



SUN HUNG KAI PROPERTIES LIMITED

# 2013/14

## Annual Report

Stock Code : 16  
Warrant Code : 1441

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# Board of Directors and Committees

## Board of Directors

### *Executive Directors*

Kwok Ping-kwong, Thomas (*Chairman & Managing Director*)  
Kwok Ping-luen, Raymond (*Chairman & Managing Director*)  
Wong Chik-wing, Mike (*Deputy Managing Director*)  
Lui Ting, Victor (*Deputy Managing Director*)  
Chan Kui-yuen, Thomas  
Kwong Chun  
Chan Kwok-wai, Patrick (*Chief Financial Officer*)  
Tung Chi-ho, Eric  
Fung Yuk-lun, Allen  
Kwok Kai-fai, Adam (*Alternate Director to Kwok Ping-kwong, Thomas*)  
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  
Wong Yick-kam, Michael  
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-kwong, Thomas  
Kwok Ping-luen, Raymond  
Wong Chik-wing, Mike  
Lui Ting, Victor  
Chan Kui-yuen, Thomas  
Kwong Chun  
Chan Kwok-wai, Patrick  
Tung Chi-ho, Eric  
Fung Yuk-lun, Allen  
Chow Kwok-yin, Eric  
Wong Chin-wah, Jimmy  
Yung Sheung-tat, Sandy

### *Audit Committee*

Li Ka-cheung, Eric\*  
Yip Dicky Peter  
Wong Yick-kam, Michael  
Leung Kui-king, Donald

### *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  
Shop Nos. 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 & Shanghai Banking  
Corporation Limited  
The Bank of Tokyo–Mitsubishi UFJ, Ltd  
Mizuho Corporate Bank, Ltd.  
Sumitomo Mitsui Banking Corporation  
United Overseas Bank Limited  
Agricultural Bank of China Limited  
Bank of Communications Co., Ltd.  
Hang Seng Bank Limited  
Oversea-Chinese Banking Corporation Limited

## Information for Shareholders

### Share Listing

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

### Stock Code

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

### Investor Relations Contact

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

### Financial Calendar for 2013/14

Interim results announcement	: 28 February 2014
Interim dividend paid	: 16 April 2014
Annual results announcement	: 12 September 2014
Closure of register of members <sup>1</sup>	: 11 to 15 November 2014 (both days inclusive)
Annual general meeting	: 15 November 2014
Closure of register of members <sup>2&amp;3</sup>	: 20 to 24 November 2014 (both days inclusive)
Final dividend payable	: 28 November 2014

#### 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.
3. The register of warrant holders will also be closed during this period of time.

## 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

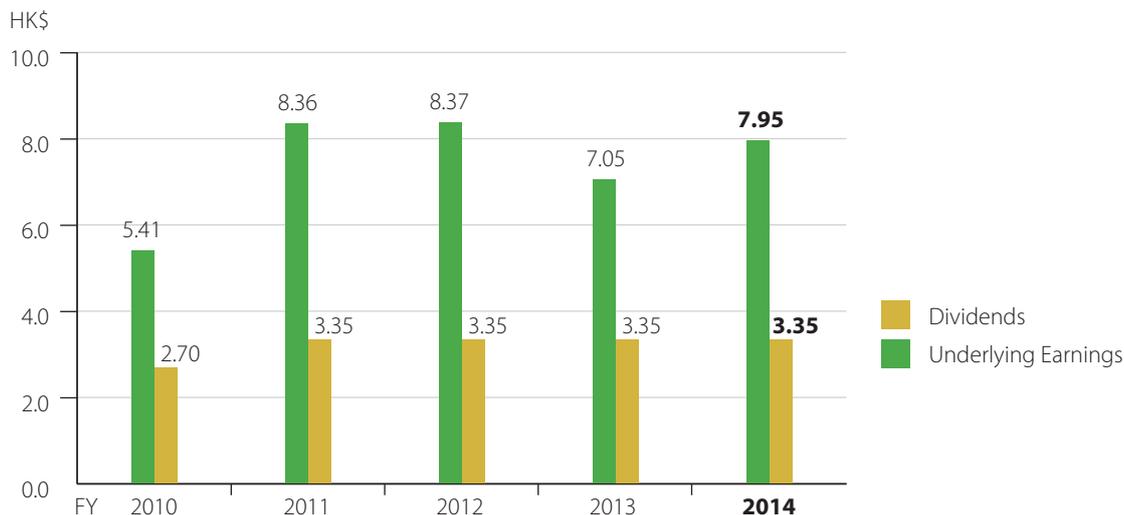
For the year ended 30 June	2014	2013	Change (%)
<b>Financial Highlights (HK\$ million)</b>			
Revenue	<b>75,100</b>	53,793	+39.6
Profit attributable to the Company's shareholders			
– Reported	<b>33,520</b>	40,329	-16.9
– Underlying <sup>1</sup>	<b>21,415</b>	18,619	+15.0
Gross rental income <sup>2</sup>	<b>18,489</b>	16,019	+15.4
Net rental income <sup>2</sup>	<b>14,272</b>	12,236	+16.6
<b>Financial Ratios</b>			
Net debt to shareholders' funds (%)	<b>15.7</b>	12.5	+3.2 <sup>3</sup>
Dividend payout (%)	<b>42.1</b>	47.5	-5.4 <sup>3</sup>
<b>Financial Information per Share (HK\$)</b>			
Basic earnings per share for profit attributable to the Company's shareholders			
– Reported	<b>12.45</b>	15.28	-18.5
– Underlying	<b>7.95</b>	7.05	+12.8
Dividends			
– Interim dividend	<b>0.95</b>	0.95	–
– Final dividend	<b>2.40</b>	2.40	–
– Full-year dividend	<b>3.35</b>	3.35	–
Shareholders' funds	<b>152.21</b>	144.48	+5.4
<b>Land Bank in Hong Kong (gross floor area in million square feet)</b>			
Properties under development <sup>4</sup>	<b>18.2</b>	18.0	+1.1
Completed investment properties <sup>5</sup>	<b>28.7</b>	28.6	+0.3
Total	<b>46.9</b>	46.6	+0.6
<b>Land Bank on the Mainland (gross floor area in million square feet)</b>			
Properties under development	<b>74.8</b>	71.6	+4.5
Completed investment properties <sup>5</sup>	<b>9.5</b>	9.5	–
Total	<b>84.3</b>	81.1	+3.9

Notes:

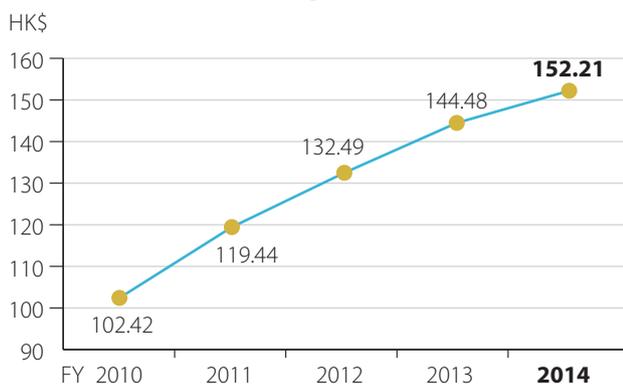
- Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties
- Including contributions from associates and joint ventures
- Change in percentage points and dividend payout based upon underlying profit
- Excluding 2.3 million square feet of gross floor area from two sites acquired after the end of the financial year and over 27 million square feet of farmland in terms of site area
- The Group has a 50% stake in a premium 950,000-square-foot shopping mall in Singapore in addition to property holdings in Hong Kong and on the mainland

# Financial Highlights and Land Bank

## Underlying Earnings and Dividends per Share



## Shareholders' Funds per Share<sup>#</sup>



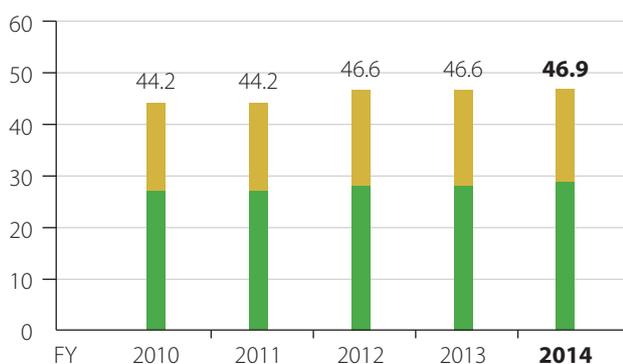
## Net Debt to Shareholders' Funds Ratio<sup>#</sup>



<sup>#</sup> The Group adopted the amendments to Hong Kong Accounting Standard 12, Deferred tax: recovery of underlying assets. Figures for the financial year 2009/10 have been restated for comparison purposes.

## Land Bank in Hong Kong

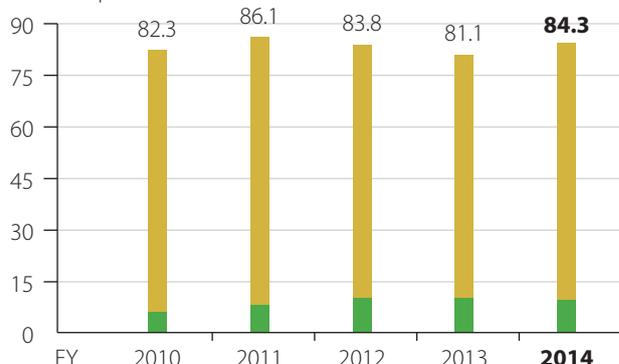
million square feet



Properties Under Development

## Land Bank on the Mainland

million square feet



Completed Investment Properties

# Group Financial Summary

## Key Financial Information and Ratios

For the year ended 30 June	2014 HK\$	2013 HK\$	2012 HK\$	2011 HK\$	(Restated) <sup>1</sup>
					2010 HK\$
<b>Reported earnings per share (basic)</b>	<b>12.45</b>	15.28	16.63	18.71	11.71
<b>Underlying earnings per share (basic)</b>	<b>7.95</b>	7.05	8.37	8.36	5.41
<b>Dividends per share</b>	<b>3.35</b>	3.35	3.35	3.35	2.70
<b>Shareholders' funds at book value per share</b>	<b>152.21</b>	144.48	132.49	119.44	102.42
<b>Net debt / Shareholders' funds (%)</b>	<b>15.7</b>	12.5	16.4	17.1	14.1
<b>Interest cover (times)<sup>2</sup></b>	<b>11.1</b>	8.7	13.7	18.3	17.6

## Key Income Statement Items

For the year ended 30 June	2014 HK\$M	2013 HK\$M	2012 HK\$M	2011 HK\$M	(Restated) <sup>1</sup>
					2010 HK\$M
<b>Revenue</b>	<b>75,100</b>	53,793	68,400	62,553	33,211
<b>Operating profit before change in fair value of investment properties</b>	<b>24,982</b>	19,300	24,988	21,366	13,842
<b>Operating profit after change in fair value of investment properties</b>	<b>37,113</b>	38,487	44,470	46,436	30,311
<b>Profit attributable to the Company's shareholders</b>	<b>33,520</b>	40,329	43,080	48,097	30,039
<b>Underlying profit attributable to the Company's shareholders<sup>3</sup></b>	<b>21,415</b>	18,619	21,678	21,479	13,883

## Key Statement of Financial Position Items

As at 30 June	2014 HK\$M	2013 HK\$M	2012 HK\$M	2011 HK\$M	(Restated) <sup>1</sup>
					2010 HK\$M
<b>Investment properties and fixed assets</b>	<b>303,016</b>	281,637	252,458	230,759	200,826
<b>Associates and joint ventures</b>	<b>53,589</b>	53,534	49,515	41,935	35,826
<b>Other financial assets and loans</b>	<b>3,527</b>	4,176	4,109	3,637	3,900
<b>Intangible assets</b>	<b>4,539</b>	4,937	4,699	5,049	4,357
<b>Net current assets</b>	<b>145,822</b>	117,295	114,862	93,017	65,170
<b>Non-current liabilities</b>	<b>(90,804)</b>	(71,050)	(74,684)	(62,202)	(42,054)
<b>Net assets</b>	<b>419,689</b>	390,529	350,959	312,195	268,025
<b>Share capital</b>	<b>53,464</b>	1,335	1,308	1,285	1,285
<b>Share premium<sup>4</sup></b>	<b>–</b>	46,880	40,782	36,451	36,451
<b>Reserves</b>	<b>361,319</b>	337,697	304,469	269,229	225,485
<b>Shareholders' funds</b>	<b>414,783</b>	385,912	346,559	306,965	263,221
<b>Non-controlling interests</b>	<b>4,906</b>	4,617	4,400	5,230	4,804
<b>Total Equity</b>	<b>419,689</b>	390,529	350,959	312,195	268,025

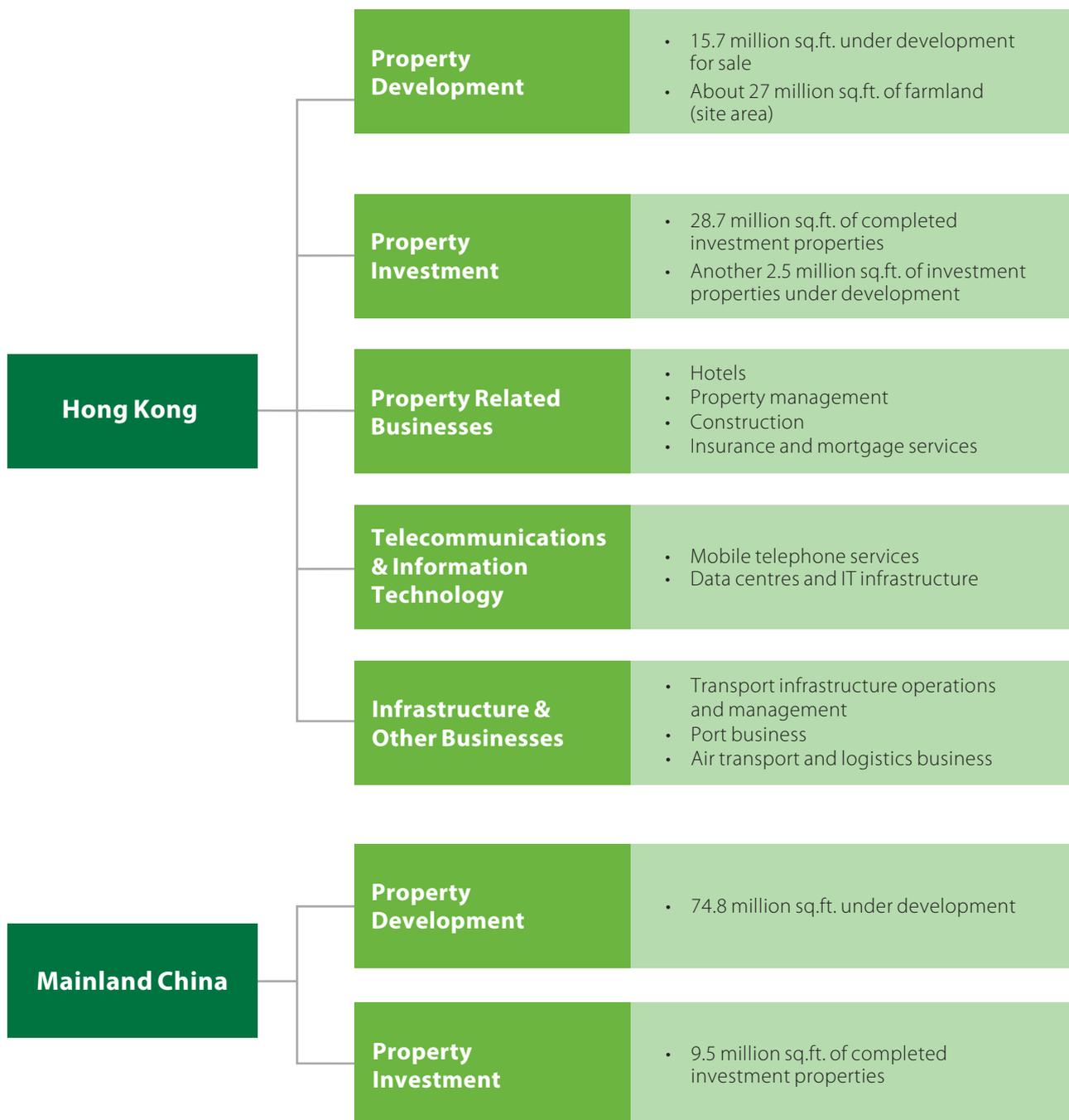
### Notes:

- The Group adopted the amendments to Hong Kong Accounting Standard 12, Deferred tax: recovery of underlying assets. Figures for the financial year 2009/10 have been restated for comparison purposes.
- Interest cover represents operating profit before change in fair value of investment properties divided by net interest expenses before notional non-cash interest accretion and capitalization.
- Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties.
- 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 new Companies Ordinance (Chapter 622).

# Business Structure

## Sun Hung Kai Properties

As at 30 June 2014



The Group's principal subsidiaries and joint venture companies are listed on pages 168 to 175

# Chairman's Statement

We are pleased to present our report to the shareholders.

## Results

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2014, excluding the effect of fair-value changes on investment properties, amounted to HK\$21,415 million, compared to HK\$18,619 million last year. Underlying earnings per share were HK\$7.95, compared to HK\$7.05 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$33,520 million and HK\$12.45 respectively for the year under review, compared to HK\$40,329 million and HK\$15.28 last year. The reported profit included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK\$12,838 million, compared to HK\$23,281 million last year.

## Dividend

The directors have recommended the payment of a final dividend of HK\$2.40 per share for the year ended 30 June 2014. Together with the interim dividend of HK\$0.95 per share, the dividend for the full year will be HK\$3.35 per share, the same as 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, was HK\$36,330 million. Profit generated from property sales was HK\$10,511 million, as compared to last financial year's HK\$7,190 million. Contracted sales for the financial year amounted to HK\$27,778 million in attributable terms, versus last year's HK\$32,905 million.

#### Rental Income

The Group's rental income kept growing steadily during the year. Gross rental income, including contributions from joint-venture projects, rose 15% to HK\$18,489 million, and net rental income increased 17% to HK\$14,272 million. The healthy growth was driven by continuing positive rental reversions, both in Hong Kong and on the mainland, and contributions from new investment properties.

### Property Business – Hong Kong

#### Land Bank

Eight sites were added to the Group's development land bank during the year and the sites' aggregate gross floor area amounted to about three million square feet in attributable terms. These include seven sites primarily for residential development and a site for data centre acquired by the Group's subsidiary SUNeVision. Site details are shown in the following table.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
LOHAS Park Package 4	Residential	Joint venture	1,316,000
Sha Tin Town Lot No. 581	Residential	100	431,000
1-3 Church Lane, Shau Kei Wan	Residential/Shopping Centre	92	342,000
Yuen Long Town Lot No. 528	Residential	100	232,000
Tuen Mun Town Lot No. 509	Residential/Shops	100	167,000
18-20 Caine Road, Mid-Levels West	Residential	92	127,000
23 Babington Path, Mid-Levels West	Residential	82.8	59,000
Tseung Kwan O Town Lot No. 122*	Data Centre	74	351,000
<b>Total</b>			<b>3,025,000</b>

\* This site is owned by SUNeVision and will be developed into a new data centre for its business expansion.

# Chairman's Statement

The Group's total land bank in Hong Kong amounted to 46.9 million square feet as at the end of June 2014, comprising 28.7 million square feet of completed investment properties and 18.2 million square feet of properties under development. In addition, the Group also held about 27 million square feet of farmland in terms of site area in the New Territories, most of which are along existing or planned railway lines and under various stages of land use conversion.

In July this year, the Group won the tenders to develop two sites adjacent to the Hong Kong Wetland Park in Tin Shui Wai. These large-scale developments will together provide over 2,500 residential units with a gross floor area of about 2.3 million square feet, mostly small- to medium-sized apartments with a number of town houses. Following these acquisitions, the Group's total land bank in Hong Kong further increased to 49.2 million square feet.

## Property Development

Performance of the residential market in Hong Kong has been improving since the second quarter of 2014. While primary market transactions remained at a healthy level, activity in the secondary market rebounded meaningfully. This improvement was underpinned by solid end-user demand with continuing income growth, positive demographics, reasonable homebuyer affordability and low mortgage interest rate.

The Group achieved contracted sales of over HK\$20,000 million in Hong Kong during the year. Major residential projects sold included The Cullinan at Kowloon Station, Century Gateway II in Tuen Mun, Riva in Yuen Long, Mount One in Fanling, Imperial Kennedy in Kennedy Town and The Seafront in Tsing Lung Tau. The first batch of offices in the 64.3%-owned One Harbour Square in Kwun Tong up for sale in April this year has been well received by the market. Another office building recently launched, W50 in Wong Chuk Hang, saw overwhelming market response with virtually all office space already sold out.

The positive sales response to the Group's projects has reflected the market's appreciation of its commitment to quality and excellence. Persistent efforts to add values to projects by optimizing layouts, design, flat mix, and synergy among projects, have all served to boost customer satisfaction and increase profit margins for developments. Meanwhile, measures have been taken in recent years to reduce the impact of rising construction costs while maintaining the quality of developments.

Nine projects were completed during the year, with 2.8 million square feet of attributable gross floor area in Hong Kong. These comprised 2.5 million square feet of residential properties and close to 200,000 square feet of quality offices for sale, together with some 110,000 square feet of retail space.

# Chairman's Statement

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Riva	1 Ying Ho Road, Yuen Long	Residential/Shops	100	880,000
The Wings II	12 Tong Chun Street, Tseung Kwan O	Residential/ Shopping Centre	100	728,000
Century Gateway II	83 Heung Sze Wui Road, Tuen Mun	Residential	Joint venture	558,000
Residence 88	88 Fung Cheung Road, Yuen Long	Residential	100	233,000
One Harbour Square	181 Hoi Bun Road, Kwun Tong	Office	64.3	199,000
Deauville	380 Castle Peak Road, Ting Kau, Tsuen Wan West	Residential	100	78,000
i-UniQ Residence	305 Shau Kei Wan Road	Residential/ Shops	92	56,000
i-UniQ Grand	157 Shau Kei Wan Road	Residential/ Shops	92	53,000
The Seafront	3, 5, 7 & 9 Hoi Long Path, Tsuen Wan West	Residential	100	11,000
<b>Total</b>				<b>2,796,000</b>

## Property Investment

The Group's investment properties in Hong Kong with a gross floor area of over 28.7 million square feet continued to contribute significantly to its recurrent income. The majority of these quality developments are strategically located along railway lines across the territory, catering to the distinctive needs of a wide range of tenants. This well-diversified portfolio continued to deliver healthy performance with positive rental reversion and sustained high average occupancy rate at 95%. The Group's gross rental income from Hong Kong, including contributions from joint-venture projects, was up 10% to HK\$14,673 million for the year under review.

### Retail portfolio

The Group has maintained a leading role in Hong Kong's retail leasing market, owning and managing over ten million square feet of premium retail space. The portfolio's extended reach covers both populous and tourism-focused areas. Mall upgrades and tenant mix refinements have consistently helped to better serve the changing spending pattern of shoppers. These coupled with tactical marketing campaigns have enabled the Group's major malls to outperform the overall market in terms of retail sales growth despite a slowdown in the sector. Positive rental reversion was also achieved with occupancies remaining firm at high levels for the year under review.

Over the years, the Group has developed highly regarded regional malls in Hong Kong, serving neighborhood communities and visitors. With sustained local demands, these malls performed well during the year under review, including New Town Plaza, Tai Po Mega Mall and East Point City. The Group has also developed iconic developments with meaningful retail leasing exposure in Hong Kong's traditional shopping districts. Situated at the heart of Central, IFC Mall on Hong Kong Island is the preferred destination of premium spending for locals and tourists and recorded satisfactory rental growth. In Tsim Sha Tsui, The Sun Arcade facing the famed Canton Road has continued to see good performance.

V City along the West Rail was opened in August 2013, strengthening the Group's retail leasing portfolio by further penetrating the populous New Territories West. This fully-leased shopping mall with 270,000 square feet of retail area experienced stronger-than-expected growth in traffic and tenant sales, leveraging not only on its easily accessible location, but also on its appealing lifestyle concept. Tenants including eateries, flagship stores and other retailers, many of which are new to Tuen Mun, have attracted many young local people and families as well as tourists to this fresh stomping ground in Tuen Mun.

# Chairman's Statement

Considerable efforts have been made to upgrade shopping malls and thereby enhance shopping experience. The second-phase reconfiguration of Grand Century Place in Mong Kok is underway and is scheduled for completion in 2015. The re-positioned retail hub with a new style will offer clustered fashionable stores on dedicated theme floors, and is expected to drive up rental income upon the completion of the renovation. A large-scale upgrade has been planned to sharpen the competitive edge of APM in Kowloon East. This regional mall presents a promising prospect, since Kowloon East is being transformed into another core business district for the territory. Another major renovation, at Metroplaza in Kwai Fong, will commence later this year, further optimizing its interior layouts.

The Group's collection of shopping centres in the pipeline will reinforce its status as a leading retail landlord in Hong Kong. A mall at YOHO Midtown scheduled to open in 2015 is one of the core parts of YOHO Mall, the largest shopping complex in the northwest New Territories upon full completion. The YOHO Midtown mall will be positioned as a premium shopping centre with duplex features and al fresco dining areas. Around 135,000 square feet of retail space to be developed at North Point waterfront with unobstructed harbour views will synergize with the residences on top and an adjacent hotel under development by the Group. The Nam Cheong Station project with about 300,000 square feet of retail space to be constructed at a transportation interchange hub for West Kowloon will strengthen the Group's shopping mall portfolio on completion.

## *Office portfolio*

The Group's large variety of premium office properties, mostly located in close proximity to railway lines and totalling around ten million square feet, generated a satisfactory result for the year under review. Occupancies stayed at high levels with healthy, positive rental reversions. With decades of experience, the Group strives to maintain its leading role in the Hong Kong office leasing market through sustainable, long term relationships with tenants.

The office leasing market in Central has stabilized, with increased interests from mainland financial institutions. The Group's world-renowned International Finance Centre with superior building specifications and excellent management services remains the prestigious choice for corporate headquarters and recorded a rise in occupancies for the year under review.

Across Victoria Harbour, International Commerce Centre is another prestigious office tower in Hong Kong, served by comprehensive auxiliary facilities in the neighborhood. Robust rental reversion was seen during the year under review. This high-grade building will continue to see growth potential for rental income amid keen interests from international and mainland financial institutions, some of which arising from relocation and expansion demands.

The Group's office portfolio in decentralized areas performed well during the year with positive rental reversion, undeterred by modestly increased competition in Kowloon East. New tenants joining the Millennium City portfolio in Kowloon East include both multinationals and local enterprises, contributing to the good performance of the grade-A office cluster for the year under review. The distinction of offering single-owned and professionally managed offices has proved to be favoured by valued tenants. Other prime office properties in decentralized areas, including Grand Central Plaza in Sha Tin and Metroplaza in Kwai Fong, continued to attract quality tenants from diversified industries.

The Group continuously evaluates and devises upgrading plans for its office portfolio to enhance its competitiveness and to better serve its tenants. The latest initiative finalized is to renovate Central Plaza in Wan Chai North, the iconic skyscraper that houses multinational companies and financial institutions, and this will further strengthen its preeminent position in the district.

## **Property Business – Mainland**

### **Land Bank**

During the year, the Group acquired a site in Shanghai with 7.6 million square feet of gross floor area to develop the Xujiahui Centre integrated project. The Group held an attributable 84.3 million square feet of land bank on the mainland as at the end of June 2014. Properties under development amounted to 74.8 million square feet, of which over 60% will be high-end residences and serviced apartments. The Group also held 9.5 million square feet of completed investment properties on the mainland, comprising mainly premium offices and shopping centres at prime locations in first-tier cities.

# Chairman's Statement

## Property Development

Following strong growth in prices and transactions for 2013, the residential markets on the mainland entered a consolidation period in early 2014 with notable drops in activity due mainly to tight mortgage credit conditions. Home prices in first-tier cities remained relatively resilient in the first half of 2014 on the back of low inventory level and solid end-user demand, but home prices in lower-tier cities saw more signs of softening.

Despite the challenging market environment on the mainland, the Group achieved property sales of over RMB5,600 million, equivalent to over HK\$7,000 million, in the year under review. This was contributed mainly by the sales of the wholly-owned luxury units in Shanghai Arch in Lujiazui, the 70%-owned

Phase 1B of premium homes in Forest Hills and the 33.3%-owned grade-A office space in Top Plaza in Guangzhou. The 80%-owned Oriental Bund in Foshan was put up for sale in April 2014, with its shops at the commercial street quickly sold out.

The Group completed ten residential projects on the mainland during the year, with about 4.3 million square feet of attributable gross floor area.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Park Royale Phase 1A	1 Shiling Road East, Huadu, Guangzhou	Residential	100	1,016,000
The Woodland Phase 4C	Zhongshan 5 Road, Zhongshan	Residential	Joint venture	562,000
Jovo Town Phase 2A	Shuangliu County, Chengdu	Residential/ Shops	91	557,000
Shanghai Arch Phase 1	Pu Ming Road, Lujiazui, Shanghai	Residential	100	538,000
Lake Genève Phase 1	888 Jinjihu Avenue, Suzhou	Residential	90	453,000
Taihu International Community Phase 6	Taihu New City, Wuxi	Residential	40	435,000
Lake Dragon Phase 2B	Dragon Lake Community, Huadu, Guangzhou	Residential	60	240,000
Sirius Phase 1A	88 Tongyuan Street, Jinjiang District, Chengdu	Residential	40	226,000
Shanghai Cullinan	99 Xiangyang Road South, Shanghai	Residential	100	216,000
The Riviera Phase 1B	59 Linjiang Road, Guangzhou	Residential	33.3	88,000
<b>Total</b>				<b>4,331,000</b>

# Chairman's Statement

## Property Investment

Rental income from mainland investment properties continued to achieve solid growth and became a meaningful contributor to the Group's rental business. For the year under review, the Group's gross rental income from the mainland, including contributions from joint-venture projects, rose by 51% to HK\$3,113 million, mainly driven by positive rental reversions, higher rents for new leases and new contribution from Shanghai IAPM mall.

As part of the Group's flagship Shanghai ICC integrated project in Puxi, the 1.3-million-square-foot IAPM mall is fully let. The mall promotes a new lifestyle and late-night shopping concept in Shanghai, and houses popular brands and fine restaurants over eight levels, some of which are new to the mainland and Shanghai. The mall has attracted large numbers of patrons looking for a new shopping experience and enjoyment. Tenant sales performance has been picking up satisfactorily since opening. Offices at Two ICC are scheduled to be completed in 2015 and pre-leasing has started with positive responses from noted multinational corporations, professional firms and high-end cosmetic brands. Occupancy at One ICC stayed high with many reputable international corporate tenants.

Shanghai IFC in Pudong, another flagship integrated projects of the Group, has established its outstanding brand recognition among tenants, shoppers and tourists. The fully-let Shanghai IFC Mall offers a comprehensive and unique brand mix within different themed shopping zones. With the mall connecting to Lujiazui metro station, high pedestrian flows have been recorded. Encouraging rental reversion has been achieved throughout the year despite a slowdown in the retail market, particularly the luxury segment. Renovation work on the open area is scheduled to be completed by the end of this year to provide customers with a better shopping experience. The two office towers registered high occupancy as they remain one of the most prestigious business addresses for major financial institutions, being advantageously located in the Lujiazui finance and trade zone.

The Group's 7.6-million-square-foot Xujiahui Centre project in Xuhui district in Shanghai, with direct access to Xujiahui metro station connecting three major transit lines, will be developed into an integrated project with concept and scale comparable to Shanghai IFC and Shanghai ICC. The project consists of about four million square feet of premium offices, around three million square feet of high-end retail space and a luxury hotel across four land lots, of which the biggest piece is situated along the bustling Hongqiao Road and will house a large-scale premium shopping centre. The majority of the floor area, including the shopping centre, will be held as a long-term investment to contribute rental income growth for the Group in future. Based on the finalized master layout plan, the project will be developed in phases and the quality offices located at the core of Huashan Road will be the first batch of office space put up for sale. Following the success of Shanghai IFC and Shanghai ICC, Xujiahui Centre project will become another iconic, integrated development in Shanghai and help further bolster the Group's strong presence in the city upon completion.

Beijing APM is at the heart of Wangfujing with connection to a planned metro station exit. New fashion brands and popular restaurants have been introduced to the mall, leading to the further enhancement of footfall. The next phase of facelift will include the addition of new beauty zone and kid's zone to attract young shoppers. Sun Dong An Office Tower was virtually fully leased and solid rental growth was achieved during the year under review.

The Group is building on its experience in Hong Kong of extensive mall development to enhance its expanding retail network on the mainland. In Guangzhou, the 50%-owned Parc Central on the vibrant Tianhe Road will be served by a comprehensive transport network. The 900,000-square-foot mall is scheduled to open in 2015 and has received an encouraging pre-leasing response. The mall at the 33.3%-owned Tianhui Plaza with one million square feet of retail space is expected to open in 2016. Located in the central business district of Zhujiang New Town and adjacent to the Liede metro station, the shopping mall will have a wide selection of the latest luxury goods under one roof to attract executives, business travellers and high-spending residents. The mainland rental portfolio will give an added boost to the Group's recurring income as those shopping malls are gradually completed. Going forward, the investment property portfolio on the mainland will be a more notable growth engine for the Group.

## Other Businesses

### Hotel

The Group's hotel portfolio in Hong Kong saw its average occupancy and revenue per available room climb further amid a healthy operating environment with rising visitor arrivals during the year under review.

# Chairman's Statement

The Group's luxury hotels in Hong Kong, including Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong, delivered encouraging performances with increased room rates and occupancies during the year under review. Entering the maturation period after three years of operation, The Ritz-Carlton, Hong Kong performed particularly well. The Group's four Royal brand hotels witnessed their combined occupancy rate sustain at a high level and their total revenue rose from the past financial year as Royal Plaza Hotel resumed its full operating capacity after the completion of internal renovation. Into the second year of operation, Crowne Plaza Hong Kong Kowloon East and Holiday Inn Express Hong Kong Kowloon East saw respectable growth in their businesses, underpinned by growing number of guests on repeated visits.

