainable 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



Victoria Harbour Gateway, Hong Kong



# Hong Kong Property Business

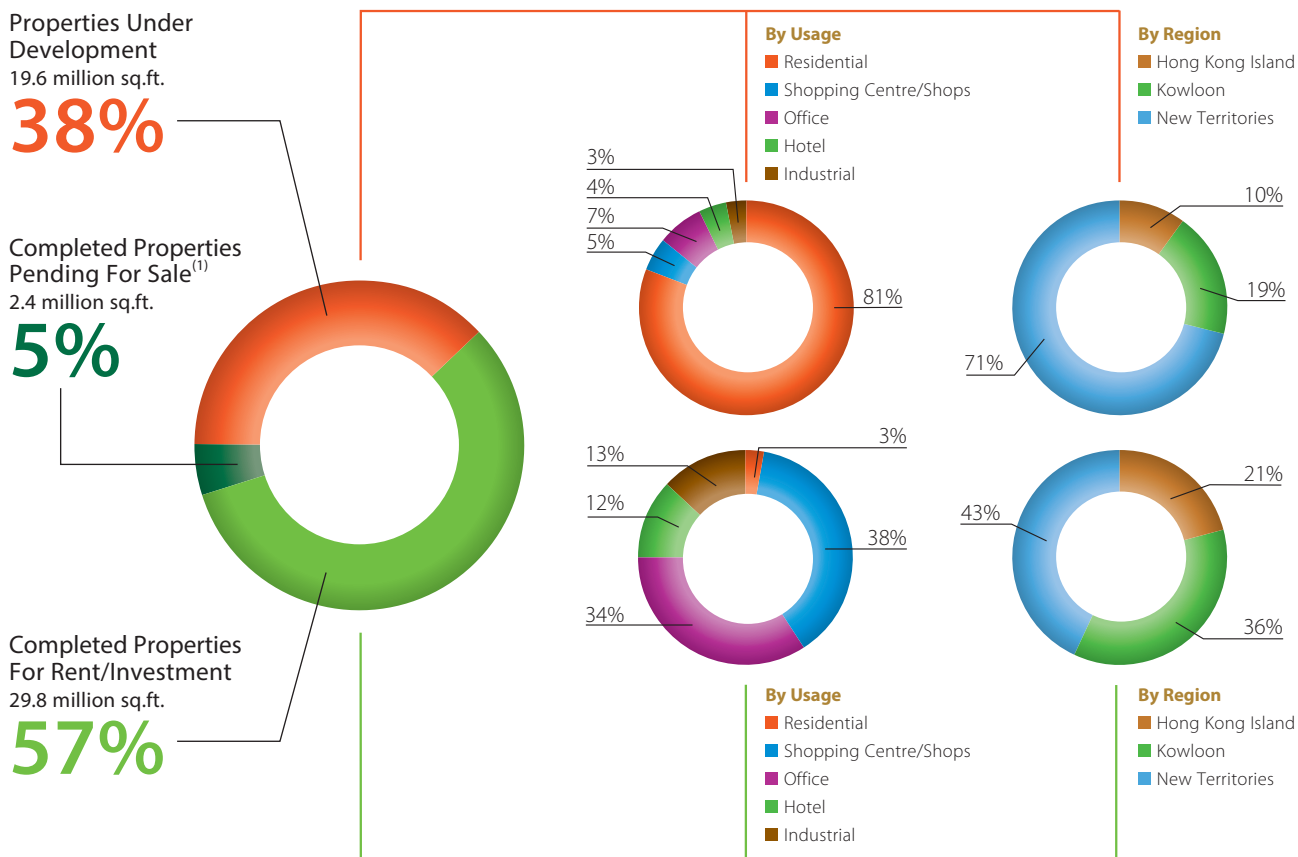
## Highlights

- Development land bank aggregated to 19.6 million square feet as at 30 June 2017, including two sites added during the year
- Completed 4.1 million square feet of attributable gross floor area, of which over three million square feet were residential properties for sale and about 825,000 square feet were non-residential properties retained for long-term investment
- Remarkable contracted sales of about HK\$44,700 million
- Net rental income from well-diversified quality investment properties increased to HK\$13,677 million, up 3.4% from the previous financial year

## Land Bank

### Hong Kong Land Bank Composition

(51.8 million square feet of attributable gross floor area as at 30 June 2017)



<sup>(1)</sup> All are residential premises

The Group secured two sites through land use conversion and government tender during the year under review, adding 2.8 million square feet of gross floor area to its land bank. The new additions included a residential site in Tuen Mun secured through land use conversion, of which the land premium has been paid for the development of an enclave providing mainly small- to medium-sized units. Another site in Sha Tin, acquired through government tender, will be developed into premium residences of large sizes. Details of the new sites are shown in the Chairman's Statement on page 9.

As at the end of June 2017, including completed properties pending for sale, the Group held a land bank of 51.8 million square feet of attributable gross floor area in Hong Kong, as compared to 51.4 million square feet a year ago using the same basis of calculation. Some 19.6 million square feet were properties under development, which will be adequate for the Group's development needs for more than five years. Of this, 16.1 million square feet are planned for sale, comprising mainly residential units with a wide range of flat types. The remaining 3.5 million square feet of properties under development, primarily earmarked for retail, office and hotel usage, will be retained for rental purpose upon completion to expand the Group's recurrent income stream.

With diversified locations and usage, the Group's portfolio of completed investment properties with an aggregate gross floor area of 29.8 million square feet is among the largest in the local market. About 38% of this portfolio are premium shopping malls and other retail space spanning different parts of the territory, where the Group can capture the needs of both locals and tourists. Around 34% are quality office space located in different business hubs including Central, Wan Chai, West Kowloon and Kowloon East.

Despite the increasingly competitive land sales market, the Group continues to replenish its development land bank through various means, including actively participating in public tenders and land use conversions when appropriate opportunities arise. After the financial year end, the premium for converting various agricultural lots in Shap Sz Heung into residential use was settled at a reasonable level. The project will entail substantial additional infrastructure expenditure during the development process and a long development period of over eight years. Nestled in a picturesque suburb away from town centres and the mass transit network, the site with a gross floor area of nearly 4.8 million square feet will be developed into a large residential cluster in phases. The Group will continue to make active efforts to convert its agricultural lands of over 28 million square feet in terms of site area as at mid September 2017, which are in various stages of land use conversion, into buildable lands.

The Group's land bank in Hong Kong as at 30 June 2017, by attributable gross floor area, was as follows:

	Attributable Gross Floor Area (million square feet) <sup>(2)</sup>				
	Under Development		Completed Properties		Total
	For Sale	For Rent/ Investment	For Sale	For Rent/ Investment	
<b>By Usage</b>					
Residential	15.9	#	2.4	0.9	19.2
Shopping Centre/Shops	#	1.0	–	11.4	12.4
Office	0.1	1.2 <sup>(3)</sup>	–	10.0	11.3
Hotel	–	0.8	–	3.5	4.3
Industrial <sup>(1)</sup>	0.1	0.5	–	4.0	4.6
<b>Total</b>	<b>16.1</b>	<b>3.5</b>	<b>2.4</b>	<b>29.8</b>	<b>51.8</b>
<b>By Region</b>					
Hong Kong Island	1.3	0.6	#	6.4	8.3
Kowloon	2.4	1.4	0.5	10.8	15.1
New Territories	12.4	1.5	1.9	12.6	28.4
<b>Total</b>	<b>16.1</b>	<b>3.5</b>	<b>2.4</b>	<b>29.8</b>	<b>51.8</b>

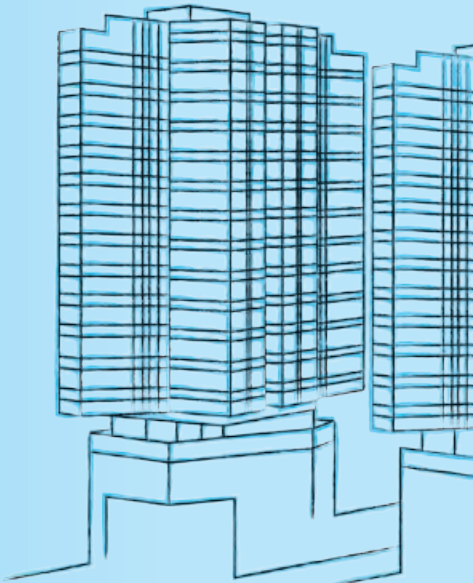
<sup>(1)</sup> Including industrial/office premises, godowns and data centres

<sup>(2)</sup> # Denotes figure less than 100,000 square feet

<sup>(3)</sup> Including attributable gross floor area for commercial use at 98 How Ming Street, Kwun Tong. The development plan of the project is yet to be finalized and it may contain some retail space

# Hong Kong Property Business

## Property Development



Grand YOHO, Yuen Long





## Review of Operations – Hong Kong Property Business

# Property Development



Victoria Harbour residences offer stylish modern luxury living in a unique location with broad harbour views

The Group holds a sizeable development land bank in Hong Kong and occupies a leading position in the market in terms of property sales. While its current development land bank is sufficient to meet the Group's future needs, it will continue to replenish its land bank through various means, including land use conversions and actively participating in public tenders, when opportunities arise. Over the next three financial years, the Group's annual residential completion is expected to stay at over three million square feet on average.

Putting its long-standing belief in Building Homes with Heart into practice, the Group provides high-quality products and attentive after-sales service for homebuyers. Its projects are carefully designed, featuring efficient layouts and distinctive styles to appeal to buyers with different needs and preferences. The Group's trusted reputation for premium quality and service further reinforces its leading position in the industry, enhancing the marketability and margins of its new projects.

During the year under review, the Group's contracted sales in Hong Kong amounted to about HK\$44,700 million. The impressive sales demonstrated customers' recognition of and confidence in the Group. Major residential projects sold included Cullinan West atop MTR Nam Cheong Station, Grand YOHO and PARK YOHO developments in Yuen Long, the first phase of Ultima in Ho Man Tin, Eight Regency in Tuen Mun, Ocean Wings in Tseung Kwan O South, as well as Lime Gala in Shau Kei Wan. The Group has considerable saleable resources and will continue to put up new projects for sale once they are ready to maintain a high asset turnover.

### Major Projects under Development

The Group's projects under development spread across different locations throughout the territory. Its dedication to developing communities with synergies and value enhancements over the years has turned such localities as Yuen Long and Tseung Kwan O into vibrant districts that have brought much convenience and quality living to the residents. Below are the descriptions of the Group's major projects.

## Hong Kong Island

### Victoria Harbour Development 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 second half of 2018, in phases</b>

### Hotel Vic 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>

Located on North Point seafront overlooking Victoria Harbour, the two sites near MTR North Point Station enjoy a comprehensive transportation network and close proximity to the commercial hubs in Island East and Causeway Bay. A residential/retail development is being built in two phases on the eastern site while a premium hotel is being built on the west.

The residential portion of Victoria Harbour Development has a total gross floor area of over 570,000 square feet and will provide about 700 units in nine towers with a curtain-wall facade. With a total residential floor area of about 320,000 square feet, the first phase of the development, Victoria Harbour, comprises five towers of approximately 350 units, ranging from studios to four-bedroom apartments as well as special units.



Hotel Vic will generate synergy with the other components of the Group's integrated North Point waterfront project

This phase is expected to be completed in the second half of 2018. Construction work of phase two, also offering about 350 units, is under way. Underneath the residential portion of the development, Harbour North will offer more than 140,000 square feet of retail space and is poised to become a shopping hotspot in the neighbourhood. Please refer to page 50 for more details of Harbour North.

Hotel Vic, the premium hotel at Inland Lot No. 9020 which is scheduled to be completed in the second half of 2017, will consist of some 670 rooms with sea views. The hotel will additionally provide around 70,000 square feet of retail and dining facilities including rooftop restaurants, complemented by an outdoor swimming pool for added pleasure. Linked by a wide waterfront promenade, the two coastal developments will bring much synergies and a variety of new amenities to Island East. Please refer to page 83 for more details of Hotel Vic.

# Review of Operations – Hong Kong Property Business

## Property Development



Cullinan West has the benefit of wide sea views, extensive transport connections and a podium shopping mall for residents' convenience

### Kowloon

#### Cullinan West Development New Kowloon Inland Lot No. 6333

*(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>

Located atop MTR Nam Cheong Station that links the Tung Chung and West Rail lines, the site is being developed in three phases into 14 residential blocks containing over 3,400 apartment units with diverse layouts that range from studios to four-bedroom units, as well as a 298,000-square-foot premium shopping mall. The first phase of the residential portion is officially named Cullinan West, which will consist of some 1,100 units in two towers and five low-rise blocks. It was launched in March this year with encouraging market response. Over 90% of the units have been sold so far. The second phase containing about 1,200 units is planned to be put on the market in financial year 2017/18. Work on the superstructure is progressing well, and the occupation permit for the first two phases of residential units of around 1.6 million square feet and a 298,000-square-foot shopping mall is expected to be granted in late 2017. For more details of the shopping mall, please refer to page 51. Construction of the remaining phase with a residential gross

floor area of 670,000 square feet containing some 1,100 units is progressing smoothly and the occupation permit is expected to be obtained in mid 2019.

#### 98 How Ming Street, Kwun Tong (Kwun Tong Inland Lot No. 240)

*(68.2% effective interest)<sup>(1)</sup>*

<b>Attributable site area</b>	<b>: 65,000 square feet</b>
<b>Attributable gross floor area</b>	<b>: 784,000 square feet (office/retail)</b>
<b>Expected date of occupation permit</b>	<b>: after 2020</b>

The Group completed the land use conversion for the site during the year. As a new addition to the Group's commercial cluster in Kowloon East, the site with a gross floor area of 1.2 million square feet will be developed into two grade-A office towers and a retail podium. Advantageously located in the heart of the emerging Kowloon East business hub with easy access to public transport, including the MTR, this project is expected to bring synergy to the Group's property portfolio in the district. Demolition of the existing structure has recently begun.

(1) As at 30 June 2017, the Group has a 50% direct interest in this project plus about 18.2% indirect interest derived from its stakes in Transport International Holdings Limited

## New Territories East

### 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>

Ocean Wings, the final phase of The Wings collection in Tseung Kwan O South, will offer a diverse flat mix of over 600 apartments and several town houses. To date, over 95% of the units have been sold. Located adjacent to the planned waterfront park, Ocean Wings has been specially designed to maximize the magnificent sea views. The development will bring in an additional 80,000 square feet of retail space, named Ocean PopWalk, to the Group's PopWalk series in the neighbourhood to create a hub of shopping and leisure amenities. The project is scheduled for completion in the second half of 2017. Please refer to page 51 for further details of PopWalk.

### Phase IV of LOHAS Park, 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>: second half of 2018</b>

Close to MTR LOHAS Park Station, the site will be developed into four residential towers of 46 to 51 storeys comprising about 2,200 units, the majority of which will be two- to three-bedroom apartments. Phase IVA, namely Wings at Sea, offering some 1,000 units has been put on the market. The development commands spectacular sea views with diversified clubhouse facilities including both indoor and outdoor swimming pools. Construction of the superstructure work has been progressing well and the occupation permit is expected to be obtained in the second half of 2018. Upon completion of the planned construction of Tseung Kwan O Cross Bay Link and Tseung Kwan O – Lam Tin Tunnel, the transportation network for the area will be further enhanced.



The waterfront Wings at Sea provides diversified layouts with large windows letting in open views

### 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>

Situated in the growing residential enclave near Science Park in Pak Shek Kok, Tai Po with easy access to a public transport terminus and a waterfront promenade, the development will consist of 10 residential towers of 18 to 19 storeys with a gross floor area of over 900,000 square feet. Offering a total of about 1,500 units, the project will feature a diverse mix of units ranging from studios to three-bedroom apartments as well as special units. In close proximity to the waterfront, some units on the higher floors of the development will command sea views of the Tolo Harbour. Construction has proceeded to the superstructure stage, and the occupation permit is expected to be granted in the first half of 2019.

## Review of Operations – Hong Kong Property Business

# Property Development

### New Territories West

#### Tuen Mun Town Lot No. 483

(100% owned)

<b>Site area</b>	<b>: 460,000 square feet</b>
<b>Gross floor area</b>	<b>: 2.2 million square feet (residential) 62,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 4,700</b>
<b>Expected date of occupation permit</b>	<b>: from first half of 2020, in phases</b>

The Group successfully completed the land use conversion in the first half of 2017 for an agricultural site in Siu Hong, Tuen Mun. With easy access to public transportation networks, including MTR Siu Hong Station, the development has a residential gross floor area of about 2.2 million square feet and a retail space of 62,000 square feet. The site will be developed into some 4,700 units in 14 residential blocks, mainly small- to medium-sized apartments. The project is expected to be completed in phases beginning 2020 and its development plan is being finalized.

#### 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 2020</b>



Grand YOHO is by the largest mall in the area and has a major transport interchange and direct link to the West Rail, offering residents a superior living environment

#### Grand YOHO Development Phase 3

#### The Remaining Portion of

#### Yuen Long Town Lot No. 507

(100% owned)

<b>Site area</b>	<b>: 410,000 square feet (entire development)</b>
<b>Gross floor area</b>	<b>: 452,000 square feet (residential) 29,000 square feet (retail)</b>
<b>Approximate number of units</b>	<b>: 550</b>
<b>Expected date of occupation permit</b>	<b>: after 2020</b>

The YOHO developments in Yuen Long have enlivened the entire neighbourhood since YOHO Town, the first part of the series, was completed in 2004. Upon the completions of the first two phases of Grand YOHO and YOHO Mall I Extension during the year under review, the YOHO community has become increasingly vibrant, transforming into a more mature residential-cum-shopping locality.

As part of the YOHO community, the Yuen Long Station Development will consist of six residential towers, including four on the northern site and two on the south. With a total of about 1.4 million square feet of gross floor area, the development offers some 1,900 units, mainly in two- to three-bedroom configurations. The project will also provide 107,000 square feet of retail premises which will be amalgamated into YOHO Mall upon completion. Development plan has been finalized and construction work has commenced.

Located next to MTR Yuen Long Station, the entire Grand YOHO Development will provide some 2,500 units with 1.8 million square feet of gross floor area in nine residential towers and close to 475,000 square feet of retail space. The first two phases of Grand YOHO have been completed and launched in the market with positive response. A majority of the units have been sold so far. Phase 3 of the project will include about 550 apartments in two residential towers and some retail space. YOHO Mall I Extension, the retail space underneath Grand YOHO, was opened in July 2017. Please refer to pages 45 and 46 for further details of YOHO Mall.



The low-density residences in Tin Shui Wai are carefully planned to make the most of the nearby 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>: 3,800</b>
<b>Expected date of occupation permit</b>	<b>: from first half of 2020, in phases</b>

Situated adjacent to Hong Kong Wetland Park and close to two Light Rail stations, the adjoining sites will together offer about 2.2 million square feet of residential premises and some 40,000 square feet of retail space. Containing approximately 3,800 units in a blend of houses and low- to medium-rise apartments, the low-density residential towers have been designed with varying heights of between two and ten storeys, descending towards the frontage facing the Wetland Park to maximize the open views of the neighbourhood. The project will also take in a sweeping view as far as Shenzhen, complemented by ample greenery and outdoor amenities to offer a comfortable living environment. It is planned for completion in phases starting from the first half of 2020.

#### **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>: 2,000</b>
<b>Expected date of occupation permit</b>	<b>: after 2020</b>

Located above Light Rail Tin Wing Station, this project will comprise 980,000 square feet of residential premises and 2,000 square feet of retail space. Offering some 2,000 small- to medium-sized units in three residential towers, the project enjoys convenient access to mass transit with a wide range of amenities all in one neighbourhood, including a large town park with lush greenery covering an area of about 15 hectares, providing a refreshing and aesthetic environment. Piling work has started after the existing platforms of the Light Rail station were migrated in the first quarter of 2017.

## Review of Operations – Hong Kong Property Business

# Property Development

### Major Projects Under Development in Hong Kong by Year of Completion<sup>(1)</sup>

Location	Project Name	Group's Interest (%)
<b>Scheduled Completion in FY2017/18</b>		
Nam Cheong Station Development Phase 2A	Cullinan West	JV
Nam Cheong Station Development Phases 2B & 3	Cullinan West II	JV
Tseung Kwan O Town Lot No. 118	Ocean Wings	100
Lot 1927 in DD 107, Yuen Long Phase 2C		100
Sha Tin Town Lot No. 581	St. Barths	100
Inland Lot No. 9020, North Point	Hotel Vic	100
Sha Tin Town Lot No. 248		100
Kwun Tong Inland Lot No. 759	Two Harbour Square	64.3
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>		
Tai Po Town Lot No. 225		100
Phase IVA of LOHAS Park	Wings at Sea	JV
Phase IVB of LOHAS Park		JV
1-3 Church Lane, Shau Kei Wan	Lime Gala	92
Inland Lot No. 9027, North Point Phase 1	Victoria Harbour	100
Inland Lot No. 8963, Stubbs Road		100
Tuen Mun Town Lot No. 509	Eight Regency	100
18-20 Caine Road, Mid-Levels West		92
Pak Tai Street/San Shan Road Project		JV
Tung Chung Town Lot No. 11		20
<b>Year Total</b>		
<b>Scheduled Completion in FY2019/20</b>		
Tin Shui Wai Town Lot No. 34		100
Tuen Mun Town Lot No. 483 Phase 1		100
Nam Cheong Station Development Phase 5		JV
Tuen Mun Town Lot No. 515		100
Inland Lot No. 9027, North Point Phase 2		100
Tuen Mun Town Lot No. 539		100
Sha Tin Town Lot No. 617		100
212-214 Texaco Road, Tsuen Wan		50
Kwai Chung Town Lot No. 522		100
<b>Year Total</b>		
<b>Major Projects Scheduled for Completion in FY2020/21 or Beyond</b>		
Tuen Mun Town Lot No. 483 remaining phases		100
Yuen Long Station Development		JV
Tin Shui Wai Town Lot No. 33		100
Tin Wing Station Development		JV
98 How Ming Street (Kwun Tong Inland Lot No. 240) <sup>(3)</sup>		68.2 <sup>(4)</sup>
The Remaining Portion of Yuen Long Town Lot No. 507 Phase 3		100
Sha Tin Town Lot No. 609		100
195 Prince Edward Road West, Kowloon City		100
<b>Total for Major Projects to be Completed in FY2020/21 or Beyond</b>		

(1) Information up to late August 2017

(2) Including data centre

(3) The development plan is yet to be finalized and may contain some retail area

(4) Including 50% direct interest and an indirect interest of about 18.2% 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>(2)</sup>	Total
867,000	-	-	-	-	867,000
774,000	298,000	-	-	-	1,072,000
483,000	80,000	-	-	-	563,000
439,000	45,000	-	-	-	484,000
431,000	-	-	-	-	431,000
-	-	-	388,000	-	388,000
-	-	-	344,000	-	344,000
-	-	308,000	-	-	308,000
67,000	18,000	-	-	-	85,000
55,000	-	-	-	-	55,000
<b>3,116,000</b>	<b>441,000</b>	<b>308,000</b>	<b>732,000</b>	<b>-</b>	<b>4,597,000</b>

901,000	-	-	-	-	901,000
693,000	-	-	-	-	693,000
623,000	-	-	-	-	623,000
291,000	51,000	-	-	-	342,000
320,000	7,000	-	-	-	327,000
181,000	-	-	-	-	181,000
141,000	26,000	-	-	-	167,000
127,000	-	-	-	-	127,000
88,000	17,000	-	-	-	105,000
-	68,000	-	26,000	-	94,000
<b>3,365,000</b>	<b>169,000</b>	<b>-</b>	<b>26,000</b>	<b>-</b>	<b>3,560,000</b>

1,020,000	20,000	-	-	-	1,040,000
800,000	-	-	-	-	800,000
670,000	-	-	-	-	670,000
476,000	-	-	-	-	476,000
258,000	138,000	-	-	-	396,000
286,000	21,000	-	-	-	307,000
-	3,000	171,000	-	-	174,000
-	-	-	-	71,000	71,000
-	1,000	57,000	-	-	58,000
<b>3,510,000</b>	<b>183,000</b>	<b>228,000</b>	<b>-</b>	<b>71,000</b>	<b>3,992,000</b>

1,466,000	62,000	-	-	-	1,528,000
1,361,000	107,000	-	-	-	1,468,000
1,199,000	20,000	-	-	-	1,219,000
980,000	2,000	-	-	-	982,000
-	-	784,000	-	-	784,000
452,000	29,000	-	-	-	481,000
434,000	-	-	-	-	434,000
45,000	-	-	-	-	45,000
<b>5,937,000</b>	<b>220,000</b>	<b>784,000</b>	<b>-</b>	<b>-</b>	<b>6,941,000</b>



Eight Regency in Tuen Mun strives to satisfy residents' needs with exceptional hotel-style concierge and butler service



Twin PARK YOHO clubhouses with resort-style pools and waterfalls offer residents premium living



Clubhouse at Lime Gala with a theme of healthy living will be equipped with indoor and outdoor pools

# Review of Operations – Hong Kong Property Business

## Property Development

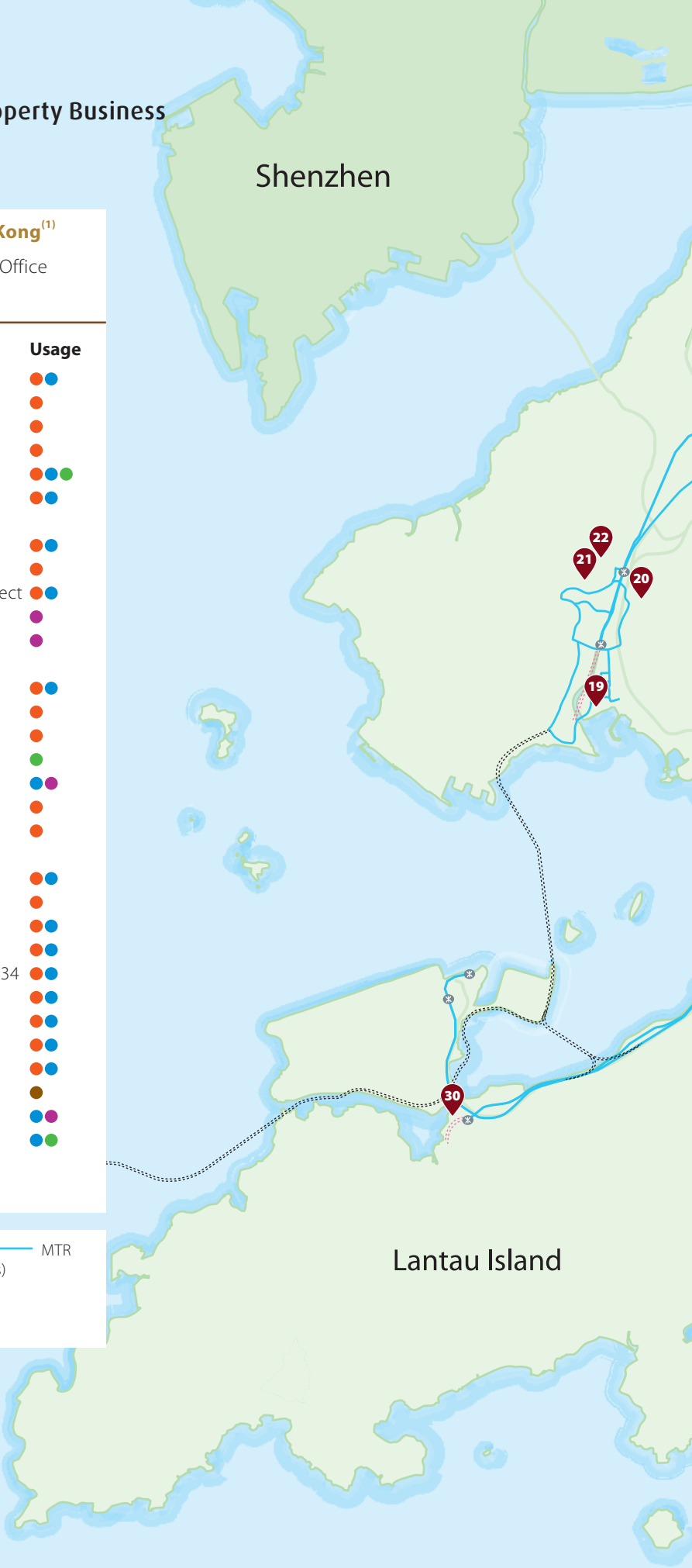
### Major Properties Under Development in Hong Kong<sup>(1)</sup>

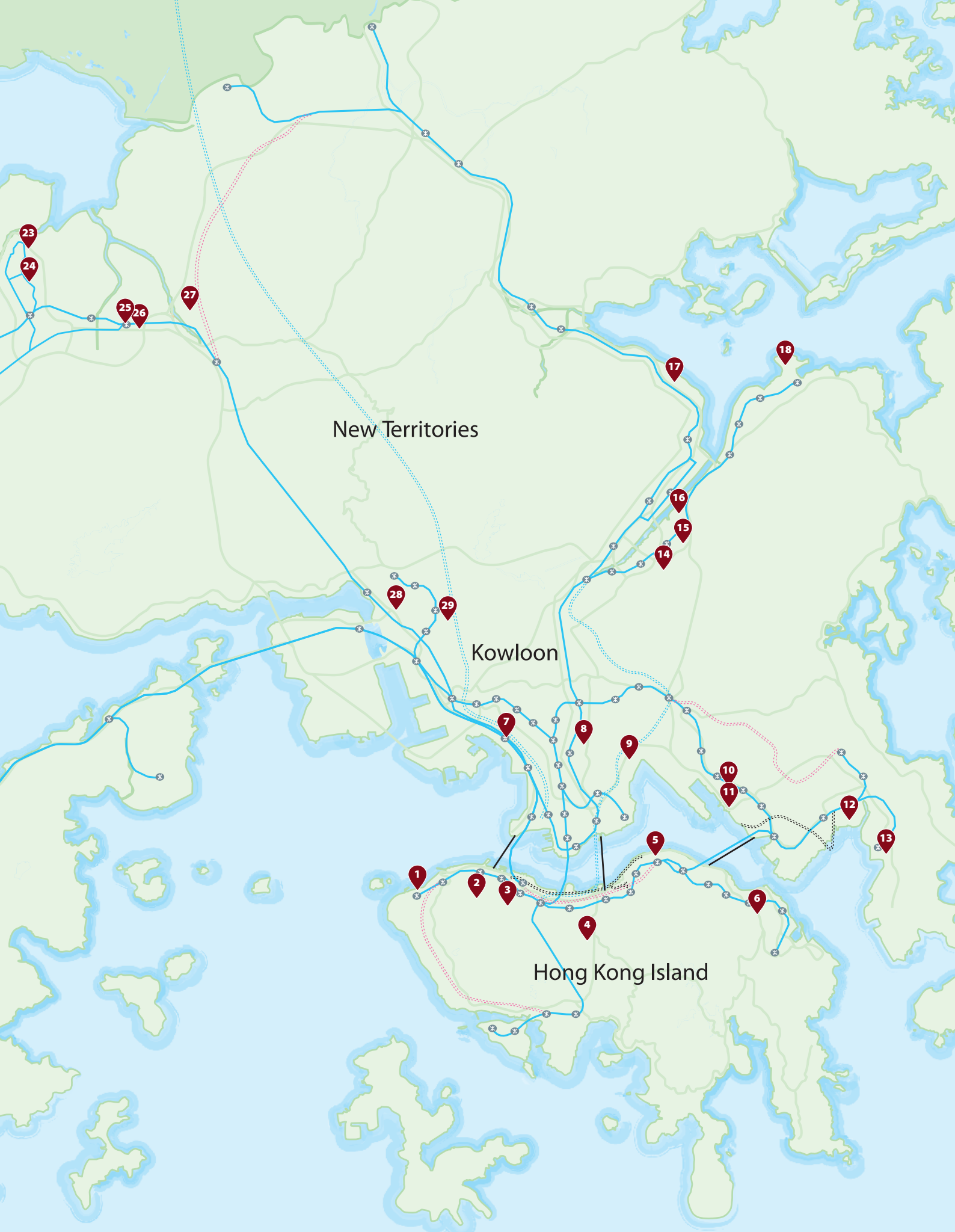
- Residential      ● Shopping Centre/Shops      ● Office
- Industrial      ● Hotel

District	Project Name	Usage
<b>Hong Kong Island</b>	1 97 Belcher's Street	● ●
	2 Babington Hill	●
	3 18–20 Caine Road	●
	4 Inland Lot No. 8963, Stubbs Road	●
	5 Victoria Harbour and Hotel Vic	● ● ●
	6 Lime Gala	● ●
<b>Kowloon</b>	7 Cullinan West	● ●
	8 195 Prince Edward Road West	●
	9 Pak Tai Street / San Shan Road Project	● ●
	10 98 How Ming Street <sup>(2)</sup>	●
	11 Two Harbour Square	●
<b>New Territories East</b>	12 Ocean Wings	● ●
	13 Wings at Sea	●
	14 Sha Tin Town Lot No. 609	●
	15 Sha Tin Town Lot No. 248	●
	16 Sha Tin Town Lot No. 617	● ●
	17 Tai Po Town Lot No. 225	●
<b>New Territories West</b>	18 St. Barths	●
	19 Tuen Mun Town Lot No. 539	● ●
	20 Tuen Mun Town Lot No. 515	●
	21 Eight Regency	● ●
	22 Tuen Mun Town Lot No. 483	● ● ●
	23 Tin Shui Wai Town Lot Nos. 33 and 34	● ● ● ●
	24 Tin Wing Station Development	● ● ● ●
	25 Yuen Long Station Development	● ● ● ●
	26 Grand YOHO Phase 3	● ● ● ●
	27 PARK YOHO Phase 2C	● ● ● ●
28 212–214 Texaco Road, Tsuen Wan	●	
29 Kwai Chung Town Lot No. 522	● ● ●	
30 Tung Chung Town Lot No. 11	● ● ●	

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

<sup>(1)</sup> Information up to late August 2017  
<sup>(2)</sup> The project may contain some retail area





New Territories

Kowloon

Hong Kong Island

# Hong Kong Property Business

## Property Investment



ICC, Kowloon Station



# Review of Operations – Hong Kong Property Business

## Property Investment



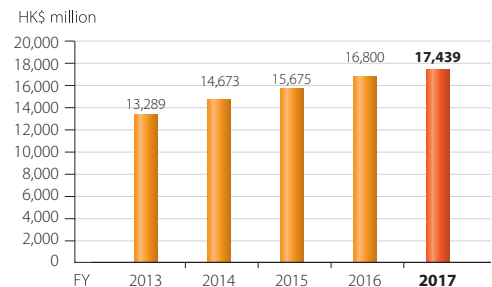
A host of shopping, catering and entertainment options in the newly opened YOHO Mall I Extension draws more visitors from near and far



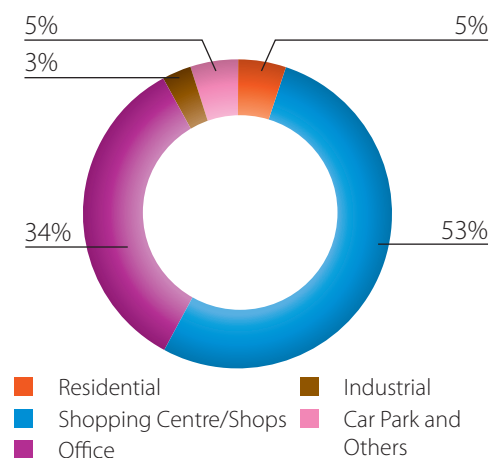
New Town Plaza is poised to give visitors a new shopping experience after its major renovation and tenant mix refinement in Phase III

For the financial year under review, the Group's investment property portfolio in Hong Kong continued to be its stable source of recurring income. Gross rental income grew by 4% year-on-year to HK\$17,439 million, including contributions from joint-venture projects. Overall occupancy stayed at a high level of around 95%.

### 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

The Group's well-diversified retail portfolio comprises a mix of regional and upmarket malls with the majority of them conveniently located along railway lines across the territory. A proactive approach in managing its shopping malls on an ongoing basis not only enables the Group to accommodate rapidly changing consumer needs, but also builds strong resilience for its retail portfolio. In addition to a regular refinement of tenant and trade mix to differentiate its offerings, the Group puts in value-added elements at its malls through asset enhancement initiatives, effective promotions and attentive service to provide a level of leisure and entertainment. Such initiatives are complemented by an increasing use of new technology including mobile apps, enhancing the competitiveness of the Group's retail portfolio to better serve shoppers and maintain a leading position in the retail market. Gross rental income of the Group's top 10 shopping malls amounted to HK\$6,000 million.

The Group continues to expand its retail portfolio to drive future growth. Being developed in phases, YOHO Mall in Yuen Long is an integration of retail podiums of the Group's projects in the area to form the largest retail hub in northwest New Territories. The mega mall will have an aggregate gross floor area of 1.1 million square feet upon completion of its last portion – the 107,000-square-foot retail space at the Yuen Long Station Development. During the year, the existing YOHO Mall I and II continued to perform well with higher footfall and rents on new leases and renewals. The shopping hotspot has seen its traffic continue to increase after the YOHO Mall I Extension opened in July 2017. Sitting atop a public transport interchange with footbridges linking to other parts of YOHO Mall, the 450,000-square-foot extension further improved the mall's accessibility and attracted more shoppers from near and far. With an occupancy of



Fresh promotions and marketing drives boost patronage at APM in Kowloon East

## Review of Operations – Hong Kong Property Business

# Property Investment

about 95%, the extension significantly lifted the number of stores at YOHO Mall to over 300. Shoppers are greeted with a profusion of fashion retailers, cosmetic shops, kids' products vendors, lifestyle superstores along with a cinema and dining outlets.

The Group's major shopping malls saw improved performance during the year. The Sun Arcade, an upmarket mall situated in the heart of the tourist shopping hotspot on Canton Road in Tsim Sha Tsui, recorded a year-on-year increase in retail sales. This not only reflected the favourable impact brought about by increased patronage of tourists, but also the Group's efforts in increasing the variety of products, as well as its effective marketing campaigns including appealing art exhibitions.

The IFC Mall in Central, an iconic shopping arena for professionals who work and live in the core of Central CBD as well as tourists from around the world, made a considerable effort to enrich its offerings to shoppers. In addition to upgrading its food and beverage outlets and introducing a sportswear zone, the IFC Mall also launched impactful marketing promotions to bolster footfall and sales. During the year, the mall was nearly fully leased with positive rental reversions.

APM in Kwun Tong, the Group's flagship mall in Kowloon East, continued to perform well with satisfactory growth in retail sales and healthy rental reversions. As a trend-setting mall and a popular gathering place for the young and those who live or work in Kowloon East, APM has constantly refined its tenant and trade mix to provide ever-more exciting culinary and retail experience for shoppers. This included the addition of new tenants ranging from sportswear, popular cosmetic brands to international food and beverage retailers, and the opening of pop-up stores. Additionally, a variety of events and marketing campaigns were staged during the year, drawing an overwhelming response from the market. Asset enhancement initiatives are also being implemented, including the conversion of 150,000 square feet of office area above the mall into retail space and an outdoor greening project at the podium garden.



An assortment of retailers and leisure options at MOKO offers exceptional shopping experience and fun





IFC Mall is ideally situated at the core business district in Central, which makes it the preferred destination for consumers seeking luxury and specialty goods

MOKO in Mong Kok recorded satisfactory performance, evidenced by its high occupancy and continued growth in rental rates on renewals and new leases. With the completion of a major renovation in 2015, the spacious MOKO mall houses a diverse mix of restaurants and international brands spreading over various dedicated themed zones. The chic mall also features recreational and leisure facilities including a cinema and an outdoor children's playground, resulting in delightful entertainment and shopping experience for customers and boosting traffic.

Renovation work at Metroplaza in Kwai Fong was in full swing during the year. The revamp involves giving the mall a significant facelift and reconfiguring its internal layout, which will help enhance visitor circulation and provide more shopfronts to raise rental value. Additionally, its outdoor piazza will introduce new features for added leisure. On the back of a major tenant- and trade-mix refinement and a refreshing shopping environment, Metroplaza is expected to show better performance.

Tsuen Wan Plaza is close to fully leased and its overall performance continued to bode well. The Group is stepping up its promotional and marketing efforts to increase footfall and bolster sales. With a growing population from new residential projects in the district, Tsuen Wan Plaza is well-positioned to capture the increasing demand for shopping and leisure.

Turning to eastern New Territories, New Town Plaza in Sha Tin is a shopping, dining and entertainment hotspot in the area. Performance remained stable with overall occupancy sustaining at a high level despite renovation work at some parts of the mall during the year. Trade variety was further enriched with the introduction of more renowned retailers and popular restaurants. In parallel, themed promotional events were frequently held, gaining overwhelming market response and bolstering traffic. A new deluxe cinema with seven houses in Phase I is scheduled to open in the second half of 2018. The renovation of Phase III is expected to be completed by 2019 and has been progressing smoothly. It involves implementing major layout changes, enhancing trade variety and a revamp of the facade.

Tai Po Mega Mall and Landmark North in Sheung Shui are two other major regional shopping malls owned by the Group in eastern New Territories. Supported by its wide catchment in the district, Tai Po Mega Mall continued to perform satisfactorily with healthy rental reversions. To strengthen its bonding with the local community, various eye-catching events were organized, including the New Year Charity Run. Occupancy of Landmark North, a key shopping checkpoint in the area, sustained at a high level. In view of the changing spending patterns of mainland tourists, and to further enhance its competitiveness, the mall is expanding the range and space of international beauty and healthcare brands. In addition, a wide range of promotional campaigns and marketing events are held to boost traffic and sales.

## Review of Operations – Hong Kong Property Business

# Property Investment



The Millennium City office cluster helps energize Kowloon East and transforms the area into another CBD of Hong Kong

### Offices

As one of the major global hubs, Hong Kong has continued to attract a solid demand for the leasing of offices. The gradual completion of a few infrastructure projects will further enhance its position as a business and financial hub in the region. Capitalizing on a stronger link with the mainland on such financial initiatives as Stock Connects and Bond Connect, Hong Kong is expected to increasingly appeal to financial services companies, in particular those from the mainland. With continued low vacancy rates and limited new supplies, Hong Kong's core business districts recorded modest rental growth during the year.

With a diversified office portfolio spanning the territory, the Group continued to record healthy performance with positive rental reversions and high occupancy from its quality office buildings which are conveniently connected to the railway network and being recognized as a paragon for quality management.

Strategically located in the heart of Central atop Airport Express Hong Kong Station, the IFC integrated development is most reputed for its superb office space and distinguished comprehensive facilities. Together with IFC Mall, Four Seasons Hotel Hong Kong and Four Seasons Place, the IFC complex has become a prominent landmark, having successfully created a crucial cluster within Central. As one of the most sought-after business addresses for many renowned international financial institutions and asset management companies including those from the mainland, the two office towers have attracted a number of large companies that are eager to show a strategic presence in Hong Kong's central business district. Fuelled by its exceptional quality and reputable brand, the office towers were virtually fully let, achieving a higher level of rent for both renewals and new lettings during the year.

As an iconic integrated development sitting atop Airport Express Kowloon Station, ICC has accomplished a level of success and premium branding comparable to IFC. This project features cutting-edge offices, luxury residential apartments, a high-end retail podium and two deluxe hotels within an integrated complex. The close connections with existing MTR lines and the upcoming cross-border Express Rail Link (HK section) have made it a unique destination for business, leisure and tourism. With the West Kowloon Cultural District taking shape, the surrounding areas will become increasingly vibrant. ICC's strategic location and premium quality solidify its leading position for first-class office space, attracting many reputable financial services companies and leading multinational corporations. During the year, high occupancy was achieved with encouraging rental reversions.



Superior specifications and full facilities place the IFC office towers among the most coveted business addresses in Hong Kong



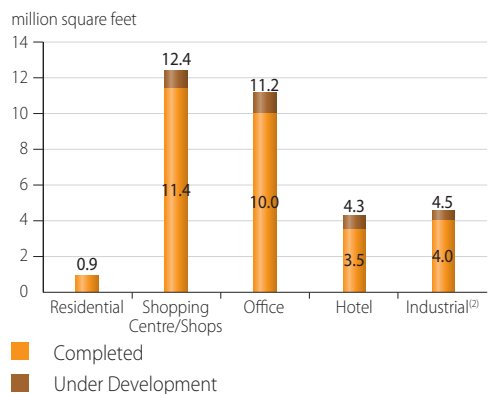
State-of-the-art facilities and professional management draw world-renowned financial institutions and multinationals to ICC

Kowloon East also emerged as another key business district, which serves as an alternative to Central. The leasing demand for office space was stable as occupiers remained keen to look for quality grade-A office space under single ownership despite a high concentration of strata-titled ownership buildings in the area. The Group's Millennium City cluster continued to perform well due to its large floor plates, close proximity to MTR stations, and unparalleled quality property management. Tenants include financial services companies, fashion retailers and IT companies. Overall high occupancy and positive rental reversions were recorded during the year.

Supported by its widely-recognized quality and attentive service, the Group's other premium offices also performed well. Sun Hung Kai Centre and Central Plaza in Wan Chai benefitted from the overall stable office demand and tight supply in core areas and recorded healthy rental reversions with high occupancies. Leveraging its synergistic effect from an adjoining mall, the Grand Century Place in Mong Kok attracted a stable and diverse tenant base with solid rental reversions and high occupancy achieved during the year. Metroplaza in Kwai Fong and Grand Central Plaza in Sha Tin showed high occupancies with better rental levels. Both of them attracted well-diversified tenants including manufacturers, trading companies and consultancy firms.

The Group will continue to provide a high standard of property management services to tenants and customers. Recognizing the importance of product excellence and competitiveness, the Group has made considerable efforts to maintain building quality persistently so as to stay ahead of the market. The renovation work at Central Plaza and Grand Central Plaza is progressing well. Refurbishment of the main lobby for Two IFC is under planning.

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



(1) As at 30 June 2017

(2) Including industrial/office premises, godowns and data centres

## Review of Operations – Hong Kong Property Business

# Property Investment



The HarbourView Place over a major transportation hub is the preferred choice of prestigious clientele who travel frequently on business

### *Residential, Serviced Suites and Others*

The Group owns close to one million square feet of luxury residential units for lease under its Signature Homes division. Changes in housing budgets by corporations have posed challenges to the luxury residential leasing market in Hong Kong. Nonetheless, the Group's luxury premises for lease performed steadily during the year. Its prestigious brand and quality are well recognized by corporate and individual tenants, who are also attracted by the excellent locations of the properties in traditional luxury residential areas and a broad choice of accommodation with personalized services. In a competitive and rapidly changing operating environment, the Group maintains a regular upkeep of premises quality while reviewing its leasing strategies from time to time.

The Group also offers a premium portfolio of serviced suites with an attributable 700 guest rooms. Four Seasons Place in Central and The HarbourView Place in West Kowloon, both with direct connections to the Airport Express, remained the preferred choice for multinational executives and registered satisfactory occupancies during the year despite soft market



The rooftop heated pool at Four Seasons Place offers guests breathtaking views of Victoria Harbour

sentiments. Vegas Suites above MTR Tseung Kwan O Station continued to capture rising demand from business executives with its distinctive position as a premium serviced-suite hotel near Kowloon East, an emerging business core of the territory. Occupancy stayed high with positive rental reversions.

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

### **Investment Properties Under Development**

As at 30 June 2017, the Group has over three million square feet of investment properties under development in attributable terms. To further enhance its well-diversified rental portfolio, the Group will continue to develop quality assets to strengthen its leading position in the leasing market.

Harbour North, covering about 145,000 square feet of retail space, will represent one of the major additions to the Group's investment properties. As part of an integrated development on North Point waterfront, the mall will feature a modern lifestyle concept with outdoor dining and panoramic sea views along its long frontage facing Victoria Harbour. Pre-leasing for the first phase with 7,000 square feet of street-level shops along Java Road has started and it is scheduled to open in late 2018. This, together with a 138,000-square-foot mall in the second phase, is expected to become a shopping hotspot for office workers as well as residents in Island East.



The new PopWalk 2 adds more shopping and leisure excitement for young families in Tseung Kwan O South

Meanwhile, the Group is developing a shopping mall with a gross floor area of some 300,000 square feet at MTR Nam Cheong Station, which serves as the interchange of the West Rail and Tung Chung lines with convenient access to a bus terminal. The transportation convenience will be further enhanced by its strategic location, which is just one station along West Rail away from the terminus of the future high-speed rail link. The mall will house various young and trendy retailers and al fresco restaurants to serve family shoppers in the neighbourhood, bringing vibrancy to the area. Pre-marketing is under way and it is expected to open in mid 2019. The mall is well-positioned to capture the rising demand for shopping, entertainment and leisure in the expanding and revitalizing community.

Built along the proposed central avenue in Tseung Kwan O South, PopWalk represents the Group's retail presence in the neighbourhood with over 240,000 square feet of shopping and dining space. The first phase of PopWalk with 66,000 square feet of retail space is fully let with increasing traffic and sales since opening in August 2016. PopWalk 2 and PopWalk 3 have also



The spectacular waterfront of Harbour North will be lined with al fresco restaurants and green space for a relaxing shopping environment

opened recently. All fully leased now, the two phases together provide 95,000 square feet of retail space with a variety of retailers ranging from food and beverages to lifestyle goods and education centres. Ocean PopWalk, the final phase of the retail cluster, is expected to open in early 2019. Upon full completion, PopWalk will offer a verdant environment and leisure shopping experience to the young families in the vibrant neighbourhood as well as visitors from the nearby waterfront promenade and park.

Apart from developing new projects, the Group is also committed to enhancing its property investment portfolio through various channels including revitalization and redevelopment of industrial buildings. Life@KCC, the conversion of an industrial building into a retail complex in Kwai Hing, will be the Group's first industrial building revitalization project for retail purpose. The 100,000-square-foot retail space will include different themes for each floor and feature modern lifestyle. It is set to draw heavy traffic with footbridges connecting to Kowloon Commerce Centre, the nearby twin office towers, and MTR Kwai Hing Station. Pre-leasing has attracted a favourable response and the soft opening is expected to take place by the end of 2017.

In October 2016, the Group paid a premium for concluding the land use conversion of the 98 How Ming Street site in Kwun Tong, which will be developed into a commercial property of about 1.2 million square feet. The majority of the space has been earmarked for developing grade-A offices while the remainder will become a premium shopping mall. Leveraging the well-established premium office tower at Millennium City 6, a connecting footbridge will be built to further enhance its accessibility. This joint-venture project is expected to strengthen the Group's strong foothold in the area and create much synergy with the entire Millennium City cluster upon completion. The Group has an effective stake of about 68% in the project.

## Review of Operations – Hong Kong Property Business

# 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
YOHO Mall I / YOHO Mall I Extension	9 Yuen Lung Street / 9 Long Yat Road, Yuen Long	2054/2060	100
YOHO Mall II	8 Long Yat Road, Yuen Long	2047	87.5
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
Life@KCC	72-76 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 Tuen Mun Heung Sze Wui Road, Tuen Mun	2056	100
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
PopWalk (Phases 1, 2 & 3)	12 Tong Chun Street / 19 Tong Yin Street / 19 Chi Shin Street, Tseung Kwan O	2060/2061/2062	100
Yuen Long Plaza	249-251 Castle Peak Road, Yuen Long	2047	100
Advanced Technology Centre	2 Choi Fat Street, Sheung Shui	2047	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 74.03% 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
–	695,000	–	–	–	695,000
–	245,000	–	–	–	245,000
–	–	–	626,000	–	626,000
–	108,000	–	–	–	108,000
–	589,000	–	–	–	589,000
–	583,000	–	–	–	583,000
–	79,000	401,000	–	–	480,000
–	100,000	–	–	–	100,000
–	182,000	375,000	–	–	557,000
–	415,000	–	–	–	415,000
–	–	–	310,000	–	310,000
–	269,000	–	–	–	269,000
–	195,000	–	–	–	195,000
–	99,000	32,000	47,000	–	178,000
–	35,000	137,000	–	–	172,000
–	162,000	–	–	–	162,000
–	145,000	–	–	–	145,000
–	–	–	–	142,000	142,000
–	120,000	–	–	–	120,000
–	116,000	–	–	–	116,000



East Point City brings fresh experience to shoppers with a variety of innovative events



Tsuen Wan Plaza is well-positioned to gain from the growing spending of the rising population in the district



Recent renovations give Metroplaza a fresh layout and themed zones to draw premium tenants

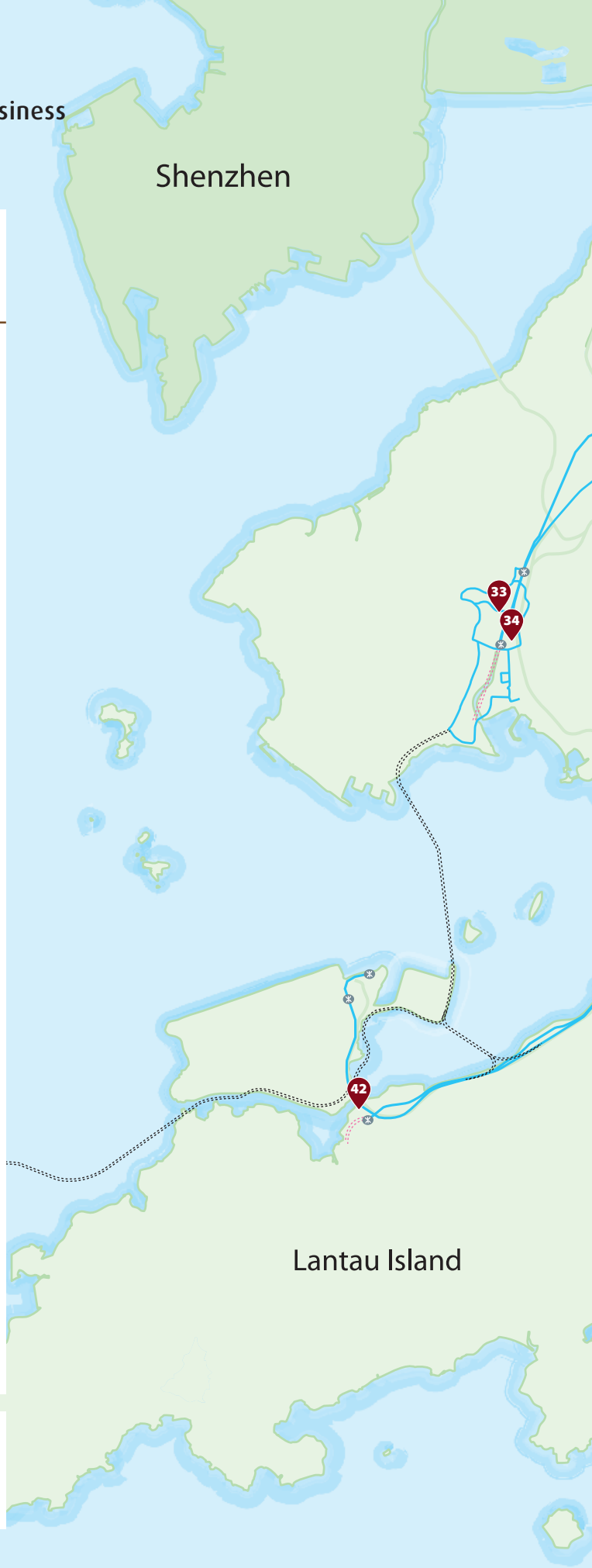
# Review of Operations – Hong Kong Property Business

## Property Investment

### Major Completed Investment Properties in Hong Kong<sup>(1)</sup>

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

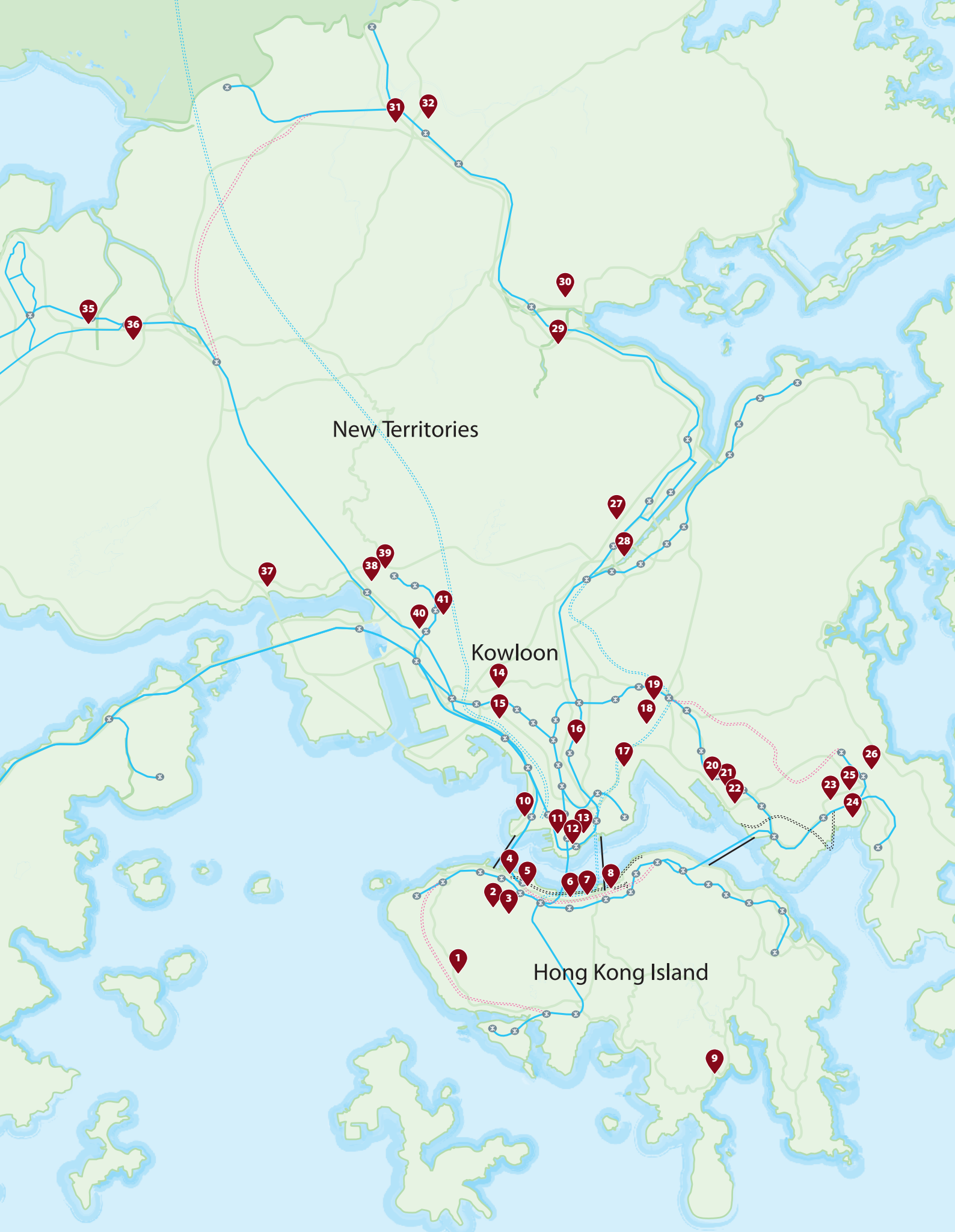
District	Project Name	Usage
<b>Hong Kong Island</b>	1 Chi Fu Landmark	<span style="color: blue;">●</span>
	2 Hillsborough Court	<span style="color: orange;">●</span>
	3 Dynasty Court	<span style="color: orange;">●</span>
	4 Four Seasons Hotel Hong Kong / Four Seasons Place	<span style="color: green;">●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



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

<sup>(1)</sup> Information up to late August 2017





# Mainland Property Business

## Highlights

- Held an attributable 52.6 million square feet of properties under development as at 30 June 2017
- Completed an attributable 5.2 million square feet of quality residential and commercial properties during the year
- Achieved attributable contracted sales of about RMB6,800 million
- Attained an encouraging net rental income growth of 13.7% to RMB2,587 million from an expanding rental portfolio
- Maintained a selective investment strategy focusing on first-tier cities

## Land Bank

### Mainland Land Bank Composition

(66.5 million square feet of attributable gross floor area as at 30 June 2017)

Properties Under Development  
52.6 million sq.ft.

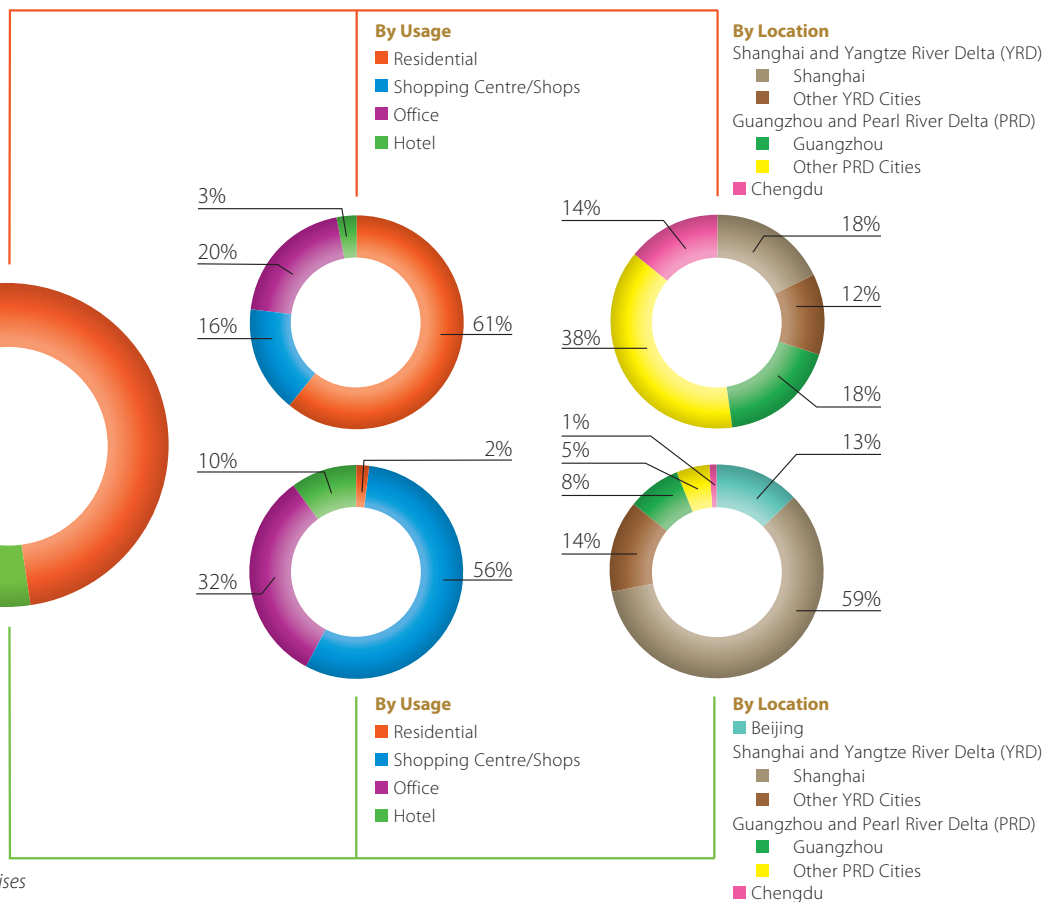
**79%**

Completed Properties Pending For Sale<sup>(1)</sup>  
1.1 million sq.ft.

**2%**

Completed Properties For Rent/Investment  
12.8 million sq.ft.