The Ritz-Carlton Shanghai, Pudong posted decent business growth with steadily increasing occupancy during the year under review and its revenue per available room has risen to among the highest in the city. The hotel's food and beverage business continued to perform well and the wedding business also saw satisfactory growth.

The Group will continue to expand its hotel portfolio in the coming years. In Hong Kong, the foundation work has commenced for a waterfront hotel in North Point, while the construction of a premium hotel in Sha Tin is set to begin soon. Construction of a hotel in Guangzhou as a part of the Tianhui Plaza integrated project is proceeding well and is slated for completion in financial year 2015/16.

## Telecommunications and Information Technology

### *SmarTone*

SmarTone registered a modest increase in local mobile service revenue net of handset subsidy amortization amid fierce market competition in the year under review. However, this was not sufficient to offset the continuing structural decline in the roaming business, increases in operating costs and depreciation and lower profit from handset business. To improve its offerings to customers, the company has introduced innovative services and re-entered the fixed broadband market. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

### *SUNeVision*

SUNeVision maintained a stable growth in profitability during the year with its data centre as a core business. A site was acquired in Tseung Kwan O with a view to building a new high-tier data centre. Scheduled for completion in 2017, the data centre is expected to further enhance business growth and generate better returns for shareholders. The new centre will enhance its capacity to meet customer needs in location, space and service quality. SUNeVision will continue to seek business development opportunities to bolster its position as a major carrier-neutral data centre service provider in Hong Kong.

## Infrastructure and other business

The Group's infrastructure and transport businesses continued to see decent performance. The performance of the Wilson Group remained satisfactory, while Route 3 (Country Park Section) benefitted from a steady increase in traffic throughout the year. Similarly, the growth of business travel was reflected in the healthy performance of the Hong Kong Business Aviation Centre. Growth in air freight and sustained domestic demand for warehouse space resulted in continued revenue growth at the Airport Freight Forwarding Centre, although throughput at the River Trade Terminal was affected by sluggish maritime trade.

## Corporate Finance

The Group continues to abide by its prudent financial discipline and is in robust financial position. After full payment of the land premium for the Xujiahui Centre project in Shanghai, the Group's net debt to shareholders' funds as at 30 June 2014 stood at a healthy level of 15.7%.

The Group maintains long and established relationship with banks as evidenced by encouraging responses to its syndicated loans. During the year under review, the Group raised a RMB4,900 million three-year syndicated term loan on the mainland in December 2013 and a HK\$14,000 million five-and-a-half-year term loan/revolving syndicated credit facility in January 2014.

Supported by the Group's strong credit profile and solid performance, the Group continues to attain credit ratings of A1 with stable outlook from Moody's and A+ with negative outlook from Standard & Poor's. These credit ratings are the highest among Hong Kong property companies.

# Chairman's Statement

Leveraging on the high credit ratings, the Group successfully extended its debt maturity profile by issuing a SGD320 million seven-year bond, a HK\$300 million ten-year bond and a US\$400 million ten-year bond that will be callable in February 2019 and every six months thereafter. All these bonds are issued under the Group's Medium Term Notes Programme, with overwhelming market responses.

A majority of the Group's borrowings was denominated in Hong Kong dollars, while the remainder was primarily in US dollars and Renminbi. As in the past, the Group has not entered into any derivatives or structured-product transactions for speculative purposes.

## Corporate Governance

A commitment to high standards of corporate governance has allowed the Group to grow from a solid foundation. This has been achieved through an effective Board of Directors, a sound and effective internal control system, prompt disclosure of information, as well as particular emphasis on its proactive investor-relations programme.

The Board comprises 20 Directors, seven of whom are Independent Non-Executive Directors (INEDs). The Board directs and oversees the Group's strategies with the support of Board Committees. All Executive Directors and three senior executives sit on the Executive Committee that formulates business policies and makes key business decisions. The Audit, Nomination and Remuneration Committees are all chaired by INEDs to ensure the Group's strategies are duly implemented. The Board also maintains and assesses the effectiveness of the Group's internal control system through regular reviews conducted by the Audit Committee, the management team and both internal and external auditors.

The Group takes a proactive approach to maintaining interactive communications with stakeholders, including investors, analysts, credit agencies and the media. Corporate information is disseminated on a timely basis to ensure transparency. In addition to regular meetings and conference calls, the Group also hosts overseas non-deal road shows and participates frequently in large-scale investor conferences to further enhance communication with both equity and fixed income investors worldwide.

The Group's quality management and good corporate governance are widely recognized by the investment community. Accolades received during the year include an award for Best Overall in Hong Kong and Asia at the Corporate Governance Poll of Polls by Asiamoney magazine and Best Managed Company in the Real Estate/Property Sector in Asia from Euromoney magazine. The Group was named Overall Best Real Estate Company in Asia by FinanceAsia magazine, and received recognitions for Best Investor Relations, Best Corporate Social Responsibility, Best Environmental Responsibility and Best Corporate Communications Team in Hong Kong from Corporate Governance Asia magazine.

## Sustainable Development

The Group's belief in Building Homes with Heart has always transcended quality construction projects, aiming to also work for the betterment of society as a whole. Customers are the priority while an emphasis is placed on staff care. The Group's three-pronged approach to corporate social responsibility – reading and holistic development, healthy and sustainable living, and care for the underprivileged – provides a positive force encouraging the whole community's well-being.

The Group published the 2012/13 SHKP Sustainability Report, following the latest G4 guidelines from the Global Reporting Initiative, an organization that develops the internationally-recognized standard for sustainability reporting. The Group is the first Hong Kong developer to follow this new international standard. While it continues to be a constituent of the Hang Seng Corporate Sustainability Index launched in 2010, the Group is progressing well in developing a data management system for more efficient and effective data tracking, monitoring and analysis related to its sustainability commitments.

With customers central to its business, the Group's dedication to quality extends beyond the construction and delivery of possession, to comprehensive after-sales services. Property management subsidiaries Hong Yip and Kai Shing offer premium customer care, while constantly exploring new ways to enhance service quality. Meanwhile, shopping mall and office tenant care programmes and concierges services continue to play a key role in ensuring an excellent retail, commercial and shopping experience.

The Group values two-way communication with customers. Members of the management team visit residents and commercial tenants to listen to their views. The SHKP Club, Hong Kong's largest property membership club, maintains close and long-term relationships with its over 330,000 members, and offers property-related services and privileges through its hotlines, digital platforms, events and workshops.

# Chairman's Statement

With over 37,000 employees, the Group believes its most valuable asset is its talent. The SHKP Quality Academy was launched in 2013 as part of its Quality Campaign aimed at ensuring the delivery of top quality products and services by its high-calibre teams. The Academy provides a continuous training and development opportunity for staff through tailor-made courses delivered by experts from diverse disciplines. The Group also maintains ties with retired staff through regular activities organized by the SHKP Evergreen Club, which celebrated its tenth anniversary this year.

In March 2014, the Group hosted its first career expo offering over 1,000 employment opportunities for young people with candidates from different backgrounds. Also in March, in collaboration with the Hong Kong Federation of Youth Groups, the Group launched the SHKP SDU – Trainee Programme to offer one-year placement opportunities to sub-degree graduates. The Group has also continued with its Modern Apprenticeship Programme and the Apprentice Training Programme.

Established in December 2013, the SHKP Reading Club's mission is to promote appreciation and joy of reading in the community. It is a free platform for the Hong Kong public to participate in seminars with celebrity speakers, reading and writing workshops and guided tours aimed at making reading a fun and enriching experience.

With greater emphasis on healthy and sustainable living, the 2013 Race to ICC-100 – SHKP Vertical Run for the Chest was elevated to the international sporting stage as the grand finale of the 2013 Vertical World Circuit. The event attracted 23 world-class elite athletes racing for the world title and drew heavy public participation with over 1,000 runners. The Group considers protecting the environment essential to sustainable living. The sustainability message is encouraged not only for staff, families and friends, but also for students through different educational materials and through tours under the Love Nature Campaign.

With care for the underprivileged a core focus of its corporate social responsibility efforts, the Group launched a new community programme in collaboration with a number of NGOs, providing the underprivileged with complimentary visits to Sky100 Hong Kong Observation Deck and Noah's Ark Hong Kong. Meanwhile, the Building Homes with Heart Caring Initiative continued to spread love and care to over 20,000 individuals, including seniors, new immigrants, ethnic minorities, the disabled, single parents, and low-income families during the year under review.

## Prospects

The global economy is expected to proceed on a firmer footing for the year ahead on the back of broadening recovery in the US and stabilizing growth in the mainland economy. Although the US Federal Reserve is poised to end its asset purchase programme soon and geo-political risks in some regions are likely to linger, relatively loose monetary conditions are widely expected to be maintained in major developed economies for an extended period, lending support to a more solid recovery in the world economy.

The growth of the mainland economy is expected to stabilize further with the help of a series of easing measures on a selective basis. The economy will also show more balanced growth with the focus of economic development shifting from speed to quality. Consolidation in residential markets in mainland cities that started in the first half of 2014 is expected to continue in the coming months, but transaction volumes are likely to improve on the back of loosening mortgage credit conditions and selective relaxation of property measures. In addition, growing household income and a shift to a more consumption-driven development model will bode well for premium retail space demand over time. The Group remains confident in the prospects for the mainland economy and its property sector over the medium to long term.

# Chairman's Statement

Hong Kong's economic fundamentals are expected to stay healthy despite the recent slowdown in retail sales and public debate over the future political system. A mildly improving export outlook, continuing infrastructure works and solid consumption demand underpinned by low unemployment should steer the economy to show modest growth. In Hong Kong's residential sector, solid end-user demand for small- to medium-sized units and the prevailing low interest rate environment coupled with reasonable affordability should help sustain transactions at healthy levels, particularly in the primary market. However, the stringent housing measures in place will continue to restrain demand from investors and non-local purchasers. Private residential completions are likely to remain limited in the near future, as gradually increasing land supply will take time to translate into completed housing units.

With adequate saleable resources including more small- to medium-sized units available for sale both in Hong Kong and on the mainland, the Group will continue to launch projects on the market when they are ready. In addition to the recently launched The Wings IIIA in Tseung Kwan O which received positive market responses, major residential projects in Hong Kong to be launched in the next nine months include The Wings IIIB, Phase 1 of the Tung Chung project and Deauville in Tsuen Wan West. Major mainland projects to be offered for sale include quality offices in Forest Hills in Guangzhou near the Guangzhou-Hong Kong through-train station, luxury units at Shanghai Cullinan as part of the Shanghai ICC integrated project and a batch of new units with spectacular views of the Bund at Shanghai Arch in Lujiazui.

The sizable investment property portfolio of the Group is expected to fare well in the coming year with continuous positive rental reversions and sustained high occupancies, both in Hong Kong and on the mainland. The portfolio will also be further enhanced with the continuous additions of new projects. The Group will constantly review its investment properties and institute various improvements including repositioning tenant mixes, and renovating and upgrading buildings to optimize its portfolio. At the same time, the Group will continue to review options for the disposal of non-core properties.

The Group's shopping mall network will continue to expand. In Hong Kong, a mall at YOHO Midtown is scheduled to open in 2015, as part of a mega mall in Yuen Long. In addition, shopping malls under development include a waterfront retail project beneath a residential development in North Point and a shopping centre underneath a large-scale residential project at the Nam Cheong Station. In Guangzhou, Parc Central, a shopping mall in the core business district of Guangzhou, will be completed in 2015. This, together with a mall at the Tianhui Plaza in the Zhujiang New Town, will help the Group establish a strong foothold in the retail leasing market in the Pearl River Delta. In Shanghai, the shopping mall being planned as part of the large-scale Xujiahui Centre project in Xuhui, upon completion, will further enhance the area as a premier shopping destination in the city.

The mainland investment property portfolio will be an increasingly important source of growth for the Group in the foreseeable future. The Xujiahui Centre project in Shanghai, when completed, will further boost the Group's leadership role in the commercial leasing market in this financial hub, given that the Group already has two very successful flagship projects Shanghai IFC and Shanghai ICC operating in the city. Over the next few years, the Group's total floor area of completed investment properties on the mainland is likely to increase markedly, particularly in Shanghai. The share of rental income from the mainland in the Group's overall rental revenue will also increase over time.

The Group's hotel business is expected to continue to grow with the projects opened over recent years continuing to see their business pick up. The hotel portfolio of the Group will further strengthen as there are a number of projects being planned and developed both in Hong Kong and on the mainland, including a waterfront hotel in North Point in Hong Kong that has recently begun construction. This expanding hotel network will create more synergy with the Group's other property businesses and enhance the Group's recurring income over time.

# Chairman's Statement

The Group is committed to achieving a balance between earnings from property sales and investment properties. The continuing cash flows from property sales and rental income will help the Group capture appropriate business opportunities while maintaining the gearing at a healthy level. With a large land bank sufficient for at least five years' development, the Group will be able to increase production volume over time. The Group will continue to acquire land particularly in Hong Kong where there is a gradually increasing land supply, and adhere to a selective approach when expanding on the mainland, focusing mainly on first-tier cities such as Beijing, Shanghai and Guangzhou. The Group will continue to produce premium products that best suit customer preference, particularly small- to medium-sized units both in Hong Kong and on the mainland. Greater effort will be applied to controlling construction costs while maintaining the quality of its products and services. Savings will be achieved through more cost-effective designs while maximizing the economies of scale resulting from the Group's extensive production.

Over the past several decades, the Group has built its businesses on increasingly strong foundations. A strong balance sheet with high liquidity, a well-respected brand that has earned the trust of customers, and a corporate culture that emphasizes Building Homes with Heart and continuous learning, are the central characteristics. Time-tested strategies, in particular prudent financial management discipline, enable continuous business development in times of both prosperity and downturn. The seasoned, professional and long-serving management team working together with the stable and devoted staff has continued to strengthen the Group's competitive advantage. The Group also maintains a high level of corporate governance and sound management structure. With these robust foundations, the Group is well positioned to secure business opportunities and overcome challenges even in the face of uncertainties.

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

## Appreciation

We would like to take this opportunity to express our gratitude to our fellow directors for their guidance and to all staff for their dedication and hard work.

**Kwok Ping-kwong, Thomas**  
*Chairman & Managing Director*

**Kwok Ping-luen, Raymond**  
*Chairman & Managing Director*

Hong Kong, 12 September 2014

# 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, material sourcing, construction and project management through to sales and marketing and property management. This ensures high standards in every aspect and enables the Group to better meet the demand for comfortable homes.

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

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

## Core Values

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

- **Building Homes with Heart**  
Producing premium projects 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 Learning**  
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 balanced sources of income over the long term with equal emphasis on property development for sale and property investment. This strategy offers a balance between steady cash flow and fast asset turnover.

The property investment portfolio generates a steadily growing income stream for the Group's shareholders. Constant monitoring and refining of existing investment properties, asset enhancement initiatives 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 a global financial centre, and as gateway to the world for the mainland.

# Business Model and Strategic Direction

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

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

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

## ***Prudent Financial Management***

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

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

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

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

## Hong Kong Property Business

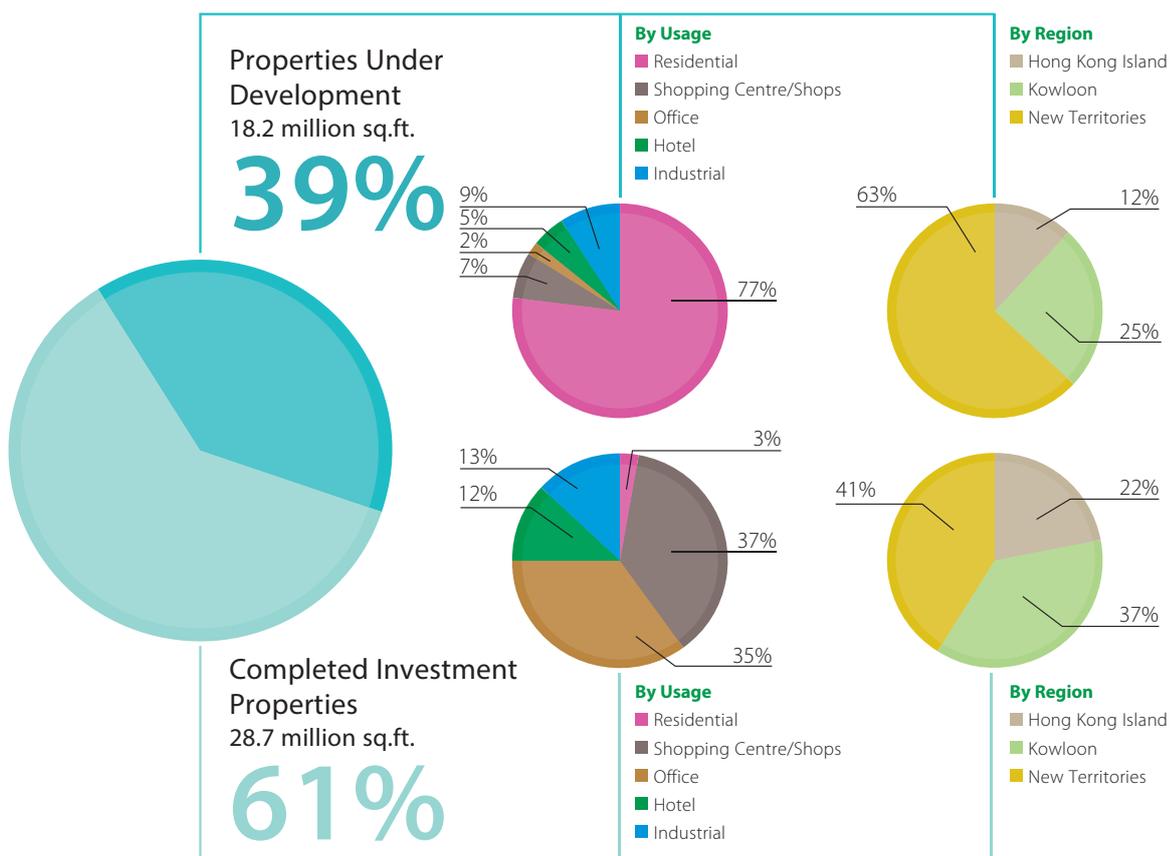
### Highlights

- Eight sites were added during the year under review, bringing the total development land bank to 18.2 million square feet of gross floor area in attributable terms by 30 June 2014
- 2.8 million square feet of properties were completed, of which 2.7 million were residences and offices for sale
- Contracted sales yielded over HK\$20,000 million
- Net rental income rose to HK\$11,428 million, 12% up from the previous year

### Land Bank

#### Hong Kong Land Bank Composition

(46.9 million square feet of attributable gross floor area as at 30 June 2014)



## Hong Kong Property Business

The Group added eight sites with a gross floor area totalling three million square feet to its land bank during the year, with increased land acquisition opportunities in Hong Kong. These included seven sites designated mainly for residential development, and a data centre site acquired by the Group's subsidiary, SUNeVision, for business expansion. Among the residential sites were two sea view projects in Sha Tin and Tseung Kwan O and three redevelopment projects on Hong Kong Island. The majority of units to be built will be of small-to-medium size. Details of the new sites are shown on page 8.

As at the end of June 2014, the Group's land bank in Hong Kong amounted to 46.9 million square feet of gross floor area, comprising 18.2 million square feet of properties under development and 28.7 million square feet of completed investment properties. Of properties under development, 15.7 million square feet were for sale, comprising mainly quality residential units and offices. About 2.5 million square feet were for investment, of which approximately 50% will be allocated for retail space, including several prime quality malls at

key locations along railway lines. The Group also owns about 27 million square feet of farmland in terms of site area in the New Territories at various stages of land use conversion. These sites are mostly along existing or planned railway lines.

The Group's portfolio is diversified in terms of usage and location. As at the end of June 2014, premium retail space and quality office space accounted for 37% and 35% of the Group's completed rental portfolio respectively. About 77% of the development land bank consists of residential premises for sale throughout the territory.

The Group's land bank in Hong Kong was as follows as at 30 June 2014:

	Attributable Gross Floor Area (million square feet)			Total
	Development for Sale	Development for Investment	Completed Investment Properties	
<b>By Usage</b>				
Residential	14.0	–	0.9	14.9
Shopping Centre/Shops	0.1	1.2	10.7	12.0
Office	0.4	–	10.0	10.4
Hotel	–	0.8	3.5	4.3
Industrial <sup>(1)</sup>	1.2	0.5	3.6	5.3
<b>Total</b>	<b>15.7</b>	<b>2.5</b>	<b>28.7</b>	<b>46.9</b>
<b>By Region</b>				
Hong Kong Island	1.7	0.5	6.3	8.5
Kowloon	4.1	0.5	10.7	15.3
New Territories	9.9	1.5	11.7	23.1
<b>Total</b>	<b>15.7</b>	<b>2.5</b>	<b>28.7</b>	<b>46.9</b>

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

Two large-scale residential sites near the Hong Kong Wetland Park in Tin Shui Wai were acquired in July 2014, after the end of the financial year. With a combined gross floor area of 2.3 million square feet, these projects will be developed for over 2,500 residential units, primarily of small-to-medium size. Following these acquisitions, the Group's total land bank in Hong Kong further increased to 49.2 million square feet.

## Property Development

The Group currently holds 18.0 million square feet of its development land bank for sale, including the two sites in Tin Shui Wai acquired after the end of the financial year. Within this portfolio, 16.2 million square feet will be for residential premises and the majority of units will be of small-to-medium size. The remainder is mainly for development of decentralized offices or industrial space. The current land bank is sufficient to meet the Group's development needs over the next five years, with production volume expected to increase over the medium term.

Reflected in the quality of its development, the pursuit of excellence has long been one of the Group's core values. The design, flat mix, layouts and finishes of the Group's developments are all catered to meet the ever rising customer aspirations. The Group also adds value to its projects by boosting synergies among sites within neighbourhoods. Its quality branding and reputation are widely recognized by the public and appreciated by homebuyers.

Contracted sales in Hong Kong amounted to more than HK\$20,000 million during the year. The operating environment for residential sales remained challenging throughout the majority of the year, but market sentiment has been improving since the second quarter of 2014. The Group offered around 180 units in The Cullinan at Kowloon Station for sale in October last year and the units were quickly sold. Other major residential projects sold included Century Gateway II in Tuen Mun, Riva in Yuen Long, Imperial Kennedy in Kennedy Town and Mount One in Fanling. Market response to the first batch of premium

offices at One Harbour Square in Kwun Tong has been positive. The recently launched W50 in Wong Chuk Hang also saw overwhelming response with its office space virtually sold. More new residential and selected office projects will be offered for sale when ready.

### Major Projects Under Development

**Acappella**  
**Lot 1927 in DD 107, Yuen Long**  
*(100% owned)*

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Site area	: 1.9 million square feet
Gross floor area	: 2.3 million square feet (residential) 33,000 square feet (retail)
Approximate number of units	: 3,000
Expected date of occupation permit	: from the first half of 2015, in phases

Acappella is the Group's second major development in a new residential enclave in Yuen Long East, following the completion of Riva. The development will have some 30 residential blocks of 11 to 16 storeys, containing over 3,000 units, the majority of which will be one- to two-bedroom apartments. The project will be completed in phases, with the occupation permit for the first phase of over 700,000 square feet of gross floor area expected to be granted in the first half of 2015. Work on the superstructure is progressing well and about 1,000 units of the first phase are planned for pre-sale within the next 12 months.

## Property Development

### **Kowloon Inland Lot No.11175, Ho Man Tin**

*(100% owned)*

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Site area	: 174,000 square feet
Gross floor area	: 869,000 square feet (residential)
Approximate number of units	: 500
Expected date of occupation permit	: from the first half of 2015, in phases

The development is adjacent to MTR Ho Man Tin Station currently under construction, which is the planned interchange for the Shatin to Central Link and Kwun Tong Line Extension. There will be seven town houses and about 500 apartment units in seven 20- to 25-storey residential towers, the majority of which will be three- to four-bedroom units. Construction of the superstructure is in progress and the occupation permit for the first phase of the project, comprising some 250 units, is expected to be obtained in mid 2015.

### **The Wings IIIA**

#### **Tseung Kwan O Town Lot No. 113**

*(100% owned)*

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Site area	: 144,000 square feet
Gross floor area	: 721,000 square feet (residential) 72,000 square feet (retail)
Approximate number of units	: 960
Expected date of occupation permit	: first half of 2016

### **The Wings IIIB**

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

*(100% owned)*

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Site area	: 47,000 square feet
Gross floor area	: 234,000 square feet (residential) 24,000 square feet (retail)
Approximate number of units	: 320
Expected date of occupation permit	: first half of 2016

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

*(100% owned)*

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

The Group's large-scale development cluster near MTR Tseung Kwan O Station is progressing well, with The Wings II completed during the year. With 784 residential units in four towers, The Wings II is connected to an integrated complex comprising The Wings, PopCorn shopping mall, two international hotels and Vega Suites above the MTR station.

The two adjacent developments, The Wings IIIA and IIIB are meticulously planned and designed to boost the synergies between the Group's developments in the close vicinity. They are currently under construction and The Wings IIIA was offered for sale recently with a positive market response. The two projects will provide a combined total of about 1,300 residential units with about 40% of the units comprising one- to two-bedroom units. The Wings IIIA will be linked to the integrated complex by a covered footbridge. Also under development is the project at Tseung Kwan O Town Lot No. 118, close to the waterfront. Scheduled for completion in the second half of 2017, this development of lower density will provide over 600 units in seven towers of 9 to 16 storeys. Together with the recently-completed The Wings II, these three developments will provide a total of over 240,000 square feet of retail space adjacent to 750,000 square feet of open public space, planned to extend from the MTR station through the developments to the waterfront.

## Property Development

### Yuen Long Town Lot No. 507

(100% owned)

Site area	: 410,000 square feet
Gross floor area	: 1.8 million square feet (residential) 471,000 square feet (retail)
Approximate number of units	: 2,500
Expected date of occupation permit	: from the first half of 2016, in phases

This 2.3-million-square-foot development with a footbridge connection to MTR Yuen Long Station will provide about 2,500 units in nine residential towers and over 470,000 square feet of retail space, which will be linked to two existing shopping centres in the vicinity to form the YOHO Mall, a new regional shopping and entertainment hub in New Territories West. For further information on the YOHO Mall, please refer to page 32. Work on the superstructure of the first phase, including four residential towers providing 1,100 units and a retail mall, has risen to around 30 storeys and the occupation permit is expected to be granted in the first half of 2016. Superstructure work on the second phase, comprising three residential towers, has also started and is scheduled for completion in late 2016.

### Tung Chung Town Lot No. 36

(100% owned)

Site area	: 273,000 square feet
Gross floor area	: 1.4 million square feet (residential) 27,000 square feet (retail)
Approximate number of units	: 2,300
Expected date of occupation permit	: from the first half of 2016, in phases

This project is located in the eastern part of Tung Chung, neighbouring the proposed extension area for the existing Tung Chung new town, according to the latest government plan. The site will be developed over two phases into over 2,300 residential units in five blocks of 27- to 29-storey residential towers in addition to three low-density, two-storey apartment blocks. More than 70% of the units will be one- to two-bedroom apartments. The first phase will have a total floor area of about 820,000 square feet, comprising approximately 1,400 units. Construction of the superstructure has been progressing well and the occupation permit is expected to be granted in the first half of 2016.

### Inland Lot No. 9027, North Point

(100% owned)

Site area	: 252,000 square feet
Gross floor area	: 578,000 square feet (residential) 135,000 square feet (retail)
Approximate number of units	: 700
Expected date of occupation permit	: from the first half of 2017, in phases

### Inland Lot No. 9020, North Point

(100% owned)

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

The residential site at Inland Lot No. 9027, acquired in July 2012, has a total gross floor area of over 700,000 square feet, comprising residential and retail space. There will be nine residential towers providing some 700 units in diverse flat mixes, with most facing Victoria Harbour. The majority of units will be small-to-medium sized. Linked to a waterfront promenade, the retail portion will provide shop fronts along Java Road. Foundation work for the first phase of the project, covering over 300,000 square feet of gross floor area, has been completed and superstructure work began in mid 2014.

The adjacent hotel site at Inland Lot No. 9020, bought in March 2013, directly borders the waterfront. With nearly 700 guest rooms, plans for the site also feature retail space, as well as restaurants and a swimming pool on the rooftop. The hotel will be connected to the residential lot via a seaside promenade to maximize the synergies between the two sites. Piling work for the hotel has already begun.

## Property Development

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

*(Joint venture)*

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

This development is above MTR Nam Cheong Station, the interchange for the Tung Chung and West Rail lines. There will be 14 residential blocks to be developed in three phases, together with a 298,000-square-foot shopping mall. About 80% of the 3,400 flats will be studios as well as one- to two-bedroom units. Foundation work for the whole project has been completed, while work on the superstructure of the first phase with approximately 1,000 units has also begun.

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

*(100% owned)*

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Site area	: 1.5 million square feet
Gross floor area	: 2.2 million square feet (residential) 20,000 square feet (retail)
Approximate number of units	: more than 2,500
Expected date of occupation permit	: after 2017

These two large-scale sites comprise a combined gross floor area of over two million square feet adjacent to the Hong Kong Wetland Park. The development density is relatively low with a plot ratio of 1.5 times. The Group will develop over 2,500 residential units after winning the tender bids in July 2014 and will fully capitalize on its unique location and scale to design an optimal master layout and flat mix. While the majority of units will be small- to medium-sized apartments, the project will also include a number of houses.

### **LOHAS Park Package 4, Tseung Kwan O**

*(Joint venture)*

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Site area	: 140,000 square feet
Gross floor area	: 1.3 million square feet (residential)
Approximate number of units	: more than 1,600
Expected date of occupation permit	: after 2017

The Group won the tender in April 2014 to develop over 1,600 residential units on the waterfront site near MTR LOHAS Park Station and is reviewing the flat mix for this 1.3-million-square-foot development, with the intention of offering more small- to medium-sized units. Site preparation work has begun and the project is due for completion within four to five years.

### **Sha Tin Town Lot No. 581**

*(100% owned)*

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Site area	: 406,000 square feet
Gross floor area	: 431,000 square feet (residential)
Approximate number of units	: 430
Expected date of occupation permit	: after 2017

The Group bought this site near the coast of Whitehead in Ma On Shan in March 2014. The project has a gross floor area of about 431,000 square feet and will be built as a low-density residential development. The Group is applying for planning permission to build around 430 units, with layout ranging from one to four bedrooms, including 70 houses and 360 apartments.

# Property Development

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

Location	Project Name	Group's Interest (%)	Attributable Gross Floor Area (square feet)					Total
			Residential	Shopping Centre/Shops	Office	Hotel	Industrial <sup>(2)</sup>	
<b>Scheduled Completion in Financial Year 2014/15</b>								
Lot 1927 in DD 107, Yuen Long Phase 1	Acappella	100	747,000	33,000	–	–	–	780,000
Fanling Sheung Shui Town Lot No. 202	Mount One	100	136,000	4,000	–	–	–	140,000
Kowloon Inland Lot No. 11175, Ho Man Tin Phase 1		100	401,000	–	–	–	–	401,000
50 Wong Chuk Hang Road	W50	100	–	–	120,000	–	–	120,000
<b>Year Total:</b>			<b>1,284,000</b>	<b>37,000</b>	<b>120,000</b>	<b>–</b>	<b>–</b>	<b>1,441,000</b>
<b>Scheduled Completion in Financial Year 2015/16</b>								
Yuen Long Town Lot No. 507 Phase 1		100	801,000	471,000	–	–	–	1,272,000
Tung Chung Town Lot No. 36 Phase 1		100	820,000	27,000	–	–	–	847,000
Tseung Kwan O Town Lot No. 113	The Wings IIIA	100	721,000	72,000	–	–	–	793,000
Tseung Kwan O Town Lot No. 114	The Wings IIIB	100	234,000	24,000	–	–	–	258,000
68 Belcher's Street, Kennedy Town	Imperial Kennedy	92	108,000	36,000	–	–	–	144,000
Kowloon Inland Lot No. 11175, Ho Man Tin Phase 2		100	468,000	–	–	–	–	468,000
<b>Year Total:</b>			<b>3,152,000</b>	<b>630,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,782,000</b>
<b>Scheduled Completion in Financial Year 2016/17</b>								
Inland Lot No. 9027, North Point Phase 1		100	318,000	8,000	–	–	–	326,000
Lot 1927 in DD 107, Yuen Long Phase 2		100	1,511,000	–	–	–	–	1,511,000
Yuen Long Town Lot No. 507 Phase 2		100	587,000	–	–	–	–	587,000
Tung Chung Town Lot No. 36 Phase 2		100	547,000	–	–	–	–	547,000
Yuen Long Town Lot No. 528		100	232,000	–	–	–	–	232,000
Sha Tin Town Lot No. 566		100	130,000	–	–	–	–	130,000
23 Babington Path, Mid-Levels West		82.8	59,000	–	–	–	–	59,000
680 Castle Peak Road, Cheung Sha Wan		100	–	–	–	–	90,000	90,000
<b>Year Total:</b>			<b>3,384,000</b>	<b>8,000</b>	<b>–</b>	<b>–</b>	<b>90,000</b>	<b>3,482,000</b>
<b>Major Projects Scheduled for Completion in Financial Year 2017/18 or Beyond</b>								
Nam Cheong Station Development		JV	2,311,000	298,000	–	–	–	2,609,000
Tin Shui Wai Town Lot No. 33		100	1,209,000	10,000	–	–	–	1,219,000
Tin Shui Wai Town Lot No. 34		100	1,030,000	10,000	–	–	–	1,040,000
Tseung Kwan O Town Lot No. 118		100	483,000	80,000	–	–	–	563,000
Inland Lot No. 9027, North Point Phase 2		100	260,000	127,000	–	–	–	387,000
1-3 Church Lane, Shau Kei Wan		92	291,000	51,000	–	–	–	342,000
Tuen Mun Town Lot No. 509		100	141,000	26,000	–	–	–	167,000
97 Belcher's Street, Kennedy Town		92	67,000	18,000	–	–	–	85,000
38-52 Western Street, Sai Ying Pun		92	71,000	5,000	–	–	–	76,000
LOHAS Park Package 4		JV	1,316,000	–	–	–	–	1,316,000
Yuen Long Town Lot No. 507 Phase 3		100	460,000	–	–	–	–	460,000
Sha Tin Town Lot No. 581		100	431,000	–	–	–	–	431,000
Inland Lot No. 8963, Stubbs Road		100	181,000	–	–	–	–	181,000
18-20 Caine Road, Mid-Levels West		92	127,000	–	–	–	–	127,000
195 Prince Edward Road West		100	45,000	–	–	–	–	45,000
Kwun Tong Inland Lot No. 174		64.3	–	–	308,000	–	–	308,000
Inland Lot No. 9020, North Point		100	–	–	–	388,000	–	388,000
Sha Tin Town Lot No. 248		100	–	–	–	344,000	–	344,000
Tung Chung Town Lot No. 11		20	–	68,000	–	26,000	–	94,000
Kwun Tong Inland Lot No. 240		50	–	–	–	–	575,000	575,000
Tseung Kwan O Town Lot No. 122		74	–	–	–	–	351,000	351,000
<b>Total for Major Projects to be Completed in Financial Year 2017/18 or Beyond:</b>			<b>8,423,000</b>	<b>693,000</b>	<b>308,000</b>	<b>758,000</b>	<b>926,000</b>	<b>11,108,000</b>

<sup>(1)</sup> Completion refers to the issuance of occupation permit

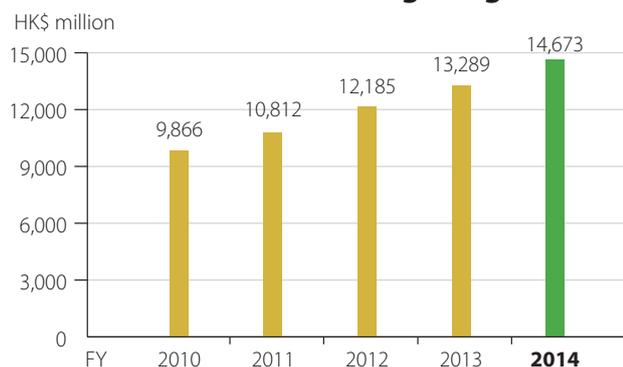
<sup>(2)</sup> Including data centre

## Property Investment

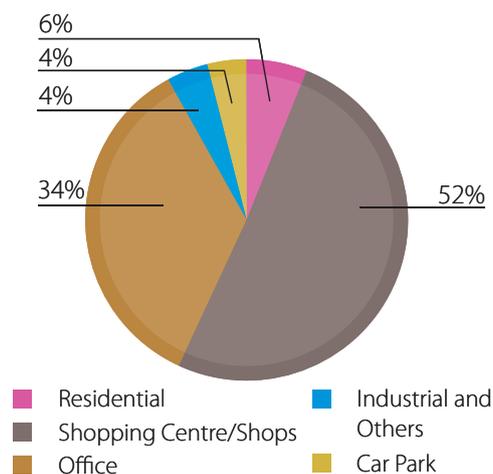
The Group owns one of the largest investment property portfolios in Hong Kong that spans across the territory. Most of the properties are located along easily accessible railway lines. During the year under review, a 10% growth in gross rental income to HK\$14,673 million was recorded with average occupancy staying high at 95%, while net rental income was up 12% reaching HK\$11,428 million. With a commitment to enhance the value of its investment properties to better meet the needs of the tenants, the Group

has been continually upgrading and renovating these properties to strengthen its overall competitiveness. The tenant mix of the malls has also been refined and marketing activities are constantly organized to generate more traffic.

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



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



<sup>(1)</sup> Including contributions from associates and joint ventures

## Property Investment

### Completed Investment Properties

#### *Shopping Centres*

During the year under review, continuing growth in domestic consumption has kept underpinning the solid performance of the Group's retail portfolio despite moderated retail sales in Hong Kong induced by slower visitors' spending growth. Meanwhile, tourists' consumption patterns have shifted from luxury goods to mid-priced and non-discretionary items.

The Group continues to grow its extensive network of shopping centres, the majority of which are strategically situated in prime districts that are close to railway lines, with V City being the latest addition to the Group's premium portfolio during the year under review.

Opened in August 2013, V City at MTR Tuen Mun Station saw its traffic and tenant sales exceeding original expectations. This fully-leased shopping centre has now become one of the prime hotspots in New Territories West, bringing to the district a new modern lifestyle concept that appeals to the youth as well as tourists. The mall has filled its 270,000-square-foot premises with numerous renowned retailers including flagship stores as well as food and beverage outlets, some of which are either new to the Tuen Mun district or the New Territories West. V City offers exceptional convenience to shoppers with direct connections to both the Light and West rails, and an extensive footbridge network linking surrounding areas and a public transport interchange.

During the period under review, the growth in tenant sales of the Group's major malls has outperformed the overall retail market, with positive rental reversions and increased traffic flows. The Group's top ten malls generated more than HK\$5,000 million in rental revenue.

Over the years, the Group has developed regional malls primarily in populous districts with abundant residences across the territory. As an integral part of the communities, these malls help accommodate the spending needs of locals and have consistently delivered decent performances. Entertaining activities were also staged regularly to offer nearby residents an option for spare time relaxation.

New Town Plaza in Sha Tin is one of the key regional shopping malls in the New Territories directly connected to the MTR East Rail Line. This mega shopping centre has been thriving along with adjacent neighbourhoods into a mature community over the past decades. Concerted efforts have been made to further attract footfalls to this conveniently-located mall, including recruitments of fresh high-end international brands and restaurants with specialty gourmet menus. These pursuits have contributed to decent growth in rents and tenant sales registered throughout the mall.

## Property Investment

Comprising around 600,000 square feet of retail space, Tai Po Mega Mall is the Group's other prime regional mall in the New Territories East. A wide variety of shops including stylish accessory shops and brand name boutiques and popular restaurants can be found within the complex, offering customers a unique shopping experience that is in tune with modern dynamic lifestyles. The mall has been virtually fully leased with healthy rental reversions recorded. To further strengthen the mall's competitive edge and leading position in the area, a major facelift is scheduled to commence later this year.

Another hot regional shopping destination, Landmark North, is also situated in the New Territories. Well-supported by the MTR East Rail Line and cross-border bus services, the fully-occupied mall offers convenience to locals and tourists and accommodates different retailers with a balanced selection of cosmetics, fashion goods, AV products as well as food and beverages outlets. Rental reversions were robust during the year. As one of the major malls in the northern district, Landmark North will continue to bring in international skincare and fashion retailers to enhance its distinctive positioning.

Another of the Group's premium regional mall APM was well-established as a trendy shopping centre in Kowloon East. Continuous tenant mix refinement at the virtually fully-leased mall was one of the key factors supporting the healthy increase in traffic growth and rental reversions observed during the year. International apparel brands, famous designer boutiques and popular cosmetics outlets have been selectively introduced to further boost its popularity among teenagers. In addition, the Kai Tak Cruise Terminal has widened the mall's customer base by drawing in more international tourists. Major upgrades will be implemented for APM to better position itself for these favourable developments in the district.

East Point City is a prominent shopping mall in Tseung Kwan O easily reachable by extensive public transports including railway. It houses shops of a diverse mix ranging from fashions and cosmetics, to electronics and food and beverages. Positive rental reversions and retail sales growth were recorded during the year under review. With the gradual completion of residential projects in the district, East Point City is well-placed to benefit from the growing population.

The Group's renowned malls in traditional shopping districts of the territory, namely IFC Mall and The Sun Arcade, continued to perform well notwithstanding softened visitors' spending growth as shoppers are consistently attracted to these fully-let malls by the well-crafted and diversified tenants residing under a single roof.

The strategic location of IFC Mall in the bustling commercial hub of Central draws in both locals and tourists from all around the globe. The firmly-established upmarket status supported by premium tenants and exceptional customer service has contributed to sustained high traffic. New international renowned brands have been brought in, while the Group further optimized the internal layout of the mall. To provide customers with an even more pleasant environment, a number of shops have carried out renovation works and were reopened with fresh images. Impressive positive rental reversions were recorded during the year under review.

Located on the other side of Victoria Harbour, The Sun Arcade is one of the most popular shopping centres in Tsim Sha Tsui. Bolstered by the various stylish fashion brands along with a flagship store which offer diverse products including top beauty brands, the mall achieved positive rental reversions and recorded decent growth in tenant sales. The recently-completed external facade upgrade on Canton Road and Peking Road further enhanced the mall's overall image, impressing customers with a contemporary appearance.

## Property Investment

Properties and tenant mix upgrades are regularly carried out to better serve the shoppers. Tsuen Wan Plaza underwent tenant mix refinements recently, filling the new duplex stores with brands which are fresh to the district. These efforts were well received by shoppers and tenants, leading to a rise in traffic, retail sales and rents. The Group's latest initiative is the reconfiguration project at Grand Century Place in Mong Kok, which will be repositioned into a comprehensive retail hub with a new look. The mall will be divided into zones and themed floors, with some stores being redesigned into duplexes. The first phase was completed with the reconfiguration of the upper floors while phase two is still in progress. The project is scheduled for full completion in the first half of 2015 with rental growth being expected. Renovation at Metroplaza adjoining MTR Kwai Fong Station is expected to start later this year. Upon completion, the redesigned layout will help bring in a finer tenant mix, comprising more dining outlets entirely new to the district. The Group is also reviewing plans to renovate in near term WTC More, a trendy hotspot at the heart of the Causeway Bay traditional shopping district, which will introduce duplex shops to the mall.

### Offices

In Hong Kong, the overall office leasing environment remained solid with the Central office market stabilized and non-Central areas staying healthy during the year under review. New demands from financial institutions and mainland companies have underpinned the sustained low vacancies of office buildings in the market.

The Group's office portfolio is geographically diverse with many properties along railway lines. The convenient location of quality office buildings with large floor plates has been the main reason for the tenants' preference of the Group's offices. During the year under review, rental income continued to grow, supported by high occupancies and positive rental reversions.

In the heart of Hong Kong Island, International Finance Centre along the waterfront of the core business district in Central is an iconic integrated development of the territory. It is well connected to transportation networks, among which is the Airport Express Hong Kong Station. The first-class office space, supported by comprehensive facilities including the IFC Mall, Four Seasons Hotel Hong Kong and Four Seasons Place, have witnessed stable spot rents and high occupancy levels. This is attributable to rising demands from mainland funds, as well as securities and investment companies in the financial district.

The occupancies of Sun Hung Kai Centre and Central Plaza, both situated in the Wan Chai North business zone with open harbour views, remained high and a rise in rental was recorded for the year under review. Healthy demand came primarily from major multinational corporations and mainland investment companies seeking quality office space. An enhancement plan at Central Plaza will begin later this year focusing on upgrades of lobbies and other common areas.

Being the tallest skyscraper in Hong Kong, the International Commerce Centre presents an exceptional view from the opposite shore of Victoria Harbour. It is conveniently situated atop the Airport Express Kowloon Station and is adjacent to the Guangzhou-Shenzhen-Hong Kong Express Rail Link terminus under construction. The integrated complex consists of grade-A offices, world-class hotels including The Ritz-Carlton, Hong Kong and W Hong Kong, The HarbourView Place premium serviced suites, a high-end shopping centre and the Sky100 Hong Kong Observation Deck. Multinational corporations and investment banks have been drawn in by its superior building specifications, which accelerated the reshaping of West Kowloon into another core business district. For the year under review, positive rental reversions as well as rising demands from investment funds were observed.

The Group's single ownership of close to 1.7 million square feet of grade-A offices at the Millennium City cluster in Kowloon East, with diverse dimensions and layouts, offers flexibilities in meeting the relocation and expansion needs of prospective tenants. Diverse sectors, including financial, fashion and information technology, have always considered Millennium City as their preferred choice. High occupancies and positive rental reversion were recorded during the year under review, despite a mildly increased competition in the district in recent months.

The Group also owns premium offices in the New Territories, catering to the needs of diverse tenants. The ease of access to Metroplaza via a covered footbridge directly connected to MTR Kwai Fong Station, on top of the recently upgraded building specifications has attracted businesses including manufacturing companies, trading firms and government departments seeking quality office space in non-Central areas. Located next to MTR Sha Tin Station, Grand Central Plaza is another preferred option for decentralized quality offices. Renovation projects are currently underway in phases to maintain its market position and to further raise its competitiveness. High occupancy and strong rental reversions were recorded for both projects during the year under review.

## Property Investment

### Residential, Serviced Suites and Other

The Group possesses close to one million square feet of luxury residential units for lease under its Signature Homes division with premises in prestigious locations. Together with highly-personalized services, the residential portfolio delivered satisfactory leasing performance for the year under review.

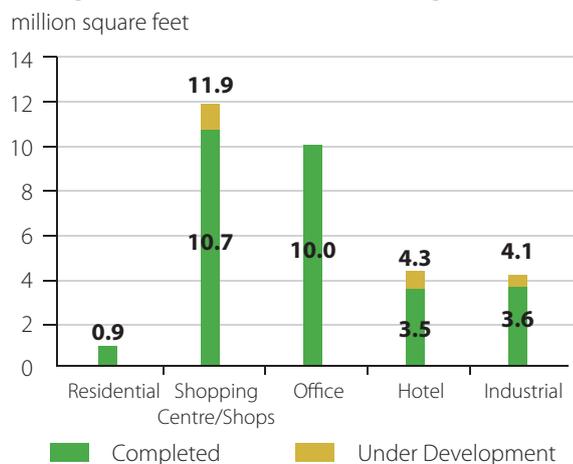
The Group also offers a premium portfolio of serviced suites, such as The HarbourView Place at Airport Express Kowloon Station and Four Seasons Place at Airport Express Hong Kong Station. Rental reversions of these suites were moderate while occupancies remained high. These suites are considered among the most luxurious in town and are recognized as the accommodation of choice by senior executives of multinational corporations. As the first stylish serviced suites in Tseung Kwan O, Vega Suites opened in 2012 and occupancy was on the rise during the year under review. It continued to be one of the top choices for corporate executives in Kowloon East and Island East with its direct access to the railway station.

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

### Investment Properties under Development

The Group had an attributable 2.5 million square feet of new investment properties under development as at 30 June 2014, with 1.2 million square feet comprising retail space in prime areas. The rest are hotels, industrial buildings and a data centre under development. The Group will continue to develop quality assets to enhance its rental portfolio and maintain its leading position in the leasing market with well-diversified holdings.

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



<sup>(1)</sup> As at 30 June 2014

A 470,000-square-foot shopping centre in Yuen Long will merge with Sun Yuen Long Centre and the mall at YOHO Midtown to form the million-square-foot YOHO Mall. It will be directly reachable through the railway network and other public transports, providing convenience to shoppers. The overall scale and positioning of YOHO Mall will be comparable to that of the renowned New Town Plaza in Sha Tin. Sun Yuen Long Centre is currently under renovation, while the mall at YOHO Midtown is scheduled to open next year. The latter's modernized features such as the duplex facades, high ceilings, a large open piazza and outdoor dining concept will help usher in a fresh lifestyle vitality to the New Territories West.

The Group's upcoming retail space at the Tseung Kwan O district, including those at The Wings II and The Wings IIIA and IIIB, totalling approximately 242,000 square feet, offer a wide variety of choices to shoppers. Upon the opening by phases beginning 2015, the Group's retail leasing market exposure in the populous Tseung Kwan O town centre will be further enhanced.

On the Hong Kong Island, the North Point waterfront project will add 135,000 square feet of retail space to the Group's portfolio. This rare supply of quality retail space alongside a leisure promenade on the Hong Kong Island, comprising street level shops and duplex units, will synergize with the residential portion atop and an adjacent hotel under construction by the Group. A section of the street level shops facing Java Road is scheduled to open in 2017, while the completion of the main portion in four to five years' time will bring the whole retail project into full operation.

The construction of a premium 298,000-square-foot shopping mall above MTR Nam Cheong Station is currently in progress. As the interchange between the West Rail Line and Tung Chung Line, in addition to housing a bus terminal, the complex is outlined to be a transportation hub and an iconic shopping destination of West Kowloon. It will be well-placed to meet growing local spending demand from the rising population in the district upon completion which is expected in four to five years.

The Group is constantly refining its investment property portfolio with selective disposal of non-core properties and continual addition of new quality assets to increase the proportion of high-grade projects in prime locations.

# Property Investment

## Major Completed Investment Properties in Hong Kong

Project	Location	Lease Expiry	Group's Interest (%)	Attributable Gross Floor Area (square feet)					Total
				Residential	Shopping Centre/Shops	Office	Hotel	Industrial <sup>(1)</sup>	
<b>Hong Kong Island</b>									
One IFC	1 Harbour View Street, Central	2047	50	-	-	392,000	-	-	392,000
Two IFC & IFC Mall	8 Finance Street, Central	2047	50	-	320,000	566,000	-	-	886,000
Four Seasons Hotel Hong Kong / Four Seasons Place	8 Finance Street, Central	2047	50	-	-	-	550,000	-	550,000
Sun Hung Kai Centre	30 Harbour Road, Wan Chai	2127	100	-	53,000	851,000	-	-	904,000
Central Plaza	18 Harbour Road, Wan Chai	2047	50	-	-	700,000	-	-	700,000
World Trade Centre / WTC More	280 Gloucester Road, Causeway Bay	2842	100	-	280,000	232,000	-	-	512,000
Dynasty Court (Blocks 2 & 3)	23 Old Peak Road	2886	100	341,000	-	-	-	-	341,000
MEGA iAdvantage	399 Chai Wan Road, Chai Wan	2112	74.04	-	-	-	-	259,000	259,000
Pacific View (Blocks 2 & 3)	38 Tai Tam Road	2047	100	248,000	-	-	-	-	248,000
Chi Fu Landmark	Chi Fu Road, Pok Fu Lam	2126	100	-	172,000	-	-	-	172,000
Hillsborough Court (Block 4)	18 Old Peak Road	2884	100	124,000	-	-	-	-	124,000
<b>Kowloon</b>									
ICC / Sky100 Hong Kong Observation Deck	1 Austin Road West	2047	100	-	29,000	2,495,000	-	-	2,524,000
The Ritz-Carlton, Hong Kong / W Hong Kong / The HarbourView Place	1 Austin Road West	2047	100	-	-	-	1,023,000	-	1,023,000
Millennium City 1 <sup>(2)</sup>	388 Kwun Tong Road	2047	100	-	27,000	872,000	-	-	899,000
Millennium City 2	378 Kwun Tong Road	2047	50	-	-	133,000	-	-	133,000
Millennium City 5 / APM	418 Kwun Tong Road	2047	100	-	598,000	308,000	-	-	906,000
Millennium City 6	392 Kwun Tong Road	2047	100	-	32,000	370,000	-	-	402,000
Grand Century Place	193 Prince Edward Road West, Mong Kok	2047	100	-	725,000	475,000	-	-	1,200,000
Royal Plaza Hotel	193 Prince Edward Road West, Mong Kok	2047	100	-	-	-	400,000	-	400,000
The Royal Garden	69 Mody Road, Tsim Sha Tsui	2127	100	-	-	-	295,000	-	295,000
Kerry Hung Kai Godown	3 Fat Tseung Street, Cheung Sha Wan	2047	50	-	-	-	-	285,000	285,000
APEC Plaza	49 Hoi Yuen Road, Kwun Tong	2047	100	-	-	-	-	240,000	240,000
Mikiki	638 Prince Edward Road East, San Po Kong	2054	100	-	205,000	-	-	-	205,000
The Sun Arcade	28 Canton Road, Tsim Sha Tsui	2047	100	-	205,000	-	-	-	205,000
Peninsula Tower	538 Castle Peak Road, Cheung Sha Wan	2047	100	-	-	-	-	188,000	188,000
Hing Wah Centre	82-84 To Kwa Wan Road	2099	100	-	-	-	-	183,000	183,000
New Tech Plaza	34 Tai Yau Street, San Po Kong	2047	100	-	-	-	-	182,000	182,000
26 Nathan Road	26 Nathan Road, Tsim Sha Tsui	2039	100	-	53,000	124,000	-	-	177,000
Infotech Centre	21 Hung To Road, Kwun Tong	2047	100	-	-	-	-	114,000	114,000
<b>New Territories</b>									
New Town Plaza I	18 Shatin Centre Street, Sha Tin	2047	100	-	1,300,000	-	-	-	1,300,000
New Town Plaza III	2-8 Shatin Centre Street, Sha Tin	2047	100	-	350,000	-	-	-	350,000
New Town Tower	10-18 Pak Hok Ting Street, Sha Tin	2047	100	-	-	96,000	-	-	96,000
Grand Central Plaza / HomeSquare	138 Shatin Rural Committee Road, Sha Tin	2047	100	-	310,000	431,000	-	-	741,000
Royal Park Hotel	8 Pak Hok Ting Street, Sha Tin	2047	100	-	-	-	258,000	-	258,000
Metroplaza	223 Hing Fong Road, Kwai Chung	2047	100	-	600,000	569,000	-	-	1,169,000
Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites	3 Tong Tak Street, Tseung Kwan O	2057	100	-	-	-	626,000	-	626,000
PopCorn	9 Tong Yin Street, Tseung Kwan O	2057	50	-	108,000	-	-	-	108,000
Tai Po Mega Mall	9 On Pong Road, Tai Po	2047	100	-	589,000	-	-	-	589,000
Tsuen Wan Plaza	5-21 Pak Tin Par Street, Tsuen Wan	2047	100	-	583,000	-	-	-	583,000
Kowloon Commerce Centre	51 Kwai Cheong Road, Kwai Chung	2047	100	-	79,000	423,000	-	-	502,000
Landmark North	39 Lung Sum Avenue, Sheung Shui	2047	100	-	182,000	375,000	-	-	557,000
Sun Hung Kai Logistics Centre	8 Wong Chuk Yeung Street, Sha Tin	2047	100	-	-	-	-	500,000	500,000
East Point City	8 Chung Wa Road, Tseung Kwan O	2047	100	-	415,000	-	-	-	415,000
Royal View Hotel	353 Castle Peak Road, Ting Kau	2047	100	-	-	-	310,000	-	310,000
V City	83 Tuen Mun Heung Sze Wui Road	2056	100	-	269,000	-	-	-	269,000
Sun Yuen Long Centre	8 Long Yat Road, Yuen Long	2047	87.5	-	245,000	-	-	-	245,000
Park Central	9 Tong Tak Street, Tseung Kwan O	2047	57.52/25	-	195,000	-	-	-	195,000
Citygate / Novotel Citygate Hong Kong Hotel	20 Tat Tung Road / 51 Man Tung Road, Tung Chung	2047	20	-	99,000	32,000	47,000	-	178,000
Grand City Plaza	1-17 Sai Lau Kok Road, Tsuen Wan	2047	100	-	35,000	137,000	-	-	172,000
Yuen Long Plaza	249-251 Castle Peak Road, Yuen Long	2047	100	-	145,000	-	-	-	145,000
Advanced Technology Centre	2 Choi Fat Street, Sheung Shui	2047	100	-	-	-	-	142,000	142,000
Uptown Plaza	9 Nam Wan Road, Tai Po	2047	100	-	120,000	-	-	-	120,000
Chelsea Heights	1 Shek Pai Tau Path, Tuen Mun	2047	100	-	116,000	-	-	-	116,000
Jumbo iAdvantage	145-159 Yeung Uk Road, Tsuen Wan	2047	74.04	-	-	-	-	111,000	111,000

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

<sup>(2)</sup> Including the attributable share in areas held by SUNeVision, in which the Group has a 74.04% interest

# Mainland Property Business

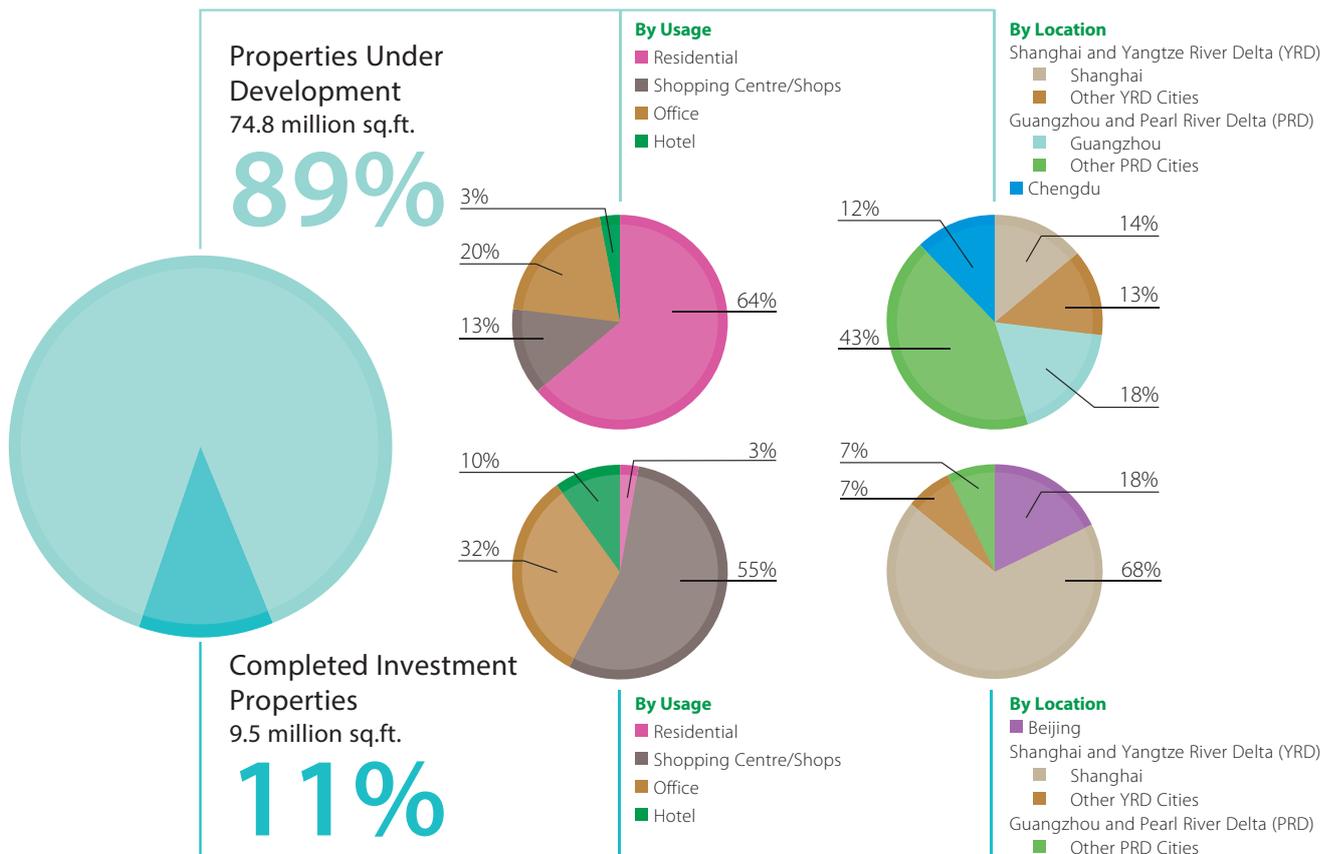
## Highlights

- Held an attributable 74.8 million square feet of properties under development as at 30 June 2014 following the addition of the Xujiahui Centre project in Shanghai during the year
- Completed an attributable 4.3 million square feet of primarily residential properties during the year
- Achieved contracted sales of over HK\$7,000 million
- Attained a strong growth of 57% in net rental income
- Maintained a focused investment strategy, targeted at prime cities

## Land Bank

### Mainland Land Bank Composition

(84.3 million square feet of attributable gross floor area as at 30 June 2014)



## Mainland Property Business

The Group held a total land bank of 84.3 million square feet on the mainland in terms of attributable gross floor area as at the end of June 2014, comprising 74.8 million square feet of properties under development and 9.5 million square feet of completed investment properties. About 64% of the properties under development will be high-end residences for sale while premium shopping malls and offices made up 87% of the completed investment properties.

The acquisition of the 7.6-million-square-foot Xujiahui Centre project sites in September last year has further strengthened the Group's presence in Shanghai. The Group currently holds over 17 million square feet of land bank in the city. Most of these are flagship integrated projects at prime locations, such as Shanghai IFC and Shanghai ICC which are already completed or near full completion, and the Xujiahui Centre project and TODTOWN in Minhang that are under planning or development.

The Group's mainland land bank as at 30 June 2014 was as follows:

	Attributable Gross Floor Area (million square feet)		
	Under Development	Completed Investment Properties	Total
<b>By Usage</b>			
Residential <sup>(1)</sup>	48.0	0.3	48.3
Shopping Centre/Shops	10.1	5.2	15.3
Office	14.6	3.1	17.7
Hotel	2.1	0.9	3.0
<b>Total</b>	<b>74.8</b>	<b>9.5</b>	<b>84.3</b>
<b>By Location</b>			
Beijing	–	1.7	1.7
Shanghai and Yangtze River Delta (YRD)	20.4	7.2	27.6
<i>Shanghai</i>	10.8	6.5	17.3
<i>Other YRD cities</i>	9.6	0.7	10.3
Guangzhou and Pearl River Delta (PRD)	45.1	0.6	45.7
<i>Guangzhou</i>	13.3	–	13.3
<i>Other PRD cities</i>	31.8	0.6	32.4
Chengdu	9.3	–	9.3
<b>Total</b>	<b>74.8</b>	<b>9.5</b>	<b>84.3</b>

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

## Property Development

Following a period of robust growth in 2013, the mainland residential market has been under pressure since the beginning of 2014 due to tight mortgage credit conditions and an economic slowdown. Prices in first-tier cities have held up relatively well on the back of solid first-home demand. After corrections in home prices in lower-tier cities, local governments have gradually relaxed curbs on home purchases and called for amelioration of mortgage conditions beginning the second half of 2014. The land markets were fervent in the second half of 2013, with a number of land lots transacted at record-breaking prices across the mainland. However, the land market cooled off somewhat since early 2014 as land prices plateaued.

Over the medium- to long-term, the Group remains optimistic about the prospects of the mainland's economy and property market, and has taken a selective approach in the course of expanding its mainland property business. As at the end of June 2014, the Group has a development land bank of an attributable gross floor area of 74.8 million square feet on the mainland. While this will be sufficient for more than five years of development, new opportunities will continue to be explored in key cities such as Beijing, Shanghai, Guangzhou and Shenzhen. The Group will insist on delivering quality properties and services, and at the same time seek to control construction costs and aim at launching more small- to medium-sized units that are in demand.

### Major Projects Under Development

#### Shanghai & Yangtze River Delta

##### Shanghai ICC Middle Huaihai Road, Shanghai

*(100% owned)*

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Located in one of Puxi's most prosperous business cores, Middle Huaihai Road, the iconic Shanghai ICC enjoys direct links to two existing metro lines and another one under construction. The 2.8-million-square-foot project comprises two world-class office towers, a premium shopping mall and the luxurious residence of Shanghai Cullinan.

The offices at One ICC and the IAPM mall have already been completed and are in operation. More information about the office tower and the shopping mall is provided on pages 47 and 48. Scheduled for completion in financial year 2014/15, Two ICC has over 600,000 square feet of office space. Pre-leasing has already started, attracting keen interests from leading domestic and international firms. Meanwhile, Shanghai Cullinan is planned to be launched for sale by batches in financial year 2014/15. With more than 200,000 square feet of gross floor area, the development has over 60 luxurious residential units, and is set to reinforce the Group's brand image in Shanghai and the Yangtze River Delta area.

## Property Development

### **Shanghai Arch**

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

*(100% owned)*

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The Group has applied its expertise and experience in building top-notch homes to develop Shanghai Arch, striving to set a new standard for luxury residences in the city as well as the Yangtze River Delta area. The project is located in a prime section of Shanghai's city centre, adjacent to the Lujiazui business zone with convenient transportation. Situated on the bank of the Huangpu River, Shanghai Arch commands a magnificent view of the world-renowned Bund. In addition, exquisite materials have been used for the stylishly-designed luxury residential units and serviced apartments with a total gross floor area of 1.7 million square feet.

The first phase of the project with about 200 units comprising over 500,000 square feet of floor area has been put up for sale in batches with satisfactory response. The first phase was completed during the year under review and handover has already begun since the second half of 2013. The quality of the units has been widely acclaimed by the purchasers. The second phase will offer more than 150 units totalling some 400,000 square feet of gross floor area, and basement work is expected to commence in 2015.

### **Xujiahui Centre Project**

#### **Xuhui District, Shanghai**

*(100% owned)*

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In addition to the two widely-acclaimed developments, Shanghai IFC and Shanghai ICC, the Xujiahui Centre project is another iconic landmark being developed by the Group in Shanghai. Located in the affluent district of the Xujiahui commercial core in Puxi, the development enjoys direct access to the Xujiahui metro station, which is an interchange for three serving metro lines, offering commuters considerable convenience.

As a mega integrated project with approximately 7.6 million square feet of gross floor area, the Xujiahui Centre will include premier office space of over four million square feet, high-end retail spaces of over three million square feet and a luxury hotel.

The project, made up of four land lots, will be developed in phases. Construction work for the first land lot on Huashan Road with approximately 500,000 square feet of gross floor area is expected to commence shortly, with office space of about 190,000 square feet of gross floor area and the rest designated for retail use. Construction for the second land lot with about 350,000 square feet of premium retail and office space is expected to commence in 2015.

## Property Development

### **TODTOWN (Previously named Minhang Project)**

#### **Minhang, Shanghai**

*(35% owned)*

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The Minhang project, named as TODTOWN, is located in an emerging district in southwest Shanghai. It is a large integrated development with direct access to the Xinzhuang metro station which connects existing metro lines 1 and 5, an upcoming metro line and an express rail line.