**19%**



<sup>(1)</sup> The majority are residential premises

As at 30 June 2017, including completed projects pending for sale, the Group held a total land bank of 66.5 million square feet in attributable gross floor area on the mainland, as compared to 71.2 million square feet a year ago using the same basis of calculation. Properties under development reached 52.6 million square feet, a majority of which will be quality residences for sale. Completed

investment properties cover an area of 12.8 million square feet, of which about 80% are premium offices and shopping malls located primarily in first-tier cities.

As at 30 June 2017, the Group's land bank on the mainland by attributable gross floor area was as follows:

	Attributable Gross Floor Area (million square feet)				Total
	Under Development	Completed Properties		For Rent/ Investment	
		For Sale			
<b>By Usage</b>					
Residential <sup>(1)</sup>	32.2	0.9	0.3		33.4
Shopping Centre/Shops	8.1	0.1	7.1		15.3
Office	10.7	0.1	4.1		14.9
Hotel	1.6	–	1.3		2.9
<b>Total</b>	<b>52.6</b>	<b>1.1</b>	<b>12.8</b>		<b>66.5</b>
<b>By Region</b>					
Beijing	–	–	1.7		1.7
Shanghai and Yangtze River Delta (YRD)	16.0	0.2	9.4		25.6
<i>Shanghai</i>	9.6	0.1	7.6		17.3
<i>Other YRD cities</i>	6.4	0.1	1.8		8.3
Guangzhou and Pearl River Delta (PRD)	29.5	0.7	1.6		31.8
<i>Guangzhou</i>	9.7	0.4	1.0		11.1
<i>Other PRD cities</i>	19.8	0.3	0.6		20.7
Chengdu	7.1	0.2	0.1		7.4
<b>Total</b>	<b>52.6</b>	<b>1.1</b>	<b>12.8</b>		<b>66.5</b>

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

# Mainland Property Business

## Property Development



Rendering

ITC, Shanghai



Shanghai Arch



## Review of Operations – Mainland Property Business

# Property Development

Following a period of buoyancy in 2016, the mainland residential market has slowed amid tighter mortgage conditions and restrictive property measures by the government. Home prices are reined in while transaction volume has been generally dampened, particularly in first-tier cities. These policy measures should be conducive to a healthy development in the mainland's residential market over the medium-to-long term. The land market remained fervent in general amid keen interest from developers to shore up their land banks.

With a significant presence in first-tier cities on the mainland, the Group's brand has gained increasing recognition. Both buyers and tenants have been impressed by the remarkable designs and outstanding quality of the Group's products as well as its customer-oriented service. Over the medium-to-long term, the Group remains positive about the prospects of the mainland market, and will continue to adhere to its selective and focused approach to developing quality projects mainly in first-tier cities.

During the year, the Group achieved attributable contracted sales of about RMB6,800 million. With a sizeable development land bank of 52.6 million square feet as at 30 June 2017, the Group will continue to meet customer needs and develop quality residences and integrated projects on the mainland.



Standing 370 metres tall, one of ITC's office towers is expected to be the tallest skyscraper in Puxi, Shanghai



A streamlined glass canopy and facade at One ITC exude the beauty of modern architecture

## Major Projects under Development

### Shanghai & Yangtze River Delta

#### ITC

#### Xuhui, Shanghai

(100% owned)

The Group's signature Xujiahui Centre project is officially named ITC. The 7.6-million-square-foot mega integrated development is strategically located in the heart of Xujiahui, one of the most prosperous commercial hubs in Shanghai, comprising over four million square feet of prime offices, more than three million square feet of premium retail space and a luxury hotel. The convenient transportation network of ITC is marked by its easy access to the Hongqiao International Airport, as well as its proximity to an interchange station for three existing metro lines and two future lines.

One ITC, Phase 1 of the project, was completed during the year. Its 170,000 square feet of quality office space has been gradually handed over to tenants. Pre-marketing for the 340,000-square-foot shopping mall at One ITC has received encouraging response. For further information on the leasing progress of One ITC, please refer to page 75.

Construction of Phase 2 is progressing smoothly. With its superstructure recently topped out, Phase 2 is expected to be completed by the second half of 2018. It will provide some 320,000 square feet of office premises supported by 43,000 square feet of retail space. Construction of the remaining phases has also commenced. One of the phases will comprise a luxury hotel, a 2.5-million-square-foot upmarket mall and two office towers with an aggregate gross floor area of 3.5 million square feet, representing the most conspicuous part of ITC and outlining the profile of the entire project. Such prominence will be marked by a 370-metre skyscraper, which is expected to become the tallest building in Puxi upon completion. The mega development is planned for full completion by late 2023.

**Shanghai Arch**  
**Pu Ming Road, Lujiazui, Shanghai**  
*(100% owned)*

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Located adjacent to Little Lujiazui, the Group's signature Shanghai Arch on the bank of the Huangpu River enjoys panoramic views of the famed Bund along with the magnificence of city's skyline. The project comprises about 1.7 million square feet of gross floor area, mostly exquisitely designed luxury residences, setting a new benchmark for quality and luxury living in the city. About 200 units of Phase 1 of the development, totalling over 500,000 square feet, were virtually sold out and handed over to buyers before 2016.

Phase 2B of the development will include four residential towers with a gross floor area of about 450,000 square feet, offering more than 170 luxury units and some town houses. All of the residences have been topped out and scheduled for completion in late 2018. Construction of Phase 3, which comprises around 470,000 square feet of gross floor area, will commence after its development plan is finalized.



Shanghai Arch residents have sweeping views of the Huangpu River and the Bund from their balconies



TODTOWN is an integrated project above the Xinzhuang metro station comprising offices, apartments, a shopping centre and a hotel

**TODTOWN**  
**Minhang, Shanghai**  
*(35% owned)*

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TODTOWN is a large-scale integrated development located in the key Xinzhuang business hub of Western Shanghai. With the concept of a transit-oriented development in mind, the project is expected to turn the area into a vibrant district and a commercial centre with great vigour, given its strategic location of sitting atop a train station as well as an interchange station for several existing and planned metro lines. The over-four-million-square-foot project is being developed in phases, comprising about 1.9 million square feet of premium apartments, a 1.4-million-square-foot trendy shopping mall with a large garden terrace, about 500,000 square feet of quality office space and a hotel. For further information on the shopping mall, please refer to page 75.

Phase 1 of the project, including three residential towers totalling 600,000 square feet of gross floor area, is planned to be launched for sale in financial year 2017/18 and is expected to be completed in late 2019. The three towers have been topped out. Superstructure work for the first two towers of Phase 2, which will provide over 800,000 square feet of quality apartments, is under way.

## Review of Operations – Mainland Property Business

# Property Development

### Suzhou Project Yuanqu, Suzhou

*(90% owned)*

Covering a gross floor area of about 3.5 million square feet, the Suzhou project on the bank of the iconic Jinji Lake is located in the most prominent business hub of the city. Being developed in phases, the project comprises Suzhou ICC, an integrated complex on the eastern bank, along with deluxe low-density residences Lake Genève and a five-star hotel on the southern bank.

The two-million-square-foot Suzhou ICC, of which its construction is currently under way, is an integrated complex with premium residences, quality offices and a high-end shopping mall. Upon completion, the complex will be linked to an intra-city metro line station as well as a station on the Shanghai-Suzhou express rail.

The 900,000-square-foot Lake Genève on the southern bank of the Jinji Lake represents the low-density residential portion of the project. Phase 1 of Lake Genève, totalling about 500,000 square feet of gross floor area, were virtually sold out and handed over to buyers before 2015. The houses at the development won high acclaim for premium building quality and meticulous designs. Covering over 430,000 square feet of gross floor area, the 110 houses of Phase 2 of the project will be developed in two batches. Construction work for the first batch will commence soon. The entire luxury residential enclave is adjacent to the Group's Four Seasons Hotel under construction. For further information on the hotel, please refer to page 83.



The Lake Genève clubhouse has an exquisite layout in modern, luxury style



Nanjing IFC will become a landmark of the city upon completion

### Nanjing IFC Hexi CBD, Nanjing

*(100% owned)*

The 3.4-million-square-foot Nanjing IFC is a large-scale integrated development sitting atop an interchange station of two existing metro lines. Offering a panoramic view of the central park in the Hexi central business district, the landmark project consists of two state-of-the-art office towers totalling two million square feet of gross floor area, a one-million-square-foot upmarket shopping mall and a five-star hotel.

Scheduled to be completed in the second half of 2018, the first office tower has been topped out with curtain walls being installed. Superstructure work for the other 290-metre-tall office tower, which is planned for completion in 2020, is progressing smoothly. For further information on Nanjing IFC, please refer to page 75.



## Guangzhou & Pearl River Delta

### Park Royale Huadu, Guangzhou

*(100% owned)*

A large-scale development in Huadu, Guangzhou, Park Royale is being built in phases to provide over eight million square feet of quality residences. Overlooking the Hongxiuquan Reservoir, the development offers tranquility and waterfront living with convenient access to the city centre. Phase 1 of the development, totalling two million square feet of gross floor area, was completed in 2014 and all units were virtually sold out and handed over to buyers.

Phase 2A of Park Royale will consist of over 860 residential units of about one million square feet of gross floor area. This phase has been virtually sold out and buyers are expected to take possession of their apartments in financial year 2017/18. Phase 2B, comprising some 1,000 quality residences in six towers of over 1.2 million square feet of gross floor area, is under planning. The majority of the units will enjoy reservoir views.



Park Royale is nestled in greenery with a spectacular view of the Hongxiuquan Reservoir



Long King is convenient to a metro station and a wide range of daily necessities and community facilities

### Long King Chancheng, Foshan

*(50% owned)*

Ideally located in the southern part of the urban area of Foshan, the 30-million-square-foot Long King (formerly known as Oriental Bund) is a mega project that boasts convenient intra-city and inter-city transportation. The development provides not only a verdant, riverside living environment, but also a sought-after school network and abundant amenities for urbanities.

Totalling about 2.8 million square feet of gross floor area, Phases 1A, 1B and 1C of the project were virtually sold out and completed by the end of 2016. Following positive sales results of the earlier batches, the 775 units in the 860,000-square-foot Phase 1D were also sold out. Buyers are expected to take possession of their apartments in financial year 2017/18.

Phase 2, comprised mainly of residential premises, is being developed in batches. Phase 2A provides some 120 town houses spanning close to 240,000 square feet of gross floor area, while the 260,000-square-foot Phase 2B comprises approximately 230 quality apartments. These two batches of residences have been launched with positive sales response and are scheduled to be handed over to buyers in the first half of 2018. Phase 2C and 2D, totalling about 2.2 million square feet of gross floor area, are expected to be put on the market in batches beginning financial year 2017/18.

# Property Development

### **The Woodland**

#### **Zhongshan 5 Road, Zhongshan**

*(Joint venture)*

The Woodland is a landmark residential development in downtown Zhongshan with over five million square feet of high-end residences being built in phases. Providing easy access to the Guangzhou-Zhuhai Intercity Railway and other parts of Zhongshan, the project will see its transportation network further improved upon completion of the Hong Kong-Zhuhai-Macao Bridge and the Shenzhen-Zhongshan Bridge currently under construction. About four million square feet of gross floor area have been completed, of which nearly three million square feet were virtually sold out before 2015.

Some 780 units in the over one-million-square-foot Phase 4D, the remainder of the project's completed portion, were highly sought after and virtually sold out. These units have been gradually handed over to buyers since the end of 2016. Foundation work has recently begun for Phase 5A, which comprises some 460 units in six residential towers totalling over 700,000 square feet of gross floor area and respective retail space. The majority of units in this phase will enjoy the verdant views of Zimaling Park.



Recreational facilities at The Woodland attract young families with children



Grand Waterfront is located next to Dongjiang giving residents river and lush green garden views

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

*(100% owned)*

Situated in the business district of Shilong town, Grand Waterfront benefits from its proximity to Dongguan Station, offering convenient transportation between Guangzhou, Shenzhen and Hong Kong. Comprising 4.5 million square feet of gross floor area, the project is being developed into premium residences in phases with most units overlooking the wide river views of Dongjiang. The development also features ample greenery, including an 800-metre-long greenbelt promenade along the riverside being built in phases.

Phase 1, comprising some 750 units totalling over one million square feet of gross floor area, registered positive sales results with handover starting in the third quarter of 2016. Scheduled for completion in late 2018, Phase 2 of Grand Waterfront will provide about 960 units in four residential towers of about 840,000 square feet. This phase was recently launched for sale in batches with a positive response.



Jovo Town sits amid pleasant greenery in the Tianfu New Area

## Other Cities

### Jovo Town Tianfu New Area, Chengdu

*(91% owned)*

Located in Tianfu New Area, Jovo Town has established an excellent reputation in Chengdu for its quality residential development. Spanning about 6.8 million square feet of gross floor area, the project features over 4,000 quality residential units. Providing a comfortable and revitalizing living environment for urbanites, Jovo Town is adjacent to a well-known ocean park and benefits from an exhibition-and-convention centre in the vicinity. The project offers convenient transportation and is within walking distance to a station of two metro lines and a light rail station under construction.

Having been virtually sold out, Phases 1, 2A and 2B adding up to about 3.4 million square feet of gross floor area, were completed and handed over to buyers before 2016. Phase 2C totalling over one million square feet saw its handover starting from the end of 2016, winning high praise for its building quality and design.

Phase 3 is at the planning stage. Providing about 2.3 million square feet of gross floor area, this phase will be developed in batches with construction work to commence soon after plans are finalized.

### Chengdu ICC Jinjiang, Chengdu

*(40% owned)*

The 14-million-square-foot Chengdu ICC is a large-scale integrated development located in a future business and financial centre of Chengdu. Its closeness to the Tazishan Park and Shahe River affords the development a green and rejuvenating environment. The retail podium of the project will be linked to an interchange station of two metro lines, providing an easy access to the Chengdu East rail station and other parts of the city.

The development will include about seven million square feet of premium residences, four million square feet of prime office space, 1.8 million square feet of retail space and a five-star hotel, which is destined to fulfil the needs of residents and professionals who live and work in the community. Phase 1 provides over 900 units covering 1.6 million square feet of gross floor area, which were virtually sold out and handed over to buyers before mid 2016. The building quality of the development has been widely acclaimed.

Scheduled to be handed over to buyers in the first half of 2018, the first two residential towers of Phase 2 spanning about 700,000 square feet of gross floor area were virtually sold out. The Group is expected to launch the first batch of the remaining two residential towers of Phase 2 in financial year 2017/18. These units will provide about one million square feet of gross floor area upon scheduled completion in 2019. Construction of a 1.2 million-square-foot shopping mall within the project is under way. For further information on the shopping mall, please refer to page 75.



Sirius clubhouse at Chengdu ICC has exceptional interior design to offer residents a stylish lifestyle

## Review of Operations – Mainland Property Business

# Property Development

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

Project	Project Name	City
<b>Scheduled Completion in FY2017/18</b>		
Pu Ming Road Project Phase 2A	Arch Residence	Shanghai
Linhe Project Phase 2B	Forest Hills	Guangzhou
Shiling Project Phase 2A	Park Royale	Guangzhou
Chancheng Project Phases 1D, 2A & 2B	Long King	Foshan
Dongda Avenue Project Phases 2A & 2B	The Arch-Chengdu & The Arch Riverside	Chengdu
<b>Year Total</b>		
<b>Scheduled Completion in FY2018/19</b>		
Pu Ming Road Project Phase 2B	Shanghai Arch	Shanghai
Xujiahui Centre Project Phase 2	ITC	Shanghai
Hexi CBD Project Phase 1	Nanjing IFC	Nanjing
Chancheng Project Phase 2C	Long King	Foshan
Shilong Project Phase 2	Grand Waterfront	Dongguan
Dongda Avenue Project Phase 2C	The Arch Suites	Chengdu
<b>Year Total</b>		
<b>Scheduled Completion in FY2019/20</b>		
Minhang Project Phase 1	TODTOWN	Shanghai
Hexi CBD Project Phase 2	Nanjing IFC	Nanjing
Chancheng Project Phase 2D	Long King	Foshan
Zhongshan 5 Road Project Phase 5A	The Woodland	Zhongshan
Dongda Avenue Project Phase 3A	Chengdu ICC	Chengdu
<b>Year Total</b>		
<b>Major Projects Scheduled for Completion in FY2020/21 or Beyond</b>		
Pu Ming Road Project remaining phases	Shanghai Arch	Shanghai
Minhang Project remaining phases	TODTOWN	Shanghai
Xujiahui Centre Project remaining phases	ITC	Shanghai
Taihu New City Project remaining phases	Taihu International Community	Wuxi
Suzhou Project remaining phases		Suzhou
Hexi CBD Project remaining phases	Nanjing IFC	Nanjing
Shiling Project remaining phases	Park Royale	Guangzhou
Dragon Lake Project remaining phases	Lake Dragon	Guangzhou
Chancheng Project remaining phases	Long King	Foshan
Zhongshan 5 Road Project remaining phases	The Woodland	Zhongshan
Shilong Project remaining phases	Grand Waterfront	Dongguan
Shuangliu County Project remaining phases	Jovo Town	Chengdu
Dongda Avenue Project remaining phases	Chengdu ICC	Chengdu
<b>Total for Major Projects to be Completed in FY2020/21 or Beyond</b>		

\* Gross floor area including basement retail area; residential area including serviced apartments

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

Group's Interest (%)	Residential	Shopping Centre/ Shops	Office	Hotel	Total
100	207,000	–	–	–	207,000
70	467,000	–	–	–	467,000
100	985,000	–	–	–	985,000
50	671,000	30,000	–	–	701,000
40	277,000	102,000	–	–	379,000
	<b>2,607,000</b>	<b>132,000</b>	<b>–</b>	<b>–</b>	<b>2,739,000</b>

100	447,000	–	–	–	447,000
100	–	43,000	321,000	–	364,000
100	–	1,083,000	504,000	–	1,587,000
50	702,000	29,000	–	–	731,000
100	840,000	–	–	–	840,000
40	395,000	–	–	–	395,000
	<b>2,384,000</b>	<b>1,155,000</b>	<b>825,000</b>	<b>–</b>	<b>4,364,000</b>

35	214,000	–	–	–	214,000
100	–	–	1,495,000	–	1,495,000
50	390,000	17,000	–	–	407,000
JV	714,000	59,000	–	–	773,000
40	–	317,000	–	–	317,000
	<b>1,318,000</b>	<b>393,000</b>	<b>1,495,000</b>	<b>–</b>	<b>3,206,000</b>

100	467,000	18,000	–	–	485,000
35	445,000	502,000	189,000	75,000	1,211,000
100	–	2,668,000	3,770,000	269,000	6,707,000
40	–	–	162,000	143,000	305,000
90	918,000	412,000	861,000	491,000	2,682,000
100	–	–	–	344,000	344,000
100	5,641,000	82,000	–	–	5,723,000
60	2,500,000	–	–	–	2,500,000
50	8,730,000	1,420,000	1,454,000	109,000	11,713,000
JV	727,000	92,000	–	–	819,000
100	2,645,000	88,000	–	–	2,733,000
91	2,086,000	80,000	–	–	2,166,000
40	1,692,000	299,000	1,652,000	165,000	3,808,000
	<b>25,851,000</b>	<b>5,661,000</b>	<b>8,088,000</b>	<b>1,596,000</b>	<b>41,196,000</b>



IFC Residence in Shanghai is a favourite with expatriates and executives for quality facilities and attentive service



Shanghai Cullinan's interiors and materials blend functionality and aesthetics for a premium living



The Arch Suites at Chengdu ICC are boutique residences offering comfort and easy transport

# Property Development

## Major Mainland Projects

- Residential
- Shopping Centre/Shops
- Office
- Hotel

City	Project Name	Usage
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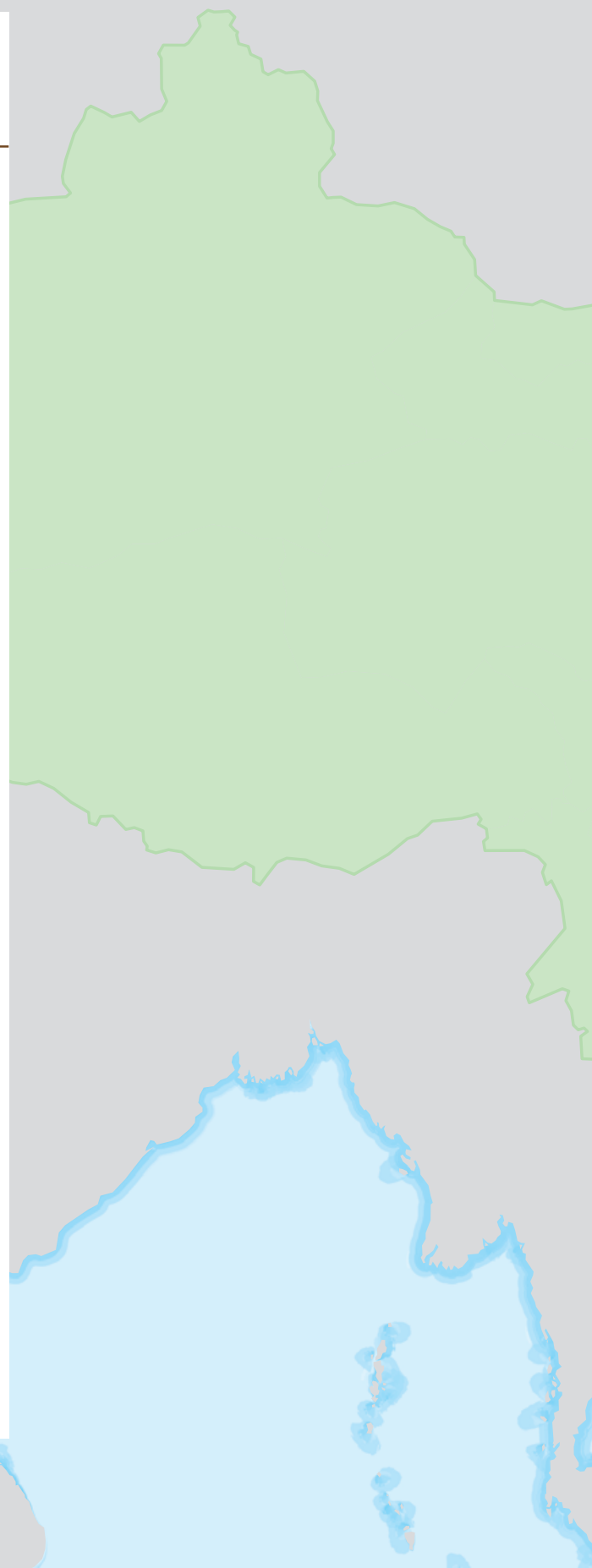
### Major Completed Investment Properties

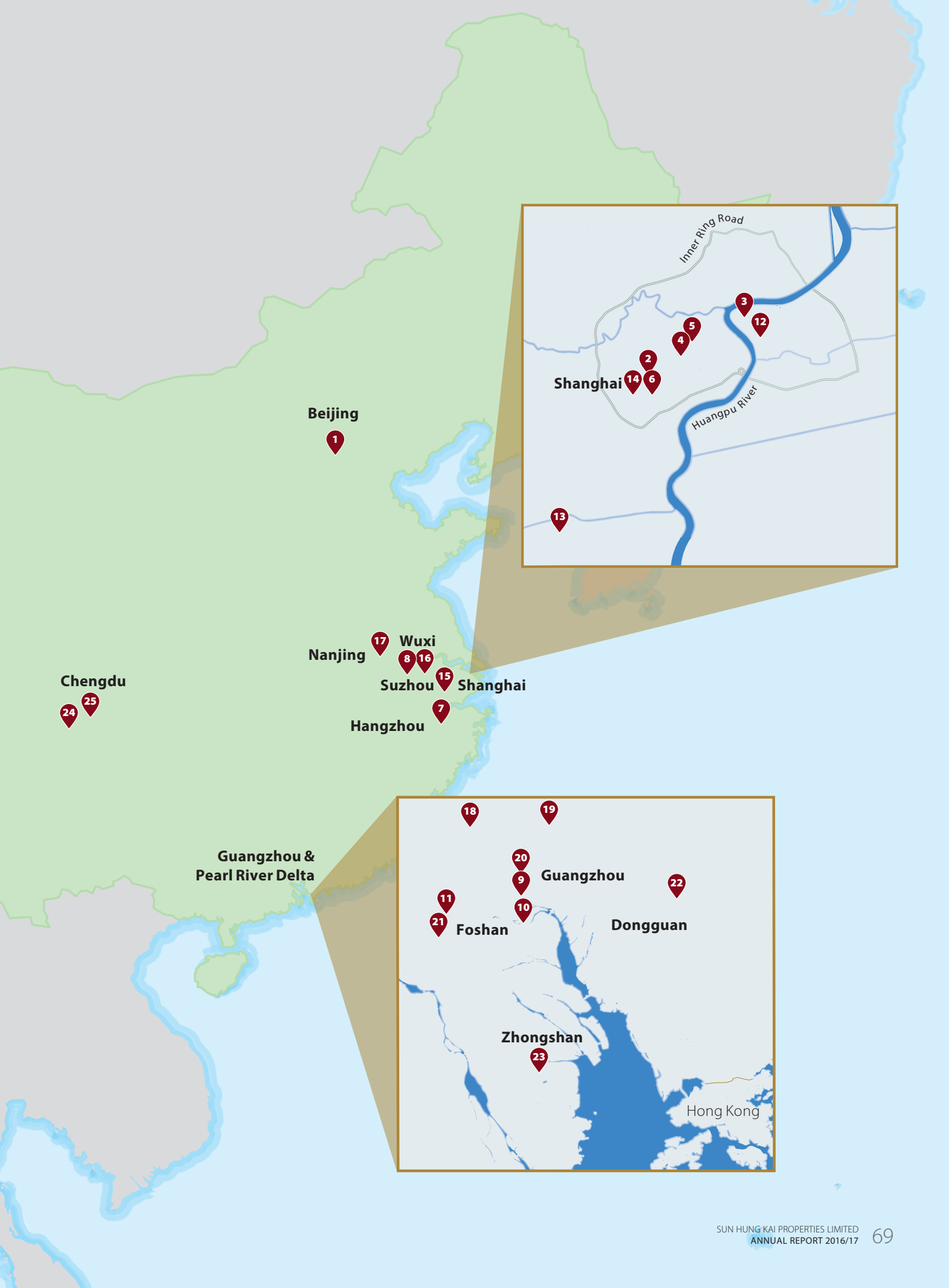
<b>Beijing</b>	1 Beijing APM / Sun Dong An Office Tower	<span style="color: blue;">●</span> <span style="color: purple;">●</span>
<b>SHANGHAI &amp; YANGTZE RIVER DELTA</b>		
<b>Shanghai</b>	2 Arcadia	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
	3 Shanghai IFC / Shanghai 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>
	6 One ITC	<span style="color: blue;">●</span> <span style="color: purple;">●</span>
<b>Hangzhou</b>	7 Hangzhou MIXC / Park Hyatt Hangzhou	<span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>
<b>Wuxi</b>	8 Wuxi MIXC	<span style="color: blue;">●</span>
<b>GUANGZHOU &amp; PEARL RIVER DELTA</b>		
<b>Guangzhou</b>	9 Parc Central	<span style="color: blue;">●</span>
	10 IGC / Conrad Guangzhou	<span style="color: blue;">●</span> <span style="color: green;">●</span>
<b>Foshan</b>	11 Nanhai Plaza	<span style="color: blue;">●</span>

City	Project Name	Usage
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### Major Properties Under Development

<b>SHANGHAI &amp; YANGTZE RIVER DELTA</b>		
<b>Shanghai</b>	12 Shanghai Arch	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
	13 TODTOWN	<span style="color: orange;">●</span> <span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>
	14 ITC	<span style="color: blue;">●</span> <span style="color: purple;">●</span> <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>
<b>Foshan</b>	21 Long King	<span style="color: orange;">●</span> <span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>
<b>Dongguan</b>	22 Grand Waterfront	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
<b>Zhongshan</b>	23 The Woodland	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
<b>OTHER CITIES</b>		
<b>Chengdu</b>	24 Jovo Town	<span style="color: orange;">●</span> <span style="color: blue;">●</span>
	25 Chengdu ICC	<span style="color: orange;">●</span> <span style="color: blue;">●</span> <span style="color: purple;">●</span> <span style="color: green;">●</span>





Beijing



Shanghai



Nanjing



Wuxi



Suzhou



Shanghai

Hangzhou



Chengdu



Guangzhou & Pearl River Delta



Guangzhou

Foshan

Dongguan

Zhongshan

Hong Kong

# Mainland Property Business

## Property Investment



Shanghai ICC





Shanghai IFC

## Review of Operations – Mainland Property Business

# Property Investment



Shanghai IFC Mall, with its globally renowned brands and fine restaurants, is a top-performing shopping hotspot in the city

Totalling 12.8 million square feet in attributable terms as at the end of June 2017, the Group's completed investment properties on the mainland are mainly located in prime areas of major cities like Shanghai, Beijing and Guangzhou. Several major investment properties, covering about 12 million square feet of attributable gross floor area, are expected to be completed over the next five to six years. The completions will further strengthen the Group's property investment portfolio on the mainland. Gross rental income from the mainland was up by 12% to RMB3,321 million while net rental income recorded an encouraging growth of 14% to RMB2,587 million for the year under review, including contributions from joint-venture developments. Such increases were mainly driven by positive rental reversions and additional contributions from new projects.



Beijing APM has recorded increased traffic after a renovation with themed floors and tenant mix upgrades

### Completed Investment Properties

#### Shopping Centres

Over the years, the Group has expanded its retail portfolio into prime cities on the mainland and established a solid foothold and brand reputation, extending its success in Hong Kong.

With two signature integrated projects, namely Shanghai IFC and Shanghai ICC, the Group continued to benefit from the promising growth of Shanghai as a strategic and cosmopolitan city on the mainland. Shanghai IFC Mall, the retail component of the Shanghai IFC complex, registered notable growth in tenant sales and rental reversions during the year under review. Being a prominent shopping destination in the city, the mall covers about 1.2 million square feet of retail space and houses a wide range of tenants including flagship stores of luxury products, designer fashion brands as well as famous dining outlets. In addition to its direct linkage to Lujiazui metro station, the opening of two pedestrian tunnels connecting to nearby buildings during the year has further improved the mall's accessibility and drawn higher traffic and sales.



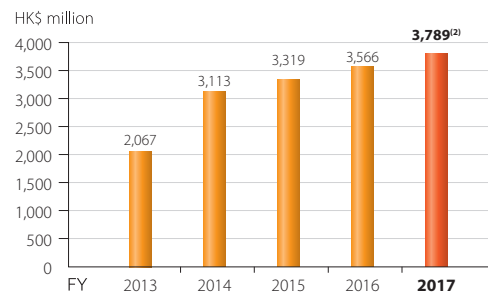
An international tenant mix and creative promotions make IAPM in Shanghai an attraction for the young

IAPM within the Shanghai ICC project enjoys a superior location along Middle Huaihai Road, which is a traditional commercial hub in Puxi. With about 1.3 million square feet of retail area spanning eight storeys, the mall continued to refine its tenant mix during the year under review, bringing in more trendy and lifestyle brands, together with specialty restaurants, to enrich product selections for shoppers. The podium garden on Nanchang Road opened in early 2017, providing more convenient access to the mall in addition to its direct connection to the interchange station of three metro lines. IAPM is also supported by the two office towers and high-end residences atop, achieving considerable growth in tenant sales with high occupancy during the year.

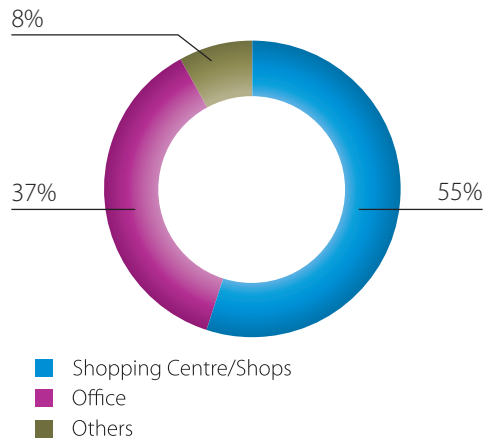
Shanghai Central Plaza is another quality project of the Group in the Puxi commercial district. Its retail podium of around 130,000 square feet is currently under a large-scale renovation scheduled for completion in late 2018. The layout of the mall will be reconfigured and more quality retailers will be introduced to enhance shopper experience and the mall's competitiveness.