With a gross floor area of more than four million square feet, the development will consist of about one million square feet of premium residential units, over 1.4 million square feet of shopping mall, about 1.5 million square feet of office space as well as a five-star hotel.

To be developed in phases, construction for the first phase of the project, consisting of three residential buildings of over 600,000 square feet and around 360 units, commenced in the first half of 2014. Foundation work for the project is progressing well.

### **Suzhou Project**

#### **Yuanqu, Suzhou**

*(90% owned)*

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The Suzhou project is an integrated development with a total gross floor area of about 3.5 million square feet. Built against the southern Jinji Lake, Lake Genève is the residential portion of the project under construction. With over 900,000 square feet of gross floor area, Lake Genève consists of more than 240 lakefront houses right next to Suzhou's first Four Seasons Hotel. Phase 1 with approximately 130 houses totalling around 500,000 square feet of gross floor area has been put up for sale and recorded satisfactory results. Buyers started to take possession of the houses beginning the second half of 2013. Planning for the second phase, with approximately 110 houses and some 430,000 square feet of gross floor area, has been finalized.

Apart from Lake Genève, the Suzhou project also includes the Suzhou ICC integrated complex in the east Jinji Lake business district. Strategically located within easy reach to a metro station and the Shanghai-Suzhou express rail station, the complex of some two million square feet will accommodate luxury homes, premium offices and a high-end shopping mall.

## Property Development

### **Hangzhou MIXC**

#### **Qianjiang New City CBD, Hangzhou**

*(40% owned)*

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Located at the core of the Qianjiang central business district, Hangzhou MIXC will be connected to an interchange station serving two metro lines currently under construction. With over six million square feet of gross floor area, the project is being developed in two phases. With a gross floor area of around 2.7 million square feet, phase 1 of the project includes the luxury MIXC Residence, which has been completed and virtually been sold out, and the shopping mall The MIXC that opened in 2010.

Construction for the second phase of the project is progressing well and an encouraging response has been achieved from sales. With approximately 3.5 million square feet of gross floor area, the second phase includes an over 900,000-square-foot office tower which has been sold out and scheduled for completion in financial year 2014/15.

The remaining portion of the second phase will consist of quality offices, serviced apartments Upper MIXC, retail space and a luxury hotel. The superstructure for the over 800,000-square-foot office tower has already been completed and the tower is slated for completion in financial year 2014/15. A five star hotel with a gross floor area of about 400,000 square feet is scheduled to open in 2016. Upper MIXC will offer over 800 units of approximately one million square feet of gross floor area. Sales for some 500 units offered in the first half of 2014 have been satisfactory, and the remaining units will be available for sale by batches in financial year 2014/15.

### **Foothill Residence**

#### **Zhijiang National Tourist Holiday Resort, Hangzhou**

*(40% owned)*

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Foothill Residence within the tranquil Zhijiang National Tourist Holiday Resort in Hangzhou is a residential development with verdant environment surrounded by a theme park and scenic areas. It is within half an hour's drive from the city centre.

The project will deliver approximately two million square feet of gross floor area in a low-density community, to be developed into over 1,200 residential units of various sizes. Over 800 units of approximately one million square feet of gross floor area launched for sale since the first quarter of 2013 have seen a positive market response. The remaining units are expected to be launched by batches in financial year 2014/15. Construction work is progressing smoothly and the project is scheduled for completion in financial year 2014/15.

## Property Development

### **Nanjing ICC Hexi CBD, Nanjing**

*(100% owned)*

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Situated atop an interchange station of two metro lines in the Hexi business core of Nanjing, Nanjing ICC is conveniently connected to a comprehensive transportation network. The project has over three million square feet of gross floor area to be developed into around two million square feet of quality office space, over 600,000 square feet of shopping space and a high-end hotel. Construction has started, and the project will be developed in phases. Upon completion, Nanjing ICC is set to bolster the Group's brand and position in the Yangtze River Delta area.

### **Taihu International Community Taihu New City, Wuxi**

*(40% owned)*

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Taihu International Community is a large landmark integrated development in the Taihu New City in Wuxi. In addition to offering a panoramic lake view and comprehensive supporting facilities, the project is also situated in close proximity to a brand new art and cultural centre.

The 14-million-square-foot development mainly features high-end residences, complemented by a premium hotel, quality offices and an upmarket mall. Around nine million square feet of residential units have been completed and virtually sold out, while some 1.4 million square feet is scheduled for completion in financial year 2014/15.

Wuxi The MIXC mall, scheduled for completion in financial year 2014/15, will provide 1.5 million square feet of opulent retail space and is poised to enhance the appeal and supporting facilities of the project.

## Property Development

### Guangzhou & Pearl River Delta

#### Lake Dragon

##### Huadu, Guangzhou

*(60% owned)*

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Lake Dragon is a low-density residential enclave in Huadu. Located in a national resort, this development features the finest view of the Dragon Lake and is adjacent to a golf course and a renowned international school.

The project's first two phases with over two million square feet of gross floor area were completed and delivered to buyers. In addition, over 4 million square feet of gross floor area are under planning and development.

The first batch of the third phase will include 12 waterfront houses with approximately 120,000 square feet of gross floor area. Construction work of these houses is in full swing and they are expected to be completed in 2015. Building work of more than 30 houses of close to 200,000 square feet in the first batch of the fourth phase is scheduled to commence in financial year 2014/15.

#### Tianhui Plaza

##### Zhujiang New Town, Guangzhou

*(33.3% owned)*

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The large-scale integrated complex, Tianhui Plaza, is situated in the central business core of Zhujiang New Town in Guangzhou, adjacent to Liede metro station. Spanning approximately five million square feet of gross floor area, Tianhui Plaza consists of deluxe serviced apartments The Riviera, prime office buildings, a grand shopping mall and a five-star hotel.

Most of the serviced apartments in The Riviera afford enchanting scenes of the Pearl River and Canton Tower. The Riviera offers more than 500 fine residences, stretching over approximately 1.5 million square feet of gross floor area. Construction of The Riviera has been completed and virtually all units have been sold out. The two office towers in Tianhui Plaza occupy a combined gross floor area of about 2 million square feet. The 600,000-square-foot-plus Top Plaza is scheduled for completion in 2015. The sales performance of Top Plaza has been encouraging since its launch in the second half of 2013. The other office tower with over 1.3 million square feet of gross floor area will soon be topped out and its construction is expected to be completed in financial year 2015/16. It is intended that the shopping mall with approximately one million square feet will be retained for rental purpose. More details about the shopping mall are provided on page 49. The tower with the establishment of a five-star hotel has also been topped out recently.

## Property Development

### **Forest Hills**

#### **Tianhe, Guangzhou**

*(70% owned)*

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Forest Hills is ideally situated in the north Tianhe district in Guangzhou, a thriving business hub interspersed with traditional first class residences. Located next to an interchange station of two metro lines and the Guangzhou East rail station which serves as a terminal for the through-train service to Hong Kong, Forest Hills includes around 1.6 million square feet of luxury residences and about 400,000 square feet of prime offices and commercial facilities.

Phase 1A, with about 250 residential units totalling about 430,000 square feet of gross floor area, has been nearly sold out since its launch at the end of 2012. This phase is slated for completion and handover to buyers in the second half of 2014. Phase 1B of the project with around 260 units has been launched in batches since September 2013. More than 90% of the residential units in Phase 1B with 460,000 square feet have been sold and this phase is expected to be completed in 2015. Superstructure work of the office section of the project is progressing smoothly following the completion of the foundation work. The office space is scheduled for sale in batches in financial year 2014/15.

### **Parc Central (Previously named Hong Cheng Project)**

#### **Tianhe, Guangzhou**

*(50% owned)*

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Hong Cheng project, renamed Parc Central, is destined to become a landmark shopping centre in Guangzhou. Located at a prime section in the Tianhe core business district, the mall has convenient access to an extensive transportation network, with close proximity to a metro station, which connects two existing and a planned line, and an automated people mover system.

Pre-leasing of the 900,000-square-foot shopping mall is progressing well. Construction of Parc Central has progressed to the stage of internal decoration after the completion of superstructure work, and it is slated for opening in 2015. Please refer to page 49 for further details.

## Property Development

### **Park Royale Huadu, Guangzhou**

*(100% owned)*

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Situated on Shiling Road East in Huadu, Park Royale overlooks refreshing scenery surrounding the Hongxiuquan reservoir. Over eight million square feet of premium residences are planned for development in phases.

The first phase with more than 1,600 units spanning over two million square feet of gross floor area has virtually been sold out. Following the handover of nearly 800 condominium units in Phase 1A in the second half of 2013, buyers of over 800 units in Phase 1B are about to take possession in the second half of 2014.

The second phase will be developed in batches. Construction work for the first batch of over 800 residential units with approximately one million square feet of gross floor area is expected to start in financial year 2014/15.

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

*(80% owned)*

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Oriental Bund in southern downtown Foshan is a large-scale integrated development that features mainly fine residences with sweeping river views. The project is in close proximity to a metro station in service and another one under construction, providing convenient travel between downtown Foshan and Guangzhou.

With over 30 million square feet of gross floor area, about 80% of the project is made up of premium residential units and the rest are made up of trendy retail space, premium offices and an upmarket hotel. Residents of the project will enjoy tranquil green living, given the provision of a more than 1.5-km long promenade as well as a central park spanning 300,000-plus square feet.

Over 260 waterfront units in Phase 1A have already topped out, offering over 600,000 square feet of gross floor area that is expected to be completed in 2015. Sales of these units have been satisfactory since their launch in the first half of 2014.

Phase 1B comprises residential units of over 700,000 square feet and a commercial street of approximately 170,000 square feet. The commercial street was quickly sold out after it was put up for sale in June 2014. The residential part has some 600 units, made up largely of small- and medium-sized units with their phased sales starting from the third quarter of 2014.

## Property Development

### **The Woodland**

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

*(Joint venture)*

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The Woodland has set a new benchmark for residential developments in Zhongshan with over five million square feet of gross floor area being built in phases. The first three phases, as well as Phase 4A, 4B and 4C, were almost sold out and handed over to buyers, offering over 1,600 quality residential units which span around three million square feet.

Construction of Phase 4D commenced at the end of 2013 and has been progressing smoothly. This phase of around one million square feet of gross floor area will provide close to 800 units and is slated for sale in batches from mid-2015 onwards.

### **Shilong Project**

#### **Shilong, Dongguan**

*(100% owned)*

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Shilong project is a large-scale waterfront residential development in Dongguan, which offers panoramic river views. The project is conveniently located at the town centre of Shilong, close to the Dongguan Station of the Guangzhou-Shenzhen railway. The Dongguan Station opened in early 2014 and has provided an easy access through Guangzhou and Shenzhen.

The project is being developed in phases, and will produce around 4.5 million square feet of over 3,000 premium residential units. Phase 1A will include some 500 units spanning over 500,000 square feet and the construction of its superstructure has been progressing smoothly. The Group plans to put these units up for sale in the coming 12 months.

## Property Development

### Other Cities

#### **Jovo Town** **Shuangliu County, Chengdu** *(91% owned)*

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Jovo Town is situated in Chengdu's renowned new development zone, Tianfu New Area. Offering approximately 5,000 upmarket residential units with over six million square feet of gross floor area, the development is in close proximity to an exhibition and convention centre and the largest ocean park in Chengdu. A planned station on metro line 1 is also within walking distance.

The first phase with approximately two million square feet of gross floor area was completed in 2012 and has been virtually sold. The second phase with approximately 2.5 million square feet of gross floor area has been planned as a three-batch development of over 1,500 residential units. Phase 2A of approximately 600,000 square feet of gross floor area was completed in the second half of 2013. Construction of Phase 2B is scheduled to be completed in 2015 offering approximately 800,000 square feet of gross floor area.

Phase 2C will offer some 750 units, spanning over one million square feet of gross floor area. The Group intends to gradually put some units in Phase 2C up for sale starting from the second half of 2014.

#### **Chengdu ICC** **Jinjiang, Chengdu** *(40% owned)*

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Chengdu ICC on Dongda Avenue is located in a planned business and financial centre of Chengdu, adjacent to the Second Ring and Shahe River, affording a wonderful view of the Tazishan Park. The project is a high-end integrated development atop a metro station that connects an existing line and a proposed line, and is within easy access to the Chengdu East rail station.

The development will span around 14 million square feet, including high-end residences of seven million square feet, prime offices of four million square feet, retail space of over 1.8 million square feet and a five-star hotel.

Sirius is the first phase of Chengdu ICC, which includes six residential towers totalling about 1.6 million square feet. The first two towers with approximately 570,000 square feet of gross floor area were completed and handed over to buyers in the first half of 2014. Buyers of another two towers with 570,000 square feet of gross floor area are gradually taking possession starting from the second half of 2014. The last two residential towers with some 200 units totalling about 470,000 square feet have also been put on the market and they are slated for completion in the first half of 2015.

The basement work for the second phase is progressing smoothly. The first phase of its residential part will deliver over 500 waterfront units, spanning approximately 700,000 square feet of gross floor area. The Group plans to launch these residential units for sale in batches starting from financial year 2014/15.

# Property Development

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

Project	Project Name	City	Group's Interest (%)	Attributable Gross Floor Area (square feet) <sup>(1)</sup>				Total
				Residential	Shopping Centre/Shops	Office	Hotel	
<b>Scheduled Completion in Financial Year 2014/15</b>								
Middle Huaihai Road Lot 3 Phase 4	Shanghai ICC	Shanghai	100	–	–	630,000	–	630,000
Qianjiang New City Project Phase 2A & 2B	Hangzhou MIXC	Hangzhou	40	–	88,000	710,000	–	798,000
Zhijiang Project	Foothill Residence	Hangzhou	40	781,000	–	–	–	781,000
Taihu New City Project Phase 7A & 7B	Taihu International Community	Wuxi	40	546,000	618,000	–	–	1,164,000
Linha Project Phase 1A & 1B	Forest Hills	Guangzhou	70	629,000	22,000	–	–	651,000
Liede Project Phase 2A	Tianhui Plaza	Guangzhou	33.3	–	–	221,000	–	221,000
Hongcheng Project	Parc Central	Guangzhou	50	–	431,000	–	–	431,000
Shiling Project Phase 1B	Park Royale	Guangzhou	100	1,000,000	72,000	–	–	1,072,000
Shuangliu County Project Phase 2B	Jovo Town	Chengdu	91	750,000	–	–	–	750,000
Dongda Avenue Project Phase 1B & 1C	Sirius <sup>(2)</sup>	Chengdu	40	416,000	8,000	–	–	424,000
<b>Year Total:</b>				<b>4,122,000</b>	<b>1,239,000</b>	<b>1,561,000</b>	<b>–</b>	<b>6,922,000</b>
<b>Scheduled Completion in Financial Year 2015/16</b>								
Qianjiang New City Project Phase 2C & 2D	Hangzhou MIXC	Hangzhou	40	426,000	–	–	158,000	584,000
Liede Project Phase 2B & 3	Tianhui Plaza	Guangzhou	33.3	–	332,000	450,000	149,000	931,000
Dragon Lake Project Phase 3A	Lake Dragon	Guangzhou	60	70,000	–	–	–	70,000
Chancheng Project Phase 1A & 1B	Oriental Bund	Foshan	80	1,118,000	144,000	–	–	1,262,000
Dongda Avenue Project Phase 1D	Sirius <sup>(2)</sup>	Chengdu	40	4,000	–	–	–	4,000
<b>Year Total:</b>				<b>1,618,000</b>	<b>476,000</b>	<b>450,000</b>	<b>307,000</b>	<b>2,851,000</b>
<b>Scheduled Completion in Financial Year 2016/17</b>								
Xujiahui Centre Project Phase 1		Shanghai	100	–	316,000	185,000	–	501,000
Dragon Lake Project Phase 4A	Lake Dragon	Guangzhou	60	110,000	–	–	–	110,000
Linha Project Phase 2	Forest Hills	Guangzhou	70	–	–	254,000	–	254,000
Chancheng Project Phase 1C	Oriental Bund	Foshan	80	973,000	–	–	–	973,000
Zhongshan 5 Road Project Phase 4D	The Woodland	Zhongshan	JV	1,055,000	–	–	–	1,055,000
Shilong Project Phase 1A		Dongguan	100	526,000	–	–	–	526,000
Shuangliu County Project Phase 2C	Jovo Town	Chengdu	91	990,000	–	–	–	990,000
<b>Year Total:</b>				<b>3,654,000</b>	<b>316,000</b>	<b>439,000</b>	<b>–</b>	<b>4,409,000</b>
<b>Major Projects Scheduled for Completion in Financial Year 2017/18 or Beyond</b>								
Pu Ming Road Project, Lujiazui, remaining phases	Shanghai Arch	Shanghai	100	1,141,000	18,000	–	–	1,159,000
Minhang Project	TODTOWN	Shanghai	35	339,000	502,000	509,000	75,000	1,425,000
Xujiahui Centre Project remaining phases		Shanghai	100	–	2,819,000	3,990,000	269,000	7,078,000
Taihu New City Project remaining phases	Taihu International Community	Wuxi	40	–	–	162,000	143,000	305,000
Suzhou Project remaining phases		Suzhou	90	918,000	412,000	861,000	491,000	2,682,000
Hexi CBD Project	Nanjing ICC	Nanjing	100	–	634,000	2,203,000	431,000	3,268,000
Shiling Project remaining phases	Park Royale	Guangzhou	100	6,626,000	81,000	–	–	6,707,000
Dragon Lake Project remaining phases	Lake Dragon	Guangzhou	60	2,390,000	–	–	–	2,390,000
Linha Project remaining phases	Forest Hills	Guangzhou	70	467,000	–	–	–	467,000
Chancheng Project remaining phases	Oriental Bund	Foshan	80	16,789,000	1,913,000	2,400,000	178,000	21,280,000
Zhongshan 5 Road Project remaining phases	The Woodland	Zhongshan	JV	1,471,000	151,000	–	–	1,622,000
Shilong Project remaining phases		Dongguan	100	3,970,000	88,000	–	–	4,058,000
Shuangliu County Project remaining phases	Jovo Town	Chengdu	91	2,085,000	80,000	–	–	2,165,000
Dongda Avenue Project remaining phases	Chengdu ICC	Chengdu	40	2,364,000	718,000	1,652,000	165,000	4,899,000
<b>Total for Major Projects to be Completed in Financial Year 2017/18 or Beyond:</b>				<b>38,560,000</b>	<b>7,416,000</b>	<b>11,777,000</b>	<b>1,752,000</b>	<b>59,505,000</b>

<sup>(1)</sup> Gross floor area including basement retail area; residential area including serviced apartments

<sup>(2)</sup> Sirius (residential) is part of Chengdu ICC integrated development

## Property Investment

The Group's completed investment property portfolio on the mainland amounts to an attributable 9.5 million square feet. It is primarily made up of 3.1 million square feet of premium office space and 5.2 million square feet of up-market shopping malls, most of which are located in such prime cities as Shanghai and Beijing. Rental income grew significantly during the year and has become a notable contributor to the Group's rental portfolio, accounting for 17% of the Group's total gross rental income. During the year under review, gross rental income recorded a 51% rise to HK\$3,113 million while net rental income grew by 57% to HK\$2,298 million, including contributions from joint-venture projects. The increase was mainly driven by higher rents on new leases and renewals as well as new contributions from IAPM at Shanghai ICC. With more new projects coming on stream, such as the Xujiahui Centre project, the Group will further strengthen its brand recognition in prime cities on the mainland, in particular Shanghai.

### Completed Investment Properties

#### Shopping Centres

Leveraging on its extensive experience in developing a large retail portfolio in Hong Kong, the Group has gradually expanded its retail network on the mainland, including the IAPM mall in Shanghai.

Following the successful operating model of the Group's APM in Hong Kong, the 1.3-million-square-foot IAPM in Shanghai is positioned to be a trendy upscale mall, promoting a new lifestyle and late-night shopping concept in the city. The fully-let mall offers numerous international brands and specialty restaurants, some being new to Shanghai or the mainland. Shops along the 220-metre-plus Middle Huaihai Road frontage are duplex flagships of top international brands. The IAPM atop the interchange of two existing major metro lines and one under construction is highly popular with shoppers and has recorded decent growth in retail sales and traffic since its opening last year.

Shanghai IFC Mall covers about 1.2 million square feet of retail space within the Shanghai IFC integrated complex. The direct connection of the mall to the Lujiazui metro station allows it to draw in heavy traffic. Comprising a wide range of quality retailers from all over the world, Shanghai IFC Mall is virtually fully let with positive rental reversions, decent growth in traffic and retail sales observed during the year under review. As part of its tenant mix initiatives, the Group has introduced to the mall a great variety of brands including cafes and restaurants. The upgraded rooftop area, along with renovation work in other open areas scheduled to be completed by phases starting from later this year, will help further enhance shopping experience for customers.

Beijing APM mall in the prime Wangfujing shopping area has introduced an array of international brands and popular restaurants to fill its million square feet of space. During the year under review, the mall registered a further increase in traffic and turnover. Additional express escalators will be installed to facilitate traffic flow and boost retail sales. To be completed by the end of the year, another phase of renovation is in progress with the introduction of a beauty zone and a kid zone targeting local young consumers.

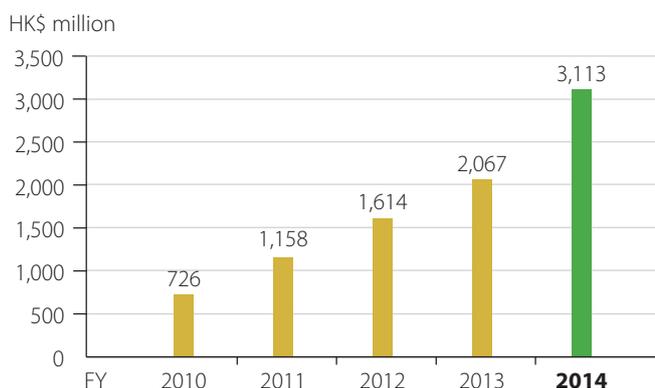
#### Offices

The office market in Beijing and Shanghai remained relatively stable, despite slower economic growth on the mainland. Thanks to the outstanding design and building quality, premium services as well as easy access, the Group's office premises continued to be the preferred choice for multinationals and major mainland companies.

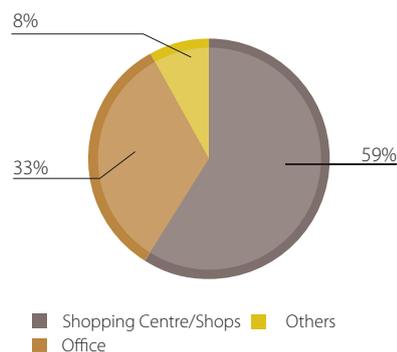
Located at the heart of the city's Lujiazui finance and trade zone, the Shanghai IFC integrated project includes two grade-A office towers, a world-class IFC Mall, deluxe IFC Residence serviced suites and The Ritz-Carlton Shanghai, Pudong. Benefitting from the role of Shanghai as a leading financial centre and with the development of a key pilot free trade zone, the two state-of-the-art office towers have attracted a spectrum of tenants such as renowned domestic and overseas financial institutions. Both office towers achieved high occupancies with spot rents remaining at a satisfactory level. With its premium brand and outstanding quality, the office premises received solid interest from potential tenants, particularly local financial institutions.

## Property Investment

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



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



<sup>(1)</sup> Including contributions from associates and joint ventures

Shanghai ICC is another of the Group's showpiece development in the city. The complex is conveniently located in the Puxi commercial core and comprises two premium office towers, One ICC and Two ICC, and the IAPM mall. One ICC consists of around 660,000 square feet of gross floor area and houses many well-known multinational and domestic corporations with high occupancy. Following the opening of the IAPM, One ICC added a direct connection to a nearby metro station. Currently under construction with over 600,000 square feet of floor area, pre-leasing activities have started for Two ICC and are drawing positive interest with numerous enquiries from major multinational companies, professional firms, high-end cosmetics and skincare brands and renowned mainland companies. This office tower is scheduled for completion in 2015.

Shanghai Central Plaza is another of the Group's office towers in the busy Puxi commercial district. Occupancy remained high during the year under review. A phased renovation project for refurbishment of the office lobby and public areas is being planned. Occupancy at Sun Dong An Office Tower above Beijing APM stayed high with positive rental reversions during the period under review. Upon the completion of renovation in 2016, the image of the Sun Dong An Office Tower will be further elevated. A directly connected subway exit will also be available by then, further enhancing its competitiveness in the office leasing market in the city.

### Major Completed Investment Properties on the Mainland

Project	Location	Lease Expiry	Group's Interest (%)	Attributable Gross Floor Area (square feet)					Total
				Residential/ Serviced Apartments	Shopping Centre/ Shops <sup>(1)</sup>	Office	Hotel		
<b>Beijing</b>									
Beijing APM / Sun Dong An Office Tower	138 Wangfujing Dajie	2043	Joint Venture	–	1,036,000	458,000	–	–	1,494,000
<b>Shanghai &amp; Yangtze River Delta</b>									
Shanghai IFC / Shanghai IFC Mall / The Ritz-Carlton Shanghai, Pudong / IFC Residence	8 Century Avenue, Lujiazui	2054	100	–	1,220,000	1,572,000	940,000	–	3,732,000
Shanghai ICC Phase 1 / IAPM	999 Middle Huaihai Road	2056	100	–	1,307,000	666,000	–	–	1,973,000
Shanghai Central Plaza	381 Middle Huaihai Road	2044	80	–	106,000	366,000	–	–	472,000
Arcadia Shanghai	88 Guang Yuan Xi Road	2064	100	304,000	27,000	–	–	–	331,000
Hangzhou MIXC	Qianjiang New City, Hangzhou	2046	40	–	656,000	–	–	–	656,000
<b>Guangzhou &amp; Pearl River Delta</b>									
Nanhai Plaza	Nanhai Avenue, Foshan	2045	100	–	640,000	–	–	–	640,000

<sup>(1)</sup> Including basement retail area

## Property Investment

### Investment Properties under Development

The Group's property investment portfolio on the mainland will continue to expand, with about 14.6 million square feet of offices and over ten million square feet of retail space under development in prime locations across major mainland cities. Selective premium properties with high potential that are strategically located will be retained by the Group as long-term investments.

Located in the Xujiahui commercial hub, the most prosperous part of the Xuhui District in Shanghai's Puxi, the wholly-owned Xujiahui Centre project will offer convenient access thanks to the direct linkage to the Xujiahui metro station that serves as an interchange for three lines. Comprising four land lots that total about 7.6 million square feet of gross floor area, the project will be developed into an integrated complex consisting of grade-A office towers, premium retail spaces and a luxury hotel. The majority of the floor area, including the high-end shopping mall located on the largest land lot along Hongqiao Road, will be held for long-term investment. Together with Shanghai IFC and Shanghai ICC, the Xujiahui Centre project will further enhance the Group's market position and brand recognition in the Shanghai leasing market upon completion. Project details are on page 37.

The 50%-owned Parc Central is situated at the heart of the Tianhe central business district in Guangzhou and served by a comprehensive transportation network with close proximity to a metro station connecting two exiting lines and a planned line, an automated people mover system and a bus rapid transit station. The project has a unique design, featuring a mega garden plaza and double-ring architecture that offers retailers an extensive facade exposure. With a gross floor area of almost 900,000 square feet, the four-level premium mall will house international brands and restaurants that offer a combination of entertainment and leisure attractions. Construction is on schedule and pre-leasing activity has been progressing well. The mall is expected to open in 2015.

The Group has a one-third interest in the integrated Tianhui Plaza project in the Zhujiang New Town business district of Guangzhou. Project details are on page 41. Built next to the Liede metro station, the project is surrounded by city landmarks, five-star hotels and various tourist attractions. The one-million-square-foot premium shopping mall at Tianhui Plaza, expected to open in 2016, will offer a wide selection of international brands under one roof. Pre-leasing has started with favourable response.

The Group has a 40% interest in Wuxi The MIXC at Taihu New City as part of the mixed-use landmark development Taihu International Community. Details of the integrated project are on page 40. Pre-leasing of the 1.5-million-square-foot shopping mall is going well. It will feature a collection of noted brands, offering dining, entertainment and leisure convenience for the community. Construction is underway and is expected to be completed in financial year 2014/15.

TODTOWN is a 35%-owned integrated complex in Minhang, Shanghai, covering over four million square feet. Project details are on page 38. Located atop the Xinzhuang metro station which will also be connected to the express rail, the 1.4-million-square-foot mall will offer residents of the district a new focal point for entertainment and shopping.

New Town Plaza near Puhuangyu metro station in Fengtai, Beijing is intended to be redeveloped into a modern hive of shopping and entertainment hub with an area of over 220,000 square feet. The Group is also applying its expertise in developing large-scale integrated complexes to other major mainland cities such as Suzhou, Nanjing and Chengdu. Details of these projects are covered on pages 38, 40 and 45.

## Property Related Businesses

### Hotels

Visitor arrivals in Hong Kong continued to grow during the year under review, although at a moderate pace compared to the previous year with a more steady growth in overnight travellers. Against this backdrop, the Group's hotel portfolio performed well, with average occupancy remaining high during the year. The Group continued to enhance the competitiveness of its hotel portfolio through regular renovations and service upgrades.

The Four Seasons Hotel Hong Kong retains its position as the market leader in the top-tier segment, and continues to strengthen its international reputation as one of the world's greatest hotels. The hotel ended the year under review with satisfactory increases in both occupancy and gross revenue over the previous year. It also completed a renovation programme for guest rooms and a comprehensive update of in-room technology in the second half of 2013 to meet the needs of contemporary travellers. Accolades and awards received during the year include another *Forbes Travel Guide* five-star rating for both the hotel and its spa. In addition, the hotel's Chinese restaurant Lung King Heen garnered three stars and its French restaurant Caprice earned two stars in the *Michelin Guide Hong Kong Macau 2014*.

The Ritz-Carlton, Hong Kong is situated at the International Commerce Centre. With unrivalled panoramic views of the city, the hotel achieved higher occupancy and average daily room rate during the year. Since opening, it has won numerous awards and acclaims, including a recent *Forbes Travel Guide* five-star rating for the hotel and its spa. The hotel's Chinese restaurant, Tin Lung Heen, received two Michelin stars during the year, the second consecutive year receiving this award, while the Italian restaurant Tosca received one star for the first time. Ozone was named among the world's best rooftop bars by the *Daily Telegraph*.

W Hong Kong achieved higher occupancy and better average daily room rates during the year under review. The hotel successfully enhanced its distinctive positioning through the W brand's passionate focus on design, music and fashion. This included collaborations with a recent music festival as the exclusive hotel partner as well as its partnership in hosting renowned fashion and design events. In 2013, W Hong Kong was named Winner's Best Choice Hotel on the renowned travel platform, *TripAdvisor*, reflecting the market's recognition of the hotel's superior quality.

The business performance of the Royal brand hotels in Hong Kong continued to be positive during the year under review, with overall average occupancy at over 95%.

The Royal Garden recorded a slight increase in annual room revenue compared to the previous year, although its room operation was affected by the in-house renovation. The roof top extension, which will add 28 guest rooms and expand its existing club, is under construction and is expected to be completed by the end of 2015. During the year, the hotel's food and beverage outlets continued to perform well, earning Michelin recognition and being recommended by *Eat & Travel Weekly*.

The Royal Plaza Hotel completed an extensive two-year refurbishment project in the first quarter of 2014 to further boost the growth in room rate. The newly-renovated hotel, offering 699 guest rooms and other upgraded facilities, is poised to become the essential 'home away from home' for discerning leisure and business travellers. The hotel received numerous accolades during the year, including a 'very comfortable' hotel citation from Michelin for the sixth year in a row, and as one of the Top 4 Hotels for Families in China by *TripAdvisor*.

The Royal Park Hotel made excellent efforts to exceed customer expectations by launching new room categories, including a specially-designed room class to appeal to the family segment. Its family-friendly rooms and comprehensive business facilities offer convenience to travellers who want to work, yet still enjoy holidays with their families at the same time.

The Royal View Hotel saw occupancy sustained at a high level with its effective marketing strategy and attentive services. The hotel introduced resort room packages with customized extras to enhance its personalized services. Its food and beverage business also performed well, registering higher revenue. To meet the rising demand for banqueting services, it provides customers with tailored packages through flexible arrangements for venues, services and pricing.

## Property Related Businesses

Crowne Plaza Hong Kong Kowloon East and Holiday Inn Express Hong Kong Kowloon East in Tseung Kwan O, both opened in late 2012, performed well during the year under review. The hotels had an excellent year and received *TripAdvisor's* 2014 Certificate of Excellence. Both hotels are conveniently located above MTR Tseung Kwan O Station.

Crowne Plaza Hong Kong Kowloon East achieved steady growth and registered increased revenues from rooms and dining. The hotel boasts one of the largest pillar-free ballrooms in Hong Kong and offers eight meeting rooms that continue to be the preferred venue choice for both local and regional meetings and conferences. Overall business at the Holiday Inn Express Hong Kong Kowloon East was encouraging in terms of revenue, occupancy and room rate. The hotel offers customers quality services and amenities in addition to convenient access at good value.

On the mainland, The Ritz-Carlton Shanghai, Pudong as part of the renowned Shanghai IFC complex celebrated its fourth anniversary. It achieved better occupancy for the year under review and its banqueting services are well received by clients and saw decent growth compared with last year. Despite the addition of new luxury hotels in Shanghai, this hotel was once again named Best Business Hotel in Shanghai by the famous travel trade organization TTG.

The Group will continue to add new hotels to its portfolio. Foundation work of the waterfront hotel in North Point is underway while construction is about to begin on another hotel in Sha Tin. On completion, these hotels will provide more than 1,300 guest rooms. The Group is also developing quality hotels in several major mainland cities as part of its integrated developments. The new hotels will enhance the Group's recurrent income and help strengthen its position in the hospitality industry, both in Hong Kong and on the mainland.