Beijing APM mall represents the Group's presence in the capital and is strategically located in the core of Wangfujing commercial district. Floor layouts of the seven-storey mall will be modified to house a larger variety of shops within its one million square feet of retail space. The mall is also undergoing a trade- and tenant-mix refinement. A sports zone will be introduced in the second half of 2017, following the opening of zones for affordable luxury brands and casual restaurants. In addition, major entrances are also planned for renovation to increase its allure to shoppers. For the year under review, Beijing APM recorded healthy growth in tenant sales and positive rental reversions.

### 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 RMB3,321 million

## Review of Operations – Mainland Property Business

### Property Investment

Leveraging the experience from Shanghai and Beijing, the Group further extended its network to Guangzhou with the opening of two shopping malls in 2016. The million-square-foot IGC is the shopping mall of the 33.3%-owned integrated project Tianhui Plaza in Zhujiang New Town. Surrounded by grade-A offices as well as high-end residences in the area, IGC has emerged to become a prominent shopping hotspot for executives, business travellers and local families. The mall has brought in a number of renowned retailers and eateries, some of which are new to Guangzhou, as well as an IMAX cinema, providing excellent experience to shoppers. Since its soft opening in October 2016, traffic flow and retail sales of the mall have been ramping up fast, further driven by the opening of its direct connection to Liede metro station in early 2017.

Parc Central, which is 50% owned by the Group, is a new shopping mall situated in the prosperous Tianhe commercial district in Guangzhou. With its contemporary design and unique shopping environment in an urban park, the mall has seen steady growth in traffic and sales since its soft opening last year. A wide range of tenants including fashion and lifestyle retailers as well as popular eateries have filled up its retail space of around 900,000 square feet and more quality brands will be introduced upon its full opening.

#### Offices

The grade-A office market in major cities on the mainland continued to evolve, supported by relatively stable economic growth and infrastructure improvements. While both Shanghai and Beijing saw an increase in new supply, quality office space in prime locations of the cities continued to be highly sought-after. With Chinese corporations emerging gradually on a global scale, domestic office demand has become keen and represented the main driver for such demand. The Group's premium offices on the mainland, distinguished by its outstanding quality and state-of-the-art facilities, continued to bode well during the year.



The Shanghai IFC office towers with well-established brand name are a preferred choice for tenants

Situated at one of the most prominent locations with direct access to the Lujiazui metro station in the Lujiazui Finance and Trade Zone, the Shanghai IFC complex is the Group's flagship integrated project comprising grade-A office towers, Shanghai IFC Mall, The Ritz Carlton Shanghai, Pudong and IFC Residence serviced apartments. Its twin office towers feature comprehensive facilities, offering an ideal address for both domestic and multinational financial institutions. Fuelled by a keen interest in grade-A offices, the Group's attributable office space in the towers was virtually fully let and achieved remarkable rental reversions.

Shanghai ICC is an integrated development containing modern premium grade-A office towers in the heart of Puxi commercial and retail zone. It is conveniently located at the convergence of three metro lines. With its prestigious location and convenience of public transportation, the virtually fully let One ICC attracted consolidation and expansion demand from both international and domestic companies with positive rental reversions. Major tenants include leading multinationals from fashion and consumer goods industries as well as professional firms. Two ICC performed well and achieved higher occupancy.

Shanghai Central Plaza is another quality office building of the Group, located at the heart of Puxi commercial hub. During the year, high occupancy was achieved. All preparation works are progressing well and renovation of the office lobby and common area will kick off in phases from late 2017 onwards. Sun Dong An Office Tower is located in the world-renowned Wangfujing commercial district in Beijing. Its easy access to all major traffic networks attracted stable demand with high occupancy and positive rental reversions during the year.



One ITC covering a gross floor area of 510,000 square feet is a showpiece of the grand ITC integrated development

## Investment Properties Under Development

The Group is currently expanding its investment property portfolio on the mainland with a number of integrated projects in Shanghai and other major cities in the pipeline. Selected premium-quality properties in strategic locations with high development potential will be retained by the Group as long-term investments. Upon completion, these projects will serve as growth drivers of the Group's rental income on the mainland.

Following the success of Shanghai IFC and Shanghai ICC projects, the wholly-owned ITC in Shanghai will come under the spotlight in the next few years. With a total gross floor area of 7.6 million square feet, including quality offices, premium shopping malls and a five-star hotel, this mega project is expected to become a landmark in Puxi as well as the whole of Shanghai. The future prospects of ITC will likely benefit from its location at the heart of Xujiahui, which has been upgraded as one of the core business districts in the city. In addition, the project will enjoy a convenient transportation network, with footbridges linking to nearby buildings and proximity to Xujiahui metro station as an interchange for three existing lines and two more under planning.

To be developed in phases, the overall construction of ITC has been on schedule. One ITC on Huashan Road, representing the first phase of the development, was completed during the year. Leasing activity of its 170,000-square-foot office space in two towers has been progressing well, with the premises being gradually handed over to tenants including multinational companies. Response to pre-marketing of the 340,000-square-foot upmarket mall has been encouraging, attracting interest from renowned fashion brands and popular restaurants. The 17-storey office tower in Phase 2 along Gongcheng Road has been topped out, and pre-leasing is currently under way. Construction of the remaining phases is also progressing as planned. The entire project will be retained as a long-term investment,

significantly driving the future rental income growth of the Group on the mainland.

TODTOWN in Minhang, Shanghai, in which the Group holds a 35% stake, is another integrated project in the pipeline. Benefitting from its convenient location atop Xinzhuang metro station, the 1.4-million-square-foot regional mall within the complex will feature a variety of international brands, specialty eateries and entertainment, making it a new shopping hotspot for residents nearby.

Situated in the core of Hexi Central Business District in Nanjing, the wholly-owned Nanjing IFC is poised to become a new landmark development in the city. The project, totalling 3.4 million square feet, will be developed into an integrated complex consisting of premium offices, a high-end shopping mall and a five-star hotel. Construction work has been progressing smoothly. Pre-marketing of its offices and shopping mall is under way, with many multinational corporations and international retailers showing keen interest in the iconic development. The development will be directly connected to an interchange station of two existing metro lines, providing easy access to office workers and shoppers. The entire project is expected to be completed in 2020.

The Group also has a 40% interest in the integrated project Chengdu ICC. Construction of the 1.2-million-square-foot shopping mall is currently under way, with the first phase of around 790,000 square feet scheduled for completion in 2019. Apart from introducing a wide variety of retailers, the mall will also include elements of lifestyle, leisure and entertainment, appealing to local families in the neighborhood.

The gradual completion of these investment properties, of which the aggregate gross floor area will be comparable to the Group's existing mainland portfolio, is expected to further strengthen its rental portfolio as well as its position as a premium landlord on the mainland.

## Review of Operations – Mainland Property Business

# Property Investment

### Major Completed Investment Properties on the Mainland

Project	Location	Lease Expiry	Group's Interest (%)
<b>Beijing</b>			
Beijing APM / Sun Dong An Office Tower	138 Wangfujing Dajie	2043	JV
<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
Shanghai ICC / IAPM	999 Middle Huaihai Road, Shanghai	2056	100
One ITC	1901 Huashan Road, Shanghai	2054	100
Shanghai Central Plaza	381 Middle Huaihai Road, Shanghai	2044	80
Arcadia	88 Guang Yuan Xi Road, Shanghai	2064	100
Hangzhou MIXC / Park Hyatt Hangzhou	Qianjiang New City, Hangzhou	2046	40
Wuxi MIXC	Taihu New City, Wuxi	2045	40
<b>Guangzhou &amp; Pearl River Delta</b>			
Parc Central	218 Tianhe Road, Guangzhou	2050	50
IGC / Conrad Guangzhou	222 Xingmin Road, Guangzhou	2051	33.3
Nanhai Plaza	Nanhai Avenue, Foshan	2045	100

(1) Including basement retail area



IGC in Guangzhou is the shopping mall at Tianhui Plaza, a new landmark in Zhujiang New Town and a hotspot for shoppers

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

Residential/ Serviced Apartments	Shopping Centre <sup>(1)</sup> / Shops	Office	Hotel	Total
–	1,036,000	458,000	–	1,494,000
–	1,220,000	1,572,000	940,000	3,732,000
–	1,307,000	1,296,000	–	2,603,000
–	338,000	170,000	–	508,000
–	106,000	366,000	–	472,000
304,000	27,000	–	–	331,000
–	744,000	205,000	176,000	1,125,000
–	631,000	–	–	631,000
–	431,000	–	–	431,000
–	332,000	–	149,000	481,000
–	640,000	–	–	640,000



With their advantageous location atop IAPM and advanced facilities, the Shanghai ICC office towers appeal to multinationals from diverse sectors

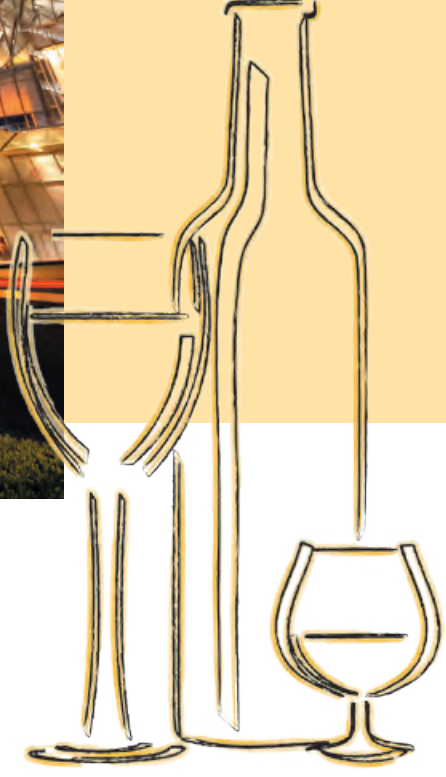


The remarkable design integrated with the surrounding green spaces makes Parc Central a welcome addition to the Tianhe commercial district of Guangzhou

# Property Related Businesses



The Ritz-Carlton Shanghai, Pudong







Hotel Vic, Hong Kong

## Review of Operations

# Property Related Businesses

### Hotels

Hong Kong's hotel sector showed signs of improvement as industry headwinds subsided with a rebound in visitor arrivals. During the year, the Group's hotels in Hong Kong achieved satisfactory performance with average occupancy remaining high and room rates relatively steady. Proactive marketing and sales strategies were implemented, such as collaborating with other noted brands, and popular social media platforms were leveraged to attract broader attention and expand customer base.

Amid pressure on room rates that posed a challenge to the luxury hotel sector during the year, Four Seasons Hotel Hong Kong sustained high occupancy and remained a leader in revenue per available room among luxury hotels. Such attainment was driven by its focus on providing the most personalized experience for guests. Its position as one of the world's most popular hotels continued to earn a number of international accolades and awards, including *Forbes Travel Guide* five-star ratings for yet another year for both the hotel and its spa. The hotel's Chinese restaurant Lung King Heen and French restaurant Caprice also received five-star ratings from the celebrated travel guide. In the *2017 Michelin Guide Hong Kong & Macau*, the two dining outlets were honoured with three stars and two stars respectively.

The Ritz-Carlton, Hong Kong affords customers unrivalled views of the city with its prestigious location of sitting atop Airport Express Kowloon Station. Occupancy remained high during the year on the back of its opulent guest rooms and superior facilities complemented by solicitous service. Maintaining its position as one of the top venues for gourmet dining, the hotel recorded modest revenue growth in its food and beverage business. During the year, customers were greeted with a pleasurable experience in the form of a pop-up restaurant and renowned visiting chefs from different parts of the world. As in years past, The Ritz-Carlton, Hong Kong received commendations from around the globe. It was named one of the best hotels and resorts in Hong Kong by luxury travel and lifestyle magazine *DestinAsian* in the 2017 Readers' Choice Awards. The *Forbes Travel Guide* once again gave five-star ratings to the hotel and its spa. Chinese restaurant Tin Lung Heen and Italian restaurant Tosca retained their Michelin star ratings for their culinary excellence.



Spacious guest rooms at Four Seasons Hotel Hong Kong offer deluxe comfort



The Ritz-Carlton, Hong Kong rooftop sky bar offers customers fine food and wine amid striking ambience with alluring city and harbour views

W Hong Kong continues to strengthen its chic style of hospitality and present itself as a place for people to stay ahead of the trend. The hotel is popular with young people, who can gain access to the latest information about the city, including the hottest events and happenings, from the W Insider who serves as an ambassador of the hotel and connects its guests to the city's vogue. During the year, W Hong Kong rolled out quarterly themed marketing programmes to boost its business, and successfully raised the hotel's occupancy. With its unique positioning, the hotel was named Coolest Gathering Hubs in The Gold List 2017 by *Condé Nast Traveler*.

The four Royal brand hotels in Hong Kong generally performed well during the year, achieving an overall occupancy of over 95% and a modest increase in revenue per available room. Room revenue and room rates of The Royal Garden increased after the opening last year of its new rooftop floors that comprise 28 new guest rooms complemented by state-of-the-art recreational facilities. The premium accommodation experience offered by the hotel was

recognized through a Gold Circle Award from Agoda, the popular online hotel booking platform. Its food and beverage service also won wide acclaim, with Chinese restaurant Dong Lai Shun listed in the *2017 Michelin Guide Hong Kong & Macau*, and five dining outlets at the hotel were among the Best Restaurants named by luxury lifestyle guide *Hong Kong Tatler*. Royal Park Hotel also received a Gold Circle Award for its outstanding service and facilities. The hotel achieved modest growth in revenue per available room, showing its resilience to stiff competition in the market. To enhance customers' dining experience, the hotel has featured a wider selection of international cuisine in dynamic settings.



Sky Harbour Suites at The Royal Garden give valued guests an unforgettable experience with panoramic views of Victoria Harbour



Guests at W Hong Kong can relax the night away in a chic bar with live music

## Review of Operations

# Property Related Businesses



The heated outdoor swimming pool at the Royal Plaza Hotel is ideal for guests to relax

Royal Plaza Hotel successfully increased its appeal to families through enhancing family-friendly rooms and facilities, signified by its inclusion in the Top 25 Hotels for Families – Asia in the 2017 Travellers' Choice published by noted international travel website TripAdvisor. Overall performance of the hotel is satisfactory with a modest increase in revenue. The hotel's culinary team won the Golden Bauhinia Cup Award in the Hong Kong International Culinary Classic 2017 at HOFEX – Asia's leading food and hospitality trade show. Royal View Hotel introduced more family-themed rooms to expand its customer base in the midst of the competitive environment during the year. The hotel also strengthened its competitive edge through increasing its focus on providing serviced apartments. It was a winner of the GoHome Serviced Apartment Awards for the second consecutive year.

The Crowne Plaza Hong Kong Kowloon East and Holiday Inn Express Hong Kong Kowloon East, the Group's two hotels atop an MTR station in Tseung Kwan O South, recorded an increase in revenue per available room during the

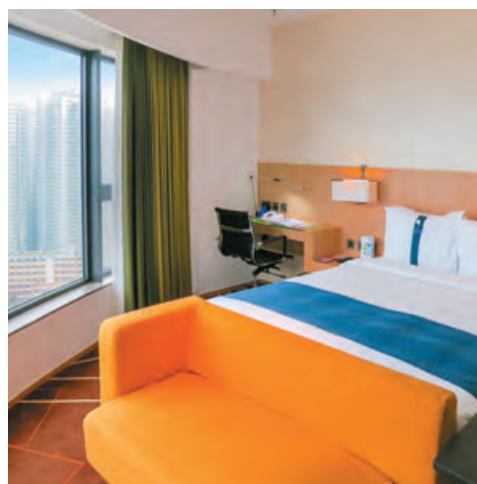


The Crowne Plaza Hong Kong Kowloon East is equipped with comprehensive facilities including a large pillar-free ballroom suitable for banquets and business conferences



The Royal Park Hotel offers a wide range of delicacies

year. With a focus on tapping into the growing demand in corporate and MICE markets, the two hotels complement each other by meeting the needs of customers with different budgets. The reporting year saw both hotels registering business growth in the corporate segments. Crowne Plaza Hong Kong Kowloon East features one of the city's largest pillar-free ballrooms, which is an ideal venue for banquets and large-scale conferences. The adjacent Holiday Inn Express Hong Kong Kowloon East reported an increase in corporate customers from Southeast Asia, the United States and Europe, marking a continued expansion of the hotel's customer base.



The Holiday Inn Express Hong Kong Kowloon East is a preferred choice of business travellers looking for simple lodging



The Ritz-Carlton Shanghai, Pudong diners can indulge in gourmet fare with exceptional views of the Bund

The Ritz-Carlton Shanghai, Pudong maintained its leading position in luxury accommodation and buttressed its reputation as a social dining-and-entertainment hub of the city. The hotel recorded a steady increase in both room rates and occupancy plus a strong growth in revenue from the food and beverage business. *Forbes Travel Guide* accorded five-star ratings to the hotel and its spa in 2017, a testament to its efforts to offer first-rate service and amenities to customers. The dining outlets of the hotel continued to be highly praised. Its Italian restaurant Scena and rooftop restaurant & bar Flair, the highest al fresco dining venue in Shanghai, were ranked first in their respective categories on TripAdvisor.

Hotels within the Group's joint-venture integrated projects on the mainland gradually came to a completion. Overlooking the Qiantang River and Pearl River respectively, Park Hyatt Hangzhou in Hangzhou MIXC, of which the Group has a 40% interest, and Conrad Guangzhou in Tianhui Plaza, of which the Group owns a 33.3% interest, commenced operations during the year.

The Group's hotel portfolio in Hong Kong and on the mainland will be further expanded in the following years. Hotel Vic, a twin-tower development on the North Point waterfront to offer affordable luxury accommodation, is scheduled to open in the first half of 2018. The hotel will provide about 670 rooms and two premium eateries – an all-day dining outlet and a rooftop restaurant and bar. Guests will also enjoy convenient access via a promenade to the adjacent Harbour North, the Group's new mall. As a sister project of the Royal Park Hotel, the Group's premium establishment providing 680 rooms in Sha Tin is scheduled to open in the first half of 2019. On the mainland, the lakeside Four Seasons Hotel next to Lake Genève in Suzhou will provide around 200 resort-style guest rooms plus villas. Construction is under way.



Hotel Vic is thoughtfully designed to maximize its waterfront location with sea views from all rooms



The Royal View Hotel has a selection of special family-themed rooms for guests to immerse themselves in the wonderful experience

## Review of Operations

# Property Related Businesses



Caring property management teams are dedicated to offering residents high-quality living with personalized services

### Property Management

As at 30 June 2017, 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. During the year, the companies assumed stewardships for a number of new residential projects in Hong Kong, including Ultima, The Wings IIIA and IIIB and Century Link. On the mainland, new projects undertaken included residential developments such as Phase 4 of The Woodland in Zhongshan and Phase 1 of Grand Waterfront in Dongguan along with investment properties One ITC office towers in Shanghai, IGC mall and GCC office tower in Guangzhou.

In line with the Group's commitment to quality and in an effort to further support its premium brand, the property management subsidiaries continue to offer professional service and create a comfortable environment for people to live, work and relax. Both companies have stayed abreast with changes in modern lifestyle and offered value-added services to meet increasing requirements in busy city life, such as the provision of e-lockers – a multi-



Bike-friendly facilities in residential developments encourage exercise and a greener lifestyle



Professional, friendly customer service leaves a deep impression on tenants

purpose storage space at designated points of residential properties that allow residents to collect their online purchases or drop off and pick up their laundries any time at their convenience.

In addition, both companies have leveraged the latest technology to further enhance their service. An upgrade of Kai Shing's property handover app allows buyers to submit a request to rectify defects and check the status subsequently via a single platform. Hong Yip adopts a smart management system that makes it easier for security officers to report incidents to control rooms in real time for prompt action. The subsidiary has further enhanced its mobile app, making it a handy identification for residents to enter respective buildings. Residents can also use the new guest registration function in the app so that their visitors can gain access after showing the QR code they have received when they arrive the buildings, sparing them the trouble of filling in a log book.

During the year, a number of honours were accorded to the two subsidiaries in recognition of their outstanding performance in property management. The accolades included a grand award for office building management in 2016 Excellence in Facility Management Award organized by The Hong Kong Institute of Facility Management, and grand awards in 2016 Quality Property & Facility Management Award for their



Smart e-locker storage in residential properties allows easy delivery collection



Guest registration function in mobile app offers residents and their visitors utmost convenience

superior management of medium-scale residential developments as well as merit awards in other categories. Such commendations exemplified the two companies' professional work and demonstrated the Group's commitment to the pursuit of excellence. A recognized role model in the industry, Hong Yip and Kai Shing won a strong vote of confidence in the community and earned their sixth consecutive gold awards in the 2017 Reader's Digest Trusted Brand Asia survey.

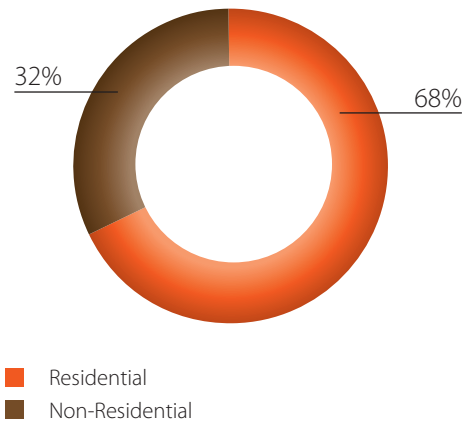
In the area of environmental protection, the Group's eco-consciousness spirit has also been well demonstrated through Kai Shing and Hong Yip's green management policies and practices. In properties managed by the companies, residents are encouraged to live green through such activities as rooftop farming workshops and recycling of food waste into fertilizers. Furthermore, energy-saving light bulbs are provided free for the residents. In recognition of their dedicated efforts in promoting green living, both companies were honored in the fifth CLP GREEN<sup>PLUS</sup> Award programme. Kai Shing won a Sustainable Energy Saving Award while Hong Yip received a silver Energy Saving Inspector Award. Additionally, a number of properties managed by Hong Yip and Kai Shing were acclaimed for their green initiatives in the 2016 Hong Kong Awards for Environmental Excellence. The event was organized by eleven organizations including the Environmental Campaign Committee and Environmental Protection Department.

In keeping with the Group's promotion in talent development, the property management subsidiaries have been dedicated to grooming people as part of their efforts to raise service standards of the entire industry. In this regard, both companies received gold awards in the 2016 Security Services Best Training Award programme organized by Vocational Training Council and the Hong Kong Police Force. Hong Yip set up a pioneering People Development Academy to run in-house training programmes which are recognized under the Government's Qualification Framework. The company's effort earned it another Excellence Award for Employers under the Employees Retraining Board's Manpower Development Scheme.



Bicycle patrols enhance working efficiency of security staff

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



## Review of Operations

# Property Related Businesses



Detailed inspections and close monitoring help the Group ensure the quality of its projects

### Construction

During the year, the construction division completed six residential developments and two commercial developments in Hong Kong, totalling 7.4 million square feet of construction floor area. The six residential developments include Grand YOHO Phase 1 and Phase 2, PARK YOHO Genova, PARK YOHO Phase 2B, The Wings III B, Twin Regency, St. Moritz and King's Hill, while the two commercial developments are MEGA Plus and W668.

Major residential developments in progress include the Victoria Harbour project, 97 Belcher's Street, Babington Hill, Lime Gala, 18 Stubbs Road, Cullinan West and its remaining phases, Ocean Wings, the remaining phases of Grand YOHO and PARK YOHO, Eight Regency, St. Barths, Wings at Sea and Tai Po Town Lot No. 225. Major non-residential developments in progress include Hotel Vic in North Point, Two Harbour Square in Kwun Tong, revitalization project Life@KCC in Kwai Hing, as well as a hotel project at Sha Tin Town Lot No. 248. Various asset enhancement works are also in progress. The construction division also takes part in construction management for the Group's major development projects on the mainland.

Comprising Sanfield (Management) Limited and its wholly-owned subsidiaries and fellow subsidiaries, the construction division also operates construction-related businesses and offers a variety of services to the Group and third parties. Such services include landscaping, provision of electrical and fire prevention systems as well as leasing of construction plant and machinery. The division also supplies concrete, precast facade and pre-fabricated concrete components to the Group and external parties through an associate and its wholly-owned subsidiaries.

### Insurance and Mortgage Services

The Group's wholly-owned subsidiary, Sun Hung Kai Properties Insurance Ltd., recorded moderate profit growth from the insurance business amid a competitive and challenging market environment during the year under review. Riding on the robust performance of its investment business, the company's overall earnings before tax was impressive. Under the circumstances, the company will further consolidate its capital base and strengthen its financial position to gear up for the new insurance regulatory regime soon to be introduced as well as for continuous business growth in the years to come.

During the year, the financial services division recorded satisfactory profits. Comprising Hung Kai Finance Company Limited and Honour Finance Company Limited, the division will remain focused on mortgages, mortgage referrals and other services that support the Group's property development and sales business.



## Review of Operations

# Telecommunications and Information Technology



SmarTone's attentive customer care and superior network performance are highly appreciated by subscribers

### Telecommunications

During the year under review, SmarTone's group service revenue declined due to an increased migration from handset-bundled plans to SIM-Only plans, weakness in the prepaid segment and a drop in voice roaming revenue. This, together with the increased amortisation in spectrum utilization fees, higher sales and marketing costs and lower handset profit, resulted in a decrease in profits.

In response to these challenges, SmarTone has taken active steps to implement productivity improvements, while continuing to invest in business fundamentals, including its customer-centric strategy and superior network performance.

To further strengthen its position as a leading mobile operator in Hong Kong, SmarTone has made considerable progress in the implementation of technology upgrades which will further enhance overall network performance and customer experience. In addition, SmarTone has recently conducted a successful trial that involves adopting an innovative technology to enhance data speed for consumers. The company is also in the process of modernizing its core network, an important step to support the network evolution from 4.5G to 5G.

The company's balance sheet remains strong and provides SmarTone with the financial flexibility to meet challenges and pursue new opportunities. 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 achieved a satisfactory performance with higher revenue and underlying profit during the year under review. The Group's core data centre business, iAdvantage, continued to perform well. Super e-Technology and Super e-Network remained focused on a range of services covering design, build and maintenance of communications systems and infrastructure.



SUNeVision's business has benefitted from the rapidly growing demand for data centre space in Hong Kong and the region over recent years

To maintain iAdvantage's position as a leading carrier-neutral data centre operator in Hong Kong, SUNeVision has made considerable efforts to expand new capacity and enhance its existing data centres through upgrading facilities and service levels. The surge of data usage driven by digitization and cloud computing has also created different business opportunities. SUNeVision is committed to differentiate itself with superior infrastructure and service quality, with a dedication to investing in and upgrading of additional facilities to meet changing customer needs.

Construction of the MEGA Plus, the company's flagship facility and the only data centre built on dedicated land in Tseung Kwan O without restrictions on usage has been completed. The compliance certificate of the new centre was issued in June 2017 and fitting-out work for the initial anchor customers commenced in August. The transformation of the entire MEGA Two facility in Sha Tin into a dedicated data centre building is in the final stage. It has proven to be a strong attraction to customers seeking high standards for mission critical operations. The optimization of MEGA-i data centre in Chai Wan is under way and due for completion in 2018. This is expected to enhance power capacity and density as well as connectivity in meeting increasing demands from new and existing customers.

## Review of Operations

# Infrastructure and Other Businesses



The Wilson Group is a leader in car park management and operation committed to offering professional transport-related service to the community

## Transport Infrastructure Operations and Management

The Group maintained a significant presence in the operation and management of Hong Kong's transport infrastructure facilities through its wholly-owned Wilson Group, the 70%-owned Route 3 (CPS) Company Limited, and publicly listed Transport International Holdings Limited in which the Group has a stake of 36.4% as at the end of June 2017.

A leading player in Hong Kong's transport infrastructure sector, Wilson Group has established long-term and multifaceted experience in the management of car parks, tunnels, bridges and toll roads. For the year under review, the company continued to deliver satisfactory performance, winning a significant number of public and private parking contracts and renewing major contracts with the Transport Department through its subsidiaries. With some 400 car parks and over 100,000 parking bays under its portfolio, Wilson Group has further reinforced its position as a market leader in Hong Kong. Sourcing and supplying a broad range of highly innovative equipment, Wilson's technology division launched a mobile-access parking solution to keep up-to-date with mobile trends.

For five consecutive years, Wilson Parking continued to be Hong Kong's first and only car park operator to have won a top Platinum honour in the Reader's Digest Trusted Brand awards. A number of other awards were also received in recognition of its service excellence, including Best Carpark Operator accredited by the Hong Kong Housing Authority for the eighth consecutive year.

Continuing its operations in car park management and parking system installations on the mainland, Wilson Parking now manages a total of 35 car parks and 29,000 parking bays. The company's parking mobile app featuring online payment and B2C sales-marketing interfaces has achieved satisfactory results in mobile payment conversion.

Wilson Group operates and maintains major road infrastructure in Hong Kong, including the Tsing Ma Control Area and Route 3 (CPS), and the Aberdeen Tunnel. Wilson Group and its 50%-owned subsidiary Autotoll maintained its leading position in the market with over 325,000 vehicle users for automatic toll collection and some 13,000 telematics users. During the year, Autotoll



The Route 3 (Country Park Section) provides a faster, more convenient route for commuters from northwest New Territories to urban areas

obtained a SVF (Stored Value Facilities) license and continued to roll out e-payment solutions. In addition, the company has upgraded its battery-powered hard-case tag to a seamless sticker tag.

The Group owns a 70% stake in the Route 3 (CPS) Company Limited, which operates the 3.8-kilometre Tai Lam Tunnel and 6.3-kilometre Tsing Long Highway under a 30-year build-operate-transfer franchise that will expire in 2025. The dual three-lane north-south expressway, which connects Yuen Long and Ting Kau, provides an alternative route to Tuen Mun Road and the Tolo Highway. It offers a direct, reliable, faster and safer route for cross-boundary and local commuters travelling between northwest New Territories and urban areas. The operation of the expressway performed satisfactorily and traffic remained stable during the year.

The performance of Transport International Holdings Limited's franchised bus operations continued to improve due to the growth in ridership, as well as improvements in operational efficiency of its fleets. The franchise for The Kowloon Motor Bus Company (1933) Limited, the major subsidiary of Transport International Holdings Limited, was successfully renewed for 10 years with effect from 1 July 2017. The company will continue to enhance its service quality including the introduction of an upgraded mobile app while providing comfortable and reliable bus services for its passengers.

## Port Business

Hoi Kong Container Services Company Limited, a wholly-owned subsidiary of the Group, provides cost-effective mid-stream container handling services for intra-Asia shipping lines. The company operates four berths and 3.3 hectares of container yard at a convenient location in Kwai Tsing. Changes in the local competition environment have resulted in the migration of significant midstream throughput into the Kwai Tsing Container Terminals. Continuing to focus on reviewing operational efficiency and adjustment of business models, the company recorded better performance during the year.

The River Trade Terminal, in which the Group has a 50% interest, provides container and break-bulk cargo handling services between Hong Kong and the Pearl River Delta. Local and regional competition of river trade throughput has significantly changed the company's business volume. The company has continued to dedicate its efforts to improving operational efficiency and renewing business models in order to enhance its overall performance. The 65-hectare facility located in Tuen Mun has 3,000 metres of quay with 49 berths.

## 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 warehouses and office space. With



Excellent service and efficiency at the Hong Kong Business Aviation Centre have earned it the title Best Asian FBO from *Professional Pilot* magazine for nine consecutive years



The Airport Freight Forwarding Centre offers quick, cost-effective cargo movement with its advanced warehouse facilities

the continuously improving air cargo shipment market, demand for ramp-access warehousing over the past year has contributed to a positive rental performance for the company. In the medium term, the company will capitalize on opportunities arising from Hong Kong's new infrastructure, including the Hong Kong-Zhuhai-Macao Bridge and the additional runway to be built at the Hong Kong International Airport.

The Group also has a 35% interest in the Hong Kong Business Aviation Centre Limited (HKBAC) which has since 1997 held a franchise to run the Fixed-Base Operation (FBO) at the Hong Kong International Airport to provide ground-handling services for general aviation aircraft, including business jets, diplomatic and emergency flights. HKBAC has the capacity to serve the increasing need for aircraft parking and is acclaimed for its premium service and facilities. With the strategic location of Hong Kong and the increasing recognition of business aviation as an efficient tool for entrepreneurs and executives, there is a continuous increase in business jets based in Hong Kong. Although a keen competition for flight slots in Hong Kong remains a challenge for its operation, it is expected that the strong demand for business aviation in and out of Hong Kong will continue to support the solid business foundation of HKBAC.

## Waste Management

The Group contributes to a greener and cleaner environment for the community through its 20% ownership of Green Valley Landfill Limited, which operates the 100-hectare South East New Territories Landfill in Tseung Kwan O. The site has the capacity to handle 43 million cubic metres of waste. Tonnage received has moderately reduced from April 2017 when the government increased charges for construction waste disposals.

In collaboration with a gas company in Hong Kong, landfill gas produced at the landfill is converted into synthetic natural gas and supplied to the gas network. This project collects potent greenhouse gases for use as an alternative energy source contributing to both resource recovery and emission reduction in Hong Kong.

## Review of Operations

# Infrastructure and Other Businesses

### YATA Limited

A wholly owned subsidiary of the Group, YATA Limited operates modern Japanese lifestyle department stores and supermarkets. Dedicated to meeting the needs of its customers, the company continued with its expansion plans and initiatives during the year. The company made a debut on Hong Kong Island with the opening of Sai Wan store, which introduced a pop-up supermarket on the theme of a celebrated Japanese toy character, attracting global social media coverage. The company has continued to fine-tune its merchandise mix proactively and strengthen promotional events to create an attractive, distinctive shopping experience for customers.

The number of YATA stores has increased to nine following the opening of its supermarket in Tseung Kwan O in July 2017. In line with the company's drive to expand its network in the territory, two additional stores, located in Yuen Long and Kwai Fong, are scheduled to open in the short term. Adhering to the Group's customer-focused strategy, YATA will continue to enhance its quality of merchandise, services and customer experience and is confident of its capability to cater for the needs of people seeking a quality lifestyle.

### Sky100 Hong Kong Observation Deck

The Sky100 Hong Kong Observation Deck on the 100th floor of ICC, the tallest skyscraper in Hong Kong, is the city's only indoor viewing platform affording a 360-degree view of the territory. During the year, Sky100 recorded steady growth in the number of visitors, over half of whom were from overseas. The increase was largely attributable to its diverse seasonal marketing programmes that appealed to both children and adults, offering leisure and fun.

Since opening in 2011, Sky100 has become increasingly popular, establishing a broad customer base for its future growth. Exemplified by its inclusion in the list of '17 beautiful places to see in Hong Kong' by CNN in 2017, the observation deck has been acclaimed as one of the must-see attractions in the city. During the year, Sky100 Events and Sky100 Weddings which provide the



YATA continues to draw customers with quality products and different promotions

highest venue for corporate events and weddings in the territory continued to perform satisfactorily.

Visitors to Sky100 are offered a new sky-high dining experience following the opening of a cafe there by The Ritz-Carlton, Hong Kong in March 2017, marking a significant business development for the observation deck. Lately, Sky100 introduced a cutting-edge virtual reality technology – an integration of a mobile app and a viewer – to enhance visitors' experience in enjoying a panorama of the city in all weather. Looking forward, Sky100 will continue to explore new breakthroughs, including the use of innovative technologies to showcase the beauty of Hong Kong.



The Sky100 Hong Kong Observation Deck is ideal for spectacular 360-degree, high-altitude views of the city and Victoria Harbour

## Review of Operations

# Corporate Finance



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

Through prudent financial management policies the Group has maintained low leverage with strong liquidity. As at 30 June 2017, the Group's net debt to shareholders' funds ratio was low at 7.2%. Together with a high interest coverage standing at 14.2 times, the Group has a strong financial position. Retaining its status as the best-rated developers in Hong Kong, the Group attained ratings of A1 by Moody's and A+ by Standard & Poor's, with a stable outlook from both.

Capitalizing on its high credit ratings, a strong financial position as well as a good and long-established relationship with leading banks, the Group has been able to raise ample liquidity from the banking community and capital markets. In March 2017, the Group arranged a HK\$22,000 million 5-year syndicated loan to extend its debt maturity and reserve considerable undrawn committed facilities for its future development. The financing activity received very strong support from the banking community which offered competitive credit terms to the Group. During the year, a number of syndicated loans and other credit facilities were also arranged on the mainland with reasonable terms for the Group's major projects in prime cities, including Shanghai and Guangzhou. For example, a RMB3,700 million 5-year syndicated loan was arranged for the Shanghai IFC project in January 2017 as a refinancing activity.

In addition, the Group in May 2017 issued a US\$500 million Perpetual Capital Securities with a Fixed-for-life coupon rate of 4.45%. This is in line with the Group's policy of diversifying its funding bases by using different financial instruments. The overwhelming subscription response to this issuance clearly reflected investors' confidence in the Group. During the year, a total of HK\$1,935 million 10-year bond was issued under its Medium Term Notes Programme. The US\$775 million 3.5% 5-year bond and US\$264.3 million 5.375% 10-year bond were redeemed in full upon maturity in November 2016 and March 2017 respectively.

Adhering to its prudent financial management policies, the Group has not taken any position on derivatives or structured products for speculation purposes. Besides, a majority of the Group's borrowings are denominated in Hong Kong dollars with the remainder predominantly in US dollars and Renminbi. To minimize foreign exchange risk, the Group funds the construction costs of mainland projects from internal cash generated from mainland operations and onshore bank loans.

# Financial Review

## Review of Operating Results

Underlying profit attributable to the Company's shareholders for the year ended 30 June 2017, which has excluded the net effects of changes in fair value of investment properties, was HK\$25,965 million, an increase of HK\$1,795 million or 7.4% when compared to HK\$24,170 million for the previous year. The increase was largely due to higher contributions from property sales and rental income, as well as realization of valuation surpluses upon disposals of certain non-core investment properties.

Including the revaluation gains on investment properties, profit attributable to the Company's shareholders for the year ended 30 June 2017 increased by HK\$9,116 million or 27.9% to HK\$41,782 million when compared to HK\$32,666 million for the previous year. 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\$13,810 million (2016: HK\$8,769 million) and shared an increase of HK\$4,395 million (2016: HK\$1,229 million) in fair value of investment properties held by its joint ventures and associates.

Profit from property sales for the year, including share of joint ventures and associates, was HK\$11,917 million, increased by HK\$216 million when compared to HK\$11,701 million for the last year. Property sales in Hong Kong achieved better margins for the year despite lower revenue recognized, and delivered a profit of HK\$9,936 million with contributions mostly from sales of residential units in Grand YOHO Phases 1 & 2, Park YOHO Venezia and Sicilia, Park Vista, The Wings III B, Twin Regency and King's Hill. Profit from property sales in the Mainland was HK\$1,950 million, which was mainly derived from residential units sold in Shanghai Cullinan, Shanghai Arch Phase 1, The Woodland Phase 4D, Jovo Town Phase 2C, and office units sold in Top Plaza East Tower and Guangzhou Commerce Centre. At the year end date, the Group had contracted property sales of HK\$30.9 billion not yet recognized, of which HK\$24.3 billion was from the presale of residential units for Hong Kong development projects including Cullinan West, Ocean Wings, Eight Regency and Lime Gala.

Net rental income for the year, including share of joint ventures and associates, increased by HK\$661 million or 4.0% to HK\$17,142 million, primarily driven by positive rental reversions. Net rental income from the Group's Hong Kong and Mainland rental portfolios amounted to HK\$13,677 million and HK\$2,952 million respectively, which correspond to year-on-year increases of 3.4% and 7.9%.

Hotel operations of the Group (including share of joint ventures) recorded an operating profit of HK\$1,325 million for the year, an increase of HK\$66 million or 5.2% over the last year, reflecting materialization of the benefits from the new rooftop floors in The Royal Garden and better contributions from The Ritz-Carlton Shanghai, Pudong.

SmarTone reported an operating profit of HK\$928 million for the year, dropped by HK\$176 million or 15.9% over the previous year due to rising spectrum costs, declining voice roaming revenues and lower contribution from handset trading business amid severe market competition.

The Group's transport infrastructure and logistics businesses (including share of joint ventures and associates) have been growing steadily, contributing a total of HK\$1,654 million in operating profit for the year, representing an increase of HK\$101 million or 6.5% over the previous year.

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management, data center business of SUNeVision, and department store operation, continued to perform satisfactorily with operating profit for the year increased by HK\$82 million or 5.0% to HK\$1,724 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 that its financial position remains sound, so that the Group can continue to provide returns to shareholders while maintaining a prudent level of financial leverage.

The Group's financial position remains strong, with total shareholders' equity increased over the financial year by HK\$29,508 million to HK\$498,215 million or HK\$172.0 per share as at 30 June 2017. The increase was mainly contributed by the Group's underlying results for the year and revaluation gains from investment properties.

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

2017, calculated on the basis of net debt to shareholders' funds of the Company, was 7.2% compared to 10.8% a year ago. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 14.2 times compared to 12.5 times for the previous year.

As at 30 June 2017, the Group's gross borrowings totalled HK\$67,326 million. Net debt, after deducting bank deposits and cash of HK\$31,274 million, amounted to HK\$36,052 million, representing a decrease of HK\$14,661 million since 30 June 2016. The maturity profile of the Group's gross borrowings is set out as follows:

	<b>30 June 2017 HK\$ Million</b>	30 June 2016 HK\$ Million
Repayable:		
Within one year	<b>5,390</b>	17,486
After one year but within two years	<b>10,311</b>	3,642
After two years but within five years	<b>39,040</b>	39,452
After five years	<b>12,585</b>	20,181
Total bank and other borrowings	<b>67,326</b>	80,761
Bank deposits and cash	<b>31,274</b>	30,048
Net debt	<b>36,052</b>	50,713

# 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. In May 2017, the Group issued senior guaranteed perpetual capital securities in the amount of US\$500 million with distributions at 4.45% per annum which can be deferred at the discretion of the Group. Redeemable at the Group's option on or after 23 May 2020, the perpetual capital securities have no maturity date and are accounted for as equity in the financial statements. The issuance enables the Group to expand its sources of long-term funding and strengthen its capital structure.

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 as 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 2017, about 76% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 24% 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, which is the Group's presentation currency. The Group may borrow in foreign currencies to finance its operations in Hong Kong, which exposes the Group to currency risk. When appropriate, the Group may enter into currency swaps to hedge the currency risks associated with these borrowings. As at 30 June 2017,

about 67% of the Group's total borrowings were denominated in Hong Kong dollars (after currency swaps) and 17% in US dollars, these were raised for financing the Group's business operations in Hong Kong while the remaining 16% were in Renminbi and for financing the construction cost of property projects in the Mainland. The Group is exposed to currency translation risk arising from translating the financial statements of foreign subsidiaries and joint ventures, mostly in Mainland China. All land acquisition costs for the Mainland projects are financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through borrowings by the Mainland subsidiaries in Renminbi as natural hedges to minimize the Group's exposure to exchange rate risk. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in Mainland China. As at 30 June 2017, approximately 19% of the Group's net assets were denominated in Renminbi. During the year, the translation of foreign operations into the Group's presentation currency has resulted in a decrease of HK\$1.2 billion in the exchange reserve recorded under shareholders' equity.



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

The Group maintained an appropriate combination of fixed and floating rate borrowings to mitigate interest rate risk. As at 30 June 2017, about 60% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps, and 40% were on fixed rate basis.

To manage its interest rate risk and currency risk exposures, the Group has entered into certain interest rate swaps, currency swaps and forward foreign exchange contracts. As at 30 June 2017, the aggregate notional amount of these derivative financial instruments amounted to HK\$15,224 million. 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 2017, about 61% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 32% in Renminbi, and 7% 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 2017, 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\$2,144 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 2017, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK\$1,504 million (30 June 2016: HK\$1,112 million).

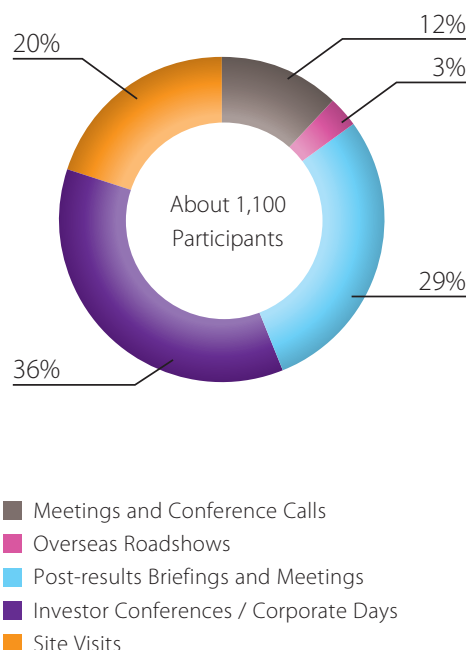
# Investor Relations

The Group gives high priority to maintaining clear and transparent communications with shareholders and other investors to facilitate their understanding of its strategy, business performance and prospects, as well as the market environment in which it operates. It firmly believes that transparency promoted by active stakeholder engagement will ultimately enhance shareholder value. To this end, the management has proactively engaged with a broad range of stakeholders, including investors, analysts and credit rating agencies, constantly seeking ways to further strengthen its bonds with stakeholders.

With respect to corporate information dissemination, annual and interim reports, press releases and public announcements are among the key documents through which the Group keeps stakeholders informed of its latest developments. Such documents are duly disseminated and promptly uploaded onto the Group's corporate website. Press conferences and analyst briefing sessions are also held shortly after results announcements. These meetings not only allow management to keep investors and analysts up to date with the Group's latest financial results, business strategies and outlook, but also to collect feedback and answer questions.

The Group believes that it takes more than a mere disclosure of corporate information to public and multiple stakeholders to foster investor relations. Mutual communication and day-to-day contacts also play a key role as this will enable the management to interact with stakeholders and better understand their concerns and expectations so that long-term sustainable business strategies can be formulated accordingly. Therefore, in addition to frequent investor meetings and conference calls as well as site visits, the Group participates actively in major investor conferences and stages overseas non-deal roadshows to foster ongoing dialogues with the investment communities and to expand its reach to overseas investors.

## Communications with the Investment Community in Financial Year 2016/17



The management explains the Group's business development at a post-results-announcement analyst briefing

The Group's ongoing commitment to maintaining effective investor relations and high standards of corporate governance has earned a number of awards from leading financial publications over the years.

## Major Investor Relations Events in Financial Year 2016/17

### Quarter Event

#### 2016

- 3rd Quarter
- 2015/16 annual results announcement
    - Press conference
    - Analyst briefing
    - Post-results meetings with fund managers
  - Investor forum in Hong Kong
- 4th Quarter
- Investor conference in Singapore

#### 2017

- 1st Quarter
- Investor corporate day in Hong Kong
  - Property tour in Shanghai for analysts
  - 2016/17 interim results announcement
    - Press conference
    - Analyst briefing
    - Post-results meetings with fund managers
  - Investor conference in Hong Kong
- 2nd Quarter
- Non-deal roadshow in the US
  - Investor corporate days in Hong Kong

## Awards

### Financial Year 2016/17

- Best Mixed Developer in the Global, Asia, China and Hong Kong categories, Hong Kong's Best Overall Developer, Best Residential Developers, Best Retail Developers and Best Office/Business Developers from *Euromoney* magazine
- Asia's Best Real Estate Company, Hong Kong's Best Managed Company, Most Committed to Corporate Governance, Best at Investor Relations, Best at Corporate Social Responsibility from *FinanceAsia* magazine
- Platinum Award for Excellence in Management and Corporate Governance from *The Asset* magazine
- 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*

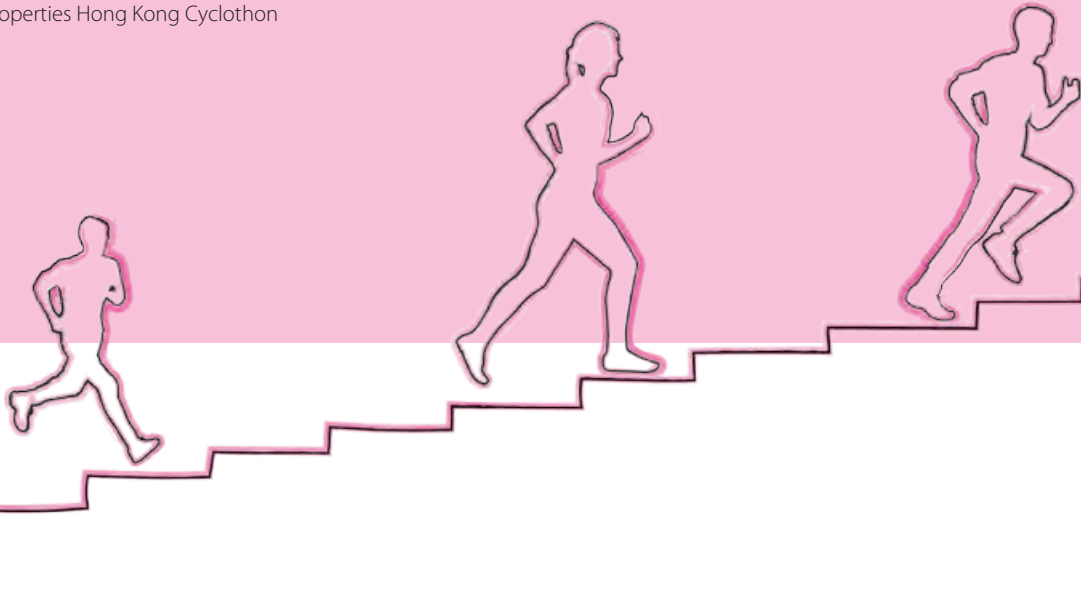
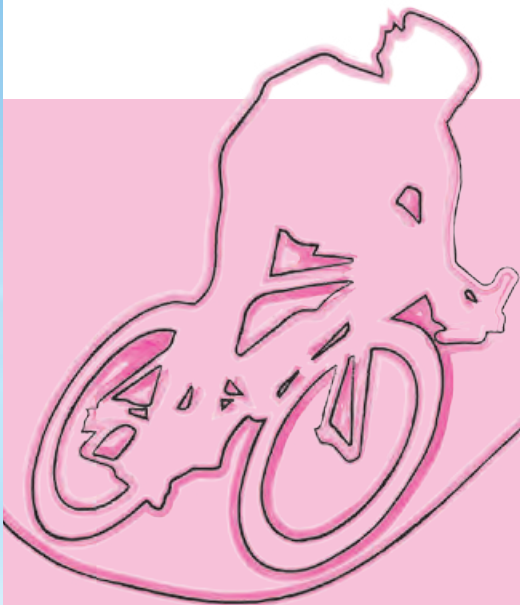


Group Chairman & Managing Director Raymond Kwok (right) with eight awards from *Euromoney* recognizing the Group's outstanding professional management and premium developments

# Sustainable Development



Sun Hung Kai Properties Hong Kong Cyclothon





SHKP Club 20<sup>th</sup> Anniversary Party



SHKP Vertical Run for Charity

# Sustainable Development



Professional handover service gives new home owners peace of mind upon taking possession

With a view to achieving business continuity and benefitting the community at large, the Group has made considerable efforts to keep up with market trends and orient itself more towards its stakeholders. It believes in personal touch and has increased its emphasis on adopting new-age communication strategies to understand stakeholders' expectations that will contribute to its approach to sustainable development, which is underpinned by its spirit of Building Homes with Heart. During the year, the Group published its sixth stand-alone *Sustainability Report* to detail its efforts and achievements in creating long-term value for different groups of stakeholders. For yet another year, the Group was 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 adheres to its customer-focused approach and stays mindful of the changing market needs by listening to customers via different channels. Views collected through online and offline surveys, web forums, social media platforms and other e-communication channels are highly valued by the Group and are regarded as continuous opportunities to help improve products and services or develop innovative ideas.



The SHKP Quality Academy offers staff training in a range of disciplines to broaden knowledge and skills for better efficiency



Staff from inter-departmental handover teams examine new units in detail to ensure everything is in perfect condition

Recognizing that quality is the essence of building trust and confidence with customers, the Group leads the industry with its offering of a first three-year warranty for its newly sold residential units in Hong Kong. This represents part of the SHKP Quality Campaign and has fully demonstrated the Group's confidence in its projects. The Group's developments have been acclaimed for their quality materials, exquisite craftsmanship and stringent checks of each unit before handing over to buyers. In recognition of its commitment to quality – a foundation of its premium brand – a platinum award was presented to the Group for the 12th consecutive year in the latest Reader's Digest Trusted Brand Asia survey.



The SHKP Club organizes activities in the Group's malls for shoppers to spend quality time with their family



Customer Care Ambassadors are dedicated to giving shoppers thoughtful services

The Group realizes that staff members play an important role in its quest for excellence. It established the SHKP Quality Academy, a group-wide learning platform with experts from diverse disciplines helping staff sharpen their skills and professional knowledge and boost their personal growth. In addition, employees are encouraged to present innovative and practical ideas through the annual Quality Raising Suggestion Scheme. The gold award for the year under review went to a new function of the Group's smartphone app that serves as identification for residents to enter their buildings. As in years past, the winning idea has been widely applied to the Group's development projects.

The Group also makes an effort to keep pace with changes in the market, taking advantage of the latest business solutions such as big data analysis to gauge customers' preferences and expectations. For example, increasing emphasis has been placed on leveraging big data and other new technologies to understand changes in footfall for mapping out the best trade- and tenant-mix for respective malls. To make shopping malls a 'second home' for patrons, the Group introduced customer care ambassadors in 1997 and goes the extra mile to offer value-added services ranging from mobile phone battery charging and locker storage to wheelchair lending, first aid and baby care, including strollers on loan. Such caring services have contributed to a hassle-free environment for shoppers and increased their affinity with the malls.

As part of its strategy to create a win-win situation with business partners, the Group has built a strong relationship with mall tenants, having started a pioneering Tenant Care Programme in 2001 to acquaint them with the skills and knowledge needed to compete in a challenging environment. An array of engaging programmes, some of which organized by the SHKP Club to promote family bonding, are held at the malls to boost traffic and tenant sales.

With a membership of over 380,000, the SHKP Club has been an effective vehicle to strengthen two-way communication between the Group, customers and the larger community, allowing the Group to upgrade the

quality of its products and services. The Club also ran a series of Love in SHKP Tour activities during the year for members to visit the Group's other business units and subsidiaries, allowing people to understand its premium brand from different perspectives.

## Continuous Staff Development

With a total of over 37,000 employees, the Group sees all its staff members as valuable assets. A wide range of career development programmes is in place and a number of thoughtful initiatives have been introduced to help employees maintain work-life balance as well as physical and mental fitness. To echo its belief in work-life balance, the Group adopts flexible work hours for office staff at the headquarters, including implementing a five-day work week. Employees are also encouraged to join interest classes and social activities, to relax and add enjoyment to everyday life. Apart from taking care of their mental well-being, the Group sponsors employees to participate in sporting activities as an impetus to develop a healthy lifestyle.

The Group's caring spirit extends to the offspring of employees through the SHKP Group Undergraduate Scholarship, which offers financial assistance to children of staff to study at universities and other tertiary institutions. The scheme benefits over 60 children of employees since it was established in 2010. Offspring of employees can also apply for SHKP-AFS Intercultural Exchanges scholarships, which have taken young beneficiaries to study overseas since 2003.

As for staff training, the goals of the Group's training programmes include enhancing individual competence, boosting team spirit and supporting organizational development. New employees learn the Group's corporate values, culture and business portfolio through a comprehensive orientation programme. Modular workshops are organized for general staff to cultivate their mindset and hone job-related skills.

# Sustainable Development



The Group stages various staff events to promote work-life balance

Recognizing the importance of intergenerational cooperation, the Group encourages management staff to join workshops and seminars to appreciate the essence of contemporary leadership so that they can better communicate and work with people from different generations. This is complemented by a new development programme for managerial staff that will qualify them to be all-round managers. Talented employees receive leadership development and executive coaching, with opportunities to attend courses at prestigious overseas universities.

As part of its effort to maintain business continuity, the Group enhances its Management Trainee, Graduate Surveyor and Graduate Engineer programmes to draw high-calibre graduates from leading local, mainland and overseas universities. In addition to nurturing young talents, the Group supports all staff members to pursue life-long learning. Staff can broaden their horizons by taking courses offered by the SHKP Quality Academy, which has run a new series of seminars on big data and social media to help them keep abreast of technological advances. The Group also provides employees with convenient access to online training resources to increase the flexibility of self-learning. Those wanting to acquire job-related knowledge up to bachelor's or master's levels can apply for sponsorships from the Group.



An organic farm on a residential clubhouse roof contributes to green living and sustainable development



The Group encourages staff to take interest classes to unwind in their leisure time

## Commitment to the Environment

As a responsible corporate citizen, the Group utilizes various measures to minimize the environmental impact of its operations. It also takes advantage of its extensive business and property networks to promote green awareness and support eco-friendly programmes in the community.

In recognition of the Group's continued efforts to embrace environmentally friendly technology and innovation to develop sustainable buildings, 40 green building certifications were received under the Hong Kong Building Environmental Assessment Method (BEAM) and Leadership in Energy and Environmental Design (LEED) during the year. Making the most of its residential and commercial property network, the Group promotes green living, such as installing food waste composters in some developments to turn



Management trainees get exposure to the Group's diverse businesses to develop their careers





SHKP Volunteer Team members regularly visit the elderly to show love and care to people in the community

leftovers into organic fertilizer for its gardens and organic farms run by NGO partners and local schools. Other green projects introduced at the Group's buildings include organic gardens, harmonious ecosystems for fish and plants, and butterfly gardens.

Understanding that electricity generation is the major source of greenhouse gas emissions in Hong Kong, the Group optimizes the design of new projects to minimize energy consumption. It also retrofits existing buildings to improve energy efficiency. In the first Energy Saving Championship run by the Environment Bureau and Electrical and Mechanical Services Department, the Group received 16 accolades, including the grand award in the shopping mall, office building and residential building categories. Furthermore, to help build a low-carbon community, the Group currently provides 178 electric vehicle charging stations in 69 residential and commercial properties throughout Hong Kong to encourage the use of electric cars.

During the year, the Group stepped up its efforts to strike a balance between nature conservation and residential development. With the assistance of ecology experts, a marsh within the site of the PARK YOHO development was restored to create a 500,000-square-foot wetland park to preserve the diversity of nature. The Group committed ample resources from the outset to ensure that the wetland park will be self-sustaining with minimal maintenance costs under regular monitoring by the conservation team.



The Love Nature Campaign raises environmental awareness in young people

Apart from residential developments, ecosystem conservation is also promoted in the Group's commercial projects. Millennium City has an organic farm and a greenhouse for tenants. An organic garden and a harmonious ecosystem for fish and plants were established at Grand Central Plaza. The office tower also has a green education centre to organize eco-conscious events in the community.

Through its Love Nature Campaign, the Group also works with Green Power to encourage the younger generation, including kindergarten students, to appreciate nature and understand the importance of conservation. Programmes staged under the campaign include beach and countryside clean-ups, eco-tours, school visits, competitions, exhibitions and more.



The Building Homes with Heart Caring Initiative hosts Chinese New Year banquets to seniors to offer blessing

# Sustainable Development



SHKP Vertical Run for Charity encourages the public to live healthy lives while caring for the needy

## Corporate Social Responsibility

The Group is committed to making a positive impact on the community and adheres to a structured approach to encourage healthy and sustainable living, promote reading and holistic development, and care for the underprivileged.

‘Exercise for good’ continued to be a key message in the Group’s initiatives on healthy and sustainable living during the year. This was strongly promoted through two signature events – the fifth SHKP Vertical Run for Charity and the second Sun Hung Kai Properties Hong Kong Cyclothon, an international cycling event organized by the Hong Kong Tourism Board. SHKP Vertical Run for Charity – Race to Hong Kong ICC was once again the grand finale of the Vertical World Circuit and drew a record-breaking 1,700-plus runners from 34 countries. Together with the concomitant Race to Shanghai IFC, the number of participants in the SHKP Vertical Run for Charity reached over 10,000 in five



The Group supports young entrepreneurs in innovation and technology through its sponsorship of the Hong Kong X-Tech Startup Platform

years. The Group also helped promote enthusiasm for charity bike rides through taking on title and charity sponsorships of the Sun Hung Kai Properties Hong Kong Cyclothon for another year. The event attracted more than 4,600 cyclists from around the world.

In keeping with the Group’s aspiration to enhance physical and mental wellness of the next generation, proceeds from the two sporting events plus extra contributions from the Group went to The Community Chest of Hong Kong, The Hong Kong Council of Social Service and other charity organizations. During the year, programmes supported by the proceeds were established to improve physical and psychological well-being of underprivileged children and youth. Funds from the sporting events additionally subsidized a number of child and youth services through The Community Chest.

The Group also cares about the intellectual well-being of Hong Kong people. It takes a proactive approach to promote happy reading with a primary focus on children and the younger generation through the SHKP Reading Club. A new momentum was given to this cause in July 2017 with the introduction of ‘linepaper’, which is a new interactive multi-media reading platform for secondary or university students and newcomers to the workforce. In the 2016/17 academic year, the Club’s Read & Share programme was presented in 80 schools – with activities including creative workshops led by poets and illustrators, and sharing sessions by authors and book lovers – reaching over 3,000 students.



The Group shows its support for local underprivileged children and youth by being the title and charity sponsor of the Sun Hung Kai Properties Hong Kong Cyclothon

To help young academic underachievers move up the ladder of life, the Group has been running the Modern Apprenticeship Programme with Breakthrough since 2003. This year saw the apprentices receiving 10-week internships in construction, project management, hospitality or project monitoring in the Group's business units under the guidance of staff mentors. The Group's support for young people is also manifested in the SHKP-Kwoks' Foundation. More than 9,500 students in Hong Kong and on the mainland have benefited from its scholarship programmes since the Foundation was established. During the year, the Sun Hung Kai Properties Charitable Fund continued to sponsor programmes of primary and secondary schools in the New Territories as a way to help promote holistic development, benefitting over 12,000 students.

During the year, the Group sponsored the Hong Kong X-Tech Startup Platform with fitted offices in Kwun Tong as the headquarters of its operation in Hong Kong, along with co-working space to support young people in pursuit of technological innovation and entrepreneurship. The first phase for the X-Lab co-working space in Kwun Tong opened late last year and operates smoothly with start-ups gradually moving in. The extension of the first phase has been handed over to occupiers.

The Group continues to care for people from different social strata. The Building Homes with Heart Caring Initiative organizes regular visits to disadvantaged families and the elderly to make them feel cared for and loved. The SHKP Volunteer Team receives support from the Group's management and staff to spread warmth in the community since it was established in 2003. The Group is also keen to promote social harmony and family bonds through its extensive property network. It spreads the 'loving home' message through annual themed programmes by the SHKP Club.

Social Inclusion for the Underprivileged is another of the Group's community care programmes, taking the disadvantaged to the Sky100 Hong Kong Observation Deck and Noah's Ark Hong Kong as a means to broaden their horizons and facilitate social integration. During the year, the Group reinforced its dedication to promoting social and intergenerational harmony through making a commitment to donating a site in Yuen Long to the Hong Kong Sheng Kung Hui Welfare Council. The site will be used to develop the city's first intergenerational integrated service building, which will contain a youth hostel, home for the elderly and special-need childcare centre. Hostel occupants will be deployed to help out in the childcare centre and home for the elderly to stimulate intergenerational interaction. Detailed planning of the project is under way.