### Property Management

The Group's reputation for superior quality is epitomized by the premium property management services offered by its subsidiaries, Hong Yip Service Company Limited and Kai Shing Management Services Limited. Managing a total of nearly 253 million square feet of residential and commercial properties in Hong Kong and on the mainland during the year under review, the companies' commitment to exceptional service has been widely recognized in the industry.

During the year under review, the Group was recognized for its first-rate services to residents and tenants. Both Hong Yip and Kai Shing won the *Reader's Digest* Trusted Brand Gold Awards for the third year running. The two companies and their subsidiaries also garnered a total of 19 citations in the Excellence in Facility Management Award 2013, organized by The Hong Kong Institute of Facility Management. Adding a further title, Hong Yip won the Grand Award in the office building category.

Hong Yip secured 11 external management contracts involving 1,300 units and was appointed to manage the Group's Park Royale in the Huadu District of Guangzhou during the year. Meanwhile, Kai Shing assumed stewardship of 11 new projects, including V City in Hong Kong and Shanghai Arch Phase 1 on the mainland, among others. Guangzhou Kai Shing Property Management Company has also been granted the status of a National Class One Property Management Enterprise, qualifying the company to undertake a wider variety of management projects.

In the area of environmental friendliness, both the Group's property management arms made considerable efforts to save energy, water and other resources by implementing green property management practices and stringent conservation measures. In recognition of their achievements, Kai Shing and Hong Yip were named champion and first runner-up respectively for the Biggest Units Saver Award (Property Management) in the 2013 Friends of the Earth Power Smart Energy Saving Contest. Other accolades included the Green Management Gold Award, won by Hong Yip, in the Hong Kong Green Awards 2013 hosted by the Green Council, while the title of Energy Project of the Year (Southeast Asia and Pacific Rim Region) for Kai Shing's energy project at Metroplaza, was conferred by the US-based professional body, The Association of Energy Engineers.

The Group's property management subsidiaries

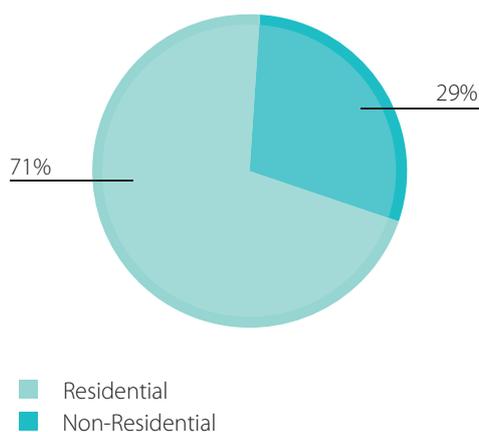
## Property Related Businesses

continued to leverage on the latest technologies to raise their service standards. Kai Shing rolled out a car-searching system at New Town Plaza, making it easier for customers to identify vacant parking bays through fixed kiosks or via smartphone apps. The system won for Kai Shing the Innovation and Creativity Award at the 2013 Hong Kong Awards for Industries given by the Hong Kong General Chamber of Commerce. Meanwhile, Hong Yip developed an electronic voting system, which prevents any potential human error and reduces costs during annual general meetings of owners.

Both companies have received recognitions for their work in staff development. For four consecutive years, Hong Yip has won the Excellence Award for Employers under the Manpower Development Scheme and the Grand Prize Award under the Manpower Developer Award Scheme, both organized by the Employees Retraining Board. In the Partner Employer Award Scheme run by the Hong Kong General Chamber of Small and Medium Business, Kai Shing was named Outstanding Enterprise for its commitment to nurturing talent through a variety of training opportunities.

### Construction

**Floor Area Managed by Hong Yip and Kai Shing by Usage**



During the year under review, the construction division completed nine residential and commercial developments, totalling 3.5 million square feet of construction floor area. Residential developments completed include Riva, Century Gateway II, The Wings II, Residence 88, i•UniQ Residence and i•UniQ Grand as well as luxury houses and low-rise apartments including The Seafront and Deauville. For commercial developments, One Harbour Square was completed during the year.

Major residential developments in progress include Twelve Peaks, Imperial Kennedy, 23 Babington Path, 97 Belcher's Street, 18-20 Caine Road, Inland Lot No. 8963 at Stubbs Road, Inland Lot No. 9027 in North Point, 1-3 Church Lane, Kowloon Inland Lot No. 11175 in Ho Man Tin, New Kowloon Inland

Lot No. 6333 at Nam Cheong Station, Mount One, Acappella Phase 1, The Wings IIIA and IIIB, Tung Chung Town Lot No. 36, Tseung Kwan O Town Lot No. 118, Sha Tin Town Lot No. 566, Yuen Long Town Lot No. 507 and 528 and LOHAS Park Package 4. Major office and industrial developments in progress include W50 and 680 Castle Peak Road. Hotel projects under development include Inland Lot No. 9020 in North Point and Sha Tin Town Lot No. 248. A host of addition and alteration projects are also in progress. The construction division also plays a project management role for the Group's mainland development projects.

To complement its activities, the division has several wholly-owned subsidiaries operating in related businesses which provide a wide range of construction-related services to the Group as well as third-party clients. Their services include electrical and fire prevention systems, construction plant and machinery as well as landscaping works. The division also supplies concrete to the Group and external contractors through an associate.

### Insurance and Mortgage Services

Sun Hung Kai Properties Insurance Limited continued to achieve moderate growth in turnover and profit during the year. The strong financial position of the company has been reaffirmed with A (Excellent) and A- (Stable) ratings respectively from A.M. Best and Standard & Poor's, reflecting its solid capital base. Going forward, the company will continue with its prudent underwriting approach and investment strategies while striving to expand its clientele and scope of operations.

The financial services division, comprising Hung Kai Finance Company Limited and Honour Finance Company Limited, will remain focused on mortgages, mortgage referrals and other financial services that support the Group's property development business. Despite intense competition from the market, the division has remained profitable over the years.

## Telecommunications and Information Technology

### Telecommunications

During the year under review, SmarTone saw a modest increase in local mobile service revenue net of handset subsidy amortization and customer numbers despite fierce market competition. However, lower profit from the handset business, continuing structural declines in the roaming business as well as increases in operating costs and depreciation had adversely affected profitability.

Innovative services, such as Loop and HealthReach, were launched earlier this year. With the continuous development of these lifestyle services, the company aims to further differentiate itself from the rest of the market and generate additional revenue through distinctive products and services as well as enhanced brand loyalty.

SmarTone re-entered the fixed broadband market in July this year with 100% Fibre-to-the-Home services, which will be supported by advanced network management, comprehensive customer service and standardized pricing for the public and private housing sectors. This service has received favourable response from the market.

The company's balance sheet remains strong, providing it 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 has registered stable growth in profitability during the year. The core data centre business performed well, while its last-mile connectivity business, Super e-Technology, also maintained steady growth.

The company's data centre business, iAdvantage, has maintained its market position as a major carrier-neutral data centre service provider in Hong Kong. With a commitment to excel in offering world-class facilities and services, iAdvantage strives to be the preferred choice for data centre outsourcing, business continuity and other mission-critical operations. As a result of its continuing efforts to provide high quality and professional services, iAdvantage has been able to maintain a strong foothold in various segments including financial services, telecommunications, information technology and the public administration sector.

In pursuit of further business growth to optimize shareholders' returns, iAdvantage has successfully bid for a land lot in Tseung Kwan O with a gross floor area of over 470,000 square feet to build a new high-tier data centre. Construction of the centre has started and is expected to be completed in 2017. Upon completion, the centre is expected to further strengthen the market position of iAdvantage.

## Infrastructure and Other Businesses

### Transport Infrastructure Operations and Management

The Group has maintained a significant presence in the operation and management of Hong Kong's transport infrastructure through its wholly-owned subsidiary Wilson Group and 70%-owned Route 3 (CPS) Company Limited, in addition to a 33.3% interest in the publicly-listed Transport International Holdings.

Engaged in a variety of transport infrastructure businesses with emphasis on the management of car parks, tunnels, bridges and toll roads, Wilson Group achieved satisfactory performance during the year under review.

A major subsidiary of Wilson Group, Wilson Parking is a leader in the local parking industry which currently manages 337 car parks, providing over 100,000 parking bays. It won a number of new public and private contracts and successfully renewed management contracts with the Transport Department during the year. A number of key parking contracts in Macau were also renewed and the company's business on the mainland continued to be expanded. Committed to service excellence, Wilson Parking became Hong Kong's first and only car park operator to have won a Platinum recognition in the *Reader's Digest* Trusted Brand Award for two consecutive years. It was also named Best Car Park Operator by the Hong Kong Housing Authority in addition to various awards received from the media.

Wilson Group also manages a number of tunnels and toll roads, including the strategic Tsing Ma Control Area. According to the terms of the contract, the management service for the Tsing Sha Control Area ended in September 2013. Wilson's technology division, which has invented an integrated SkiData Parking System, sources and supplies a wide range of advanced equipment to the industry. Autotoll Limited, a 50%-owned company of Wilson Group, remained Hong Kong's leader in automatic toll collection with more than 286,500 vehicle users. During the year, it won a tender for the provision of traffic control and surveillance systems for the Hong Kong-Zhuhai-Macao Bridge: Hong Kong Link Road.

Route 3 (CPS) Company Limited operates the 3.8-km Tai Lam Tunnel and the 6.3-km Tsing Long Highway under a 30-year, build-operate-transfer franchise that runs until 2025. This dual three-lane north-south expressway connects Yuen Long and the Ting Kau Bridge, providing an alternative route to Tuen Mun Road and offering a reliable, fast and fuel-saving thoroughfare for cross-boundary traffic to commuters travelling between the northwest New Territories and urban areas. Traffic and revenue continued to increase steadily during the year.

Transport International Holdings Limited recorded profits for the first half of 2014 due to enhanced operational efficiency. Nevertheless, the company continues to face a challenging operating environment with high oil prices and escalating operating costs due to inflationary pressure.

### Port Business

Hoi Kong Container Services Company Limited, a major provider of comprehensive midstream container handling for intra-Asia shipping lines, operates four berths and 3.3 hectares of container yard space at a prime location in Kwai Tsing. The company, a wholly-owned subsidiary of the Group, has been able to overcome adverse impacts that resulted from the slowdown of the shipping industry and will seize every opportunity to capitalize on future recovery.

The River Trade Terminal in Tuen Mun is ideally located to serve as an important centre for trade between Hong Kong and the Pearl River Delta. It provides container freight services at the 65-hectare terminal with 49 berths and 3,000 metres of quayside, handling and consolidating containers as well as break-bulk and reefer cargoes. Despite sluggish throughput, the trade terminal, in which the Group has a 50% joint-venture interest, has recorded positive growth for the year as a result of continuous cost control and efficiency improvement measures.

## Infrastructure and Other Businesses

### Air Transport and Logistics Business

Strategically located at the Hong Kong International Airport, the Airport Freight Forwarding Centre Company Limited operates a logistics facility providing over 1.5 million square feet of prime warehouse and office space. The company continued to maintain profit growth during the year as a result of sustained warehouse leasing demand which has underpinned the company's solid rental income. The company is a wholly-owned subsidiary of the Group.

The Hong Kong Business Aviation Centre Limited holds the franchise to handle business aircrafts flying in and out of Hong Kong. It also serves as a regional gateway providing an extraordinarily efficient travel experience for entrepreneurs and executives. The growing recognition of business aviation as a time-saving tool has led to a sustained increase in the number of aircrafts based in Hong Kong and steady growth in flight movements throughout the year under review. The Group owns a 35% stake in the company.

### Waste Management

Caring for the environment has long been a central tenet of the Group's business philosophy and it contributes significantly to an eco-friendly Hong Kong through its 20% stake in the Green Valley Landfill. Green Valley Landfill is responsible for both the daily operation and long-term aftercare of the South East New Territories Landfill in Tseung Kwan O. The site covers 100 hectares and has the capacity to handle 43 million cubic metres of waste. Business was stable for the company during the year under review.

### Sky100 Hong Kong Observation Deck

Located on the 100th floor of International Commerce Centre, the tallest building in Hong Kong, Sky100 Hong Kong Observation Deck offers a stunning 360-degree view of the city and the Victoria Harbour. To further enrich the experience of visitors, the deck also showcases Hong Kong's transformation of culture from a fishing village to an international city.

During the year under review, double-digit growth in overall revenue was recorded and various awards and global recognitions have been received, including the Certificate of Excellence from the travel website TripAdvisor, an honour that is only given to the top 10% of attractions worldwide that achieve exceptional performance and receive top travellers' ratings. Highly recommended by travellers from around the world as one of Hong Kong's foremost attractions, Sky 100 has also been awarded for the second consecutive year the Hong Kong New Brand Award at the Prestigious Corporate Brand Awards jointly organized by The Chinese University of Hong Kong and a local newspaper.

By actively partnering with both local and international industry affiliations, Sky100 has lent considerable support to the development of Hong Kong's tourism industry. It is one of the nine founding members of the Hong Kong Association of Amusement Parks and Attractions and also a member of the World Federation of Great Towers. Such exclusive memberships have helped fulfill Sky100's vision of becoming one of the world's most popular observation decks. Since its opening, Sky100 has been a highly sought-after venue for exhibitions, fashion shows, media briefings, product launches as well as corporate dinners and private parties. Educational programmes offered at Sky100 are also popular extra-curricular activities for many schools.

## Corporate Finance

Adhering to prudent financial management policies, the Group has constantly maintained a low leverage and ample liquidity. Interest cover was 11.1 times for the year under review. After the full payment of the land premium for the Xujiahui Centre project in Shanghai in January this year, the Group's net debt to shareholders' funds remained healthy at 15.7% as at 30 June 2014.

The Group has continued to procure abundant committed facilities on a standby basis through a HK\$14,000 million five-and-a-half-year term loan/revolving syndicated credit facility which the Group arranged for itself in January 2014. In addition, a RMB4,900 million three-year syndicated term loan was raised on the mainland in December 2013. With strong support from banks, the Group has received favourable credit terms, reflecting its long-standing relationship between with banks.

The Group enjoys high credit ratings with an A1 rating with a stable outlook from Moody's and an A+ rating with a negative outlook from Standard & Poor's, representing one of the best-rated companies among developers in the world. Given these respectable credit ratings, the Group has been able to raise funds from the debt capital market at highly-competitive pricing. In line with its long-established policy of extending debt maturity profile and diversifying sources of funds, the Group issued, a SGD320 million seven-year bond, a HK\$300 million ten-year bond and a US\$400 million ten-year bond that will be callable in February 2019 and every six months thereafter from the Medium Term Notes Programme. The overwhelming response to these issues reflects investors' confidence in the Group.

The Group has not taken any position on derivatives or structured products for speculative purposes. A majority of its borrowings is denominated in Hong Kong dollars, with the remainder primarily in US dollars and Renminbi.

# Financial Review

## Review of Results

Profit attributable to the Company's shareholders for the year ended 30 June 2014 was HK\$33,520 million, a decrease of HK\$6,809 million or 16.9% compared to HK\$40,329 million for the last year. The decrease in reported profit was due to lower valuation gains on investment properties, more than offsetting the increase in underlying profit. The increase in fair value of investment properties for the year, net of related deferred taxation and non-controlling interests, amounted to HK\$12,838 million (2013: HK\$23,281 million).

Underlying profit attributable to the Company's shareholders for the year ended 30 June 2014, excluding the net effect of fair value changes on investment properties, was HK\$21,415 million, an increase of HK\$2,796 million or 15.0% compared to HK\$18,619 million for the last year.

Profit from property sales increased by 46.2% or HK\$3,321 million to HK\$10,511 million, owing to higher volume of property sales for our Hong Kong projects and increased profit contributions from residential property sales in the mainland. Profit from property sales recognized during the year mostly derived from The Cullinan, The Wings II, Century Gateway II, Residence 88, Shouson Peak and Riva in Hong Kong totaling HK\$7,568 million (2013: HK\$6,444 million) and from Shanghai Arch Phase 1, The Riviera and Lake Genève Phase 1 in the mainland totaling HK\$2,915 million (2013: HK\$673 million).

Net rental income grew 16.6% or HK\$2,036 million to HK\$14,272 million over the last year, driven by positive rental reversions and contributions from new investment properties both in Hong Kong and the mainland, including V City in MTR Tuen Mun Station, IAPM mall and IFC Residence in Shanghai.

Profit contribution from telecommunication segment decreased by HK\$347 million or 30.5% to HK\$789 million, largely due to keen market competition resulting from drop in local mobile service revenue and lower profit margin of handset sales business. Profit contribution from hotel segment increased by HK\$315 million or 33.6% to HK\$1,252 million, as sustained by continued improvement in operating margin as well as positively benefited from the re-opening of hotel facilities at the Royal Plaza Hotel following the completion

of the major renovation work. The Group's infrastructure, logistics and other businesses continued to improve and have contributed a total of HK\$2,727 million in operating profit, an increase of 13.5% over the last year.

## Financial Resources and Liquidity

### (a) Net debt and gearing

As at 30 June 2014, the Company's shareholders' funds increased by HK\$28,871 million to HK\$414,783 million or HK\$152.2 per share from HK\$385,912 million or HK\$144.5 per share at the previous year end.

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 30 June 2014, calculated on the basis of net debt to Company's shareholders' funds, was 15.7% compared to 12.5% at 30 June 2013. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 11.1 times compared to 8.7 times for the previous year.

As at 30 June 2014, the Group's gross borrowings totalled HK\$83,731 million. Net debt, after deducting bank deposits and cash of HK\$18,528 million, amounted to HK\$65,203 million, an increase of HK\$17,044 million since 30 June 2013. The maturity profile of the Group's gross borrowings is set out as follows:

	<b>30 June 2014</b>	30 June 2013
	<b>HK\$ Million</b>	HK\$ Million
Repayable:		
Within one year	<b>9,241</b>	8,060
After one year but within two years	<b>10,086</b>	9,269
After two years but within five years	<b>30,794</b>	23,765
After five years	<b>33,610</b>	23,536
Total bank and other borrowings	<b>83,731</b>	64,630
Bank deposits and cash	<b>18,528</b>	16,471
Net debt	<b>65,203</b>	48,159

# Financial Review

The Group has also procured substantial committed and undrawn banking facilities, most of which are arranged on a medium to long term basis, which helps minimize refinancing risk and provides the Group with strong financing flexibility.

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.

## **(b) Treasury policies**

The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2014, about 81% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 19% through operating subsidiaries.

The Group's foreign exchange exposure was small given its large asset base and operational cash flow primarily denominated in Hong Kong dollars. As at 30 June 2014, about 63% of the Group's total borrowings were denominated in Hong Kong dollars and 24% in US dollars, all of which were raised for financing the Group's business operations in Hong Kong and the remaining 13% in Renminbi for financing the construction cost of property projects on the mainland. All land acquisition costs for the Mainland projects are financed by equity capital injection funded by the Group's internally generated funds.

As at 30 June 2014, about 61% 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 39% were on fixed rate basis. The use of derivative instruments is strictly controlled and solely for management of the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 30 June 2014, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK\$4,423 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in notional principal amount of HK\$30 million and currency swaps (to hedge principal repayment of foreign currency borrowings) in the aggregate notional principal amount of HK\$9,451 million.

As at 30 June 2014, about 61% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 31% in Renminbi, 7% in United States dollars and 1% in other currencies.

## **Charges of Assets**

As at 30 June 2014, 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\$7,629 million have been charged, majority of which were for securing their bank borrowings on the mainland. Except for the above charges, all the Group's assets are free from any encumbrances.

## **Contingent Liabilities**

As at 30 June 2014, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK\$939 million (30 June 2013: HK\$1,104 million).

# Investor Relations

Maintaining a high standard of corporate governance practice has always been an important and integral part of the Group's management philosophy. Through prompt dissemination of information to the investment community and proactive communication with stakeholders, the Group has made considerable efforts to further enhance its transparency.

Regular disclosure of information includes annual and interim reports and the distribution of timely press releases and formal announcements, all of which are also available on the Group's website. In addition, the Group convenes post-result press conferences and analyst briefings which are presided by our management.

Apart from frequent meetings and conference calls with analysts, credit agencies as well as equity and fixed income investors locally, the Group has also been reaching out to investors worldwide by attending major overseas investment conferences and organizing non-deal road shows to give them a better understanding of the Group's strategies, sustainability initiatives, business development plans and the prevailing status of the Hong Kong and mainland property markets. Site visits to the Group's projects, both in Hong Kong and on the mainland, have been organized to keep investors and the press abreast of the latest developments.

The Group's seasoned management team and its dedication to maintaining sound corporate governance and effective investor communications have earned for it numerous awards from leading financial publications.

## Awards

### *Financial Year 2013/14*

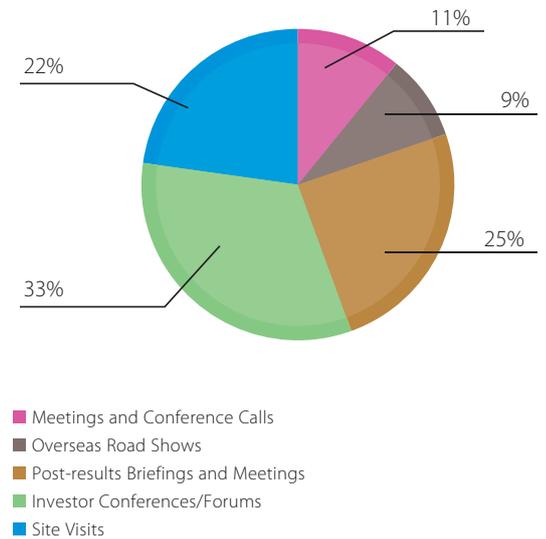
- Best Overall for Corporate Governance in Hong Kong and Best Overall for Corporate Governance in Asia for the 9-year Corporate Governance Poll of Polls by *Asiamoney* magazine
- Best Managed Company in the Real Estate/Property Sector in Asia and Best Overall Developer in Hong Kong from *Euromoney* magazine
- Overall Best Real Estate Company from *FinanceAsia* magazine
- Platinum Award for Excellence in Management and Corporate Governance Awards from *The Asset* magazine
- Best Investor Relations, Best Investor Relations Professional, Best Corporate Social Responsibility, Best Environmental Responsibility, Best Corporate Communications Team in Hong Kong from *Corporate Governance Asia* magazine

# Investor Relations

## Major Investor Relations Events in Financial Year 2013/14

Quarter	Event
<b>2013</b>	
3rd Quarter	<ul style="list-style-type: none"> <li>• Non-deal road show in Europe</li> <li>• 2012/13 annual results announcement                             <ul style="list-style-type: none"> <li>– Press conference</li> <li>– Analyst briefing</li> <li>– Post-results meetings with investors</li> </ul> </li> <li>• Investor forum in Hong Kong</li> </ul>
4th Quarter	<ul style="list-style-type: none"> <li>• Investor conference in Singapore</li> </ul>
<b>2014</b>	
1st Quarter	<ul style="list-style-type: none"> <li>• Non-deal road show in Europe and the US</li> <li>• 2013/14 interim results announcement                             <ul style="list-style-type: none"> <li>– Press conference</li> <li>– Analyst briefing</li> <li>– Post-results meetings with investors</li> </ul> </li> <li>• Investor forum in Hong Kong</li> </ul>
2nd Quarter	<ul style="list-style-type: none"> <li>• Investor conferences in Hong Kong</li> <li>• Non-deal road show in Europe</li> </ul>

## Communications with the Investment Community in Financial Year 2013/14 <sup>(1)</sup>



<sup>(1)</sup> About 1,200 participants

# Sustainable Development

Sustainability is essential to the Group's Building Homes with Heart belief as well as for the viability of its business and the benefit of the community. Indeed, the Group strives to intensify its commitment to sustainable development. Premium products and services have been established to achieve all-round customer satisfaction, and environmental protection and charitable initiatives have been carried out for the betterment of society. The Group nurtures its staff and offers career development opportunities to further ensure its business continuity.

During the year under review, the Group published its third stand-alone sustainability report in accordance with the latest G4 guidelines from the Global Reporting Initiative, making it the first Hong Kong property developer to follow this international standard. The Group has also been a constituent of the Hang Seng Corporate Sustainability and Hang Seng (Mainland and HK) Corporate Sustainability indices since their respective inceptions in 2010, underlining its own sustainable development and achievements in environmental protection, community development and corporate governance.

## Customer Service

The Group places great emphasis on care for all its customers and is dedicated to offering the finest products and services to exceed their expectations. The virtue of building long-term relationships and fostering two-way communication with customers through various channels are central foundations in this regard, allowing the Group to respond effectively to feedback and introduce attentive and innovative services that set it apart in the marketplace.

During the year under review, the Group's pursuit of ever-higher quality products and services were amplified by the launch of the SHKP Quality Campaign, a group-wide and long-term initiative aimed at both policy and operations to set a new benchmark for quality. As an element in the campaign, the Group's quality guarantee for newly-sold residential units in Hong Kong was extended from two to three years to further enhance buyer confidence. This has again shown the Group's devotion to long-term relationships with customers. The Group is the first developer in Hong Kong to institute designated inter-departmental teams to ensure trouble-free handovers of new properties to buyers. Senior executives and staff regularly visit residents and commercial tenants to listen to their opinions; this is then translated into enhanced practices.

Attentive customer care extends to property management services by the Group's subsidiaries Hong Yip and Kai Shing. The two companies continue to upgrade their regular and personalized services to meet customer requirements. In addition, the Group has run a Service Excellence programme for frontline property management staff since 1999 to encourage teamwork and quality and consistent service.

With a view to ensuring that tenants of its commercial buildings work in a secure and pleasant environment, the Group communicates regularly with them to appreciate their needs and provide appropriate premium customer care. Mall shoppers are served by professional service ambassadors who have a well-cultivated and caring mindset. To continue nurturing such principles, the sixth SHKP malls 'Serving with Heart' Customer Care Ambassador Election featured two new honours, namely 'The Most-like Customer Care Ambassador Award' and 'The Mystery Shopper Assessment Top Mall Service Award'. The Group's Tenant Care Programme launched in 2001 continued during the year under review with seminars and workshops to provide retail tenants with the skills and knowledge required to remain competitive.

The Group continued to foster two-way communication with customers through both traditional and online channels. Through the SHKP Club, established in 1996 and the largest property club of its kind in Hong Kong today, the Group maintains a long-term and close relationship with customers. The Club offers its members privileges, home and property-related information and services in the form of survey reports, regular member communications, Club activities and workshops. During the year, the Club launched a digital campaign to create an e-community, featuring Facebook and Weibo social media platforms, in order to reinforce its communication with members and the wider public.

# Sustainable Development

## Staff Development and Personal Growth

The Group employs more than 37,000 people and believes employees are one of its most valuable assets. A wide range of career development opportunities are provided to groom and unleash the full potential of its staff at all levels. During the year under review, the SHKP Quality Academy was established to further strengthen the emphasis on quality and to enhance the professionalism of the staff while echoing its belief in lifelong learning.

The Group's training goals are to support organizational development, enhance individual competence and facilitate team synergies. A structured cultural reinforcement plan is in place to help staff members embody the Group's corporate culture. To this end, the Group organized a series of activities to nurture cohesive team spirit. A comprehensive orientation programme is provided to all new employees so that they can learn about the Group's mission, values and corporate culture, as well as its company background and business portfolio.

A structured training curriculum is designed to support organizational development and enhance individual competence. The Group organized modular workshops for general staff to cultivate their minds and sharpen job-related skills. A special training series with programmes over a period of six months was designed for supervisory staff to improve their ability to coach and interact with subordinates. Talented staff members receive leadership development and executive coaching, with opportunities to attend related programmes at prestigious overseas universities. Management staff members are encouraged to join workshops and seminars to appreciate the essence of contemporary leadership, in order to communicate and work effectively with people from different generations. Staff can get sponsorship for external training in job-related courses, ranging from short seminars to degree programmes up to Master's level.

To further foster business continuity and sustainability, the Group has implemented Management Trainee and Graduate Engineer programmes since 2002 to take in high-calibre graduates from leading local, mainland and overseas universities, offering them job rotations, mentoring, study trips and other career development activities. Customer service staff members attend seminars and workshops regularly to optimize their communication skills. During the year, a campaign under the theme 'Service from our Heart with Innovation and Proactiveness' was launched to boost service quality among frontline staff.

The Group offers tailored programmes for different functional units and departments for specific needs. The mainland office helps local staff better understand the Group's business and corporate culture through an orientation programme. Shortlisted mainland staff members receive structured, on-the-job training in Hong Kong. A mainland projects conference is held every year to enable regional heads from different cities to share their experience and strategic planning with senior executives. Hong Kong staff members attend seminars to stay abreast of mainland business practices and culture.

Launched in November 2013, the SHKP Quality Academy is a comprehensive learning platform for staff, offering courses hosted by professionals in diverse disciplines spanning architecture, construction, engineering, customer service and others. Over 460 courses have been developed within the Academy's portfolio, with some recognized under the Hong Kong Qualifications Framework. The Academy will continue to modify its courses to meet the latest professional standards. This initiative is further enhanced by a learning award scheme to encourage participation, which in turn helps staff to broaden their horizons and improve work efficiencies. Moreover, a series of self-learning programmes are available in the Group's training library, along with e-learning programmes and reference materials on the company intranet. A quarterly e-newsletter focused on staff training continues to be published, providing practical skills and knowledge for applying the corporate culture at work.

While being encouraged to strive for excellence and to embrace lifelong learning, staff are also offered opportunities to maintain a healthy balance between work and life. The Group organizes seminars and workshops on stress management and mental health. There is a lineup of interest classes, sports events and social activities, some of which are open to family members. As a caring employer, the Group places great emphasis on safety in the workplace, with seminars and workshops on related topics staged at both offices and construction sites.

# Sustainable Development

## Environmental Protection and Promotion

The Group respects the environment and is committed to promoting green building initiatives. Environmental considerations are integrated into the decision-making process across the entire building life cycle – from planning and procurement to construction and property management. The Group also works diligently to promote a ‘green message’ among staff and the wider public, and supports community events to maintain a sustainable living environment.

Sustainable design and construction are both essential parts of the Group’s environmental efforts. The Group applies stringent local and international green standards to oversee every stage of the building life cycle, including energy, materials and waste management. The number of the Group’s buildings and sites receiving certifications or pre-certifications under the Hong Kong Building Environmental Assessment Method (BEAM) and the Leadership in Energy and Environmental Design (LEED) has also been increasing. One of the latest additions was International Commerce Centre, which was honoured with a LEED Core and Shell Development platinum-level recognition and garnered a gold award in the 2013 Hong Kong Awards for Environmental Excellence scheme organized by the government.

Horticultural teams within the Group design exceptionally tended green space to enhance the living or working environment of its customers. The Group’s property management subsidiaries won gold awards in both residential and non-residential categories in the 2014 Best Landscape Award presented by the Leisure and Cultural Services Department.

In addition, The Group continues to promulgate green living through its extensive residential and commercial property portfolios. During the year, buildings under the administration of the Group’s property management subsidiaries joined various energy-saving and carbon-reduction campaigns. A host of activities under the Group’s Love Nature Campaign delivered green messages to the younger generation, including beach clean-ups and nature-inspired excursions which involved over 1,000 primary school students, SHKP volunteers and their families and friends. The Group also sponsored the production of educational kits for about 90 percent of primary schools in Hong Kong.

## The Group and the Community

The Group goes to great lengths to invest in the community, in keeping with its commitment to sustainable development. During the year under review, it adopted a three-pronged approach to promote the well-being of the community, namely through reading and holistic development, through healthy and sustainable living and through care for the underprivileged. The Group uses its resources to address community priorities and senior executives take an active role in mobilizing staff to back charitable causes. These sustained community efforts earned for the Group a Second Top Donor position and the 2013/14 President’s Award given by The Community Chest.

The Group’s second Race to ICC-100 – SHKP Vertical Run for the Chest was both a charitable cause, with its proceeds contributed to the Community Chest, and a vehicle to promote Hong Kong as an international hub, as it became the destination of the grand finale of the 2013 Vertical World Circuit. The Group also encourages its business partners, ICC tenants and suppliers to support the race, with more than 40 teams participating in the corporate relay. The total number of contestants has increased more than threefold from the previous year to 1,000 runners. The Fun Climb was a new addition to the race to motivate beginners to experience the fun of stair climbing. Members of the board and senior executives were among the runners in support of the event.

# Sustainable Development

During the year, the Building Homes with Heart Caring Initiative was in its fourth year and benefitted more than 20,000 people, including seniors and underprivileged people. The initiative also provided immediate financial assistance and basic home refurbishments to needy families. Newly-launched caring programmes for the underprivileged included complimentary visits to Sky100 Hong Kong Observation Deck and Noah's Ark, provided for charities and NGOs including the Hong Kong Association of the Deaf, the Direction Association for the Handicapped and the Hong Kong Federation of Handicapped Youth. The Group continued to motivate its staff to participate in community service. The SHKP Volunteer Team, established in 2003, has 2,200 members and the team has put in over 120,000 hours of community service during the year.

To reinforce its effort to promote reading and holistic development, the Group set up the SHKP Reading Club during the year to consolidate its reading-related initiatives. Membership is complimentary. The Club offers an impressive lineup of cultural activities such as seminars with celebrity speakers, reading and writing workshops and guided cultural tours to make reading an integral part of daily life. During the year under review, the Group helped to publish *Read Monthly* and *ReadIt*, two additional, complimentary periodicals to drive the habit of reading in a fun and leisure fashion.

The Group also helps the younger generation to prepare for their future through its first career expo held in March 2014. It offered more than 1,000 employment opportunities at different levels in eight fields for people from a variety of backgrounds. Professionals from the Group hosted topical seminars, provided career counselling and conducted on-the-spot interviews. Additionally, the Group offered one-year placement opportunities to sub-degree graduates through its new SHKP SDU – Trainee Programme. It continued the Modern Apprenticeship Programme and the Apprentice Training Programme. Meanwhile, the SHKP-Kwoks' Foundation continued to provide an array of scholarship programmes in both Hong Kong and on the mainland, helping talented students with limited means to complete undergraduate courses. It has benefitted more than 6,000 individuals since it began in 2002.