The Modern Apprenticeship Programme offers young people on-the-job training and mentoring to help them identify life goals

# 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 "Investor Relations" on pages 96 and 97.

## 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 2017, 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. There was no change to the composition of the Board during the year ended 30 June 2017.

A 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 experience. 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 147 to 157 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.

Dr. Li Ka-cheung, Eric, being an Independent Non-Executive Director, has served the Company for more than nine years, and will retire and being eligible, has offered himself for re-election at the forthcoming annual general meeting of the Company (the "AGM"). The Nomination Committee considered that his long service will not affect his exercise of independent judgment and was satisfied that he has the required integrity and experience to continue fulfilling the role of an Independent Non-Executive Director. Taking into consideration the above and the confirmation on the Independence Guidelines made by Dr. Li Ka-cheung, Eric, the Board is of the view that Dr. Li Ka-cheung, Eric remains independent notwithstanding the length of his service and should be re-elected at the forthcoming AGM. In accordance with the Code, the re-election of Dr. Li Ka-cheung, Eric will be subject to separate resolution 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 for inspection by all Directors.

All Directors give sufficient time and attention to the affairs of the Group. During the year ended 30 June 2017, 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 also approved the increase in the fee payable to the members of the Audit and Risk Management Committee as recommended by the Remuneration Committee and the publication of two announcements with respect to the issuance of debt instruments by a wholly-owned subsidiary of the Company.

# 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:

<b>Directors</b>	<b>Meetings attended/held</b>
<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	4/4
Kwong Chun	4/4
Tung Chi-ho, Eric	4/4
Fung Yuk-lun, Allen	4/4
<b>Non-Executive Directors</b>	
Lee Shau-kee	2/4
Woo Po-shing	<sup>#</sup> 3/4
Kwan Cheuk-yin, William	4/4
<b>Independent Non-Executive Directors</b>	
Yip Dicky Peter	4/4
Wong Yue-chim, Richard	3/4
Li Ka-cheung, Eric	4/4
Fung Kwok-lun, William	3/4
Leung Nai-pang, Norman	4/4
Leung Kui-king, Donald	4/4
Leung Ko May-yee, Margaret	4/4

<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 of the Company (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. Pursuant to the Articles of Association, a Director who is considered to be materially interested in the matter shall abstain from voting on the resolution approving such matter.

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 2017, the Chairman held a meeting with the Non-Executive Directors (including the 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.

A study tour at Peking University was organized by the Company in April 2017 for the Executive Directors and senior executives of the Company for understanding the latest development in economy, foreign relations, and the legal and taxation systems in Mainland China.

# Corporate Governance Report

During the year ended 30 June 2017, 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	C
Kwok Kai-fai, Adam	A, C
Kwok Kai-wang, Christopher	A, B, C
Kwong Chun	C
Tung Chi-ho, Eric	A, C
Fung Yuk-lun, Allen	A, B, C
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	A, C
<b>Non-Executive Directors</b>	
Lee Shau-kee	A, C
Woo Po-shing	C
Kwan Cheuk-yin, William	A, C
Woo Ka-biu, Jackson (Alternate Director to Woo Po-shing)	A, C
<b>Independent Non-Executive Directors</b>	
Yip Dicky Peter	A, C
Wong Yue-chim, Richard	A, C
Li Ka-cheung, Eric	A, B, C
Fung Kwok-lun, William	A, B, C
Leung Nai-pang, Norman	A, 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 made by the Company, all Directors have confirmed that they have complied with the Model Code during the year ended 30 June 2017.



## **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 three full time senior executives of the Group. During the year under review, a member of the Committee ceased his office following his retirement from the Group. A list of the current members of the Committee and their biographical information are set out on page 2 and pages 147 to 158 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 2017, 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 the 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	41/41
Wong Chik-wing, Mike	38/41
Lui Ting, Victor	39/41
Kwok Kai-fai, Adam	36/41
Kwok Kai-wang, Christopher	37/41
Kwong Chun	27/41
Tung Chi-ho, Eric	35/41
Fung Yuk-lun, Allen	35/41
Chow Kwok-yin, Eric	34/41
Yung Sheung-tat, Sandy	37/41
Li Ching-kam, Frederick	41/41
Wong Chin-wah, Jimmy	26/33

*(ceased to act as a member with effect from 1 May 2017)*

## 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 2017, the Remuneration Committee reviewed the Directors' fees and the emoluments of the Executive Directors. In addition, the Committee recommended the Board to approve (and the Board has approved) the increase in the fee for the members of the Audit and Risk Management Committee for the financial year 2016/17 and onwards. 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 2017, the Nomination Committee reviewed the structure, size and composition of the Board. It also reviewed the retirement and re-election of Directors, including an Independent Non-Executive Director who has served the Company for more than nine years. 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, other inside information announcements and other financial disclosures. All Board members are provided with monthly updates, including contracted property sales updates, projects launched, upcoming projects, leasing updates, hotel occupancy, major investment projects under development and financial position, 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 and was renamed as the Audit and Risk Management Committee in June 2016 to reflect its role in risk management. The Committee is chaired by Dr. Li Ka-cheung, Eric, and other members of the Committee are Mr. Yip Dicky Peter, Mr. Leung Kui-king, Donald and Dr. Leung Nai-pang, Norman. All members of the Committee 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 specific 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 2017. It had reviewed the interim and annual results of the Group and discussed and approved the relevant financial reports; reviewed the Group's risk management and internal control systems, 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	3/3

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 Group's consolidated financial statements for the year ended 30 June 2017 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 2017 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.

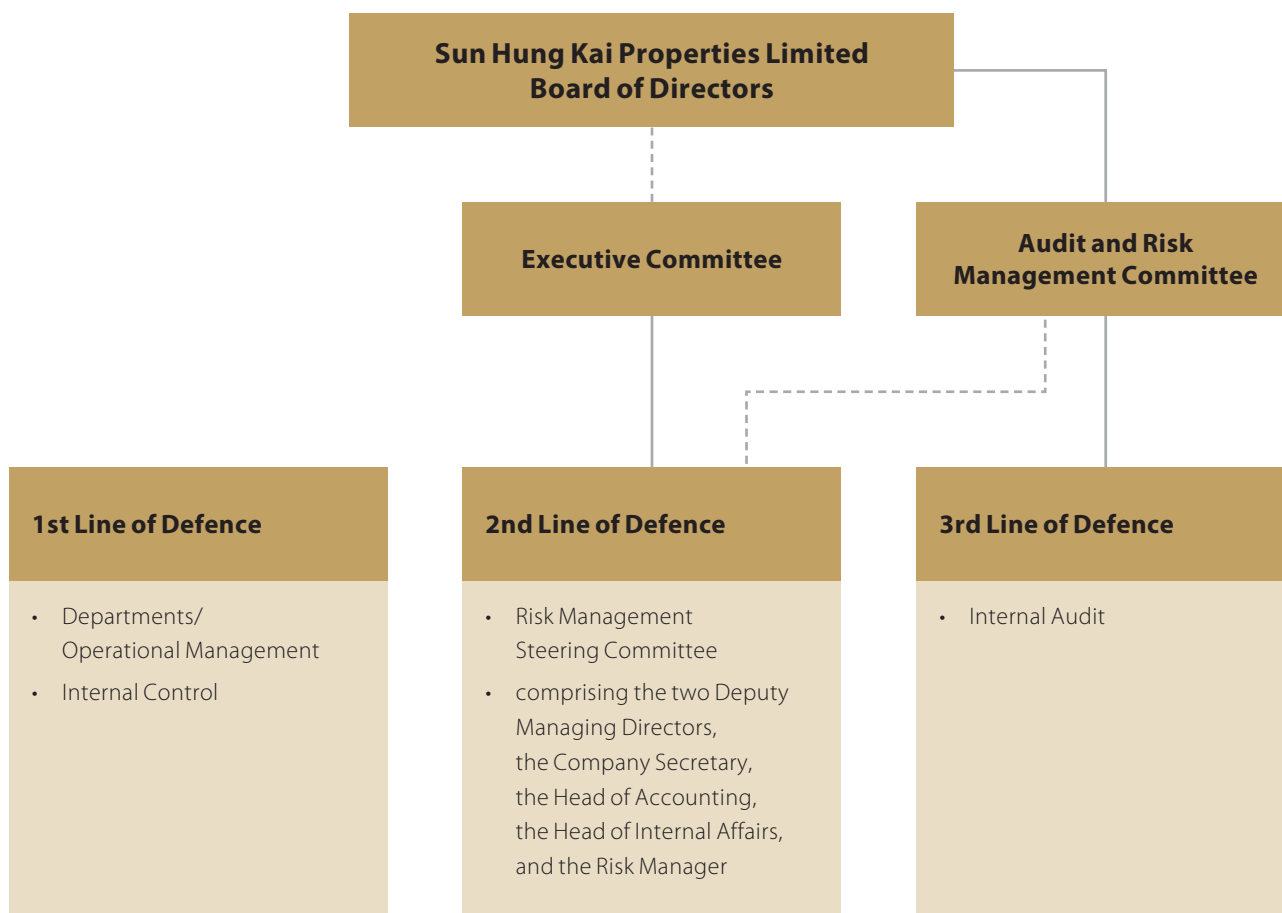
## **Risk Management and Internal Control**

The Group has diverse business activities in Hong Kong, Mainland China and Singapore and is exposed to different risks in a dynamic environment. Effective risk management is therefore essential for the long-term growth and sustainability of the businesses of the Group. The Board is responsible for the overall strategy and development of the Group's businesses; for setting its corporate goals and risk appetite; for establishing and maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and stakeholders' interests; and 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. It should be acknowledged that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

# Corporate Governance Report

## Risk Management

The Group's risk governance structure is guided by the "Three Lines of Defence" model as shown below:



### First Line of Defence

Each department has the duty to manage its own risks in the course of its daily operations, including:

- (i) establishing its own risk management measures for identifying, measuring, mitigating and monitoring its own risks;
- (ii) completing a risk assessment template and submitting its assessment results to the Risk Management Steering Committee at least twice a year;
- (iii) operating in a manner that is in line with the risk appetite of the Group; and
- (iv) implementing any risk action plans as advised by the Risk Management Steering Committee and/or the Internal Audit Department and/or the Audit and Risk Management Committee to address any significant risk that may affect its operation.

### **Second Line of Defence**

The Risk Management Steering Committee is under the direct supervision of the Executive Committee and also accountable to the Audit and Risk Management Committee. Members of this Committee comprise the two Deputy Managing Directors, the Company Secretary, the Head of Accounting, the Head of Internal Affairs, and the Risk Manager. The Risk Management Steering Committee is primarily responsible for:

- (i) providing assistance to the Board and the Audit and Risk Management Committee in overseeing and monitoring the operation of the risk management and internal control systems;
- (ii) reviewing the risk assessment results submitted by each department and providing support and guidance to them;
- (iii) reporting its work done to the Audit and Risk Management Committee at least twice a year; and
- (iv) proposing any enhancement to the risk management and internal control systems for consideration by the Audit and Risk Management Committee and/or the individual department concerned.

### **Third Line of Defence**

The Internal Audit Department is primarily responsible for:

- (i) performing audits to evaluate the proper functioning of the risk management and internal control systems;
- (ii) reporting its findings to the Audit and Risk Management Committee and providing the Committee with an independent and objective assurance on the effectiveness of the risk management and internal control systems of the Group; and
- (iii) proposing any enhancement to the risk management and internal control systems for consideration by the Audit and Risk Management Committee and/or the Risk Management Steering Committee and/or the individual department concerned.

### **Audit and Risk Management Committee**

The Audit and Risk Management Committee assists the Board in overseeing the risk management and internal control systems of the Group, including:

- (i) reviewing, at least annually, the risk management and internal control systems of the Group with the Internal Audit Department to ascertain whether management has fulfilled its responsibilities in establishing and maintaining effective systems;
- (ii) reviewing the risk assessment results, including changes in the nature and extent of significant risks since the last review and the Group's ability to respond to changes in its business and the external environment;
- (iii) discussing with management on the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions to ensure that these are adequate;
- (iv) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (v) identifying any significant risks that should be drawn to the attention of the Board; and
- (vi) reviewing and considering any enhancement to the risk management and internal control systems as proposed by the Risk Management Steering Committee and/or the Internal Audit Department.

# Corporate Governance Report

## **Board of Directors**

The Board has the overall responsibility for establishing and maintaining sound and effective risk management and internal control systems, including:

- (i) setting the Group's strategies and corporate goals;
- (ii) evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic and business objectives;
- (iii) overseeing management in the design, implementation and monitoring of the risk management and internal control systems;
- (iv) overseeing the risk management and internal control systems on an ongoing basis, and ensuring that a review of the systems is conducted at least annually to ensure their effectiveness;
- (v) reviewing the changes in the nature and extent of significant risks since the last review and the Group's ability to respond to changes in its business and the external environment;
- (vi) considering the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
- (vii) considering the extent and frequency of communication of monitoring results to the Board; and
- (viii) considering any significant control failings or weaknesses that have been identified during the period.

## **Internal Control**

Risk management is integrated with the Group's internal control system which 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

### **(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, ensuring compliance with laws and regulations, and enabling timely identification and management of key risks that may have impact on the Group. Management is primarily responsible for the design, implementation and maintenance of the risk management and internal control 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 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 relevant 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. The policy contains provisions for establishing an internal committee to ascertain whether certain information constitutes inside information of the Group, and (where necessary) for escalating the matter to the senior management of the Group for final determination. To prevent inadvertent disclosure of inside information, the policy also prescribes certain measures in place, including restricting access to inside information to employees on a need-to-know basis, requiring documents and files containing inside information to be kept in a safe place, and requiring that confidentiality agreements be made with external parties in appropriate cases.

# Corporate Governance Report

## *Effectiveness of Risk Management and Internal Control Systems*

During the year ended 30 June 2017, the Risk Management Steering Committee has worked with each department and senior management to enhance the risk management and internal control systems. Activities included updating the risk assessment templates to include matters such as key risk indicators and threshold for monitoring risk performance, and providing risk training to and maintaining ongoing interactive dialogues with the departments.

The Group's Internal Audit Department, which has been established for more than 20 years, performs independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The department has direct access to the Audit and Risk Management Committee and 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 that focuses on the top risk identified. 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.

The Board through the Audit and Risk Management Committee reviewed the risk assessment results, and the risk management and internal control systems of the Group for the year ended 30 June 2017, including financial, operational and compliance controls. The review includes considering the internal control evaluations conducted by executive management and the internal and external auditors as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. Based on the result of the review, the Board considered that for the year ended 30 June 2017, the risk management and internal control systems of the Group were effective and adequate.

Please refer to the section headed "Key Risk Factors" of the Directors' Report for details of the key risks and uncertainties facing the Group.

## **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 its 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.

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 on each substantially separate matter to the shareholders for their consideration and approval. 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 to be disclosed 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 2016 AGM was held on 9 November 2016 at the Company's headquarters with a strong participation by the shareholders. Businesses transacted at the 2016 AGM included the adoption of audited consolidated financial statements, the approval of final dividend, the re-election of Directors and fixing of the Directors' fees, the re-appointment of auditor, and the renewal of general mandates with respect to the buy-back of shares and the issue of shares.

# Corporate Governance Report

The attendance records of the Directors at the 2016 AGM are set out below:

<b>Directors</b>	<b>AGM attended</b>
<b>Executive Directors</b>	
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	✓
<b>Non-Executive Directors</b>	
Lee Shau-kee	x
Woo Po-shing	x
Kwan Cheuk-yin, William	✓
<b>Independent Non-Executive Directors</b>	
Yip Dicky Peter	✓
Wong Yue-chim, Richard	x
Li Ka-cheung, Eric	✓
Fung Kwok-lun, William	x
Leung Nai-pang, Norman	✓
Leung Kui-king, Donald	✓
Leung Ko May-yee, Margaret	✓

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.

During the year ended 30 June 2017, no amendment was made to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Company and HKEx.

# Directors' Report

The Directors are pleased to present their report together with the consolidated financial statements of the Group for the year ended 30 June 2017.

## 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 216 to 224, 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 2017 (if any) are provided in the "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 95. An account of the Group's key relationships with its stakeholders and a discussion on the Group's environmental policies and performance are included in the "Investor Relations" and "Sustainable Development" on pages 96 to 105 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, general state of the economy and the property market, legislative and regulatory changes, government policies and political conditions, interest rate changes, labour market conditions, 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 in Mainland China*

The Group has material interests in residential and commercial property development and property investment in Mainland China and is therefore subject to the risks associated with China's property market. The Group's operations in Mainland China may also be exposed to the risks of policy changes, currency fluctuation, interest rate changes, demand-supply imbalance, changes in the overall economic conditions, competition in the labour market, and availability of financing, 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, inadequacies or failures of internal processes, people and systems, leakage of sensitive information by hacking or accidents, inadequate responses to negative events which may have adverse impact on reputation, 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 2017, including share of results from joint ventures and associates, amounted to HK\$42,475 million (2016: HK\$33,396 million). After taking perpetual capital securities holders' interests and non-controlling interests into account, profit attributable to the Company's shareholders was HK\$41,782 million (2016: HK\$32,666 million).

## Dividends

An interim dividend of HK\$1.10 per share (2016: HK\$1.05 per share) was paid on 23 March 2017. The Board of Directors of the Company (the "Board") has recommended a final dividend of HK\$3.00 per share (2016: HK\$2.80 per share), making a total dividend of HK\$4.10 per share for the full year ended 30 June 2017 (2016: HK\$3.85 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Thursday, 9 November 2017 (the "2017 Annual General Meeting"), will be payable on Thursday, 23 November 2017 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 15 November 2017. Shares of the Company will be traded ex-dividend as from Monday, 13 November 2017.

## 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 2017.

## Shares Issued

During the year, 1,133,000 shares (2016: 846,000 shares) of the Company were issued and allotted as fully paid shares for a total consideration of HK\$112 million (2016: HK\$93 million) as a result of the exercise of share options under the share option schemes of 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 169 respectively.

## Reserves

Movements in the reserves of the Company and the Group during the year are shown in note 29 to the consolidated financial statements and on page 169 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 52 and 53 respectively; and particulars of major development and investment properties in Mainland China held by the Group are set out on pages 66 and 67, and pages 76 and 77 respectively.

## Directors

The list of Directors and their biographical information are set out on page 2, and pages 147 to 157 respectively. All Directors held office for the whole year.

In accordance with Article 103(A) of the Company's articles of association (the "Articles of Association"), Mr. Lui Ting, Victor, Dr. Li Ka-cheung, Eric, Mrs. Leung Ko May-yee, Margaret, Sir Po-shing Woo, Mr. Tung Chi-ho, Eric and Mr. Fung Yuk-lun, Allen will retire from office and, being eligible, have offered themselves for re-election at the 2017 Annual General Meeting. Dr. Li Ka-cheung, Eric, an Independent Non-Executive Director, has served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Listing Rules, his re-election will be subject to a separate resolution to be approved at the 2017 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 2017, 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 30.06.2017
	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	–	–	514,093,186 <sup>2&amp;6</sup>	514,281,929	–	514,281,929	17.76
Lee Chau-kee	526,868	–	61,876,000 <sup>3</sup>	–	62,402,868	–	62,402,868	2.15
Wong Chik-wing, Mike	417,695	–	–	–	417,695	–	417,695	0.01
Lui Ting, Victor	160,000	–	–	–	160,000	–	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
Kwok Kai-fai, Adam	9,000	–	–	639,528,747 <sup>5,6&amp;7</sup>	639,537,747	23,000	639,560,747	22.08
Kwok Kai-wang, Christopher	110,000 <sup>8</sup>	60,000 <sup>4</sup>	–	641,046,601 <sup>2,6&amp;7</sup>	641,216,601	–	641,216,601	22.14
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	–	–	641,046,601 <sup>2,6&amp;7</sup>	641,055,601	23,000	641,078,601	22.14
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 514,093,186 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 61,876,000 shares in the Company held by 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 41.53% held by Henderson Land Development Company Limited ("Henderson Land"). Henderson Land was taken to be 72.70% 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 61,876,000 shares in the Company held by Superfun and Kinnox for the purpose 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 512,575,332 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 514,093,186 shares and 512,575,332 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 66,335,223 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 30.06.2017
	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.

# Directors' Report

## (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 30.06.2017
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	–	–	4,833,749 <sup>1</sup>	4,833,749	–	4,833,749	0.44
Lee Shau-kee	–	546,000 <sup>2</sup>	–	546,000	–	546,000	0.05
Kwok Kai-fai, Adam	–	–	6,413,207 <sup>3</sup>	6,413,207	–	6,413,207	0.58
Kwok Kai-wang, Christopher	–	–	11,246,956 <sup>1&amp;3</sup>	11,246,956	–	11,246,956	1.02
Fung Yuk-lun, Allen	413,554	–	–	413,554	–	413,554	0.04
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	–	–	11,246,956 <sup>1&amp;3</sup>	11,246,956	–	11,246,956	1.02

### Notes:

- Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 4,833,749 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 by 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 for the purpose 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 6,413,207 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			Total	% of issued voting shares as at 30.06.2017
	Personal interests (held as beneficial owner)	Sub-total	Number of underlying shares held under equity derivatives		
Kwok Ping-luen, Raymond	431,826 <sup>1</sup>	431,826	–	431,826	0.10
Lui Ting, Victor	200,000	200,000	–	200,000	0.05

Note:

1. Of these shares in Transport International, 428,396 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			Total	% of issued voting shares as at 30.06.2017
	Personal interests (held as beneficial owner)	Sub-total	Number of underlying shares held under equity derivatives		
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 30.06.2017	Actual shares held through corporation	Actual % of interests in issued voting shares as at 30.06.2017
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:**

<b>Name of associated corporation</b>	<b>Total number of shares held</b>	<b>% of issued voting shares as at 30.06.2017</b>
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
Metro Trade International Limited	16 <sup>7</sup>	26.67
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 61,876,000 shares in the Company held by Superfun and Kinnox. Superfun was wholly-owned by HK China Gas which was 41.53% held by Henderson Land. Henderson Land was taken to be 72.70% 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 61,876,000 shares in the Company held by Superfun and Kinnox for the purpose of Part XV of the SFO.*
2. *Dr. Lee Shau-kee was deemed to be interested in the two shares held by 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 by Chico Investment Limited ("Chico").*
4. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held by 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 by Starland and 15.79 shares were held by Prominence Properties Limited which was wholly-owned by HK China Gas. HK China Gas was 41.53% held by Henderson Land.*
6. *Dr. Lee Shau-kee was deemed to be interested in the one share held by Starland.*
7. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares in Daily Win Development Limited and the 16 shares in Metro Trade International Limited respectively held by Citiright Development Limited ("Citiright").*
8. *Dr. Lee Shau-kee was deemed to be interested in the one share held by E Man Construction Company Limited.*
9. *Dr. Lee Shau-kee was deemed to be interested in the one share held by Masterland.*
10. *Dr. Lee Shau-kee was deemed to be interested in the one share held by 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 by Citiplus Limited.*
12. *Dr. Lee Shau-kee was deemed to be interested in the 2,459 shares held by Chico.*
13. *Dr. Lee Shau-kee was deemed to be interested in the 3,050 shares held by 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 by Well Born Real Estate Management Limited.*
15. *Dr. Lee Shau-kee was deemed to be interested in the one share held by 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 by Mightymark Investment Limited.*
17. *Dr. Lee Shau-kee was deemed to be interested in the 300 shares held by 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 by Billion Ventures Limited which was 50% held by Chico.*
19. *Dr. Lee Shau-kee was deemed to be interested in the one share held by Dandy Investments Limited.*
20. *Masterland, Chico, Starland, Citiright and companies mentioned in Notes 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 2017, 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 of the Company 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, and all outstanding share options granted under the Old Scheme and yet to be exercised shall remain valid.

During the year ended 30 June 2017, 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 2017 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period <sup>1</sup>	Number of share options				Balance as at 30.06.2017	Closing price per share (HK\$)
				Balance as at 01.07.2016	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
<b>(I) Old Scheme</b>									
<b>(i) Director</b>									
Lui Ting, Victor	11.07.2012	96.15	11.07.2013 to 10.07.2017	100,000	-	(100,000)	-	-	122.00 <sup>2</sup>
<b>(ii) Other employees</b>									
	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	777,000	-	(706,000)	(40,000)	31,000	115.75 <sup>2</sup>
<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	797,000	-	(211,000)	(10,000)	576,000	116.35 <sup>2</sup>
	11.07.2014	106.80	11.07.2015 to 10.07.2019	972,000	-	(116,000)	(10,000)	846,000	116.90 <sup>2</sup>
<b>Total</b>				<b>3,880,000</b>	<b>-</b>	<b>(1,133,000)</b>	<b>(1,148,000)</b>	<b>1,599,000</b>	



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 dates on which the share options were exercised.*
3. *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 2017.

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 14 September 2017, the number of shares of the Company available for issue in respect thereof was 253,724,604 shares, representing approximately 8.76% 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.

# Directors' Report

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 after its termination. 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 2017, no share options were granted under the SUNeVision New Scheme. Particulars of the outstanding share options granted under the SUNeVision New Scheme and their movements during the year ended 30 June 2017 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 01.07.2016	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2017	
<b>SUNeVision New Scheme</b>									
<b>(i) Directors of SUNeVision</b>									
Fung Yuk-lun, Allen	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	-	-	-	4,000,000	N/A
Other director of SUNeVision	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	-	-	-	4,000,000	N/A
<b>(ii) Other employees of SUNeVision</b>	08.03.2016	2.45	08.03.2017 to 07.03.2021	6,600,000	-	(241,000)	(200,000)	6,159,000	4.92 <sup>2</sup>
<b>Total</b>				14,600,000	-	(241,000)	(200,000)	14,159,000	

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 SUNeVision immediately before the dates on which the share options were exercised.

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 2017.

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.

# Directors' Report

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 14 September 2017, the number of shares of SUNeVision available for issue under the SUNeVision New Scheme was 231,981,953 shares, representing approximately 9.99% 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.

## (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 the 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 2017, SmarTone granted 3,000,000 share options under the SmarTone New Scheme on 25 July 2016. Particulars of the outstanding share options granted under the SmarTone Schemes and their movements during the year ended 30 June 2017 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period <sup>1</sup>	Number of share options				Balance as at 30.06.2017	Closing price per share (HK\$)
				Balance as at 01.07.2016	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
<b>(I) SmarTone Old Scheme</b>									
(i) Employees of SmarTone	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) Director of SmarTone	25.07.2016	14.28	25.07.2017 to 24.07.2021	N/A	3,000,000	-	-	3,000,000	13.82 <sup>2</sup>
(ii) Other employees of SmarTone	30.12.2011	13.52	30.12.2012 to 29.12.2016	75,000	-	-	(75,000)	-	N/A
<b>Total</b>				<b>352,500</b>	<b>3,000,000</b>	<b>-</b>	<b>(352,500)</b>	<b>3,000,000</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 closing price of the shares of SmarTone immediately before the date on which the share options were granted.

Save as disclosed above, there were no outstanding share options granted under the SmarTone Schemes during the year ended 30 June 2017.

# Directors' Report

The fair values of the share options granted by SmarTone were determined by using the binominal option pricing model (the "Binominal Model") which is one of the generally accepted methodologies to calculate the value of an option. The value of the share options granted on 25 July 2016 under the SmarTone New Scheme was HK\$7,544,000. The significant inputs into the Binominal Model were as follows:-

Annual risk-free interest rate	0.72% <sup>1</sup>
Expected option life	5 years <sup>2</sup>
Volatility	38.04% <sup>3</sup>
Dividend yield	4.5% <sup>4</sup>
Exercise price	HK\$14.28
Share price at the date of grant	HK\$14.28

*Notes:*

- 1. This represented the rate of safety investment, which is based on the market yield rates of Hong Kong government bond (maturing 6 December 2021) as of the valuation date.*
- 2. This represented the life of the share options as measured from the date of grant.*
- 3. This represented the average standard deviation of historical share price movement of SmarTone in the relevant periods matching expected life of the share options.*
- 4. This represented the dividend yield determined by reference to the forecast 2016 dividend yield of SmarTone as extracted from Bloomberg.*

The value of the share options of SmarTone is subject to a number of assumptions and with regard to the limitation of the Binominal Model. Therefore, the value may be subjective and would change should any of the assumptions change.

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

- 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.
- 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 of SmarTone in issue 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 of SmarTone in issue from time to time. As at 14 September 2017, the number of shares of SmarTone available for issue in respect thereof was 102,761,185 shares which represented approximately 9.30% 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 of SmarTone in issue.
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.
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.

# Directors' Report

## 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 2017, 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 30.06.2017
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
<b>(I) Substantial shareholders</b>					
Kwong Siu-hing	25,024	–	759,883,737 <sup>1&amp;3</sup>	759,908,761	26.24
HSBC Trustee (C.I.) Limited	–	–	759,891,291 <sup>1,2&amp;3</sup>	759,891,291	26.24
Adolfa Limited ("Adolfa")	231,182,838	66,335,223	–	297,518,061 <sup>3</sup>	10.27
Bertana Limited ("Bertana")	231,182,838	66,335,223	–	297,518,061 <sup>3&amp;4</sup>	10.27
Cyric Limited ("Cyric")	231,182,838	66,335,223	–	297,518,061 <sup>3&amp;5</sup>	10.27
<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>9&amp;10</sup>	211,255,146	7.29
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>9&amp;10</sup>	–	–	187,357,707	6.47
Genesis Trust & Corporate Services Ltd.	–	–	187,357,707 <sup>10</sup>	187,357,707	6.47

Notes:

- Madam Kwong Siu-hing was deemed to be interested in 759,883,737 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.
- HSBC Trustee (C.I.) Limited was also deemed to be interested in 7,554 shares in the Company by virtue of it being the trustee of certain discretionary trusts for the purpose of Part XV of the SFO.



3. *Of the respective shares in the Company held by Adolfa, Bertana and Cyric, 66,335,223 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 66,335,223 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.*
4. *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.*
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 Genesis Trust & Corporate Services Ltd. and were therefore duplicated amongst them.*
10. *Genesis Trust & Corporate Services Ltd. 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.*

Save as disclosed above, as at 30 June 2017, 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.

# Directors' Report

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

As at 30 June 2017, the Group employed close to 37,000 employees. The related employees' costs before reimbursements for the year amounted to approximately HK\$10,316 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 2017 are set out in notes 21 and 23 to the consolidated financial statements.

## Interest Capitalized

Interest capitalized during the year amounted to HK\$397 million (2016: HK\$306 million).

## Charitable Donations

HK\$48 million (2016: HK\$41 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.

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 independently of, and at arm's length from, the Excluded Businesses mentioned above.

## **Connected Transactions**

During the period from the date of the 2015/16 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.

# Directors' Report

## 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 2017 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 106 to 122.

## 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, 14 September 2017

# Directors' Biographical Information

## Directors

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

Hon LLD, Hon DBA, MBA, MA (Cantab), JP  
*Chairman & Managing Director (Age: 64)*

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 39 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 2017, 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\$3.18 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: 89)*

Dr. Lee has been a Non-Executive Director of the Company for the last 45 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 2017, Dr. Lee is entitled to receive a fee of HK\$310,000 for being the Vice Chairman of the Company.

# Directors' Biographical Information

## **Wong Chik-wing, Mike**

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

*Deputy Managing Director (Age: 61)*

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 2017, 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\$22.09 million.

## **Lui Ting, Victor**

BBA

*Deputy Managing Director (Age: 63)*

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 2017, 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\$23.18 million.

## **Yip Dicky Peter**

MBA, BBS, MBE, JP

*Independent Non-Executive Director (Age: 70)*

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. Mr. Yip was the chief representative for the Asia-Pacific Region of Institute of International Finance from July 2012 to July 2015. He resigned as an independent director of DSG International (Thailand) Public Company Limited (whose shares were delisted voluntarily from the Stock Exchange of Thailand on 27 June 2017) in August 2017. 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 S. F. Holding Co., Ltd.