The SHKP Club continued to enhance relationships between the Group and the community during the year. The Club promoted 'loving home and social harmony' to members and the general public through competitions, exhibitions at malls, professional talks, interactive workshops and online channels.

# Corporate Governance Report

Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting the Group's businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders. Details of the Group's investor relations initiatives and the recognition it has received for good management and corporate governance are set out under the section headed "Investor Relations" on page 59.

## Corporate Governance Practices

Rigorous standards of corporate governance enhance the Group's accountability and transparency, earning the confidence of shareholders and the public. The Company 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 2014, 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

### Composition

The Board currently has 20 Directors – nine Executive Directors, four Non-Executive Directors and seven Independent Non-Executive Directors. Further details of the current composition of the Board are set out on page 2.

The changes to the composition of the Board during the year ended 30 June 2014 were as follows:

- Messrs. Tung Chi-ho, Eric and Fung Yuk-lun, Allen were appointed as Executive Directors both with effect from 1 December 2013; and
- Mr. Kwok Ping-sheung, Walter resigned as a Non-Executive Director with effect from 27 January 2014.

An updated list of Directors and their roles and functions is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are brothers and they are nephews of Mr. Kwong Chun. Also, Mr. Kwok Kai-fai, Adam is a son of Mr. Kwok Ping-kwong, Thomas and a nephew of Mr. Kwok Ping-luen, Raymond. Mr. Kwok Ho-lai, Edward is a son of Mr. Kwok Ping-luen, Raymond and a nephew of Mr. Kwok Ping-kwong, Thomas. 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 members of the Board.

Prior to the implementation of the new code provision in the Code on board diversity in September 2013, the Company has already adopted a board diversity policy (the "Diversity Policy") setting out the approach to achieve diversity on the Board 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.

# Corporate Governance Report

The members of the Board come from a variety of different backgrounds and have a diverse range of business, financial services and professional expertise. The Company requests the Directors to disclose annually to the Company the number and nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved. The Directors' biographies are set out on pages 97 to 108.

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 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. Fung Kwok-lun, William, an Independent Non-Executive Director, retired as the non-executive deputy chairman of The Hongkong and Shanghai Banking Corporation Limited ("HSBC") with effect from the conclusion of the annual general meeting of HSBC held on 20 May 2013. HSBC is a close associate of HSBC Trustee (C.I.) Limited ("HSBC Trustee") which in turn is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance holding certain shares in the Company as a trustee of certain discretionary trusts (the "Trusts"). The Company is of the view that Dr. Fung Kwok-lun, William is independent for the following reasons: (i) HSBC Trustee does not take instructions from HSBC on the manner of exercising the voting rights in respect of the shares in the Company held under the Trusts; and (ii) Dr. Fung Kwok-lun, William could not and cannot control the decision making process of HSBC Trustee in relation to the exercise of the aforesaid voting rights attaching to the shares in the Company.

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

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors.

## **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 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 or committee meeting. 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 joint Chairmen in preparing the agenda for the Board meetings and ensures that all applicable rules and regulations regarding the Board meetings are followed. He also keeps detailed minutes of each Board meeting, which are available to all Directors for inspection.

# Corporate Governance Report

During the year ended 30 June 2014, 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 appointments of two Executive Directors, the bonus issue of warrants, the grant of share options, and other significant matters, including the publication of announcements with respect to a discloseable transaction and an issuance of debt instruments by a subsidiary.

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

Directors	Meetings attended/held
<b>Executive Directors</b>	
Kwok Ping-kwong, Thomas	5/5
Kwok Ping-luen, Raymond	*5/5
Wong Chik-wing, Mike	4/5
Lui Ting, Victor	5/5
Chan Kui-yuen, Thomas	5/5
Kwong Chun	5/5
Chan Kwok-wai, Patrick	5/5
Tung Chi-ho, Eric <i>(appointed with effect from 1 December 2013)</i>	2/2
Fung Yuk-lun, Allen <i>(appointed with effect from 1 December 2013)</i>	2/2
<b>Non-Executive Directors</b>	
Lee Shau-kee	4/5
Kwok Ping-sheung, Walter <i>(resigned with effect from 27 January 2014)</i>	0/3
Woo Po-shing	#5/5
Kwan Cheuk-yin, William	5/5
Wong Yick-kam, Michael	4/5
<b>Independent Non-Executive Directors</b>	
Yip Dicky Peter	5/5
Wong Yue-chim, Richard	5/5
Li Ka-cheung, Eric	5/5
Fung Kwok-lun, William	5/5
Leung Nai-pang, Norman	4/5
Leung Kui-king, Donald	5/5
Leung Ko May-yee, Margaret	4/5

\* one meeting was attended by his Alternate Director, Mr. Kwok Ho-lai, Edward

# these meetings were 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. Where queries are raised by Directors, prompt and full responses will be given if possible.

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be discussed in a physical meeting, as opposed to being dealt with by written resolution. Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

# Corporate Governance Report

## **Chairmen**

Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are the joint Chairmen and Managing Directors 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 the responsibilities have been shared by two individuals, namely the two joint Chairmen and Managing Directors. Besides, 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 four 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 joint Chairmen are 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 2014, the joint Chairmen held a meeting with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the Executive Directors.

## **Training and Support for Directors**

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or Alternate Director would receive an induction package, which contains an overview of the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The two Executive Directors newly appointed during the year under review received the induction packages prior to the commencement of their respective appointments.

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 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 management where appropriate to ensure their awareness of best corporate governance practices.

A briefing on the new Companies Ordinance was organised to the Directors in June 2014. Also, briefings on the directors' duties and responsibilities were given to the newly-appointed Executive Directors.

# Corporate Governance Report

During the year ended 30 June 2014, the Directors also participated in the following trainings:

Directors	Type of trainings
<b>Executive Directors</b>	
Kwok Ping-kwong, Thomas	A, B, C
Kwok Ping-luen, Raymond	A, B, C
Wong Chik-wing, Mike	A, B, C
Lui Ting, Victor	A, C
Chan Kui-yuen, Thomas	A, B, C
Kwong Chun	A, C
Chan Kwok-wai, Patrick	A, B, C
Tung Chi-ho, Eric <i>(appointed with effect from 1 December 2013)</i>	A, C
Fung Yuk-lun, Allen <i>(appointed with effect from 1 December 2013)</i>	A, C
Kwok Kai-fai, Adam <i>(Alternate Director to Kwok Ping-kwong, Thomas)</i>	A, C
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	A, C
<b>Non-Executive Directors</b>	
Lee Shau-kee	A, C
Woo Po-shing	C
Kwan Cheuk-yin, William	A, C
Wong Yick-kam, Michael	A, B, C
Woo Ka-biu, Jackson <i>(Alternate Director to Woo Po-shing)</i>	A, C
<b>Independent Non-Executive Directors</b>	
Yip Dicky Peter	A, B, 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, C

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

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

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

## Compliance with Model Code

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

Before the Group's interim and annual results are announced, notifications are sent to the Directors and the Relevant Employees to remind them not to deal in the securities of the Company during the blackout periods. In response to specific enquiry by the Company, all Directors confirmed that they complied with the Model Code during the year ended 30 June 2014.

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

# Corporate Governance Report

## 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 the management. The Board gives clear directions as to the management's power, and periodically reviews the delegations to the 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 Executive, Remuneration, Nomination and Audit Committees. In addition, a Special Committee was established in March 2012 and is empowered to mainly act as the liaison and to handle the related matters on behalf of the Company in connection with an investigation relating to certain Directors.

All the above Committees have specific terms of reference clearly defining their powers and responsibilities, and 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 consists of all nine Executive Directors and three full time senior executives of the Group. During the year under review, a new member joined the Executive Committee following his appointment as an Executive Director whereas a member was appointed as an Executive Director and a member retired from the Group. A list of the current members of the Executive Committee and their biographies are set out on page 2 and pages 97 to 109 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.

During the year ended 30 June 2014, 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 regulatory and statutory requirements, and the disclosure in this corporate governance report. The attendance records of the members at the Committee meetings held during the year are set out below:

<b>Committee members</b>	<b>Meetings attended/held</b>
Kwok Ping-kwong, Thomas	37/42
Kwok Ping-luen, Raymond	39/42
Wong Chik-wing, Mike	40/42
Lui Ting, Victor	39/42
Chan Kui-yuen, Thomas	38/42
Kwong Chun	38/42
Chan Kwok-wai, Patrick	33/42
Tung Chi-ho, Eric	40/42
Fung Yuk-lun, Allen <i>(appointed with effect from 1 December 2013)</i>	22/25
So Chung-keung, Alfred <i>(retired from the Group with effect from 1 March 2014)</i>	23/27
Chow Kwok-yin, Eric	33/42
Wong Chin-wah, Jimmy	33/42
Yung Sheung-tat, Sandy	36/42

# Corporate Governance Report

## 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 is 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 Directors are subject to the approval of the shareholders at the general meetings in accordance with the articles of association of the Company. The Committee consults with the joint Chairmen 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 Remuneration Committee's specific terms of reference are posted on the websites of the Company and HKEx.

During the year ended 30 June 2014, the Remuneration Committee reviewed the Directors' fees and the emoluments of the Executive Directors, the remuneration packages of the two newly-appointed Executive Directors and a Deputy Managing Director, as well as the grant of share options to a new Executive Director. The Committee held a meeting during the year and the attendance records of the members at the meeting are set out below:

<b>Committee members</b>	<b>Meeting attended/held</b>
Wong Yue-chim, Richard	1/1
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 is Independent Non-Executive Directors.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, 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 Nomination Committee's specific terms of reference are posted on the websites of the Company and HKEx.

# Corporate Governance Report

During the year ended 30 June 2014, the Nomination Committee reviewed the composition of the Board and the retirement and re-election of Directors, including two Independent Non-Executive Directors who have served the Company for over nine years, and recommended to the Board for approval of the appointments of Directors. The Committee held two meetings during the year and the attendance records of the members at the meetings are set out below:

<b>Committee members</b>	<b>Meetings attended/held</b>
Wong Yue-chim, Richard	2/2
Kwan Cheuk-yin, William	2/2
Yip Dicky Peter	1/2
Leung Nai-pang, Norman	2/2

All Directors have formal letters of appointment setting out the key terms of their appointments. In accordance with the articles of association of the Company, 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.

## Audit Committee and Accountability

The Board is responsible for presenting a balanced and clear 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 other price-sensitive announcements and other financial disclosures. Board members are provided with monthly updates, including contracted property sales updates, projects launched, upcoming projects, leasing updates 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 auditor of the Company in respect of its reporting responsibilities is set out in the Independent Auditor's Report.

The Audit Committee was established in 1999 and is chaired by Dr. Li Ka-cheung, Eric, an Independent Non-Executive Director. Other members of the Committee are Mr. Yip Dicky Peter, Mr. Wong Yick-kam, Michael and Mr. Leung Kui-king, Donald. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors.

No former partner of the Company's existing auditing firm acted as a member of the Audit 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 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, internal control and risk management systems;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control system 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 internal control matters;

# Corporate Governance Report

- 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 auditor to management, and management's response to such questions;
- reporting to the Board on matters relating to the Audit Committee under 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 Committee is provided with sufficient resources enabling it to perform its duties. The Audit Committee's specific terms of reference are posted on the websites of the Company and HKEx.

The Audit Committee held four meetings during the year ended 30 June 2014 and reviewed the interim and final results of the Group and discussed and approved the relevant financial reports. The Committee also reviewed the Group's internal control system, risk assessment results and internal audit activities, and discussed the audit plans for the years ended 30 June 2013 and 30 June 2014. Two private sessions between the Committee members and the external auditor without the presence of the management had been arranged in the aforesaid Committee 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	4/4
Yip Dicky Peter	4/4
Wong Yick-kam, Michael	4/4
Leung Kui-king, Donald	4/4

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

The Audit 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 Deloitte Touche Tohmatsu which confirmed that during the course of its audit on the Company's financial statements for the year ended 30 June 2014 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 Deloitte Touche Tohmatsu for the year ended 30 June 2014 amounted to approximately HK\$15 million and HK\$5 million respectively. The non-audit services mainly consist of consultancy, taxation, review and other reporting services.

# Corporate Governance Report

## Internal Control

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

- (i) Control environment – laying the foundation for the other components of internal control, providing discipline and structure. Factors include integrity, ethical values and competence of personnel, authority and responsibility assignment, direction provided by the Board and effectiveness of the management.
- (ii) Risk assessment – the identification and analysis of risks underlying the achievement of objectives, including the risks relating to the changing regulatory and operating environment, as a basis for determining how such risks should be mitigated and managed.
- (iii) Control activities – the policies and procedures that help to ensure management directives are carried out and any actions that may be needed to address risks to achieving company objectives are taken. These include such activities as approvals, authorizations, verifications, performance reviews, security of assets and segregation of duties.
- (iv) Information and communication – the processes and systems to identify, capture and communicate pertinent information in a timely manner. Such information can be internally or externally-generated, operational, financial or compliance-related, and the flow of information can be up, across or down the organization, so that all staff can effectively carry out their responsibilities.
- (v) Monitoring – the processes that assess the adequacy and quality of the internal control system's performance over time. These processes include ongoing monitoring activities and separate evaluations. Deficiencies in internal control should be reported upstream with serious matters to the top management and the Board.

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

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

The Group's Code of Conduct, freely accessible on the Group's intranet, is maintained and communicated to all staff for compliance. In addition, a Whistleblowing Policy was established for staff to raise concerns about suspected misconducts, malpractices or improprieties relating to the Group.

The Board reviewed the Group's internal control system for the year ended 30 June 2014, including financial, operational and compliance controls, and risk management functions. The Board's review includes considering the internal control evaluations conducted by the Audit Committee, executive management and the internal and external auditors. The annual review also considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function.

# Corporate Governance Report

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

## Shareholder Relations

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

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

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 Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

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

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

AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the articles of association of the Company 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. Voting results are posted on the websites of the Company and the HKEx on the day of the AGM.

The 2013 AGM was held on 14 November 2013 at the Company's headquarters to transact businesses, including the adoption of audited financial statements and the approval of final dividend, re-election of Directors, re-appointment of auditor and renewal of general mandates with respect to the repurchase of shares and issue of securities.

# Corporate Governance Report

The attendance records of the Directors at the 2013 AGM are set out below:

Directors	AGM attended
<b>Executive Directors</b>	
Kwok Ping-kwong, Thomas	✓
Kwok Ping-luen, Raymond	✓
Wong Chik-wing, Mike	✓
Lui Ting, Victor	✓
Chan Kui-yuen, Thomas	✓
Kwong Chun	✓
Chan Kwok-wai, Patrick	✓
<b>Non-Executive Directors</b>	
Lee Shau-kee	x
Kwok Ping-sheung, Walter <i>(resigned with effect from 27 January 2014)</i>	x
Woo Po-shing	x
Kwan Cheuk-yin, William	✓
Wong Yick-kam, Michael	✓
<b>Independent Non-Executive Directors</b>	
Yip Dicky Peter	✓
Wong Yue-chim, Richard	✓
Li Ka-cheung, Eric	✓
Fung Kwok-lun, William	x
Leung Nai-pang, Norman	✓
Leung Kui-king, Donald	✓
Leung Ko May-yee, Margaret	✓

During the year under review, shareholders were provided with an alternative to elect to receive (in whole or in part) fully paid new shares in lieu of cash for interim and final dividends. Such arrangement gives the shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs and allows the Company to retain cash, which would otherwise have been paid to the shareholders, for the use by the Company.

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 new 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 new 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, when the notice of the AGM is despatched.

During the year ended 30 June 2014, no amendments were made to the articles of association of the Company. The latest version of the same is available on the websites of the Company and HKEx.

In view of the new Companies Ordinance which came into force on 3 March 2014, the Board has proposed to adopt a new set of articles of association for the Company, which incorporates certain key changes under the new Companies Ordinance as well as certain practices and procedures that have been adopted by the Company pursuant to relevant requirements of the Listing Rules. Accordingly, a special resolution will be proposed at the forthcoming AGM for the shareholders to consider and, if thought fit, approve the adoption of the new articles of association. Marked-up version of the proposed new articles of association showing the amendments is available on the Company's website, and a copy of the same is also available for inspection at the Company's registered office during normal business hours on any business day (excluding Saturday) until the date of the forthcoming AGM.

# Directors' Report

The Directors present their report for the year ended 30 June 2014:

## 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, transportation, infrastructure and logistics. Other ancillary and supporting businesses, which are described under principal subsidiaries, joint ventures and associates on pages 168 to 175, 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 financial statements.

## Group Profits

Profit after taxation for the year ended 30 June 2014, including shares of results from joint ventures and associates, amounted to HK\$34,335 million (2013: HK\$40,947 million). After taking non-controlling interests into account, profit attributable to the Company's shareholders was HK\$33,520 million (2013: HK\$40,329 million).

## Dividends

An interim dividend of HK\$0.95 per share (2013: HK\$0.95 per share) was paid on 16 April 2014. The Board of Directors of the Company (the "Board") has recommended a final dividend of HK\$2.40 per share (2013: HK\$2.40 per share), making a total dividend of HK\$3.35 per share for the full year ended 30 June 2014 (2013: HK\$3.35 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2014 Annual General Meeting"), will be payable on Friday, 28 November 2014 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Monday, 24 November 2014.

## 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 2014.

## Share Capital

Movements in the share capital of the Company during the year are shown in note 28 to the financial statements.

## Share Premium and Reserves

Movements in the share premium and reserves of the Company and the Group during the year are shown in notes 30 and 31 to the financial statements and on page 117 respectively.

## Fixed Assets

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

## Group Financial Summary

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

## Development and Investment Properties

Particulars of major development and investment properties in Hong Kong held by the Group are set out on pages 27 and 33 respectively; and particulars of major development and investment properties on the mainland held by the Group are set out on pages 46 and 48 respectively.

# Directors' Report

## Directors

The list of Directors and their biographical information are set out on page 2, and pages 97 to 108 respectively.

During the year, Messrs. Tung Chi-ho, Eric and Fung Yuk-lun, Allen were appointed as Executive Directors of the Company both with effect from 1 December 2013. In addition, Mr. Kwok Ping-sheung, Walter resigned as a Non-Executive Director with effect from 27 January 2014. All other Directors held office for the whole year.

In accordance with Article 95 of the Company's articles of association (the "Articles of Association"), Messrs. Tung Chi-ho, Eric and Fung Yuk-lun, Allen, who were appointed as additional Directors of the Company by the Board after the 2013 annual general meeting of the Company, will hold office until the 2014 Annual General Meeting and, being eligible, have offered themselves for re-election.

In addition, in accordance with Article 104(A) of the Articles of Association, Dr. Lee Shau-kee, Mr. Yip Dicky Peter, Professor Wong Yue-chim, Richard, Dr. Fung Kwok-lun, William, Dr. Leung Nai-pang, Norman, Mr. Leung Kui-king, Donald, Mr. Kwan Cheuk-yin, William and Mr. Wong Yick-kam, Michael will retire from office and, being eligible, have offered themselves for re-election at the 2014 Annual General Meeting. Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard have served as Independent Non-Executive Directors for more than nine years. Pursuant to the Corporate Governance Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), their re-election will be subject to separate resolutions to be approved at the 2014 Annual General Meeting.

None of the 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.

## Directors' and Chief Executives' Interests

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (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 and underlying shares held under equity derivatives				Sub-total	Total	% of shares in issue as at 30.06.2014
		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-kwong, Thomas	Shares	2,160,308	317,391	-	455,244,826 <sup>385</sup>	457,722,525	457,722,525	16.80
	Equity Derivatives							
	warrants	178,179	26,178	-	37,549,506 <sup>386</sup>	37,753,863		
	share options	100,000	48,000	-	-	148,000	37,901,863	1.39
						495,624,388		18.19

# Directors' Report

Name of Director		Number of shares and underlying shares held under equity derivatives					Sub-total	Total	% of shares in issue as at 30.06.2014
		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	Shares	81,982	-	-	458,681,248 <sup>465</sup>	458,763,230	458,763,230	16.84	
	Equity Derivatives warrants	6,761	-	-	37,832,938 <sup>466</sup>	37,839,699		1.39	
	share options	100,000	-	-	-	100,000	37,939,699	1.39	
							496,702,929	18.23	
Lee Chau-kee	Shares	486,340	-	2,947,000 <sup>7</sup>	-	3,433,340	3,433,340	0.13	
	Equity Derivatives warrants	40,528	-	120,584 <sup>7</sup>	-	161,112	161,112	0.00	
							3,594,452	0.13	
Wong Chik-wing, Mike	Shares	200,950	-	-	-	200,950	200,950	0.01	
	Equity Derivatives warrants	16,745	-	-	-	16,745			
	share options	100,000	-	-	-	100,000	116,745	0.00	
							317,695	0.01	
Lui Ting, Victor	Shares	60,000	-	-	-	60,000	60,000	0.00	
	Equity Derivatives warrants	5,000	-	-	-	5,000			
	share options	100,000	-	-	-	100,000	105,000	0.01	
							165,000	0.01	
Wong Yue-chim, Richard	Shares	-	1,000	-	-	1,000	1,000	0.00	
	Equity Derivatives warrants	-	83	-	-	83	83	0.00	
							1,083	0.00	
Li Ka-cheung, Eric	Shares	-	4,028	-	-	4,028	4,028	0.00	
	Equity Derivatives warrants	-	335	-	-	335	335	0.00	
							4,363	0.00	
Fung Kwok-lun, William	Shares	220,000	9,739	-	-	229,739	229,739	0.01	
	Equity Derivatives warrants	18,333	811	-	-	19,144	19,144	0.00	
							248,883	0.01	
Leung Nai-pang, Norman	Shares	-	10,000	-	-	10,000	10,000	0.00	
	Equity Derivatives warrants	-	833	-	-	833	833	0.00	
							10,833	0.00	
Leung Kui-king, Donald	Shares	-	2,000	-	-	2,000	2,000	0.00	
	Equity Derivatives warrants	-	166	-	-	166	166	0.00	
							2,166	0.00	
Leung Ko May-yee, Margaret	Shares	15,372	3,000	-	-	18,372	18,372	0.00	
	Equity Derivatives warrants	1,268	250	-	-	1,518	1,518	0.00	
							19,890	0.00	
Woo Po-shing	Shares	1,423,504	-	-	-	1,423,504	1,423,504	0.05	
	Equity Derivatives warrants	117,409	-	-	-	117,409	117,409	0.01	
							1,540,913	0.06	

# Directors' Report

Name of Director		Number of shares and underlying shares held under equity derivatives					Sub-total	Total	% of shares in issue as at 30.06.2014
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Wong Yick-kam, Michael	Shares	182,651	-	-	-	182,651	182,651	0.01	
	Equity Derivatives warrants	15,063	-	-	-	15,063	15,063	0.00	
							197,714	0.01	
Chan Kui-yuen, Thomas	Shares	-	66,000	126,500 <sup>8</sup>	-	192,500	192,500	0.01	
	Equity Derivatives warrants	-	5,500	10,541 <sup>8</sup>	-	16,041	16,041	0.00	
	share options	100,000	-	-	-	100,000	116,041	0.00	
						308,541	0.01		
Kwong Chun	Shares	762,722	339,358	-	-	1,102,080	1,102,080	0.04	
	Equity Derivatives warrants	63,560	28,279	-	-	91,839	91,839	0.01	
	share options	40,000	-	-	-	40,000	131,839	0.01	
						1,233,919	0.05		
Chan Kwok-wai, Patrick	Shares	-	-	-	-	-	-	-	
	Equity Derivatives share options	100,000	-	-	-	100,000	100,000	0.00	
							100,000	0.00	
Tung Chi-ho, Eric	Shares	-	-	-	-	-	-	-	
	Equity Derivatives share options	80,000	-	-	-	80,000	80,000	0.00	
							80,000	0.00	
Kwok Kai-fai, Adam (Alternate Director to Kwok Ping-kwong, Thomas)	Shares	-	-	-	572,525,108 <sup>3,589</sup>	572,525,108	572,525,108	21.01	
	Equity Derivatives warrants	-	-	-	47,222,639 <sup>3,689</sup>	47,222,639	47,254,639	1.73	
	share options	32,000	-	-	-	32,000	47,254,639	1.73	
						619,779,747	22.74		
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	Shares	-	-	-	575,961,530 <sup>4,589</sup>	575,961,530	575,961,530	21.14	
	Equity Derivatives warrants	-	-	-	47,506,071 <sup>4,689</sup>	47,506,071	47,538,071	1.74	
	share options	32,000	-	-	-	32,000	47,538,071	1.74	
						623,499,601	22.88		
Woo Ka-biu, Jackson (Alternate Director to Woo Po-shing)	Shares	-	1,000	-	-	1,000	1,000	0.00	
	Equity Derivatives warrants	-	83	-	-	83	83	0.00	
							1,083	0.00	

## Notes:

- The warrants issued by the Company are regarded for the time being as listed physically settled equity derivatives. Each warrant entitles the holder thereof to subscribe at any time during the period from 23 April 2014 to 22 April 2016 (both days inclusive) for one fully paid new share in the Company at an initial subscription price of HK\$98.60 per new share (subject to adjustment).
- The share options granted by the Company are 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.
- Messrs. Kwok Ping-kwong, Thomas and Kwok Kai-fai, Adam were deemed to be interested in 455,244,826 shares and 37,549,506 warrants of the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares and warrants represented the same interests and were therefore duplicated between them.

# Directors' Report

4. Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were deemed to be interested in 458,681,248 shares and 37,832,938 warrants of the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares and warrants represented the same interests and were therefore duplicated between them.
5. Of the said 455,244,826 shares and 458,681,248 shares in the Company as stated in Notes 3 and 4 above respectively, 45,039,913 shares represented the same interests and were therefore duplicated amongst Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam and Kwok Ho-lai, Edward for the purpose of Part XV of the SFO.
6. Of the said 37,549,506 warrants and 37,832,938 warrants of the Company as stated in Notes 3 and 4 above respectively, 3,716,310 warrants represented the same interests and were therefore duplicated amongst Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam and Kwok Ho-lai, Edward for the purpose of Part XV of the SFO.
7. Dr. Lee Shau-kee was deemed to be interested in the 2,947,000 shares and 120,584 warrants of the Company held through Superfun Enterprises Limited ("Superfun") and Kinnox Investment Limited ("Kinnox"). Superfun was wholly-owned by The Hong Kong and China Gas Company Limited ("HK China Gas") which was 41.50% held by Henderson Land Development Company Limited ("Henderson Land"). Henderson Land was taken to be 66.20% 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 which was wholly-owned by Shau Kee Financial Enterprises Limited ("SKFE"). Lee Financial (Cayman) Limited ("Lee Financial") as trustee of another unit trust owned all the issued shares of SKFE. Leeworld (Cayman) Limited ("Leeworld") and Leasons (Cayman) Limited ("Leasons") 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 Leasons were owned by Dr. Lee Shau-kee. He was taken to be interested in the 2,947,000 shares and 120,584 warrants of the Company held by Superfun and Kinnox by virtue of Part XV of the SFO.
8. These shares and warrants were held by a company which was obliged to act in accordance with the instructions of Mr. Chan Kui-yuen, Thomas.
9. In addition to the deemed interests as stated in Notes 3 to 6 above, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 117,280,282 shares and 9,673,133 warrants of 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 and warrants represented the same interests and were therefore duplicated between them.

## 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 and underlying shares held under equity derivatives			Total	% of shares in issue as at 30.06.2014
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests		
Kwok Ping-kwong, Thomas	Shares	–	–	2,140,000 <sup>1</sup>	2,140,000	0.09
	Equity Derivatives	–	–	–	–	–
					2,140,000	0.09
Kwok Ping-luen, Raymond	Shares	–	–	3,485,000 <sup>1&amp;2</sup>	3,485,000	0.15
	Equity Derivatives	–	–	–	–	–
					3,485,000	0.15
Wong Chik-wing, Mike	Shares	218,000	–	–	218,000	0.01
	Equity Derivatives	–	–	–	–	–
					218,000	0.01

# Directors' Report

Name of Director		Number of shares and underlying shares held under equity derivatives			Total	% of shares in issue as at 30.06.2014
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests		
Lui Ting, Victor	Shares	356	-	-	356	0.00
	Equity Derivatives	-	-	-	-	-
					356	0.00
Leung Nai-pang, Norman	Shares	41,000	142	-	41,142	0.00
	Equity Derivatives	-	-	-	-	-
					41,142	0.00
Leung Ko May-yee, Margaret	Shares	1,000	2,000	-	3,000	0.00
	Equity Derivatives	-	-	-	-	-
					3,000	0.00
Wong Yick-kam, Michael	Shares	200,000	-	-	200,000	0.01
	Equity Derivatives	-	-	-	-	-
					200,000	0.01
Kwong Chun	Shares	600,000	-	-	600,000	0.03
	Equity Derivatives	-	-	-	-	-
					600,000	0.03
Kwok Kai-fai, Adam (Alternate Director to Kwok Ping-kwong, Thomas)	Shares	-	-	11,927,658 <sup>1&amp;3</sup>	11,927,658	0.51
	Equity Derivatives	-	-	-	-	-
					11,927,658	0.51
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	Shares	-	-	13,272,658 <sup>1&amp;2&amp;3</sup>	13,272,658	0.57
	Equity Derivatives	-	-	-	-	-
					13,272,658	0.57

Notes:

- Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam 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.
- In addition to the deemed interests as stated in Note 1 above, Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were 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 between them.
- In addition, Messrs. Kwok Kai-fai, Adam 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 between them.

# Directors' Report

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

Name of Director		Number of shares and underlying shares held under equity derivatives		% of shares in issue as at 30.06.2014
		Other interests	Total	
Kwok Ping-luen, Raymond	Shares	4,565,544 <sup>1</sup>	4,565,544	0.44
	Equity Derivatives	–	–	–
			4,565,544	0.44
Kwok Kai-fai, Adam (Alternate Director to Kwok Ping-kwong, Thomas)	Shares	6,057,364 <sup>2</sup>	6,057,364	0.58
	Equity Derivatives	–	–	–
			6,057,364	0.58
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	Shares	10,622,908 <sup>1&amp;2</sup>	10,622,908	1.02
	Equity Derivatives	–	–	–
			10,622,908	1.02

Notes:

- Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were deemed to be interested in 4,565,544 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 between them.
- In addition, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 6,057,364 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 between them.

## (c) Transport International Holdings Limited ("Transport International")

Name of Director		Number of shares and underlying shares held under equity derivatives		% of shares in issue as at 30.06.2014
		Personal interests (held as beneficial owner)	Total	
Kwok Ping-luen, Raymond	Shares	393,350	393,350	0.10
	Equity Derivatives	–	–	–
			393,350	0.10

# Directors' Report

- (d) **Each of Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam 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 shares in issue through corporation as at 30.06.2014	Actual shares held through corporation	Actual % of interests in issued shares as at 30.06.2014
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-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam 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.

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

Name of associated corporation	Total number of shares held	% of shares in issue as at 30.06.2014
Anbok Limited	2 <sup>2</sup>	50.00
Billion Ventures Limited	1 <sup>3</sup>	50.00
Central Waterfront Property Holdings Limited	100 <sup>4</sup>	100.00
Central Waterfront Property Investment Holdings Limited	50 <sup>5</sup>	50.00
CWP Limited	1 <sup>6</sup>	50.00
Daily Win Development Limited	100 <sup>7</sup>	25.00
E Man – Sanfield JV Construction Company Limited	1 <sup>8</sup>	50.00
Everise (H.K.) Limited	1 <sup>9</sup>	50.00
Fullwise Finance Limited	2 <sup>2</sup>	50.00
Gold Sky Limited	1 <sup>10</sup>	50.00
Jade Land Resources Limited	1 <sup>11</sup>	25.00
Karnold Way Limited	2,459 <sup>12</sup>	24.59
Maxfine Development Limited	3,050 <sup>13</sup>	33.33
Royal Peninsula Management Service Company Limited	1 <sup>14</sup>	50.00
Special Concept Development Limited	1 <sup>11</sup>	25.00
Star Play Development Limited	1 <sup>15</sup>	33.33
Tartar Investments Limited	300 <sup>16</sup>	30.00
Teamfield Property Limited	4,918 <sup>17</sup>	49.18
Topcycle Development Limited	1 <sup>18</sup>	50.00
Topcycle Project Management Limited	1 <sup>18</sup>	50.00
World Space Investment Limited	4,918 <sup>17</sup>	49.18

Notes:

1. Dr. Lee Shau-kee was deemed to be interested in the 2,947,000 shares and 120,584 warrants of the Company held through Superfun and Kinnox. Superfun was wholly-owned by HK China Gas which was 41.50% held by Henderson Land. Henderson Land was taken to be 66.20% 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 Investments Limited which was wholly-owned by SKFE. Lee Financial as trustee of another unit trust owned all the issued shares of SKFE. Leeworld and Leasons 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 Leasons were owned by Dr. Lee Shau-kee. He was taken to be interested in the 2,947,000 shares and 120,584 warrants of the Company held by Superfun and Kinnox by virtue of Part XV of the SFO.