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 2017, Mr. Yip is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$280,000 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: 65)*

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. In addition, Professor Wong was an independent non-executive director of CK Life Sciences Int'l, (Holdings) Inc. and Link Asset Management Limited as the manager of Link Real Estate Investment Trust, and a member of the managing board of the Kowloon-Canton Railway Corporation.

For the year ended 30 June 2017, 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.

# Directors' Biographical Information

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

LLD, DSocSc., HonDSocSc (EdUHK), B.A., GBS, OBE, JP  
*Independent Non-Executive Director (Age: 64)*

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 2017, Dr. Li is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$320,000 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: 68)*

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 and The Hongkong and Shanghai Hotels, Limited. Dr. Fung retired as an independent non-executive director of Singapore Airlines Limited on 28 July 2017.

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 was a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998-2003). 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 2017, 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: 77)*

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 2017, Dr. Leung is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$280,000 for being a member of the Audit and Risk Management Committee of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

**Leung Kui-king, Donald**

BSc

*Independent Non-Executive Director (Age: 61)*

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 2017, Mr. Leung is entitled to receive fees of HK\$300,000 and HK\$280,000 for being a Director of the Company and a member of the Audit and Risk Management Committee of the Company respectively.

# Directors' Biographical Information

## **Leung Ko May-yee, Margaret**

SBS, JP

*Independent Non-Executive Director (Age: 65)*

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 was the chief executive of Chong Hing Bank Limited before stepping down on 19 April 2017, and she remains as its deputy chairman and managing director. She is also an independent non-executive director of First Pacific Company Limited, Li & Fung Limited, and Hong Kong Exchanges and Clearing Limited. Mrs. Leung retired as an independent non-executive director of QBE Insurance Group Limited with effect from 30 March 2017. In addition, she was an independent non-executive director of Swire Pacific Limited, Hutchison Whampoa Limited and China Construction Bank Corporation.

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 2017, 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., FInstD, FHKMA

*Non-Executive Director (Age: 88)*

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 2017, 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: 82)*

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of both 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 54 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, honorary 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 2017, 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.

**Kwok Kai-fai, Adam**

MBA, BSc

*Executive Director (Age: 34)*

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 the International Advisory Council of the Faculty of Business and Economics of The University of Hong Kong, an advisor of Our Hong Kong Foundation 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 deputy chairman of Hong Kong Guangdong Youth Association, a member of All-China Youth Federation and a vice-chairman of Friends of Hong Kong Association Development Foundation.

# Directors' Biographical Information

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 2017, 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\$7.88 million.

## **Kwok Kai-wang, Christopher**

MBA, BSc

*Executive Director (Age: 31)*

Mr. Kwok has been an Executive Director of the Company since 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 also a non-executive director of SUNeVision Holdings Ltd.

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.

For the year ended 30 June 2017, Mr. Kwok 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\$4.37 million, including a fee of HK\$15,000 for being a director of SUNeVision Holdings Ltd. for the period from 1 February 2017 to 30 June 2017.

## **Kwong Chun**

*Executive Director (Age: 88)*

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 2017, 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\$6.20 million.

**Tung Chi-ho, Eric**

BA(AS)Hons, BArch, HKIA, Registered Architect, Authorized Person (List of Architects)

*Executive Director (Age: 58)*

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 2017, 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\$18.69 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: 49)*

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.

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, an honorary treasurer of The Hong Kong Federation of Youth Groups and a council member of The Hong Kong Management Association. He is also a council member of Sir Edward Youde Memorial Fund, a member of the board of the Asian Youth Orchestra and a member of the Advisory Committee on Gifted Education of the Education Bureau of the Government of the Hong Kong Special Administrative Region.

For the year ended 30 June 2017, 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\$17.56 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.

# Directors' Biographical Information

## **Kwok Ho-lai, Edward**

BA

*Alternate Director to Kwok Ping-luen, Raymond (Age: 36)*

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. He has also completed the program requirements for the Kellogg-HKUST Executive MBA Program in July 2017. 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: 54)*

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 Guantao & Chow Solicitors and Notaries. 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 currently an independent non-executive director of Henderson Land Development Company Limited. He resigned as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. in August 2017. 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 of the Company 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 meetings 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 the 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.

### **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

**Deloitte.**

德勤

## **TO THE SHAREHOLDERS OF SUN HUNG KAI PROPERTIES LIMITED**

*(incorporated in Hong Kong with limited liability)*

### **Opinion**

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 165 to 224, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

## Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of investment properties</b>	
<p>We identified the valuation of investment properties as a key audit matter due to the significance of the Group's investment properties in the context of the Group's consolidated financial statements as a whole and because significant judgement is involved in determining the inputs used in the valuation.</p>	<p>Our procedures in relation to the valuation of the investment properties included:</p>
<p>As at 30 June 2017, the Group's investment properties amounted to HK\$337,980 million which represented 52.9% of the Group's total assets. Increase in fair value of investment properties of HK\$13,810 million was recognized in the consolidated income statement for the year then ended.</p>	<ul style="list-style-type: none"><li data-bbox="834 588 1447 648">• Evaluating the competence, capabilities and objectivity of the Valuers;</li><li data-bbox="834 692 1447 892">• Assessing the appropriateness and reasonableness of the valuation methodology, key assumptions and estimates used in the valuations on a sample basis, based on evidence of comparable market transactions and other publicly available information of the property industry; and</li><li data-bbox="834 935 1447 1065">• Assessing the completeness and consistency of information provided by the Group to the Valuers; and evaluating the accuracy of the key inputs used in the valuation on a sample basis.</li></ul>
<p>The Group's investment properties are stated at fair value based on the valuation carried out by independent qualified valuers (the "Valuers"). The valuation was dependent on certain key estimates which requires significant judgement, including capitalization rates. The valuation of investment properties under development was also dependent on the estimated costs that will be incurred to complete the development with appropriate allowance for profit and risk. Details of the valuation methodology and key inputs used in the valuation are disclosed in note 10 to the consolidated financial statements.</p>	

# Independent Auditor's Report

## Key Audit Matters (cont'd)

### Key audit matter

### How our audit addressed the key audit matter

#### Assessment of the net realizable values of properties for sale

We identified the assessment of the net realizable values of properties for sale as a key audit matter as the properties for sale is significant to the Group's consolidated financial statements as a whole; and the Group's assessment of the carrying values of properties for sale, being the lower of cost and net realizable value, takes into account the price ultimately expected to be realized and the anticipated costs to completion.

As disclosed in note 17 to the consolidated financial statements, the Group's properties for sale amounted to HK\$146,409 million which represented 22.9% of the Group's total assets, as at 30 June 2017.

Our procedures in relation to the Group's assessment of the net realizable values of properties for sale included:

- Assessing the reasonableness of the net realizable values of properties for sale, on a sample basis, by comparing the carrying values with the market prices achieved less future costs to completion in the same projects or comparable properties, based on our knowledge of the Group's business and current market development in the real estate industry; and
- Obtaining an understanding of the management's process in estimating the future costs to completion for the properties pending/under development for sale; and assessing the reasonableness of their estimations, on a sample basis, by comparing the expected costs to the Group's development budgets and the actual development costs of similar projects recently completed by the Group and by checking to construction contracts and other relevant documents.

#### Revenue recognition of property sales

We identified revenue recognition of property sales as a key audit matter as it is significant to the consolidated income statement and there is judgement involved in determining the appropriate point in time for recognizing revenue from property sales.

The Group's revenue from property sales for the year ended 30 June 2017 amounted to HK\$35,962 million, which is disclosed in note 2 to the consolidated financial statements, and represented 46.0% of the Group's revenue.

As disclosed in note 1(e) to the consolidated financial statements, revenue from sale of properties is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, which can be measured reliably; and the significant risks and rewards of ownership of the properties are transferred to the buyers.

Our procedures in relation to revenue recognition of property sales included:

- Obtaining an understanding of the management's controls over the determination of appropriate point in time to recognize revenue and testing the effectiveness of such controls; and
- Assessing whether the significant risks and rewards of ownership of the properties have been transferred to the buyers, on a sample basis, with reference to the occupation permits, completion certificates and other correspondences issued by the relevant government authorities and the terms set out in the sale and purchase agreements; checking the status of the transfer of the properties to the buyers and the settlement of the considerations for the property sales; and evaluating the management's assessment of chance of default by the buyers after taking into account the market conditions and performance.

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# Independent Auditor's Report

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Sze Ching Yiu.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

14 September 2017

# Consolidated Income Statement

For the year ended 30 June 2017

(Expressed in millions of Hong Kong dollars)

	Notes	2017	2016
<b>Revenue</b>	2(a)	<b>78,207</b>	91,184
Cost of sales		<b>(42,433)</b>	(56,445)
Gross profit		<b>35,774</b>	34,739
Other net income		<b>927</b>	763
Selling and marketing expenses		<b>(4,708)</b>	(4,250)
Administrative expenses		<b>(2,467)</b>	(2,396)
<b>Operating profit before changes in fair value of investment properties</b>	2(a)	<b>29,526</b>	28,856
Increase in fair value of investment properties		<b>13,810</b>	8,769
<b>Operating profit after changes in fair value of investment properties</b>		<b>43,336</b>	37,625
Finance costs		<b>(1,987)</b>	(2,289)
Finance income		<b>278</b>	234
Net finance costs	3	<b>(1,709)</b>	(2,055)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$4,238 million (2016: HK\$1,163 million)) of:			
Associates		<b>428</b>	602
Joint ventures		<b>7,170</b>	3,614
	2(a) & 9(b)	<b>7,598</b>	4,216
<b>Profit before taxation</b>	4	<b>49,225</b>	39,786
Taxation	7	<b>(6,750)</b>	(6,390)
<b>Profit for the year</b>	2(a)	<b>42,475</b>	33,396
<b>Attributable to:</b>			
Company's shareholders		<b>41,782</b>	32,666
Perpetual capital securities holders		<b>18</b>	–
Non-controlling interests		<b>675</b>	730
		<b>42,475</b>	33,396
<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>\$14.43</b>	\$11.31
Diluted		<b>\$14.43</b>	\$11.30
<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>\$8.97</b>	\$8.37
Diluted		<b>\$8.97</b>	\$8.36

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

(Expressed in millions of Hong Kong dollars)

	2017	2016
<b>Profit for the year</b>	<b>42,475</b>	33,396
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Translation difference on foreign operations		
– exchange difference arising during the year	(926)	(5,914)
– exchange gains released on disposal of foreign operation	–	(112)
	<b>(926)</b>	(6,026)
Cash flow hedge		
– fair value losses recognized during the year	–	(1)
– fair value losses transferred to consolidated income statement	2	2
	<b>2</b>	1
Available-for-sale investments		
– fair value gains/(losses) recognized during the year	227	(203)
– fair value gains transferred to consolidated income statement on disposal	(35)	(83)
	<b>192</b>	(286)
Share of other comprehensive loss of associates and joint ventures	<b>(274)</b>	(794)
<b>Item that will not be reclassified to profit or loss:</b>		
Share of other comprehensive income/(loss) of an associate	<b>43</b>	(55)
<b>Other comprehensive loss for the year</b>	<b>(963)</b>	(7,160)
<b>Total comprehensive income for the year</b>	<b>41,512</b>	26,236
<b>Total comprehensive income for the year attributable to:</b>		
Company's shareholders	<b>40,854</b>	25,703
Perpetual capital securities holders	<b>18</b>	–
Non-controlling interests	<b>640</b>	533
	<b>41,512</b>	26,236



# Consolidated Statement of Financial Position

As at 30 June 2017

(Expressed in millions of Hong Kong dollars)

	Notes	2017	2016
<b>Non-current assets</b>			
Investment properties	10	337,980	318,517
Fixed assets	11	26,977	25,446
Associates	12	4,724	4,576
Joint ventures	13	59,117	56,231
Loan receivables	14	4,981	1,035
Other financial assets	15	3,375	3,326
Intangible assets	16	5,524	3,754
		<b>442,678</b>	412,885
<b>Current assets</b>			
Properties for sale	17	146,409	144,844
Inventories		444	596
Debtors, prepayments and others	18	17,813	25,024
Other financial assets	19	798	1,118
Bank deposits and cash	20	31,274	30,048
		<b>196,738</b>	201,630
<b>Current liabilities</b>			
Bank and other borrowings	21	(5,390)	(17,486)
Trade and other payables	22	(26,908)	(27,493)
Deposits received on sales of properties		(10,458)	(6,976)
Taxation		(8,216)	(7,116)
		<b>(50,972)</b>	(59,071)
<b>Net current assets</b>			
		<b>145,766</b>	142,559
<b>Total assets less current liabilities</b>			
		<b>588,444</b>	555,444
<b>Non-current liabilities</b>			
Bank and other borrowings	23	(61,936)	(63,275)
Deferred taxation	24	(18,930)	(17,410)
Other long-term liabilities	25	(215)	(251)
		<b>(81,081)</b>	(80,936)
<b>NET ASSETS</b>			
		<b>507,363</b>	474,508
<b>CAPITAL AND RESERVES</b>			
Share capital	26	70,516	70,384
Reserves		427,699	398,323
<b>Shareholders' funds</b>			
		<b>498,215</b>	468,707
Perpetual capital securities	27	3,910	–
Non-controlling interests		5,238	5,801
<b>TOTAL EQUITY</b>			
		<b>507,363</b>	474,508

Directors:

**Kwok Ping-luen, Raymond**

**Lui Ting, Victor**

# Consolidated Statement of Cash Flows

For the year ended 30 June 2017

(Expressed in millions of Hong Kong dollars)

	Notes	2017	2016
<b>Operating activities</b>			
Cash generated from operations	30(a)	<b>38,779</b>	20,334
Hong Kong profits tax paid		<b>(2,771)</b>	(3,839)
Outside Hong Kong tax paid		<b>(1,046)</b>	(1,199)
<b>Net cash from operating activities</b>		<b>34,962</b>	15,296
<b>Investing activities</b>			
Purchase of an associate		<b>(71)</b>	(114)
Purchase of a joint venture		<b>-</b>	(1)
Purchase of other financial assets		<b>(277)</b>	(1,235)
Net repayments from/(advances to) associates and joint ventures		<b>1,687</b>	(124)
Additions to fixed assets		<b>(2,725)</b>	(2,075)
Additions to investment properties		<b>(6,473)</b>	(4,559)
Purchase of a subsidiary	30(b)	<b>-</b>	(117)
Payment of telecommunications licence fees		<b>(2,501)</b>	(203)
Net proceeds from disposal of investment properties		<b>582</b>	144
Proceeds from disposal of other financial assets		<b>909</b>	472
Proceeds from disposal of fixed assets		<b>9</b>	10
Net cash outflow on disposal of subsidiaries	30(c)	<b>-</b>	(52)
Interest received from investments		<b>135</b>	201
Dividends received from listed investments		<b>85</b>	78
Dividends received from unlisted investments		<b>40</b>	42
Dividends received from associates and joint ventures		<b>2,717</b>	2,290
Loans and advances made		<b>(3,813)</b>	(578)
<b>Net cash used in investing activities</b>		<b>(9,696)</b>	(5,821)
<b>Financing activities</b>			
Bank and other borrowings raised		<b>7,952</b>	9,024
Repayment of bank and other borrowings		<b>(21,201)</b>	(10,171)
Decrease in bank deposits maturing after more than three months		<b>5,949</b>	1,583
Interest paid		<b>(2,366)</b>	(2,574)
Interest received		<b>284</b>	251
Proceeds from issue of shares		<b>112</b>	1,910
Proceeds from issue of shares by a subsidiary		<b>-</b>	136
Purchase of additional interest in a subsidiary		<b>(84)</b>	(28)
Payment for repurchase of shares by a subsidiary		<b>(88)</b>	-
(Decrease)/increase in fundings from non-controlling interests		<b>(469)</b>	345
Dividends paid to shareholders		<b>(11,292)</b>	(9,982)
Dividends paid to non-controlling interests		<b>(672)</b>	(535)
Net proceeds from issue of perpetual capital securities		<b>3,862</b>	-
<b>Net cash used in financing activities</b>		<b>(18,013)</b>	(10,041)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>7,253</b>	(566)
<b>Cash and cash equivalents at beginning of year</b>		<b>17,902</b>	18,866
<b>Effect of foreign exchange rates changes</b>		<b>(81)</b>	(398)
<b>Cash and cash equivalents at end of year</b>	30(d)	<b>25,074</b>	17,902

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

(Expressed in millions of Hong Kong dollars)

	Attributable to Company's shareholders					Total	Perpetual capital securities	Non-controlling interests	Total
	Share capital	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits				
At 1 July 2015	68,451	847	1,249	7,097	373,382	451,026	–	5,792	456,818
Profit for the year	–	–	–	–	32,666	32,666	–	730	33,396
Other comprehensive (loss)/income for the year	–	1	(288)	(6,622)	(54)	(6,963)	–	(197)	(7,160)
Total comprehensive (loss)/income for the year	–	1	(288)	(6,622)	32,612	25,703	–	533	26,236
Shares issued on exercise of share options	116	(23)	–	–	–	93	–	–	93
Shares issued on exercise of warrants	1,817	–	–	–	–	1,817	–	–	1,817
Recognition of equity-settled share-based payments	–	5	–	–	–	5	–	1	6
Share options lapsed	–	–	–	–	19	19	–	(19)	–
Final dividend paid	–	–	–	–	(6,944)	(6,944)	–	–	(6,944)
Interim dividend paid	–	–	–	–	(3,038)	(3,038)	–	–	(3,038)
Disposal of subsidiaries	–	3	–	–	–	3	–	(56)	(53)
Adjustments relating to changes in interests in a subsidiary	–	23	–	–	–	23	–	115	138
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(565)	(565)
At 30 June 2016 and 1 July 2016	70,384	856	961	475	396,031	468,707	–	5,801	474,508
Profit for the year	–	–	–	–	41,782	41,782	18	675	42,475
Other comprehensive (loss)/income for the year	–	2	197	(1,170)	43	(928)	–	(35)	(963)
Total comprehensive (loss)/income for the year	–	2	197	(1,170)	41,825	40,854	18	640	41,512
Shares issued on exercise of share options	132	(20)	–	–	–	112	–	–	112
Recognition of equity-settled share-based payments	–	1	–	–	–	1	–	7	8
Share options lapsed	–	(21)	–	–	22	1	–	(1)	–
Final dividend paid	–	–	–	–	(8,107)	(8,107)	–	–	(8,107)
Interim dividend paid	–	–	–	–	(3,185)	(3,185)	–	–	(3,185)
Deemed disposal of subsidiaries	–	–	–	–	–	–	–	(503)	(503)
Adjustments relating to changes in interests in subsidiaries	–	(138)	–	–	–	(138)	–	4	(134)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(710)	(710)
Issue of perpetual capital securities	–	–	–	–	–	–	3,892	–	3,892
Transaction costs for issue of perpetual capital securities	–	–	–	–	(30)	(30)	–	–	(30)
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	–	1	–	–	(1)	–	–	–	–
At 30 June 2017	70,516	681	1,158	(695)	426,555	498,215	3,910	5,238	507,363

# 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 has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (collectively, "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2016.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

The adoption of the above new HKFRSs has had no significant impact on the Group's result and financial position.

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 2014–2016 Cycle <sup>4</sup>
Amendments to HKAS 7	Disclosure initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses <sup>1</sup>
Amendments to HKAS 40	Transfers of investment property <sup>3</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>3</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>2</sup>
HKFRS 9	Financial instruments <sup>3</sup>
HKFRS 15	Revenue from contracts with customers and the related amendments <sup>3</sup>
HKFRS 16	Leases <sup>5</sup>
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration <sup>3</sup>
HK(IFRIC)-Int 23	Uncertainty over income tax treatments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2019

## 1 **Basis of Preparation and Principal Accounting Policies (cont'd)**

### **b. *Changes in accounting policies (cont'd)***

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

### **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.

# 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)

**(ii) Rental income**

Rental income from properties letting under operating leases is recognized on a straight line basis over the lease terms.

**(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. Perpetual capital securities issued by the Group are accounted for as equity and are initially recorded at the proceeds received.

# 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 hedge accounting*

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.

Changes in the fair values of derivative financial instruments that are not designated for hedge accounting are 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 qualified 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 2017

	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	30,224	9,909	37	27	30,261	9,936
Mainland China	5,738	1,177	2,566	773	8,304	1,950
Singapore	–	–	64	31	64	31
	<b>35,962</b>	<b>11,086</b>	<b>2,667</b>	<b>831</b>	<b>38,629</b>	<b>11,917</b>
Property rental						
Hong Kong	14,555	11,264	2,884	2,413	17,439	13,677
Mainland China	3,415	2,756	374	196	3,789	2,952
Singapore	–	–	669	513	669	513
	<b>17,970</b>	<b>14,020</b>	<b>3,927</b>	<b>3,122</b>	<b>21,897</b>	<b>17,142</b>
Hotel operation	4,166	1,108	730	217	4,896	1,325
Telecommunications	8,715	928	–	–	8,715	928
Transport infrastructure and logistics	3,860	1,230	3,191	424	7,051	1,654
Other businesses	7,534	1,629	418	95	7,952	1,724
	<b>78,207</b>	<b>30,001</b>	<b>10,933</b>	<b>4,689</b>	<b>89,140</b>	<b>34,690</b>
Other net income		927		–		927
Unallocated administrative expenses		(1,402)		–		(1,402)
Operating profit before changes in fair value of investment properties		29,526		4,689		34,215
Increase in fair value of investment properties		13,810		4,395		18,205
Operating profit after changes in fair value of investment properties		43,336		9,084		52,420
Net finance costs		(1,709)		(387)		(2,096)
Profit before taxation		41,627		8,697		50,324
Taxation						
– Group		(6,750)		–		(6,750)
– Associates		–		(62)		(62)
– Joint ventures		–		(1,037)		(1,037)
Profit for the year		<b>34,877</b>		<b>7,598</b>		<b>42,475</b>

## 2 Segment Information (cont'd)

### (a) Segment revenue and results (cont'd)

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

Results from property sales include selling and marketing expenses of HK\$735 million (2016: HK\$531 million) and HK\$48 million (2016: HK\$62 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 2017</b>				
Property development				
Hong Kong	140,464	1,591	142,055	(16,979)
Mainland China	16,510	5,573	22,083	(5,473)
Singapore	–	99	99	–
	156,974	7,263	164,237	(22,452)
Property investment				
Hong Kong	251,967	40,971	292,938	(3,748)
Mainland China	87,983	5,943	93,926	(2,096)
Singapore	–	4,824	4,824	–
	339,950	51,738	391,688	(5,844)
Hotel operation	16,831	1,345	18,176	(504)
Telecommunications	7,822	–	7,822	(1,915)
Transport infrastructure and logistics	3,669	3,163	6,832	(646)
Other businesses	11,734	332	12,066	(4,043)
	536,980	63,841	600,821	(35,404)
Bank deposits and cash			31,274	–
Other financial assets			4,173	–
Bank and other borrowings			–	(67,326)
Unallocated corporate assets/(liabilities)			3,148	(2,177)
Taxation			–	(8,216)
Deferred taxation			–	(18,930)
Total assets/(liabilities)			639,416	(132,053)
<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)



## 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	
	2017	2016	2017	2016
Property investment for rental	–	–	6,784	4,715
Hotel operation	387	400	1,036	716
Telecommunications	927	870	2,801	596
Transport infrastructure and logistics	366	406	31	77
Other businesses	232	232	1,343	749
Unallocated corporate assets	27	42	2	21
	<b>1,939</b>	1,950	<b>11,997</b>	6,874

### (d) Geographical information

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

	2017	2016
Hong Kong	68,060	82,262
Mainland China	9,747	8,197
Others	400	725
	<b>78,207</b>	91,184

An analysis of the Group's non-current assets by geographical location is as follows:

	2017			2016		
	The Company and its subsidiaries	Associates and joint ventures	Consolidated	The Company and its subsidiaries	Associates and joint ventures	Consolidated
Hong Kong	279,576	47,025	326,601	259,994	42,865	302,859
Mainland China	90,665	11,893	102,558	87,455	13,065	100,520
Singapore	–	4,923	4,923	–	4,877	4,877
Others	240	–	240	268	–	268
	<b>370,481</b>	<b>63,841</b>	<b>434,322</b>	347,717	60,807	408,524
Loan receivables			4,981			1,035
Other financial assets			3,375			3,326
Total non-current assets			<b>442,678</b>			412,885

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 3 Net Finance Costs

	2017	2016
Interest expenses	2,352	2,543
Notional non-cash interest accretion	32	52
Less: Amount capitalized	(397)	(306)
	<b>1,987</b>	2,289
Interest income on bank deposits	(278)	(234)
	<b>1,709</b>	2,055

Finance costs have been capitalized for properties under development at rates ranging from 2.54% to 5.84% (2016: 2.50% to 6.00%) 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

	2017	2016
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	21,756	26,992
Cost of inventories sold	4,531	13,828
Depreciation and amortization of hotel properties	321	325
Depreciation of other properties, plant and equipment	1,104	1,177
Amortization of intangible assets (included in cost of sales)	514	448
Impairment of intangible assets	3	4
Operating lease rentals for land and buildings, transmission sites and leased lines	1,615	1,538
Staff costs (including directors' emoluments and retirement schemes contributions)	7,455	6,948
Share-based payments	8	6
Auditors' remuneration	22	23
Fair value losses on financial assets at fair value through profit or loss	53	173
Loss on disposal of fixed assets	5	12
and crediting:		
Dividend income from:		
listed investments	91	78
unlisted investments	40	42
Interest income from debt securities	94	102
Profit on disposal of available-for-sale investments	82	52
Profit on disposal of financial assets at fair value through profit or loss	22	1

## 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 d) Share-based payments	2017 Total emoluments	2016
		Fees						Total emoluments
<b>Executive Directors</b>								
Kwok Ping-luen, Raymond		0.55	2.45	0.27	0.23	–	3.50	3.38
Wong Chik-wing, Mike		0.30	12.45	8.72	0.92	–	22.39	21.26
Lui Ting, Victor		0.30	9.92	12.34	0.92	–	23.48	22.03
Kwok Kai-fai, Adam		0.30	5.53	2.33	0.02	–	8.18	6.29
Kwok Kai-wang, Christopher	a	0.31	2.10	2.24	0.02	–	4.67	0.40
Kwong Chun		0.30	3.18	3.02	–	–	6.50	5.90
Tung Chi-ho, Eric		0.34	7.88	10.09	0.68	0.14	19.13	17.64
Fung Yuk-lun, Allen		0.50	6.72	10.30	0.34	0.80	18.66	17.17
Chan Kwok-wai, Patrick	b	–	–	–	–	–	–	8.64
<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	c	–	–	–	–	–	–	0.20
<b>Independent Non-Executive Directors</b>								
Yip Dicky Peter		0.64	–	–	–	–	0.64	0.60
Wong Yue-chim, Richard		0.44	–	–	–	–	0.44	0.44
Li Ka-cheung, Eric		0.97	–	–	–	–	0.97	0.93
Fung Kwok-lun, William		0.30	–	–	–	–	0.30	0.30
Leung Nai-pang, Norman		0.70	–	–	–	–	0.70	0.57
Leung Kui-king, Donald		0.58	–	–	–	–	0.58	0.54
Leung Ko May-yee, Margaret		0.30	–	–	–	–	0.30	0.30
<b>Total 2017</b>		<b>7.86</b>	<b>50.23</b>	<b>49.31</b>	<b>3.13</b>	<b>0.94</b>	<b>111.47</b>	107.62
Total 2016		7.66	50.02	46.14	3.12	0.68		

The above analysis included four (2016: four) 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 (2016: one) individual are:

	2017	2016
Salaries, allowances and benefits in kind	7.01	6.72
Discretionary bonuses	9.95	10.02
Retirement scheme contributions	0.65	0.62
	<b>17.61</b>	17.36

Number of employees whose emoluments fell within:

Emoluments Band			Number of employees	Number of employees
HK\$M		HK\$M		
17.0	–	17.5	–	1
17.6	–	18.0	1	–
			<b>1</b>	1

- (a) Mr. Kwok Kai-wang, Christopher was appointed as an Executive Director on 26 April 2016.
- (b) 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.
- (c) Mr. Wong Yick-kam, Michael resigned as a Non-Executive Director on 13 November 2015.
- (d) 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 20% 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\$330 million (2016: HK\$316 million). Forfeited contributions for the year of HK\$2 million (2016: HK\$2 million) were used to reduce the existing level of contributions.

## 7 Taxation

	2017	2016
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	3,728	3,618
Under provision in prior years	19	17
	<b>3,747</b>	3,635
Tax outside Hong Kong	1,344	1,241
Under/(over) provision in prior years	9	(6)
	<b>1,353</b>	1,235
	<b>5,100</b>	4,870
Deferred taxation charge		
Changes in fair value of investment properties	1,134	1,042
Other origination and reversal of temporary differences	516	478
	<b>1,650</b>	1,520
	<b>6,750</b>	6,390

(a) Hong Kong profits tax is provided at the rate of 16.5% (2016: 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:

	2017	2016
Profit before share of results of associates, joint ventures and taxation	41,627	35,570
Tax at Hong Kong profits tax rate of 16.5% (2016: 16.5%)	6,869	5,869
Effect of different tax rates of subsidiaries operating outside Hong Kong	1,474	1,422
Net effect of non-deductible expenses and non-taxable income	(1,769)	(1,059)
Utilization of tax losses not previously recognized	(83)	(60)
Tax losses and other temporary differences not recognized	223	215
Under provision in prior years	28	11
Others	8	(8)
Tax expenses	<b>6,750</b>	6,390

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 8 Dividends

	2017	2016
Dividends recognized as distribution during the year:		
2016 final dividend of HK\$2.80 per share based on 2,895 million shares (2016: 2015 final dividend of HK\$2.40 per share based on 2,893 million shares)	<b>8,107</b>	6,944
2017 interim dividend of HK\$1.10 per share based on 2,896 million shares (2016: HK\$1.05 per share based on 2,893 million shares)	<b>3,185</b>	3,038
	<b>11,292</b>	9,982

## 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\$41,782 million (2016: HK\$32,666 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,895,499,978 (2016: 2,887,319,897). The diluted earnings per share is based on 2,895,669,589 (2016: 2,889,821,657) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 169,611 (2016: 2,501,760) 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\$25,965 million (2016: HK\$24,170 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2017	2016
Profit attributable to the Company's shareholders as shown in the consolidated income statement	<b>41,782</b>	32,666
Increase in fair value of investment properties		
Subsidiaries	<b>(13,810)</b>	(8,769)
Associates	<b>(22)</b>	(291)
Joint ventures	<b>(4,373)</b>	(938)
Effect of corresponding deferred tax charges		
Subsidiaries	<b>1,134</b>	1,042
Joint ventures	<b>157</b>	66
Non-controlling interests	<b>63</b>	20
Unrealized fair value gains of investment properties net of deferred tax	<b>(16,851)</b>	(8,870)
Fair value gains realized on disposal of investment properties net of deferred tax	<b>1,034</b>	374
Net effect of changes in fair value of investment properties	<b>(15,817)</b>	(8,496)
Underlying profit attributable to the Company's shareholders	<b>25,965</b>	24,170

## 10 Investment Properties

### (a) Movement during the year

	Completed	Under development	Total
Valuation			
At 1 July 2015	271,049	38,156	309,205
Additions	1,184	3,531	4,715
Transfer upon completion	950	(950)	–
Transfer upon redevelopment	(357)	357	–
Disposals	(132)	–	(132)
Transfer to			
– properties for sale	–	(523)	(523)
– other properties	(3)	–	(3)
Redesignate from			
– properties for sale	–	1,802	1,802
– properties under development	–	573	573
Exchange difference	(3,807)	(2,082)	(5,889)
Increase in fair value	6,593	2,176	8,769
At 30 June 2016 and 1 July 2016	275,477	43,040	318,517
Additions	<b>828</b>	<b>5,956</b>	<b>6,784</b>
Transfer upon completion	<b>4,616</b>	<b>(4,616)</b>	–
Transfer from properties for sale	<b>4</b>	–	<b>4</b>
Disposals	<b>(295)</b>	–	<b>(295)</b>
Transfer to other properties	<b>(141)</b>	–	<b>(141)</b>
Redesignate from properties for sale	–	<b>187</b>	<b>187</b>
Exchange difference	<b>(557)</b>	<b>(329)</b>	<b>(886)</b>
Increase in fair value	<b>12,142</b>	<b>1,668</b>	<b>13,810</b>
At 30 June 2017	<b>292,074</b>	<b>45,906</b>	<b>337,980</b>

### (b) Investment properties valuation

The Group's investment properties were valued at their fair values at 30 June 2017 and 30 June 2016 by Knight Frank Petty Limited, an independent firm of 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 value of the property when completed using either a sales comparison or income capitalization method on the assumption that the property had already been completed in accordance with the current development plan on the valuation date less the costs that will be incurred to complete the development with appropriate allowance for profit and risk.