# Directors' Report

2. *Dr. Lee Shau-kee was deemed to be interested in the two shares held through Everise (H.K.) Limited. This corporation was 50% held by Masterland Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
3. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Chico Investment Limited ("Chico"). This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
4. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Central Waterfront Property Investment Holdings Limited. This corporation was 34.21% held by Starland International Limited ("Starland"), a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
5. *Dr. Lee Shau-kee was deemed to be interested in a total of 50 shares of which 34.21 shares were held through Starland and 15.79 shares were held through Prominence Properties Limited ("Prominence"). Starland was wholly-owned by Henderson Land. Prominence was wholly-owned by HK China Gas which was 41.50% held by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
6. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Starland. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
7. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Citiright Development Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
8. *Dr. Lee Shau-kee was deemed to be interested in the one share held through E Man Construction Company Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
9. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Masterland Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
10. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Atex Resources Limited. This corporation was wholly-owned by Mightymark Investment Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
11. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Citiplus Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
12. *Dr. Lee Shau-kee was deemed to be interested in the 2,459 shares held through Chico. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
13. *Dr. Lee Shau-kee was deemed to be interested in the 3,050 shares held through Quickcentre Properties Limited. This corporation was 100% held by Henderson (China) Investment Company Limited of which 100% was held by Andco Limited, a wholly-owned subsidiary of Henderson China Holdings Limited. This corporation was 100% held by Brightland Enterprises Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
14. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Well Born Real Estate Management Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
15. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Benewick Limited. This corporation was 100% held by Dorway Investment Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
16. *Dr. Lee Shau-kee was deemed to be interested in the 300 shares held through Kenforce Investment Limited. This corporation was wholly-owned by Henderson China Properties Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
17. *Dr. Lee Shau-kee was deemed to be interested in the 4,918 shares held through Billion Ventures Limited. This corporation was 50% held by Chico, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
18. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Dandy Investments Limited. This corporation was a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*

# Directors' Report

Save as disclosed above, as at 30 June 2014, 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 were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Option Schemes

### 1. Share option schemes of the Company

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

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

During the year ended 30 June 2014, the Company granted 1,272,000 share options under the New Scheme on 12 July 2013. Particulars of the outstanding share options granted under the Old Scheme and the New Scheme and their movements during the year ended 30 June 2014 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 01.07.2013	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		Balance as at 30.06.2014
(I) <b>Directors</b>									
Kwok Ping-kwong, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	-	-	-	100,000	N/A
Kwok Ping-luen, Raymond	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	-	-	-	100,000	N/A
Wong Chik-wing, Mike	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	-	-	-	100,000	N/A
Lui Ting, Victor	11.07.2012	96.15	11.07.2013 to 10.07.2017	100,000	-	-	-	100,000	N/A
Chan Kui-yuen, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	-	-	-	100,000	N/A
Kwong Chun	12.07.2010	111.40	12.07.2011 to 11.07.2015	40,000	-	-	-	40,000	N/A
Chan Kwok-wai, Patrick	11.07.2011	116.90	11.07.2012 to 10.07.2016	100,000	-	-	-	100,000	N/A
Tung Chi-ho, Eric (appointed with effect from 1 December 2013)	12.07.2010	111.40	12.07.2011 to 11.07.2015	N/A	-	-	-	80,000 <sup>2</sup>	N/A
Kwok Kai-fai, Adam (Alternate Director to Kwok Ping-kwong, Thomas)	12.07.2013	102.30	12.07.2014 to 11.07.2018	N/A	32,000	-	-	32,000	101.70 <sup>3</sup>
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	12.07.2013	102.30	12.07.2014 to 11.07.2018	N/A	32,000	-	-	32,000	101.70 <sup>3</sup>

# Directors' Report

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 01.07.2013	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year		Balance as at 30.06.2014
(II) Associate of a Director	12.07.2010	111.40	12.07.2011 to 11.07.2015	48,000	–	–	–	48,000	N/A
(III) Other employees	12.07.2010	111.40	12.07.2011 to 11.07.2015	3,544,000	–	–	(120,000)	3,424,000 (80,000) <sup>2</sup>	N/A
	11.07.2011	116.90	11.07.2012 to 10.07.2016	2,256,000	–	–	(426,000)	1,830,000	N/A
	11.07.2012	96.15	11.07.2013 to 10.07.2017	1,276,000	–	(17,000)	(115,000)	1,144,000	104.36 <sup>4</sup>
	12.07.2013	102.30	12.07.2014 to 11.07.2018	N/A	1,048,000	–	–	1,048,000	101.70 <sup>3</sup>
<b>Total</b>				7,764,000	1,112,000 <sup>5</sup>	(17,000)	(661,000)	8,198,000	

Notes:

- The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
- During the year ended 30 June 2014, Mr. Tung Chi-ho, Eric, who was granted 80,000 share options in 2010, was appointed as a Director of the Company.
- This represented the closing price of the shares of the Company immediately before the date on which the share options were granted.
- This represented the weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised.
- The Company granted 1,272,000 share options under the New Scheme on 12 July 2013 and subsequently 1,112,000 share options were accepted by the grantees.
- The accounting policy adopted for the share options is set out in note 1t to the 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 2014.

The fair values of the share options granted by the Company were determined by using the Black-Scholes model which is one of the models to estimate the fair value of a share option. The total value of the share options granted on 12 July 2013 under the New Scheme amounting to approximately HK\$17,768,568 was estimated based on the following variables and assumptions:

Risk free interest rate	1.18% <sup>1</sup>
Expected volatility	20.74% <sup>2</sup>
Expected dividend	3.27% <sup>3</sup>
Expected life of the share options	5 years <sup>4</sup>

Notes:

- This represented the approximate yield of 5-year Exchange Fund Note traded on 12 July 2013.
- This represented the annualized volatility of the closing price of the shares of the Company in the year preceding the date of grant.

# Directors' Report

3. *This represented the yield of the expected dividend, being the historical dividend of the shares of the Company in the year preceding the date of grant.*
4. *This was based on the assumption that there was no material difference between the expected volatility over the whole life of the share options and the historical volatility of the shares of the Company in the year preceding the date of grant.*

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

The major terms of the 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 12 September 2014, the number of shares of the Company available for issue in respect thereof was 259,641,604 shares, representing approximately 9.52% of the issued shares of the Company.

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

# Directors' Report

## 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. On 10 June 2012, SUNeVision announced that since SUNeVision did not proceed with the application for the transfer of listing of its shares, 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 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 2014, (i) there were no outstanding share options under the SUNeVision Old Scheme; and (ii) no share options were granted under the SUNeVision New Scheme.

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 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 12 September 2014, the number of shares of SUNeVision available for issue under the SUNeVision New Scheme was 232,222,953 shares, representing approximately 10% of the issued shares of SUNeVision.
4. The total number of shares of SUNeVision issued and to be issued upon exercise of the share options granted under the SUNeVision New Scheme and any other share option schemes of SUNeVision to each participant (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the total number of shares of SUNeVision in issue.
5. A share option granted under the SUNeVision New Scheme may be exercised at any time during the option period after the share option has been granted by the board of SUNeVision. A share option period is a period to be determined by the board of SUNeVision at its absolute discretion and notified by the board of SUNeVision to each grantee as being the period during which a share option may be exercised, such period shall not be longer than ten years from the date of grant of the share option.
6. Unless otherwise determined by the board of SUNeVision and specified in the offer letter at the time of the offer, there is neither any performance target that needs to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised.
7. The acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
8. The exercise price of a share option to subscribe for shares of SUNeVision shall be at least the highest of:
  - the closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;
  - the average closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made to a participant; and
  - the nominal value of the shares of SUNeVision.
9. The SUNeVision New Scheme shall be valid and effective for a period of ten years commencing on the day on which the SUNeVision New Scheme takes effect.

## (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").

# Directors' Report

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

During the year ended 30 June 2014, no share options were granted under the SmarTone Schemes and the movements of the outstanding share options granted under the SmarTone Schemes were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period <sup>1</sup>	Number of share options				Balance as at 30.06.2014	Closing price per share (HK\$)
				Balance as at 01.07.2013	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
<b>SmarTone Old Scheme</b>									
(I) Directors of SmarTone	13.06.2011	12.78	13.06.2012 to 12.06.2016	12,000,000	-	-	-	12,000,000	N/A
(II) Other employees of SmarTone	05.02.2004	4.50	05.02.2005 to 04.02.2014	398,000	-	(398,000)	-	-	8.60 <sup>2</sup>
	13.06.2011	12.78	13.06.2012 to 12.06.2016	19,425,000	-	-	(500,000)	18,925,000	N/A
	30.09.2011	13.12	30.09.2012 to 29.09.2016	315,000	-	-	-	315,000	N/A
	31.10.2011	14.96	31.10.2012 to 30.10.2016	150,000	-	-	-	150,000	N/A
	30.11.2011	13.02	30.11.2012 to 29.11.2016	277,500	-	-	-	277,500	N/A
<b>SmarTone New Scheme</b>									
(III) Other employees of SmarTone	30.12.2011	13.52	30.12.2012 to 29.12.2016	375,000	-	-	-	375,000	N/A
	29.02.2012	16.56	01.03.2013 to 28.02.2017	300,000	-	-	-	300,000	N/A
<b>Total</b>				<b>33,240,500</b>	<b>-</b>	<b>(398,000)</b>	<b>(500,000)</b>	<b>32,342,500</b>	

Notes:

- 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.
- This represented the weighted average closing price of the shares of SmarTone immediately before the date on which the share options were exercised.

Save as disclosed above, there were no outstanding share options granted under the SmarTone Schemes during the year ended 30 June 2014.

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.

# Directors' Report

2. Any employee, agent, consultant or representative of SmarTone or any of its subsidiaries, including any director of SmarTone or any of its subsidiaries who has made valuable contribution to the growth of the SmarTone group based on his work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the SmarTone Schemes at the invitation of the directors of SmarTone.
3. SmarTone can issue share options so that the total number of shares of SmarTone that may be issued upon exercise of all share options to be granted under all the share option schemes of SmarTone does not in aggregate exceed 10% of the shares in issue on the respective dates of adoption of each of the SmarTone Schemes. In respect of the SmarTone New Scheme, SmarTone may renew this limit at any time, subject to its shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding share options of SmarTone granted and yet to be exercised under all the share option schemes of SmarTone does not exceed 30% of the shares in issue of SmarTone from time to time. As at 12 September 2014, the number of shares of SmarTone available for issue in respect thereof was 102,948,685 shares which represented approximately 9.84% of the issued shares of SmarTone.
4. The maximum entitlement for any participant is that the total number of shares of SmarTone issued and to be issued upon exercise of share options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the relevant class of shares in issue of SmarTone.
5. The exercise period of any share option granted under the SmarTone Schemes shall be determined by the board of SmarTone but such period must not exceed ten years from the date of grant of the relevant share option.
6. The SmarTone Schemes do not specify any minimum holding period before the share option can be exercised but the board of SmarTone has the authority to determine the minimum holding period when the share options are granted.
7. Acceptance of offer to grant a share option shall be sent in writing together with a remittance in favour of SmarTone of HK\$1.00 by way of consideration for the grant and must be received by the company secretary of SmarTone within 28 days from the date of the making of such offer.
8. The option price per share of SmarTone payable upon the exercise of any share option will be determined by the directors of SmarTone upon the grant of such share option. It shall be at least the highest of:
  - the average closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the day of offer of such share option;
  - the closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheet on the day of offer of such share option, which must be a business day; and
  - the nominal value of a share of SmarTone.
9. The SmarTone Old Scheme was terminated on 8 December 2011 and the existing rights of the grantees under the outstanding share options granted and yet to be exercised under the SmarTone Old Scheme are not affected. The SmarTone New Scheme shall be valid and effective for a period of ten years commencing from the adoption of the SmarTone New Scheme on 2 November 2011.

## Arrangement to Purchase Shares or Debentures

Other than the share option schemes as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

# Directors' Report

## Interests of Substantial Shareholders and Other Persons

As at 30 June 2014, 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 and underlying shares held under equity derivatives			Total	% of shares in issue as at 30.06.2014
		Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
<b>(I) Substantial shareholders</b>						
HSBC Trustee (C.I.) Limited	Shares	-	-	858,689,522 <sup>2,3&amp;4</sup>	858,689,522	31.51
	Equity Derivatives warrants	-	-	70,972,922 <sup>2,3&amp;4</sup>	70,972,922	2.60
					929,662,444	34.11
Kwong Siu-hing	Shares	23,118	-	685,743,946 <sup>2&amp;4</sup>	685,767,064	25.16
	Equity Derivatives warrants	1,906	-	56,560,791 <sup>2&amp;4</sup>	56,562,697	2.08
					742,329,761	27.24
<b>(II) Other persons</b>						
Adolfa Limited ("Adolfa")	Shares	213,568,011	45,039,913	-	258,607,924 <sup>4</sup>	9.49
	Equity Derivatives warrants	17,614,827	3,716,310	-	21,331,137 <sup>4</sup>	0.78
					279,939,061	10.27
Bertana Limited ("Bertana")	Shares	213,568,011	45,039,913	-	258,607,924 <sup>4&amp;5</sup>	9.49
	Equity Derivatives warrants	17,614,827	3,716,310	-	21,331,137 <sup>4&amp;5</sup>	0.78
					279,939,061	10.27
Cyrlic Limited ("Cyrlic")	Shares	213,568,011	45,039,913	-	258,607,924 <sup>4&amp;6</sup>	9.49
	Equity Derivatives warrants	17,614,827	3,716,310	-	21,331,137 <sup>4&amp;6</sup>	0.78
					279,939,061	10.27
Credit Suisse Trust Limited	Shares	-	-	200,118,922 <sup>7&amp;8</sup>	200,118,922	7.34
	Equity Derivatives warrants	-	-	16,501,801 <sup>7</sup>	16,501,801	0.61
					216,620,723	7.95
HSBC Trustee (Guernsey) Limited	Shares	-	-	196,636,902 <sup>9</sup>	196,636,902	7.21
	Equity Derivatives warrants	-	-	16,218,369 <sup>9</sup>	16,218,369	0.60
					212,855,271	7.81
Kwok Ping-sheung, Walter	Shares	75,000	-	194,929,751 <sup>10</sup>	195,004,751	7.16
	Equity Derivatives	-	-	-	-	-
					195,004,751	7.16
Rosy Result Limited	Shares	174,737,464 <sup>7</sup>	-	-	174,737,464	6.41
	Equity Derivatives warrants	14,412,131 <sup>7</sup>	-	-	14,412,131	0.53
					189,149,595	6.94
Thriving Talent Limited	Shares	174,737,464 <sup>9</sup>	-	-	174,737,464	6.41
	Equity Derivatives warrants	14,412,131 <sup>9</sup>	-	-	14,412,131	0.53
					189,149,595	6.94
Asporto Limited	Shares	-	-	172,945,576 <sup>3</sup>	172,945,576	6.35
	Equity Derivatives warrants	-	-	14,412,131 <sup>3</sup>	14,412,131	0.53
					187,357,707	6.88

# Directors' Report

## Notes:

- The warrants issued by the Company are regarded for the time being as listed physically settled equity derivatives. Each warrant entitles the holder thereof to subscribe at any time during the period from 23 April 2014 to 22 April 2016 (both days inclusive) for one fully paid new share in the Company at an initial subscription price of HK\$98.60 per new share (subject to adjustment).
- Madam Kwong Siu-hing was deemed to be interested in 685,743,946 shares and 56,560,791 warrants of 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 and warrants formed part of the shares and warrants of the Company in which HSBC Trustee (C.I.) Limited was deemed to be interested by virtue of it being the trustee of certain discretionary trusts and were therefore duplicated between these two substantial shareholders.
- In addition to the deemed interests as stated in Note 2 above, HSBC Trustee (C.I.) Limited was deemed to be interested in 172,945,576 shares and 14,412,131 warrants of the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. These shares and warrants represented the same interests held by Asporto Limited and were therefore duplicated between them.
- Of the respective shares and warrants of the Company held by Adolfa, Bertana and Cyric, 45,039,913 shares and 3,716,310 warrants were held through corporations of which each of Adolfa, Bertana and Cyric was interested in one-third of the entire issued shares. These 45,039,913 shares and 3,716,310 warrants represented the same interests and were therefore duplicated amongst these companies. Further, the respective shares and warrants held by Adolfa, Bertana and Cyric formed part of the shares and warrants of the Company in which each of Madam Kwong Siu-hing and HSBC Trustee (C.I.) Limited was deemed to be interested.
- These shares and warrants were the same shares and warrants of the Company included in "other interests" of Messrs. Kwok Ping-kwong, Thomas and Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated with them.
- These shares and warrants were the same shares and warrants of the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated with them.
- Credit Suisse Trust Limited was deemed to be interested in 200,073,324 shares and 16,501,801 warrants of 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 and warrants, 174,737,464 shares and 14,412,131 warrants represented the same interests held by Rosy Result Limited and were therefore duplicated between them.

The 200,073,324 shares and 16,501,801 warrants of the Company as disclosed in the above paragraph were the same shares and warrants of the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated with them.
- In addition to the deemed interests as stated in Note 7 above, Credit Suisse Trust Limited was deemed to be interested in 45,598 shares in the Company by virtue of it being the trustee of certain discretionary trusts for the purpose of Part XV of the SFO.
- HSBC Trustee (Guernsey) Limited was deemed to be interested in 196,636,902 shares and 16,218,369 warrants of 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 and warrants, 174,737,464 shares and 14,412,131 warrants represented the same interests held by Thriving Talent Limited and were therefore duplicated between them.

The 196,636,902 shares and 16,218,369 warrants of the Company as disclosed in the above paragraph were the same shares and warrants of the Company included in "other interests" of Messrs. Kwok Ping-kwong, Thomas and Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated with them.
- Mr. Kwok Ping-sheung, Walter was deemed to be interested in 194,929,751 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.

Save as disclosed above, as at 30 June 2014, there were no any other any 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 2014, the Group employed approximately 37,000 employees. The related employees' costs before reimbursements for the year amounted to approximately HK\$8,742 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 is applicable 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, same as those offered to other employees of the Group.

## Bank and Other Borrowings

Details of bank and other borrowings as at 30 June 2014 are set out in notes 23 and 25 to the financial statements.

## Interest Capitalized

Interest capitalized during the year amounted to HK\$290 million (2013: HK\$416 million).

## Charitable Donations

HK\$125 million (2013: HK\$66 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-kwong, Thomas and Kwok Ping-luen, Raymond and their respective alternates, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward (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 the Mainland China. Therefore they are not regarded as being interested in such Excluded Businesses in the 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.

Mr. Kwok Ping-luen, Raymond is a non-executive director of Transport International and Mr. Fung Yuk-lun, Allen was appointed as a non-executive director of Transport International with effect from 1 January 2014. The businesses of Transport International consist of property holdings and development. In this regard, 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"). The businesses of Wing Tai consist of property development, property investment and management, and hospitality investment and management. Therefore, Mr. Kwok Ping-luen, Raymond is regarded as being interested in such Excluded Businesses.

Dr. Lee Shau-kee is the chairman and managing director of Henderson Land and Henderson Investment Limited. He is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited. Dr. Lee resigned as the chairman of Miramar Hotel and Investment Company, Limited and was re-designated as non-executive director with effect from 12 June 2014. In addition to his directorships, Dr. Lee Shau-kee is also deemed as a substantial shareholder of such companies by virtue of his deemed interest therein under the Listing Rules and the SFO. The businesses of these companies principally consist of investment holding, property development and investment in Hong Kong and the Mainland China, hotel operation, project and property management, construction, department store operation, and provision of finance and infrastructure, which may be deemed to constitute the Excluded Businesses. As such, he is regarded as being interested in such Excluded Businesses. Dr. Lee Shau-kee is a Non-Executive Director of the Company, who is not involved in the daily management of the Group.

# Directors' Report

Sir Po-shing Woo is a director of Henderson Development, the businesses of which principally consist of investment holding, and 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 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 diligence of the Independent Non-Executive Directors and the Audit Committee of the Company, the Group is capable of carrying on its businesses independent of, and at arm's length from, the Excluded Businesses mentioned above.

## Connected Transaction

During the period from the date of the 2012/13 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 Contracts

Other than as disclosed in note 34 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time 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 2014 Annual General Meeting to re-appoint it and to authorize the Directors to fix its remuneration.

## Audit Committee

The annual results for the year have been reviewed by the Audit 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 65 to 76.

## 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-kwong, Thomas**  
*Chairman & Managing Director*

**Kwok Ping-luen, Raymond**  
*Chairman & Managing Director*

Hong Kong, 12 September 2014

# Directors' Biographical Information

## Directors

### **Kwok Ping-kwong, Thomas**

Hon DBA, Hon DEng, MSc (Bus Adm), BSc (Eng), FCPA(Aust.), SBS, JP  
*Chairman & Managing Director (Age: 62)*

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 a Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 37 years. Mr. Kwok holds a Master's degree in Business Administration from The London Business School, University of London, and a Bachelor's degree in Civil Engineering from Imperial College, University of London. He also holds an Honorary Doctorate in Engineering from The Hong Kong Polytechnic University and an Honorary Doctorate in Business Administration from The Open University of Hong Kong. He is a fellow of The Hong Kong Management Association and also a fellow of The Australia Certified Public Accountants. Mr. Kwok is also chairman of Route 3 (CPS) Company Limited, joint chairman of IFC Development Limited and an independent non-executive director of The Bank of East Asia, Limited. He was a non-executive director of SUNeVision Holdings Ltd.

He is chairman of the board of directors of the Faculty of Business and Economics, The University of Hong Kong. He is also an executive vice president and a member of the executive committee of The Real Estate Developers Association of Hong Kong. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Mr. Kwok the Silver Bauhinia Star for his distinguished community service.

In the past, Mr. Kwok served as a government appointed member of the Commission on Strategic Development, as a member of the Exchange Fund Advisory Committee, the Construction Industry Council, the Council for Sustainable Development and the Business Facilitation Advisory Committee, and as a non-official member of the Provisional Minimum Wage Commission. He also previously served as a board member of the Community Chest of Hong Kong and as a council member of the Hong Kong Construction Association.

Mr. Kwok is an Honorary Citizen of Guangzhou and a Standing Committee member of the Chinese People's Political Consultative Conference Shanghai Committee.

Mr. Kwok is an elder brother of Mr. Kwok Ping-luen, Raymond. He 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 Mr. Kwok Kai-fai, Adam and an uncle of Mr. Kwok Ho-lai, Edward.

For the year ended 30 June 2014, Mr. Kwok is entitled to receive a fee of HK\$320,000 for being Chairman of the Company and other emoluments of approximately HK\$2.49 million.

# Directors' Biographical Information

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

Hon LLD, Hon DBA, MBA, MA (Cantab), JP  
*Chairman & Managing Director (Age: 61)*

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 a Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 36 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, a member of the General Committee of The Hong Kong General Chamber of Commerce and vice chairman of the council of The Chinese University of Hong Kong.

Mr. Kwok is a younger brother of Mr. Kwok Ping-kwong, Thomas. He 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 Mr. Kwok Ho-lai, Edward and an uncle of Mr. Kwok Kai-fai, Adam.

For the year ended 30 June 2014, Mr. Kwok is entitled to receive a fee of HK\$320,000 for being Chairman of the Company. Also, he is entitled to receive other emoluments of a total of approximately HK\$2.77 million, including fees of approximately HK\$40,000 and HK\$150,000 for being 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: 86)*

Dr. Lee has been a Non-Executive Director of the Company for the last 42 years. He is the founder and chairman and managing director of Henderson Land Development Company Limited and Henderson Investment Limited. He has been engaged in property development in Hong Kong for more than 55 years. He is also chairman of The Hong Kong and China Gas Company Limited and a non-executive director of Hong Kong Ferry (Holdings) Company Limited. Dr. Lee resigned as the chairman of Miramar Hotel and Investment Company, Limited and was re-designated as non-executive director with effect from 12 June 2014. He was an independent non-executive director of The Bank of East Asia, 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 2014, 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: 58)*

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 both the Executive Committee and the Special 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 and also a council member of the Construction Industry Council. He is currently responsible for project management matters of the Group's development projects.

For the year ended 30 June 2014, 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\$18.32 million.

## **Lui Ting, Victor**

BBA

*Deputy Managing Director (Age: 60)*

Mr. Lui has been an Executive Director and a Deputy Managing Director of the Company since April 2012 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 2014, 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\$18.33 million.

## **Yip Dicky Peter**

MBA, BBS, MBE, JP

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

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

# Directors' Biographical Information

Mr. Yip joined the Institute of International Finance in July 2012 as chief representative for the Asia-Pacific Region. He is an elected associated member of the Chartered Institute of Bankers, London. Mr. Yip 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. He 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 2014, Mr. Yip is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$240,000 for being a member of the Audit 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: 62)*

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, and a member of the Special 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 CK Life Sciences Int'l., (Holdings) Inc., Great Eagle Holdings Limited, Orient Overseas (International) Limited, Pacific Century Premium Developments Limited and The Link Management Limited as the manager of The Link Real Estate Investment Trust. In addition, Professor Wong was a member of the managing board of the Kowloon-Canton Railway Corporation.

For the year ended 30 June 2014, 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., B.A., GBS, OBE, JP

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

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 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 Enterprise, Limited and RoadShow Holdings Limited. He was an independent non-executive director of Bank of Communications Co., Ltd.

Dr. Li is a member of The 12th National Committee of 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 2014, Dr. Li is entitled to receive fees of HK\$300,000 for being a Director of the Company, HK\$280,000 for being the Chairman of the Audit Committee of the Company and HK\$60,000 for being a member of the Remuneration Committee of the Company. Also, he is entitled to receive other emoluments of a total of HK\$240,000 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: 65)*

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 has been the group chairman of Li & Fung Limited since May 2012 and before that, was the executive deputy chairman (2011- May 2012) and the group managing director (1986-2011) of Li & Fung Limited. He also serves as a non-executive director of Convenience Retail Asia Limited and Trinity Limited. He is a director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. Dr. Fung is also an independent non-executive director of VTech Holdings Limited, Shui On Land Limited, The Hongkong and Shanghai Hotels, Limited and Singapore Airlines Limited. He is the chairman and non-executive director of Global Brands Group Holding Limited, which was listed on The Stock Exchange of Hong Kong Limited on 9 July 2014.

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 Pacific Economic Cooperation Committee (1993-2002). He has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008.

For the year ended 30 June 2014, Dr. Fung is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

# Directors' Biographical Information

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

LLD, GBS, JP

*Independent Non-Executive Director (Age: 74)*

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

Dr. Leung has been active in public service for over 30 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, chairman of the Broadcasting Authority from 1997 to 2002 and council chairman of City University of Hong Kong from 1997 to 2003. He is the Pro-Chancellor of City University of Hong Kong.

For the year ended 30 June 2014, Dr. Leung is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

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

BSc

*Independent Non-Executive Director (Age: 58)*

Mr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit 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 2014, Mr. Leung is entitled to receive fees of HK\$300,000 for being a Director of the Company and HK\$240,000 for being a member of the Audit Committee of the Company.

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

SBS, JP

*Independent Non-Executive Director (Age: 62)*

Mrs. Leung has been an Independent Non-Executive Director of the Company since March 2013. She holds a Bachelor's degree in Economics, Accounting and Business Administration from The University of Hong Kong. She was the vice-chairman and the chief executive of Hang Seng Bank Limited, the chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and the Group General Manager of HSBC Holdings plc prior to her retirement from the HSBC group in June 2012.

Mrs. Leung is currently the deputy chairman, managing director and an executive director of Chong Hing Bank Limited. She is also an independent non-executive director of First Pacific Company Limited, Li & Fung Limited, Hong Kong Exchanges and Clearing Limited, QBE Insurance Group Limited and China Construction Bank Corporation. She was an independent non-executive director of Swire Pacific Limited and Hutchison Whampoa Limited.

# Directors' Biographical Information

Mrs. Leung is a member of the board of directors and the finance committee of the Hospital Authority, and a Steward of The Hong Kong Jockey Club. She is also a council member, the chairman and treasurer of the finance committee and a member of the human resources policy committee of The University of Hong Kong, and a court member of the Hong Kong Baptist University. Mrs. Leung was the chairman of the board of governors of Hang Seng Management College and Hang Seng School of Commerce, 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 HKSAR, and the chairman of the executive committee of The Community Chest of Hong Kong.

For the year ended 30 June 2014, 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., FlntSD, FHKMA  
*Non-Executive Director (Age: 85)*

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 was a non-executive director of Henderson Land Development Company Limited. He is the father of Mr. Woo Ka-biu, Jackson.

For the year ended 30 June 2014, 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: 79)*

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of the Nomination Committee and the Remuneration Committee of the Company. As a managing partner with the solicitors firm of Woo, Kwan, Lee & Lo, Mr. Kwan has 51 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, elected member of Scout Counsel of Hong Kong, president of the Hong Kong Branch of the King's College London Association, president of the Hong Kong Philatelic Society, life member of the Federation of Inter-Asia Philately, president of FIAP Grand Prix Club, a permanent advisor of Wah Yan (Hong Kong) Past Students Association, a director and honorary secretary of Wah Yan Dramatic Society, a committee member and legal advisor of South China Athletic Association and former vice manager of its Football Section as well as manager of its Ten Pin Bowling Section and an honorary legal advisor of the Hong Kong Society for Reproductive Society.

Mr. Kwan was commissioner general and vice chairman of the Organizing Committees of the Hong Kong 1994, 1997, 2001, 2004 and 2009 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 2014, Mr. Kwan is entitled to receive fees of HK\$300,000 for being a Director of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

# Directors' Biographical Information

## **Wong Yick-kam, Michael**

MBA, BBA

*Non-Executive Director (Age: 62)*

Mr. Wong has been a Non-Executive Director of the Company since January 2010. He is also the Chairman of the Special Committee and a member of the Audit Committee of the Company. He was an Executive Director of the Company from January 1996 to December 2009 and had been with the Group for 28 years before he retired from his executive director's roles. After his retirement, Mr. Wong served as the Group Principal Advisor until December 2013. He obtained his Bachelor of Business Administration and Master of Business Administration degrees from The Chinese University of Hong Kong.

Mr. Wong was the chairman of the Hong Kong Youth Hostels Association and is now a member of the Association's Executive Committee. He is also a member of the Government of the Hong Kong Special Administrative Region's Steering Committee on Child Development Fund, the Steering Committee on Promotion of Electric Vehicles, the Social Welfare Advisory Committee, the Steering Committee of the Pilot Green Transport Fund, and the Social Innovation and Entrepreneurship Development Fund Task Force of the Commission on Poverty. He is also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, and deputy chairman of the Council of The Open University of Hong Kong.

For the year ended 30 June 2014, Mr. Wong is entitled to receive fees of HK\$300,000 and HK\$240,000 for being a Director and a member of the Audit Committee of the Company respectively.

## **Chan Kui-yuen, Thomas**

B Comm

*Executive Director (Age: 68)*

Mr. Chan has been an Executive Director of the Company since September 1987. He is also a member of the Executive Committee of the Company. He joined the Group in 1973 and is now responsible for land acquisitions and project planning matters. He graduated from the United College, The Chinese University of Hong Kong and was awarded as honorary university fellowship of The Open University of Hong Kong in 2007. Mr. Chan was a non-executive director of SUNeVision Holdings Ltd.

Mr. Chan is a committee member of China Sub-Committee of The Real Estate Developers Association of Hong Kong. In addition, he is a director of The Hong Kong Vietnam Chamber of Commerce and a member of the MBA Advisory Board of the Faculty of Business and Economics of The University of Hong Kong.

In the past, Mr. Chan was a council member of The Open University of Hong Kong and a member of the Health Care Study Group of The Bauhinia Foundation Research Centre. He was also an ordinary member of the Estate Agents Authority, a committee member of Land Sub-Committee of Land and Development Advisory Committee and a committee member of Infrastructure Development Advisory Committee of Hong Kong Trade Development Council.

For the year ended 30 June 2014, Mr. Chan is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$12.13 million.

# Directors' Biographical Information

## **Kwong Chun**

*Executive Director (Age: 85)*

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 Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, and the grandmother of Messrs. Kwok Kai-fai, Adam 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 2014, Mr. Kwong is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$5.29 million.

## **Chan Kwok-wai, Patrick**

MBA, FCPA, FCCA, FCPA (Aust.), ACIS, TEP, AFP

*Executive Director & Chief Financial Officer (Age: 58)*

Mr. Chan has been an Executive Director and the Chief Financial Officer of the Company since July 2009. He is also a member of the Executive Committee of the Company. He obtained a Master of Business Administration degree from the University of Warwick, England in 1993. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants ("ACCA") as well as the CPA Australia. He is also a member of The Institute of Chartered Secretaries and Administrators and the Society of Trust and Estate Practitioners, and an associate financial planner of the Institute of Financial Planners of Hong Kong.

Mr. Chan started his career at Ernst & Young and worked for a number of banks and listed companies in Hong Kong. He joined Hang Seng Bank Limited ("Hang Seng") in 1995, of which he became chief financial officer in 1998. He also sat on the executive committee of Hang Seng, and was an executive director of Hang Seng from 2005 till 2009. Mr. Chan was previously a vice-chairman of Hang Seng Bank (China) Limited, and a director, an executive committee member and a remuneration committee member of Industrial Bank Co., Ltd.

Mr. Chan is a council member of the Hong Kong Examinations and Assessment Authority ("HKEAA"), chairman of the finance committee of the HKEAA, and a member of the Standing Committee on Language Education and Research. He is also a member of the Board of Directors and the 2013/14 Campaign Committee of The Community Chest of Hong Kong, a vice chairman of the General Committee and chairman of the Corporate Governance Affairs Committee of The Chamber of Hong Kong Listed Companies. He is convenor of the Working Group of Finance Directors/Financial Controllers of The Real Estate Developers Association of Hong Kong and a member of the Professional Development Sub-committee of the ACCA Hong Kong. He is a director of Hang Seng School of Commerce, a member of the Board of Governors of Hang Seng Management College Limited, and chairman of the finance committee of both institutions. Mr. Chan is also a member of the Investment Committee of the Foundation of Tsinghua University Centre for Advanced Study Co. Ltd.

For the year ended 30 June 2014, Mr. Chan is entitled to receive a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$17.85 million.

# Directors' Biographical Information

## **Tung Chi-ho, Eric**

BA(AS)Hons, BArch, HKIA, Registered Architect, Authorized Person (List of Architects)  
*Executive Director (Age: 55)*

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 the mainland. He has been an executive director of Sun Hung Kai Real Estate Agency Limited since December 1999. He is also an executive director of SUNeVision Holdings Ltd.