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

	Fair value		Weighted average capitalization rate	
	2017	2016	2017	2016
<b>Completed</b>				
Hong Kong	<b>237,246</b>	222,348	<b>5.2%</b>	5.2%
Mainland China	<b>54,828</b>	53,129	<b>6.6%</b>	6.6%
	<b>292,074</b>	275,477		
<b>Under development</b>				
Hong Kong	<b>13,312</b>	11,912	<b>4.0%</b>	4.5%
Mainland China	<b>32,594</b>	31,128	<b>6.6%</b>	6.6%
	<b>45,906</b>	43,040		

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\$289 million (2016: HK\$11 million).
- (d) Gross rental income and direct operating expenses from investment properties during the year amounted to HK\$17,295 million (2016: HK\$16,564 million) and HK\$3,755 million (2016: HK\$3,622 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 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 and 1 July 2016	13,490	6,655	6,049	5,520	5,123	36,837
Additions	<b>35</b>	<b>1,800</b>	<b>3</b>	<b>433</b>	<b>655</b>	<b>2,926</b>
Cost adjustment	<b>(53)</b>	–	–	–	–	<b>(53)</b>
Transfer from						
- other properties	–	–	–	–	<b>1</b>	<b>1</b>
- completed investment properties	–	–	<b>141</b>	–	–	<b>141</b>
Transfer to						
- other fixed assets	–	–	<b>(1)</b>	–	–	<b>(1)</b>
- properties for sale	–	–	–	–	<b>(16)</b>	<b>(16)</b>
Disposals	–	–	–	<b>(95)</b>	<b>(126)</b>	<b>(221)</b>
Exchange difference	<b>(19)</b>	<b>(17)</b>	–	–	<b>(1)</b>	<b>(37)</b>
At 30 June 2017	<b>13,453</b>	<b>8,438</b>	<b>6,192</b>	<b>5,858</b>	<b>5,636</b>	<b>39,577</b>
Accumulated depreciation						
At 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 and 1 July 2016	3,256	–	1,896	2,636	3,603	11,391
Charge for the year	<b>321</b>	–	<b>136</b>	<b>569</b>	<b>399</b>	<b>1,425</b>
Disposals	–	–	–	<b>(88)</b>	<b>(120)</b>	<b>(208)</b>
Transfer to properties for sale	–	–	–	–	<b>(4)</b>	<b>(4)</b>
Exchange difference	<b>(2)</b>	–	–	–	<b>(2)</b>	<b>(4)</b>
At 30 June 2017	<b>3,575</b>	–	<b>2,032</b>	<b>3,117</b>	<b>3,876</b>	<b>12,600</b>
Net book value at 30 June 2017	<b>9,878</b>	<b>8,438</b>	<b>4,160</b>	<b>2,741</b>	<b>1,760</b>	<b>26,977</b>
Net book value at 30 June 2016	10,234	6,655	4,153	2,884	1,520	25,446

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 12 Associates

	2017	2016
Unlisted shares, at cost less impairment loss	28	37
Hong Kong listed shares, at cost	983	732
Share of post-acquisition reserves	3,695	3,787
	<b>4,706</b>	4,556
Amounts due from associates	18	20
	<b>4,724</b>	4,576
Market value of Hong Kong listed shares	3,757	2,802

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:

	2017	2016
Investment properties	2,198	1,386
Other non-current assets	3,838	3,130
Current assets	1,428	2,139
Current liabilities	(872)	(1,054)
Non-current liabilities	(1,886)	(1,045)
Net assets	<b>4,706</b>	4,556
Revenue	3,036	2,932
Fair value changes of investment properties net of related deferred tax	22	291
Profit for the year	<b>428</b>	602

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2017.

## 13 Joint Ventures

	2017	2016
Unlisted shares, at cost less impairment loss	3,097	3,098
Share of post-acquisition reserves	47,863	43,304
	<b>50,960</b>	46,402
Amounts due from joint ventures	8,157	9,829
	<b>59,117</b>	56,231

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\$627 million (2016: HK\$959 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:

	2017	2016
Investment properties	<b>67,906</b>	62,762
Other non-current assets	<b>4,197</b>	3,841
Current assets	<b>15,467</b>	17,370
Current liabilities	<b>(12,734)</b>	(15,421)
Non-current liabilities	<b>(23,876)</b>	(22,150)
Net assets	<b>50,960</b>	46,402
Revenue	<b>7,897</b>	7,630
Fair value changes of investment properties net of related deferred tax	<b>4,216</b>	872
Profit for the year	<b>7,170</b>	3,614

Particulars regarding principal joint ventures are set out in the section headed "Principal Joint Ventures" of the Annual Report 2017.

### 14 Loan Receivables

	2017	2016
Loan receivables	<b>5,430</b>	1,617
Less: Amount due within one year included under current assets	<b>(449)</b>	(582)
	<b>4,981</b>	1,035

Loan receivables include mortgage loan receivables which are secured on properties and repayable by monthly instalments with various tenors not more than 25 years (2016: 25 years) at the year end date and carry interest at rates with reference to banks' lending rates.

As at 30 June 2017, 0.6% (2016: 0.3%) of loan receivables have been overdue but not impaired, of which 97% (2016: 100%) 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 2017 and 30 June 2016 is not significant.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 15 Other Financial Assets

	2017	2016
<b>Held-to-maturity debt securities</b>		
Listed debt securities, overseas	81	121
Listed debt securities, Hong Kong	582	616
	<b>663</b>	737
<b>Available-for-sale debt securities</b>		
Listed debt securities, overseas	40	143
Listed debt securities, Hong Kong	368	334
Unlisted debt securities	11	–
	<b>419</b>	477
<b>Available-for-sale equity securities</b>		
Listed equity securities, overseas	689	714
Listed equity securities, Hong Kong	1,318	1,170
Unlisted equity securities	286	228
	<b>2,293</b>	2,112
	<b>3,375</b>	3,326
Market value of listed securities		
Listed overseas	811	981
Listed in Hong Kong	2,279	2,142
	<b>3,090</b>	3,123

## 16 Intangible Assets

	Concession assets	Telecommunications licences	Goodwill	Total
Cost				
At 1 July 2015	6,934	2,492	35	9,461
Additions	–	–	116	116
At 30 June 2016 and 1 July 2016	6,934	2,492	151	9,577
Additions	–	<b>2,287</b>	–	<b>2,287</b>
At 30 June 2017	<b>6,934</b>	<b>4,779</b>	<b>151</b>	<b>11,864</b>
Accumulated amortization and impairment				
At 1 July 2015	4,373	998	–	5,371
Amortization	258	190	–	448
Impairment	–	–	4	4
At 30 June 2016 and 1 July 2016	4,631	1,188	4	5,823
Amortization	<b>259</b>	<b>255</b>	–	<b>514</b>
Impairment	–	–	<b>3</b>	<b>3</b>
At 30 June 2017	<b>4,890</b>	<b>1,443</b>	<b>7</b>	<b>6,340</b>
Net Book Value at 30 June 2017	<b>2,044</b>	<b>3,336</b>	<b>144</b>	<b>5,524</b>
Net Book Value at 30 June 2016	2,303	1,304	147	3,754

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 upfront payments and the present value of the annual fixed 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

	2017	2016
Stock of completed properties for sale	<b>34,903</b>	28,638
Properties pending/under development for sale	<b>111,506</b>	116,206
	<b>146,409</b>	144,844

## 18 Debtors, Prepayments and Others

	Notes	2017	2016
Debtors, deposits and prepayments		<b>16,880</b>	23,485
Deposits for acquisition of properties		<b>176</b>	378
Amounts due from customers for contract works	18a	<b>93</b>	149
Short-term loans		<b>449</b>	582
Derivative financial instruments	18b	<b>215</b>	430
		<b>17,813</b>	25,024

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\$9,376 million (2016: HK\$14,969 million), of which 88% (2016: 94%) are aged less than 60 days, 2% (2016: 1%) between 61 to 90 days and 10% (2016: 5%) more than 90 days.

As at 30 June 2017, 19% (2016: 10%) of trade debtors are past due but not impaired, of which 69% (2016: 64%) are aged less than three months 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 2017 and 30 June 2016 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	2017	2016
Contract costs incurred plus recognized profits less recognized losses		<b>2,406</b>	2,115
Less: Progress billings		<b>(2,314)</b>	(1,974)
		<b>92</b>	141
Represented by:			
Due from customers included in current assets	18	<b>93</b>	149
Due to customers included in current liabilities	22	<b>(1)</b>	(8)
		<b>92</b>	141

### 18b. Derivative financial instruments

	Notes	2017		2016	
		Assets	Liabilities	Assets	Liabilities
<b>Fair value hedges</b>	18 & 22				
– interest rate swaps		<b>151</b>	<b>165</b>	235	223
– currency swaps		<b>57</b>	<b>2</b>	195	–
		<b>208</b>	<b>167</b>	430	223
<b>Cash flow hedge</b>					
– interest rate swap		–	–	–	2
<b>Not designated as accounting hedges</b>					
– interest rate swap		<b>7</b>	–	–	–
– forward foreign exchange contracts		–	<b>4</b>	–	–
		<b>7</b>	<b>4</b>	–	–
		<b>215</b>	<b>171</b>	430	225

At the year end date, the Group had outstanding interest rate swaps and currency swaps designated as fair value hedges analyzed as follows:

	Notional principal amount	
	2017	2016
Fixed-to-floating interest rate swaps maturing		
Within one year	–	477
After one year, but within five years	<b>3,918</b>	3,918
After five years	<b>300</b>	300
	<b>4,218</b>	4,695
Currency swaps maturing		
After one year, but within five years	<b>3,877</b>	–
After five years	<b>3,102</b>	6,979
	<b>6,979</b>	6,979

## 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 plus a weighted average margin of 1.11% (2016: 1.16%) per annum. The swaps are measured at fair value at the year end date and the decrease in fair value during the year in the amount of HK\$166 million (2016: increase of HK\$220 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 an 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>2017</b>	2016
Floating-to-fixed interest rate swap maturing		
Within one year	<b>12</b>	146
After one year, but within five years	–	12
	<b>12</b>	158

The floating-to-fixed interest rate swap converted the floating rate to fixed rate at weighted average 4.32% (2016: 4.53%) per annum. The swap is measured at fair value and the increase in fair value during the year in the amount of HK\$2 million (2016: HK\$1 million) is 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.

At the year end date, the Group had certain outstanding interest rate swaps and forward foreign exchange contracts in the total notional amount of HK\$4,015 million (2016: nil) that are not designated as accounting hedges and the increase in fair value during the year in the amount of HK\$3 million (2016: nil) is recognized in consolidated income statement.

## 19 Other Financial Assets

	<b>2017</b>	2016
<b>Financial assets at fair value through profit or loss</b>		
Listed equity securities, overseas	<b>8</b>	–
Listed equity securities, Hong Kong	<b>578</b>	573
Listed debt securities, overseas	<b>75</b>	–
	<b>661</b>	573
<b>Available-for-sale debt securities maturing within one year</b>		
Listed debt securities, overseas	<b>98</b>	278
Listed debt securities, Hong Kong	–	148
	<b>98</b>	426
<b>Held-to-maturity debt securities maturing within one year</b>		
Listed debt securities, overseas (Market value: HK\$40 million (2016: HK\$125 million))	<b>39</b>	119
	<b>798</b>	1,118

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 20 Bank Deposits and Cash

Deposits with banks are interest bearing at prevailing market rates. About 61% (2016: 73%) of the Group's bank deposits and cash are denominated in Hong Kong dollars, 32% (2016: 25%) in Renminbi and 7% (2016: 2%) in US dollars.

## 21 Bank and Other Borrowings

	Note	2017	2016
Unsecured bank overdrafts		156	153
Long-term bank and other borrowings due within one year	23	5,234	17,333
		<b>5,390</b>	17,486

## 22 Trade and Other Payables

	Notes	2017	2016
Creditors and accrued expenses		25,548	25,672
Amounts due to customers for contract works	18a	1	8
Amounts due to non-controlling interests		1,188	1,588
Derivative financial instruments	18b	171	225
		<b>26,908</b>	27,493

Included in trade and other payables of the Group are trade creditors of HK\$2,320 million (2016: HK\$2,303 million), of which 67% (2016: 75%) are aged less than 60 days, 5% (2016: 2%) between 61 to 90 days and 28% (2016: 23%) 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

	2017	2016
Unsecured bank overdrafts	156	153
Long-term bank and other loans	67,170	80,608
	<b>67,326</b>	80,761



## 23 Bank and Other Borrowings (cont'd)

The maturity of the Group's long-term bank and other loans are as follows:

	Note	2017	2016
<b>Secured bank loans repayable</b>			
Within one year		256	250
After one year, but within two years		456	256
After two years, but within five years		829	1,295
After five years		35	41
		<b>1,576</b>	1,842
<b>Unsecured bank loans repayable</b>			
Within one year		4,748	7,963
After one year, but within two years		5,523	3,386
After two years, but within five years		23,537	29,865
After five years		1,514	115
		<b>35,322</b>	41,329
<b>Bonds and notes repayable</b>			
Within one year		230	9,120
After one year, but within two years		4,332	–
After two years, but within five years		14,674	8,292
After five years		11,036	20,025
		<b>30,272</b>	37,437
		<b>67,170</b>	80,608
Less: Amount due within one year included under current liabilities	21	<b>(5,234)</b>	(17,333)
		<b>61,936</b>	63,275

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	
	2017	2016	2017	2016
Secured bank loans	1,320	1,592	1,320	1,592
Unsecured bank loans	30,574	33,366	30,468	33,235
Bonds and notes	30,042	28,317	30,192	29,065
	<b>61,936</b>	63,275	<b>61,980</b>	63,892

- (a) As at 30 June 2017, the Group had entered into fixed-to-floating interest rate swaps in the aggregate notional amount of HK\$4,218 million (2016: HK\$4,695 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\$6,979 million (2016: HK\$6,979 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 September 2031 (2016: May 2027) and carry interest, after hedging where appropriate, at effective rate per annum of 2.14% (2016: 2.21%). The carrying amounts of bonds and notes issued by Sun Hung Kai Properties (Capital Market) Limited, SmartOne Finance Limited and Beijing Sun Dong An Co., Ltd. are HK\$28,481 million, HK\$1,561 million and HK\$230 million (2016: HK\$35,885 million, HK\$1,552 million and nil), respectively. The bonds and notes are repayable on various dates up to June 2027 (2016: August 2026), unsecured and carry interest, after hedging where appropriate, at effective rate per annum of 3.44% (2016: 3.56%).
- (d) The carrying amount of the gross borrowings by currency (after currency swaps) is as follows:

	2017	2016
Hong Kong dollars	45,373	50,184
US dollars	11,571	19,708
Renminbi	10,382	10,869
	<b>67,326</b>	80,761

## 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 2015	4,843	12,257	(398)	122	16,824
Charged/(credited) to consolidated income statement	438	997	106	(21)	1,520
Exchange difference	(90)	(847)	11	(8)	(934)
At 30 June 2016 and 1 July 2016	5,191	12,407	(281)	93	17,410
Charged/(credited) to consolidated income statement	<b>438</b>	<b>1,100</b>	<b>127</b>	<b>(15)</b>	<b>1,650</b>
Exchange difference	<b>(15)</b>	<b>(118)</b>	<b>3</b>	–	<b>(130)</b>
At 30 June 2017	<b>5,614</b>	<b>13,389</b>	<b>(151)</b>	<b>78</b>	<b>18,930</b>

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK\$5,226 million (2016: HK\$5,105 million), of which HK\$161 million (2016: HK\$173 million) of tax losses will expire at various dates up to 2022 (2016: 2020). 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

	2017	2016
Asset retirement and other obligations	47	48
Contractual obligations for telecommunications licences	168	203
	<b>215</b>	251

## 26 Share Capital

	2017		2016	
	Number of shares in million	Amount	Number of shares in million	Amount
<b>Issued and fully paid:</b>				
Ordinary shares				
At beginning of year	2,895	70,384	2,876	68,451
Share issued on exercise of share options	1	132	1	116
Share issued on exercise of warrants	–	–	18	1,817
At end of year	<b>2,896</b>	<b>70,516</b>	2,895	70,384

### (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 units of Warrants had been exercised by the holders thereof and 18,435,169 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. 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 2017, 1,133,000 (2016: 846,000) shares were issued on exercise of share options.

## 27 Perpetual Capital Securities

On 23 May 2017, Sun Hung Kai Properties (Capital Market) Limited (the “issuer”) issued US\$500 million senior perpetual capital securities which are guaranteed by the Company. Distributions are payable semi-annually in arrears at a fixed rate of 4.45 per cent per annum, which may be deferred at the Group’s discretion and in which event, the Company and the issuer will not declare or pay any dividends or distributions in respect of or redeem, reduce, cancel, buy back or otherwise acquire any securities of lower or equal rank. Redeemable at the Group’s option on or after 23 May 2020, the perpetual capital securities have no maturity date and are accounted for as equity in the consolidated statement of financial position.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 28 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 2017.

### 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 2017 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2017
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	1,088,000	–	–	(1,088,000)	–
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	877,000	–	(806,000)	(40,000)	31,000
			<b>1,965,000</b>	<b>–</b>	<b>(806,000)</b>	<b>(1,128,000)</b>	<b>31,000</b>
Weighted average exercise prices (HK\$)			<b>107.64</b>	<b>–</b>	<b>96.15</b>	<b>116.16</b>	<b>96.15</b>

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>

- (b) Details of share options exercised

Share options exercised during the year resulted in 806,000 (2016: 822,000) shares being issued. The related weighted average share price at the time of exercise was HK\$116.82 (2016: HK\$120.54) per share.

## 28 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 2017 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2017
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	843,000	–	(211,000)	(10,000)	622,000
11 July 2014	HK\$106.80	11.7.2015 to 10.7.2019	1,072,000	–	(116,000)	(10,000)	946,000
			<b>1,915,000</b>	<b>–</b>	<b>(327,000)</b>	<b>(20,000)</b>	<b>1,568,000</b>
Weighted average exercise prices (HK\$)			<b>104.82</b>	<b>–</b>	<b>103.90</b>	<b>104.55</b>	<b>105.01</b>

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
			1,977,000	–	(24,000)	(38,000)	1,915,000
Weighted average exercise prices (HK\$)			104.76	–	102.68	103.01	104.82

- (b) Details of share options exercised  
Share options exercised during the year resulted in 327,000 (2016: 24,000) shares being issued. The related weighted average share price at the time of exercise was HK\$118.46 (2016: HK\$121.54) per share.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 29 Parent Company Statement of Financial Position

	Notes	2017	2016
<b>Non-current assets</b>			
Subsidiaries	29(a)	30,161	30,200
<b>Current assets</b>			
Amounts due from subsidiaries		160,854	154,308
Debtors, prepayments and others		3	–
Bank deposits and cash		36	29
		<b>160,893</b>	154,337
<b>Current liabilities</b>			
Trade and other payables		(42)	(52)
		<b>160,851</b>	154,285
<b>NET ASSETS</b>			
		<b>191,012</b>	184,485
<b>CAPITAL AND RESERVES</b>			
Share capital	26	70,516	70,384
Reserves	29(b)	120,496	114,101
<b>SHAREHOLDERS' FUNDS</b>			
		<b>191,012</b>	184,485

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 2017.
- (b) The movement of reserves during the year are as follows:

	Capital reserve	Retained profits	Total
At 1 July 2015	5,376	106,432	111,808
Transfer to share capital upon shares issued on exercise of share options	(23)	–	(23)
Recognition of equity-settled share-based payments	5	–	5
Profit for the year	–	12,293	12,293
Final dividend paid for the year ended 30 June 2015	–	(6,944)	(6,944)
Interim dividend paid for the year	–	(3,038)	(3,038)
At 30 June 2016 and 1 July 2016	5,358	108,743	114,101
Transfer to share capital upon shares issued on exercise of share options	(20)	–	(20)
Recognition of equity-settled share-based payments	1	–	1
Share options lapsed	(21)	–	(21)
Profit for the year	–	17,727	17,727
Final dividend paid for the year ended 30 June 2016	–	(8,107)	(8,107)
Interim dividend paid for the year	–	(3,185)	(3,185)
At 30 June 2017	<b>5,318</b>	<b>115,178</b>	<b>120,496</b>

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2017 amounted to HK\$115,178 million (2016: HK\$108,743 million).

### 30 Notes to Consolidated Statement of Cash Flows

#### (a) Reconciliation of operating profit to cash generated from operations

	2017	2016
Operating profit before changes in fair value of investment properties	29,526	28,856
Depreciation and amortization	1,939	1,950
Impairment of intangible assets	3	4
Profit on disposal of subsidiaries	–	(436)
Profit on disposal of investment properties	(289)	(11)
Loss on disposal of fixed assets	5	12
Profit on disposal of available-for-sale investments	(82)	(52)
Dividend income from investments	(115)	(120)
Interest income	(136)	(171)
Share-based payments	8	6
Exchange difference	44	99
<b>Operating profit before changes in working capital</b>	<b>30,903</b>	30,137
Decrease in properties for sale	11,066	12,389
Additions to properties pending development for sale	(13,541)	(13,264)
Decrease/(increase) in inventories	152	(302)
Decrease/(increase) in debtors, prepayments and others	6,770	(6,313)
(Increase)/decrease in financial assets at fair value through profit or loss	(88)	173
Increase in trade and other payables	35	4,442
Increase/(decrease) in deposits received on sales of properties	3,482	(6,928)
<b>Cash generated from operations</b>	<b>38,779</b>	20,334

#### (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	3
Debtors, prepayments and others	46
Bank deposits and cash	3
Trade and other payables	(32)
Taxation	(3)
	17
Goodwill on acquisition	116
	133
Satisfied by:	
Cash consideration paid	120
Deferred consideration	13
	133
Net cash outflow in respect of the acquisition of a subsidiary:	
Cash consideration paid	120
Bank deposits and cash acquired	(3)
	117

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 30 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 sale	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

	2017	2016
Bank deposits and cash	<b>31,274</b>	30,048
Bank overdrafts	<b>(156)</b>	(153)
	<b>31,118</b>	29,895
Less: Bank deposits maturing after more than three months	<b>(6,037)</b>	(11,986)
Less: Pledged bank deposits	<b>(7)</b>	(7)
	<b>25,074</b>	17,902



### 31 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:

	2017	2016
Investment properties	<b>18,310</b>	15,402
Stocks of completed properties for sale	<b>167</b>	163
Properties pending development for sale	<b>85</b>	84
	<b>18,562</b>	15,649
Trade and other payables	<b>314</b>	294
Taxation	<b>90</b>	62
Deferred taxation	<b>154</b>	143
	<b>558</b>	499
Revenue	<b>928</b>	858
Expenses	<b>210</b>	205

### 32 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	
		2017	2016	2017	2016
Interest income	a	–	–	<b>38</b>	84
Rental income	b	–	–	<b>2</b>	1
Rental expenses	b	<b>1</b>	1	<b>55</b>	54
Other revenue from services rendered	c	<b>144</b>	118	<b>30</b>	32
Purchase of goods and services	c	–	–	<b>557</b>	652

- (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)

## 33 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:

	2017	2016
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	<b>4,214</b>	4,702
Authorized but not contracted for	<b>555</b>	470
(b) The Group's share of capital commitments of joint ventures		
Contracted but not provided for	<b>1,289</b>	1,582
Authorized but not contracted for	<b>40</b>	48
(c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK\$1,500 million (2016: HK\$1,108 million) and other guarantees of HK\$4 million (2016: HK\$4 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.

## 34 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:

	2017	2016
Not later than one year	<b>15,166</b>	14,339
Later than one year but not later than five years	<b>16,841</b>	17,487
Later than five years	<b>1,816</b>	2,216
	<b>33,823</b>	34,042

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:

	2017	2016
Not later than one year	<b>1,224</b>	1,242
Later than one year but not later than five years	<b>1,394</b>	1,413
Later than five years	<b>704</b>	871
	<b>3,322</b>	3,526

### **35 Charges of Assets**

At the year end date, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$7 million (2016: 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\$2,144 million (including bank deposits and cash of HK\$16 million) (2016: HK\$2,407 million (including bank deposits and cash of HK\$15 million)) have been charged to secure their bank borrowings.

### **36 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 reporting date, the Group's investment properties (including investment properties under development) are measured at fair values based on valuations carried out by independent qualified valuers. The valuations are dependent on certain estimates, including fair market rents and appropriate capitalization rates, allowing for reversionary income potential and redevelopment potential where appropriate. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin. 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) Net realizable value of properties for sale**

Net realizable value of properties for sale (comprising completed properties for sale and properties pending/under development for sale) is determined based on the Group's assessment of the price ultimately expected to be realized in the ordinary course of business by reference to prevailing market conditions less all estimated selling expenses and anticipated costs to completion.

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 36 Critical Accounting Judgements and Estimations (cont'd)

### (d) *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.

### (e) *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.

## 37 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 2017, 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\$320 million (2016: HK\$1,336 million). The other comprehensive income would be decreased/increased by HK\$64 million (2016: HK\$74 million).

## 37 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 2017, 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\$73 million (2016: HK\$181 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 2016.

### (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 2017, 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\$61 million and HK\$252 million, respectively (2016: HK\$50 million and HK\$279 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 33, 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)

## 37 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 2017	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	25,548	25,550	20,560	3,401	1,495	94
Amounts due to non-controlling interests	22	1,188	1,188	1,188	–	–	–
Bank and other borrowings	21 & 23	67,326	75,951	7,264	12,104	42,801	13,782
Other long-term liabilities	25	215	263	–	62	163	38
Derivative financial instruments	18b	171	182	(11)	(1)	190	4
		<b>94,448</b>	<b>103,134</b>	<b>29,001</b>	<b>15,566</b>	<b>44,649</b>	<b>13,918</b>

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>

### (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.

## 37 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 2017

	Level 1	Level 2	Total
<b>Financial assets</b>			
Available-for-sale debt securities			
Listed debt securities, overseas	138	–	138
Listed debt securities, Hong Kong	368	–	368
Unlisted debt securities	11	–	11
Available-for-sale equity securities			
Listed equity securities, overseas	689	–	689
Listed equity securities, Hong Kong	1,318	–	1,318
Unlisted equity securities	–	8	8
Financial assets at fair value through profit or loss			
Listed equity securities, overseas	8	–	8
Listed equity securities, Hong Kong	578	–	578
Listed debt securities, overseas	75	–	75
Derivative financial instruments			
Interest rate swaps	–	158	158
Currency swaps	–	57	57
	<b>3,185</b>	<b>223</b>	<b>3,408</b>
<b>Financial liabilities</b>			
Derivative financial instruments			
Interest rate swaps	–	165	165
Currency swaps	–	2	2
Forward foreign exchange contracts	–	4	4
	<b>–</b>	<b>171</b>	<b>171</b>

# Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

## 37 Financial Risk Management (cont'd)

### (f) Fair values (cont'd)

As at 30 June 2016

	Level 1	Level 2	Total
<b>Financial assets</b>			
Available-for-sale debt securities			
Listed debt securities, overseas	421	–	421
Listed debt securities, Hong Kong	482	–	482
Available-for-sale equity securities			
Listed equity securities, overseas	714	–	714
Listed equity securities, Hong Kong	1,170	–	1,170
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
	3,360	441	3,801
<b>Financial liabilities</b>			
Derivative financial instruments			
Interest rate swaps	–	225	225



### 38 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:

	2017	2016
Secured bank loans	1,576	1,842
Unsecured bank and other loans	65,750	78,919
Total borrowings	67,326	80,761
Less: Bank deposits and cash	(31,274)	(30,048)
Net debt	36,052	50,713
Shareholders' funds	498,215	468,707
Net debt-to-shareholders' funds ratio	7.2%	10.8%

### 39 Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

### 40 Approval of the Consolidated Financial Statements

The consolidated financial statements set out on pages 165 to 224 were approved by the board of directors on 14 September 2017.

# 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 2017 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	74.03	Provision of data centre, facilities management, web applications and value added services and installation and maintenance services	232,261,683
SmarTone Telecommunications Holdings Limited (Listed in Hong Kong)	3	68.24	Mobile telephone system operation	110,581,245
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	Loan financing and investment holding	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 operation	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 operation	US\$1
Biliboss Ltd.	1	100		Property investment	US\$1
Billion Great Investment Limited		100		Property development and trading	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 operation	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
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
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
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
Fame Amuse Limited	1	100		Property development and 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
Fortune Honor Limited		100		Property investment	2
Fortune Sign Global Limited	1	100		Property investment	US\$1

# Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
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
Fu Tong Investment Company Limited	7	100	Property investment	300,000
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
Group Channel Limited		100	Property 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*
Hambrook Investments Limited	1	100	Property investment	US\$1
Harbour Vantage Limited		100	Property trading and project management	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
Hintline Investments Limited		100	Property investment and trading	5,000
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 trading	1
Laboster Company Limited	7	100	Property investment	2
Lanecove Enterprise Limited	1	100	Property investment	US\$1
Lansmart Limited		100	Property trading and investment holding	2

Name	Note	Total		Activities	Issued Share Capital/ Registered Capital* (HK\$)
		Attributable Equity Interest Held by the Company (%)			
Large City Investments Limited	1	100		Property investment	US\$1
Lee Bit Kai Investment Company Limited	7	100		Property investment	1,000
Leverson Limited	1	100		Property investment and hotel operation	US\$1
Long Kinetic Limited		100		Property investment	1
Long Tesak Company Limited		100		Property investment	100,000
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 and investment holding	10,000
Morison Limited	1	100		Property investment	US\$1
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 trading 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 operation	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*

# Principal Subsidiaries

Name	Note	Total		Activities	Issued Share Capital/ Registered Capital* (HK\$)
		Attributable Equity Interest Held by the Company (%)			
Shanghai SHK Weijing Property Co., Ltd.	6c	100		Property investment	RMB1,200,000,000*
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\$18,000,000*
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.	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
Time Bliss 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
Top State Development Limited		100		Property development and investment	1
Town Descant Company Limited		100		Property investment	200
Transport Infrastructure Management Limited		100		Road management	70,000,000
Trioland Limited		100		Property development	1
True Vantage Global Limited	1	100		Property investment	US\$1
Tsi Mai Company Limited		100		Property investment	200

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
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
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
Wonder Charm Assets Limited	1	100	Property investment	US\$1
WTC (Club) Limited		100	Club management	200
YATA Limited		100	Department store operation	30,000,000
Zarabanda Company Limited		100	Property investment	2
Zhongsan 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 2017 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 trading 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 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 trading	Ordinary



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 2017 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.

<b>Name</b>	<b>Note</b>	<b>Total Attributable Equity Interest Held by the Company (%)</b>	<b>Activities</b>	<b>Class of Share</b>
<sup>#+</sup> Transport International Holdings Limited (Listed in Hong Kong)	1	36.40	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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