Mr. Tung is entitled to receive a fee of approximately HK\$174,247 for being a Director of the Company for the period from 1 December 2013 to 30 June 2014. Also, he is entitled to receive other emoluments of a total of approximately HK\$15.79 million, including emoluments of HK\$42,000 for being a director of SUNeVision Holdings Ltd. for the year ended 30 June 2014.

## **Fung Yuk-lun, Allen**

BA, Ph.D.  
*Executive Director (Age: 46)*

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 non-executive director of SUNeVision Holdings Ltd., SmarTone Telecommunications Holdings Limited and Transport International Holdings Limited. He was appointed as a non-executive director of RoadShow Holdings Limited with effect from 8 July 2014.

Mr. Fung joined McKinsey and 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 the chairman of the Hong Kong Society for the Protection of Children, a council member of The Hong Kong Federation of Youth Groups and The Hong Kong Management Association, and a member of the executive committee of The Hong Kong Council of Social Service. He is also an advisory member of the Faculty of Business and Economics at The University of Hong Kong.

Mr. Fung is entitled to receive a fee of approximately HK\$174,247 for being a Director of the Company for the period from 1 December 2013 to 30 June 2014. Also, he is entitled to receive other emoluments of a total of approximately HK\$3.59 million, including fees of HK\$14,900 and HK\$60,000 for being a director of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited respectively.

# Directors' Biographical Information

## **Kwok Kai-fai, Adam**

MBA, BSc

*Alternate Director to Kwok Ping-kwong, Thomas (Age: 31)*

Mr. Kwok has been an Alternate Director to Mr. Kwok Ping-kwong, Thomas since July 2012. 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 currently is a project manager taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region.

Mr. Kwok is a son of Mr. Kwok Ping-kwong, Thomas and 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 Mr. Kwok Ho-lai, Edward.

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

BA

*Alternate Director to Kwok Ping-luen, Raymond (Age: 33)*

Mr. Kwok has been an Alternate Director to Mr. Kwok Ping-luen, Raymond since July 2012. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. He 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 and a nephew of Mr. Kwok Ping-kwong, Thomas. 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.

## **Woo Ka-biu, Jackson**

MA (Oxon)

*Alternate Director to Sir Po-shing Woo (Age: 51)*

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, a China-Appointed Attesting Officer appointed by the Ministry of Justice, PRC. Mr. Woo is a director of Kailey group of companies. He had previously been a director of N M Rothschild & Sons (Hong Kong) Limited and then a partner of Ashurst Hong Kong. Prior to that, he was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. Mr. Woo is an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and Henderson Land Development Company Limited. He was an alternate director to Sir Po-shing Woo who was a non-executive director of Henderson Land Development Company Limited. In January 2008, Mr. Woo was awarded 2008 World Outstanding Chinese Award by the United World Chinese Association and Honorary Doctor Degree from The University of West Alabama. He is the son of Sir Po-shing Woo.

# Directors' Biographical Information

Save as disclosed above, all the Directors and Alternate Directors did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas, and do not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

All the Directors and Alternate Directors of the Company have not entered into any service contract with the Company. In accordance with the articles of association of the Company, Directors are subject to retirement and re-election at the general meeting or the annual general meeting of the Company. For the Non-Executive Directors (including the Independent Non-Executive Directors), they will be subject to a term of approximately two years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held two years thereafter, and they shall be eligible for re-election for a like term at that annual general meeting upon the expiry of their term of office. In accordance with the articles of association of the Company, the appointment of Alternate Directors will cease if their appointors cease to be Directors of the Company.

The Directors' fees are proposed by the Board and approved by the shareholders of the Company at the annual general meeting and their other emoluments are subject to review by the Board from time to time pursuant to the power given to it under the articles of association of the Company with reference to their contribution in terms of time, effort and accomplishments. Alternate Directors shall not be entitled to receive from the Company any remuneration in respect of their appointment as Alternate Directors except only such part (if any) of the remuneration otherwise payable to their appointors as such appointors may by notice in writing to the Company from time to time direct.

## Senior Management

The Executive Directors of the Company are also members of senior management of the Group.

# Executive Committee

## Executive Committee

All Executive Directors of the Company are members of the Executive Committee of the Company. Other members and their profiles are as follows:

### **Chow Kwok-yin, Eric**

ACIS

Mr. Chow graduated from The Hong Kong Polytechnic University. He is a member of The Institute of Chartered Secretaries and Administrators. Mr. Chow joined the Group in 2000 and is currently responsible for sales and marketing of selected residential projects in Hong Kong and the mainland. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since April 2005.

### **Wong Chin-wah, Jimmy**

BSc(Est Mgt), Cert Ed, MSISV, MHKIS, MAPFM, FHIREA, RPS(GP), RPHM

Mr. Wong holds a Bachelor of Science degree in Estate Management from The University of Singapore and obtained a Certificate in Education from Singapore Teachers' Training College. He is a member of The Singapore Institute of Surveyors and Valuers, The Hong Kong Institute of Surveyors and the Association of Property and Facility Managers. He is also a fellow member of the Hong Kong Institute of Real Estate Administration and registered as a professional surveyor and housing manager. Mr. Wong joined the Group in 1989 and is mainly responsible for one of our property management businesses as well as leasing of key projects in Hong Kong, the mainland and Singapore. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since August 2005.

### **Yung Sheung-tat, Sandy**

BA(Law)Hons

Mr. Yung holds a Bachelor of Arts degree in Law from Middlesex University, England. He has been qualified as a solicitor in Hong Kong since 1987 and was admitted as a solicitor in England and Wales in 1991 and as an advocate and solicitor in Singapore in 1995. Mr. Yung joined the Group in 1996 and is currently the Group General Counsel and Company Secretary of the Company. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since July 2009.

# Financial Statements

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# Independent Auditor's Report



## TO THE MEMBERS OF SUN HUNG KAI PROPERTIES LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Sun Hung Kai Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 112 to 175, which comprise the Group's consolidated and the Company's statements of financial position as at 30 June 2014, and the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

### Deloitte Touche Tohmatsu

*Certified Public Accountants*

Hong Kong

12 September 2014

# Consolidated Income Statement

For the year ended 30 June 2014

(Expressed in millions of Hong Kong dollars)

	Notes	2014	2013
<b>Revenue</b>	2(a)	<b>75,100</b>	53,793
Cost of sales		<b>(44,989)</b>	(29,907)
Gross profit		<b>30,111</b>	23,886
Other net income		<b>1,009</b>	985
Selling and marketing expenses		<b>(3,761)</b>	(3,515)
Administrative expenses		<b>(2,377)</b>	(2,056)
<b>Operating profit before change in fair value of investment properties</b>	2(a)	<b>24,982</b>	19,300
Increase in fair value of investment properties		<b>12,131</b>	19,187
<b>Operating profit after change in fair value of investment properties</b>		<b>37,113</b>	38,487
Finance costs		<b>(2,308)</b>	(2,021)
Finance income		<b>258</b>	134
Net finance costs	3	<b>(2,050)</b>	(1,887)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$2,488 million (2013: HK\$4,521 million)) of:			
Associates		<b>426</b>	460
Joint ventures		<b>5,041</b>	7,229
	2(a) & 9(b)	<b>5,467</b>	7,689
<b>Profit before taxation</b>	4	<b>40,530</b>	44,289
Taxation	7	<b>(6,195)</b>	(3,342)
<b>Profit for the year</b>	2(a)	<b>34,335</b>	40,947
<b>Attributable to:</b>			
Company's shareholders		<b>33,520</b>	40,329
Non-controlling interests		<b>815</b>	618
		<b>34,335</b>	40,947
(Expressed in Hong Kong dollars)			
<b>Dividends</b>			
Interim dividend per share paid		<b>\$0.95</b>	\$0.95
Final dividend per share proposed		<b>\$2.40</b>	\$2.40
Full year dividend per share		<b>\$3.35</b>	\$3.35
<b>Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)</b>	9(a)		
Basic		<b>\$12.45</b>	\$15.28
Diluted		<b>\$12.43</b>	\$15.28
<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>\$7.95</b>	\$7.05
Diluted		<b>\$7.94</b>	\$7.05

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

(Expressed in millions of Hong Kong dollars)

	2014	2013
<b>Profit for the year</b>	<b>34,335</b>	40,947
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translating financial statements of foreign operations	<b>(755)</b>	1,202
Available-for-sale investments		
– fair value (losses)/gains	<b>(100)</b>	266
– fair value (gains)/losses transferred to income statement on disposal	<b>(233)</b>	37
– deferred tax on fair value change	<b>(1)</b>	–
	<b>(334)</b>	303
Share of other comprehensive income of associates and joint ventures	<b>29</b>	295
<b>Item that will not be reclassified to profit or loss:</b>		
Share of other comprehensive income of an associate	<b>118</b>	–
<b>Other comprehensive (expenses)/income for the year</b>	<b>(942)</b>	1,800
<b>Total comprehensive income for the year</b>	<b>33,393</b>	42,747
<b>Total comprehensive income for the year attributable to:</b>		
Company's shareholders	<b>32,640</b>	41,995
Non-controlling interests	<b>753</b>	752
	<b>33,393</b>	42,747

# Consolidated Statement of Financial Position

As at 30 June 2014

(Expressed in millions of Hong Kong dollars)

	Notes	2014	2013
<b>Non-current assets</b>			
Investment properties	10	277,640	258,849
Fixed assets	11	25,376	22,788
Associates	13	4,044	3,891
Joint ventures	14	49,545	49,643
Loan receivables	15	628	801
Other financial assets	16	2,899	3,375
Intangible assets	17	4,539	4,937
		<b>364,671</b>	344,284
<b>Current assets</b>			
Properties for sale	18	149,409	132,938
Inventories		299	307
Debtors, prepayments and others	19	23,394	18,191
Other financial assets	21	747	705
Bank deposits and cash	22	18,528	16,471
		<b>192,377</b>	168,612
<b>Current liabilities</b>			
Bank and other borrowings	23	(9,241)	(8,060)
Trade and other payables	24	(25,283)	(22,753)
Deposits received on sales of properties		(5,538)	(15,031)
Taxation		(6,493)	(5,473)
		<b>(46,555)</b>	(51,317)
<b>Net current assets</b>			
		<b>145,822</b>	117,295
<b>Total assets less current liabilities</b>			
		<b>510,493</b>	461,579
<b>Non-current liabilities</b>			
Bank and other borrowings	25	(74,490)	(56,570)
Deferred taxation	26	(15,753)	(13,803)
Other long-term liabilities	27	(561)	(677)
		<b>(90,804)</b>	(71,050)
<b>NET ASSETS</b>			
		<b>419,689</b>	390,529
<b>CAPITAL AND RESERVES</b>			
Share capital	28	53,464	1,335
Share premium		-	46,880
Reserves		361,319	337,697
<b>Shareholders' funds</b>			
		<b>414,783</b>	385,912
<b>Non-controlling interests</b>			
		<b>4,906</b>	4,617
<b>TOTAL EQUITY</b>			
		<b>419,689</b>	390,529

Directors:

**Kwok Ping-kwong, Thomas**

**Kwok Ping-luen, Raymond**

# Parent Company Statement of Financial Position

As at 30 June 2014

(Expressed in millions of Hong Kong dollars)

	Notes	2014	2013
<b>Non-current assets</b>			
Subsidiaries	12	<b>30,245</b>	30,235
<b>Current assets</b>			
Amounts due from subsidiaries	20	<b>126,984</b>	114,177
Bank deposits and cash		<b>28</b>	25
		<b>127,012</b>	114,202
<b>Current liabilities</b>			
Trade and other payables	24	<b>(51)</b>	(47)
<b>Net current assets</b>		<b>126,961</b>	114,155
<b>NET ASSETS</b>		<b>157,206</b>	144,390
<b>CAPITAL AND RESERVES</b>			
Share capital	28	<b>53,464</b>	1,335
Share premium	30	–	46,880
Reserves	31	<b>103,742</b>	96,175
<b>SHAREHOLDERS' FUNDS</b>		<b>157,206</b>	144,390

# Consolidated Statement of Cash Flows

For the year ended 30 June 2014

(Expressed in millions of Hong Kong dollars)

	Notes	2014	2013
<b>Operating activities</b>			
Cash generated from operations	32(a)	21	21,674
Hong Kong profits tax paid		(2,106)	(3,170)
Outside Hong Kong tax paid		(1,112)	(326)
<b>Net cash (used in)/from operating activities</b>		<b>(3,197)</b>	18,178
<b>Investing activities</b>			
Purchase of an associate		(1)	–
Purchase of other financial assets		(138)	(176)
Net repayments from associates and joint ventures		2,710	2,084
Additions to fixed assets		(3,202)	(5,312)
Additions to investment properties		(10,784)	(4,361)
Acquisition of a subsidiary	32(b)	–	(182)
Payment of concession assets		(4)	–
Payment of telecommunications licence fees		(183)	(813)
Net proceeds from disposal of investment properties		388	1,376
Proceeds from disposal of other financial assets		562	738
Proceeds from disposal of fixed assets		81	29
Interest received from investments		125	153
Dividends received from listed investments		77	88
Dividends received from unlisted investments		46	29
Dividends received from associates and joint ventures		2,860	1,793
Loans and advances made		(179)	(141)
<b>Net cash used in investing activities</b>		<b>(7,642)</b>	(4,695)
<b>Financing activities</b>			
Bank and other borrowings raised		23,118	9,390
Repayment of bank and other borrowings		(3,331)	(16,161)
Decrease in amount due to a related company		(500)	–
Decrease in pledged bank deposits		–	2
Decrease/(increase) in bank deposits maturing after more than three months		958	(2,392)
Interest paid		(2,521)	(2,246)
Interest received		259	124
Proceeds from issue of shares		89	18
Proceeds from issue of shares by a subsidiary		2	7
Payment for repurchase of shares by a subsidiary		(57)	–
Increase in fundings from non-controlling interests		167	810
Dividends paid to shareholders		(3,820)	(2,699)
Dividends paid to non-controlling interests		(511)	(654)
<b>Net cash from/(used in) financing activities</b>		<b>13,853</b>	(13,801)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>3,014</b>	(318)
<b>Cash and cash equivalents at beginning of year</b>		<b>13,989</b>	14,243
<b>Effect of foreign exchange rates changes</b>		<b>(12)</b>	64
<b>Cash and cash equivalents at end of year</b>	32(c)	<b>16,991</b>	13,989

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

(Expressed in millions of Hong Kong dollars)

	Attributable to Company's shareholders						Total	Non-controlling interests	Total
	Share capital	Share premium	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits			
At 1 July 2012	1,308	40,782	867	1,161	6,805	295,636	346,559	4,400	350,959
Profit for the year	-	-	-	-	-	40,329	40,329	618	40,947
Other comprehensive income for the year	-	-	-	308	1,358	-	1,666	134	1,800
Total comprehensive income for the year	-	-	-	308	1,358	40,329	41,995	752	42,747
Shares issued on exercise of share option	-	22	(4)	-	-	-	18	-	18
Recognition of equity-settled share-based payments	-	-	32	-	-	-	32	20	52
Final dividend paid	20	4,577	-	-	-	(6,278)	(1,681)	-	(1,681)
Interim dividend paid	7	1,499	-	-	-	(2,524)	(1,018)	-	(1,018)
Adjustments relating to changes in interests in subsidiaries	-	-	7	-	-	-	7	8	15
Contribution from non-controlling interests	-	-	-	-	-	-	-	99	99
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(662)	(662)
At 30 June 2013 and 1 July 2013	1,335	46,880	902	1,469	8,163	327,163	385,912	4,617	390,529
Profit for the year	-	-	-	-	-	<b>33,520</b>	<b>33,520</b>	<b>815</b>	<b>34,335</b>
Other comprehensive (expenses)/income for the year	-	-	-	<b>(335)</b>	<b>(663)</b>	<b>118</b>	<b>(880)</b>	<b>(62)</b>	<b>(942)</b>
Total comprehensive income for the year	-	-	-	<b>(335)</b>	<b>(663)</b>	<b>33,638</b>	<b>32,640</b>	<b>753</b>	<b>33,393</b>
Shares issued on exercise of share option	-	<b>2</b>	-	-	-	-	<b>2</b>	-	<b>2</b>
Recognition of equity-settled share-based payments	-	-	<b>10</b>	-	-	-	<b>10</b>	<b>8</b>	<b>18</b>
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	-	-	<b>1</b>	-	-	<b>(1)</b>	-	-	-
Final dividend paid	<b>17</b>	<b>3,331</b>	-	-	-	<b>(6,410)</b>	<b>(3,062)</b>	-	<b>(3,062)</b>
Transition to no-par value regime on 3 March 2014	<b>50,213</b>	<b>(50,213)</b>	-	-	-	-	-	-	-
Interim dividend paid	<b>1,812</b>	-	-	-	-	<b>(2,570)</b>	<b>(758)</b>	-	<b>(758)</b>
Shares issued on exercise of warrants	<b>87</b>	-	-	-	-	-	<b>87</b>	-	<b>87</b>
Adjustments relating to changes in interests in subsidiaries	-	-	<b>(48)</b>	-	-	-	<b>(48)</b>	<b>(1)</b>	<b>(49)</b>
Contribution from non-controlling interests	-	-	-	-	-	-	-	<b>46</b>	<b>46</b>
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	<b>(517)</b>	<b>(517)</b>
At 30 June 2014	<b>53,464</b>	-	<b>865</b>	<b>1,134</b>	<b>7,500</b>	<b>351,820</b>	<b>414,783</b>	<b>4,906</b>	<b>419,689</b>

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 1 Basis of Preparation and Principal Accounting Policies

### a. Basis of preparation

The 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 applicable requirements of the Hong Kong Companies Ordinance concerning the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap.32), in accordance with transitional and saving provisions which are set out in Part 9 of Schedule 11 of the Hong Kong Companies Ordinance (Cap.622). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The 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 new and revised standards, and 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 2013.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement

#### HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC)-Int 12 "Consolidation – special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. The adoption of HKFRS 10 has not had any financial impact on the Group.

#### HKFRS 11 Joint arrangements

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC)-Int 13 "Jointly controlled entities – non-monetary contribution by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 provides guidance on what constitutes a joint arrangement by focusing on the rights and obligations of the arrangements, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and are recognized on a line-by-line basis to the extent of the joint operator's interest in the joint operation. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportional consolidation of joint arrangements is no longer permitted. The Group has reclassified all jointly controlled entities to joint ventures and all jointly controlled assets to joint operation in the consolidated financial statements. The adoption of HKFRS 11 has not had any material impact on the Group's results and financial position.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

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

#### HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates, and/or unconsolidated structured entities. As the Group does not have any material non-wholly owned subsidiaries, joint arrangements and associates, the application of HKFRS 12 has not had any material impact on the disclosures in the consolidated financial statements.

#### HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions. HKFRS 13 contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

Other than as further explained above regarding the impact of HKFRS10, HKFRS11, HKFRS 12 and HKFRS 13, the adoption of the other new HKFRSs has no significant impact on the Group's results 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, amendments and interpretations 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 2010-2012 Cycle <sup>4</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization <sup>5</sup>
Amendments to HKAS 19	Defined benefit plans: employee contributions <sup>2</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets <sup>1</sup>
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
Amendments to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities <sup>1</sup>
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations <sup>5</sup>
HKFRS 9	Financial instruments <sup>3</sup>
HKFRS 15	Revenue from contracts with customers <sup>6</sup>
HK(IFRIC) – Int 21	Levies <sup>1</sup>

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2017

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

### 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 transportation, infrastructure and logistics and revenue derived from other business activities including property management, construction, financial services, internet infrastructure, enabling services and department store. It does not include the revenue of associates and joint ventures.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

### e. Revenue recognition

Revenue of a transaction is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and these benefits can be measured reliably, on the following bases:

#### (i) Property sales

Revenue from sale of properties is recognized when the significant risks and rewards of ownership of the properties are transferred to the buyers. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

#### (ii) Rental income

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

#### (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 internet services centre facilities

Revenue from customer use of internet services 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.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

### e. Revenue recognition (cont'd)

#### (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.

### 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. Investments in subsidiaries are carried in the Company's financial statements at cost less impairment loss.

### 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 whereas accounted for in the Company's income statement only to the extent of dividend income.

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 whereas in the Company's statement of financial position are stated at cost less impairment loss.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

### *h. Joint arrangements (cont'd)*

#### **(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.

### *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 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.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

### *i. Intangible assets (cont'd)*

#### **(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.

### *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 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.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

### j. *Financial assets, financial liabilities and equity (cont'd)*

#### (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 equity 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 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.

### k. *Derivative financial instruments and hedging*

The Group only enters into derivative financial instruments in order to hedge its underlying exposures. Derivative financial instruments are initially recognized at fair value on the date derivative contracts are entered into and are subsequently remeasured at their fair value.

The method of recognizing the resulting gain or loss depends on the nature of the item being hedged. The Group designates certain derivatives as hedging instruments in hedges of the fair value of a recognized asset or liability.

For fair value hedges that qualify for hedge accounting, gains or losses arising on changes in fair values of hedging instruments are recognized immediately in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. 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 accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

### k. *Derivative financial instruments and hedging (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.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

### l. *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 valuation performed by an independent professional valuer 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 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 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 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.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

### *l. Properties (cont'd)*

#### **(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 income statement.

### *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 the assets 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.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 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 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 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. Provision**

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 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 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 premium before the effective of no-par value regime on 3 March 2014 or share capital upon the effective of no-par value regime on 3 March 2014. 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 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 change in fair value of investment properties, which are reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

### (a) Segment revenue and results

An analysis of the revenue and results for the 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 2014**

	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	26,463	7,331	593	237	27,056	7,568
Mainland China	7,144	2,348	2,072	567	9,216	2,915
Singapore	–	–	58	28	58	28
	33,607	9,679	2,723	832	36,330	10,511
Property rental						
Hong Kong	12,015	9,215	2,658	2,213	14,673	11,428
Mainland China	2,962	2,198	151	100	3,113	2,298
Singapore	–	–	703	546	703	546
	14,977	11,413	3,512	2,859	18,489	14,272
Hotel operation	3,930	1,026	680	226	4,610	1,252
Telecommunications	13,244	789	–	–	13,244	789
Transportation, infrastructure and logistics	3,507	1,080	2,785	198	6,292	1,278
Other businesses	5,835	1,352	398	97	6,233	1,449
	75,100	25,339	10,098	4,212	85,198	29,551
Other net income		1,009		–		1,009
Unallocated administrative expenses		(1,366)		–		(1,366)
Operating profit before change in fair value of investment properties		24,982		4,212		29,194
Increase in fair value of investment properties		12,131		2,228		14,359
Operating profit after change in fair value of investment properties		37,113		6,440		43,553
Net finance costs		(2,050)		(289)		(2,339)
Profit before taxation		35,063		6,151		41,214
Taxation						
– Group		(6,195)		–		(6,195)
– Associates		–		(49)		(49)
– Joint ventures		–		(635)		(635)
Profit for the year		28,868		5,467		34,335

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 2 Segment Information (cont'd)

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

For the year ended 30 June 2013

	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	15,561	6,124	761	320	16,322	6,444
Mainland China	866	(291)	2,744	964	3,610	673
Singapore	–	–	128	73	128	73
	16,427	5,833	3,633	1,357	20,060	7,190
Property rental						
Hong Kong	10,821	8,211	2,468	2,038	13,289	10,249
Mainland China	1,929	1,377	138	90	2,067	1,467
Singapore	–	–	663	520	663	520
	12,750	9,588	3,269	2,648	16,019	12,236
Hotel operation	3,383	727	654	210	4,037	937
Telecommunications	12,067	1,136	–	–	12,067	1,136
Transportation, infrastructure and logistics	3,475	988	2,678	162	6,153	1,150
Other businesses	5,691	1,175	289	78	5,980	1,253
	53,793	19,447	10,523	4,455	64,316	23,902
Other net income		985		–		985
Unallocated administrative expenses		(1,132)		–		(1,132)
Operating profit before change in fair value of investment properties		19,300		4,455		23,755
Increase in fair value of investment properties		19,187		4,837		24,024
Operating profit after change in fair value of investment properties		38,487		9,292		47,779
Net finance costs		(1,887)		(289)		(2,176)
Profit before taxation		36,600		9,003		45,603
Taxation						
– Group		(3,342)		–		(3,342)
– Associates		–		(45)		(45)
– Joint ventures		–		(1,269)		(1,269)
Profit for the year		33,258		7,689		40,947

Results from property sales include selling and marketing expenses of HK\$180 million (2013: HK\$507 million) and HK\$158 million (2013: HK\$462 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, internet infrastructure, enabling services and department store.

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

# Notes to the 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 analysed as follows:

	The Company and its subsidiaries	Associates and joint ventures	Total assets	Total liabilities
<b>At 30 June 2014</b>				
Property development				
Hong Kong	117,542	1,354	118,896	(9,329)
Mainland China	47,616	3,929	51,545	(7,151)
Singapore	-	150	150	-
	165,158	5,433	170,591	(16,480)
Property investment				
Hong Kong	215,581	33,661	249,242	(3,255)
Mainland China	64,277	5,637	69,914	(1,970)
Singapore	-	4,514	4,514	-
	279,858	43,812	323,670	(5,225)
Hotel operation	16,373	1,183	17,556	(472)
Telecommunications	6,680	-	6,680	(3,214)
Transportation, infrastructure and logistics	4,539	2,908	7,447	(1,088)
Other businesses	5,001	253	5,254	(3,320)
	477,609	53,589	531,198	(29,799)
Bank deposits and cash			18,528	-
Other financial assets			3,646	-
Bank and other borrowings			-	(83,731)
Unallocated corporate assets/(liabilities)			3,676	(1,583)
Taxation			-	(6,493)
Deferred taxation			-	(15,753)
Total assets/(liabilities)			557,048	(137,359)
<b>At 30 June 2013</b>				
Property development				
Hong Kong	115,723	1,407	117,130	(14,903)
Mainland China	26,873	4,323	31,196	(9,064)
Singapore	-	311	311	-
	142,596	6,041	148,637	(23,967)
Property investment				
Hong Kong	208,425	33,200	241,625	(2,925)
Mainland China	53,555	5,650	59,205	(1,835)
Singapore	-	4,711	4,711	-
	261,980	43,561	305,541	(4,760)
Hotel operation	14,538	1,137	15,675	(436)
Telecommunications	7,107	-	7,107	(3,447)
Transportation, infrastructure and logistics	4,897	2,581	7,478	(1,074)
Other businesses	4,051	214	4,265	(3,084)
	435,169	53,534	488,703	(36,768)
Bank deposits and cash			16,471	-
Other financial assets			4,080	-
Bank and other borrowings			-	(64,630)
Unallocated corporate assets/(liabilities)			3,642	(1,693)
Taxation			-	(5,473)
Deferred taxation			-	(13,803)
Total assets/(liabilities)			512,896	(122,367)

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 2 Segment Information (cont'd)

### (c) Other segment information

The Group's depreciation and amortization and additions to segment assets by reportable and operating segments are analysed as follows:

	Depreciation and amortization charged to consolidated income statement		Additions to segment assets	
	2014	2013	2014	2013
Property development for sale	14	12	22,887	14,514
Property investment for rental	–	–	10,952	4,611
Hotel operation	427	396	1,427	3,804
Telecommunications	829	719	935	1,250
Transportation, infrastructure and logistics	366	366	43	40
Other businesses	211	200	819	213
Unallocated corporate assets	31	31	26	3
	<b>1,878</b>	1,724	<b>37,089</b>	24,435

### (d) Geographical information

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

	2014	2013
Hong Kong	63,761	49,828
Mainland China	10,585	3,230
Others	754	735
	<b>75,100</b>	53,793

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

	2014			2013		
	The Company and its subsidiaries	Associates and joint ventures	Consolidated	The Company and its subsidiaries	Associates and joint ventures	Consolidated
Hong Kong	240,566	39,187	279,753	231,057	38,539	269,596
Mainland China	66,731	9,738	76,469	55,244	9,973	65,217
Singapore	–	4,664	4,664	–	5,022	5,022
Others	258	–	258	273	–	273
	<b>307,555</b>	<b>53,589</b>	<b>361,144</b>	286,574	53,534	340,108
Loan receivables			628			801
Other financial assets			2,899			3,375
Total non-current assets			<b>364,671</b>			344,284

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 3 Net Finance Costs

	2014	2013
Interest expenses on		
Bank loans and overdrafts	<b>1,285</b>	1,236
Other loans wholly repayable within five years	<b>435</b>	386
Other loans not wholly repayable within five years	<b>797</b>	722
	<b>2,517</b>	2,344
Notional non-cash interest accretion	<b>81</b>	93
Less: Amount capitalized	<b>(290)</b>	(416)
	<b>2,308</b>	2,021
Interest income on bank deposits	<b>(258)</b>	(134)
	<b>2,050</b>	1,887

Finance costs have been capitalized for properties under development at rates ranging from 2.35% to 7.54% per annum (2013: 2.46% to 7.74%).

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 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

	2014	2013
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	<b>21,648</b>	8,516
Cost of inventories sold	<b>8,557</b>	6,777
Depreciation and amortization of hotel properties	<b>337</b>	304
Depreciation of other properties, plant and equipment	<b>1,139</b>	1,018
Amortization of intangible assets (included in cost of sales)	<b>402</b>	402
Operating lease rentals for land and buildings, assets transmission sites and leased lines	<b>1,399</b>	1,282
Staff costs (including directors' emoluments and retirement schemes contributions)	<b>6,162</b>	5,675
Share-based payments	<b>18</b>	52
Auditors' remuneration	<b>21</b>	19
Impairment loss of available-for-sale investments	–	4
Fair value losses on financial assets at fair value through profit or loss	–	20
and crediting:		
Dividend income from:		
listed investments	<b>77</b>	88
unlisted investments	<b>46</b>	29
Interest income from:		
listed debt securities	<b>70</b>	69
unlisted debt securities	<b>1</b>	1
Profit on disposal of available-for-sale investments	<b>238</b>	117
Profit on disposal of financial assets at fair value through profit or loss	<b>3</b>	4
Fair value gains on financial assets at fair value through profit or loss	<b>69</b>	–
Profit on disposal of fixed assets	<b>8</b>	7

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 5 Directors' Emoluments and Five Highest Paid Individuals

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

Name of director	Notes	Fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	(Note f) Share-based payments	2014 Total emoluments	2013 Total emoluments
<b>Executive Directors</b>								
Kwok Ping-kwong, Thomas		0.32	2.07	0.23	0.19	0.01	2.82	3.09
Kwok Ping-luen, Raymond		0.51	2.14	0.24	0.20	0.01	3.10	3.35
Wong Chik-wing, Mike		0.30	11.04	6.48	0.80	0.01	18.63	18.44
Lui Ting, Victor		0.30	7.80	9.81	0.72	0.58	19.21	18.99
Chan Kui-yuen, Thomas		0.30	5.09	6.57	0.47	0.01	12.44	12.54
Kwong Chun		0.30	2.78	2.51	-	0.01	5.60	5.78
Chan Kwok-wai, Patrick		0.30	6.42	11.11	0.32	0.27	18.42	17.85
Tung Chi-ho, Eric	a	0.20	4.47	7.32	0.35	-	12.34	-
Fung Yuk-lun, Allen	b	0.25	3.50	-	0.01	-	3.76	-
<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		0.54	-	-	-	-	0.54	0.54
<b>Independent Non-Executive Directors</b>								
Yip Dicky Peter		0.60	-	-	-	-	0.60	0.60
Wong Yue-chim, Richard		0.44	-	-	-	-	0.44	0.44
Li Ka-cheung, Eric		0.88	-	-	-	-	0.88	0.88
Fung Kwok-lun, William		0.30	-	-	-	-	0.30	0.30
Leung Nai-pang, Norman	c	0.42	-	-	-	-	0.42	0.37
Leung Kui-king, Donald	c	0.54	-	-	-	-	0.54	0.45
Leung Ko May-yee, Margaret	d	0.30	-	-	-	-	0.30	0.10
<b>Past Director</b>								
Kwok Ping-sheung, Walter	e	0.19	-	-	-	-	0.19	0.33
<b>Total 2014</b>		<b>8.02</b>	<b>45.31</b>	<b>44.27</b>	<b>3.06</b>	<b>0.90</b>	<b>101.56</b>	<b>85.08</b>
Total 2013		7.39	34.30	37.33	2.45	3.61		

The above analysis included four (2013: three) individuals whose emoluments were among the five highest pay in the Group.

# Notes to the 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 (2013: two) individuals are:

	2014	2013
Salaries, allowances and benefits in kind	10.11	15.59
Discretionary bonuses	11.77	22.45
Retirement scheme contributions	1.00	1.50
Share-based payments (Note f)	2.59	6.90
	<b>25.47</b>	46.44

Number of employees whose emoluments fell within:

Emoluments Band		Number of employees	Number of employees
HK\$M	HK\$M		
14.5	– 15.0	–	1
25.0	– 25.5	1	–
31.5	– 32.0	–	1
		<b>1</b>	2

Notes:

- Mr. Tung Chi-ho, Eric was appointed as an Executive Director on 1 December 2013. The emoluments from 1 July 2013 up to the date of appointment as an Executive Director were HK\$3.63 million. He was one of the five highest paid individuals of the Group for the year ended 30 June 2014 with total emoluments of HK\$15.97 million.
- Mr. Fung Yuk-lun, Allen was appointed as an Executive Director on 1 December 2013.
- Dr. Leung Nai-pang, Norman and Mr. Leung Kui-king, Donald were appointed as Independent Non-Executive Directors on 1 July 2012.
- Mrs. Leung Ko May-yee, Margaret was appointed as an Independent Non-Executive Director on 1 March 2013.
- Mr. Kwok Ping-sheung, Walter resigned as a Non-Executive Director on 27 January 2014.
- 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 10% to 21% of staff's monthly salary during the relevant period.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 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 income statement as incurred.

Total contributions to the retirement schemes made by the Group during the year amounted to HK\$295 million (2013: HK\$279 million). Forfeited contributions for the year of HK\$2 million (2013: HK\$2 million) were used to reduce the existing level of contributions.

## 7 Taxation

	2014	2013
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	2,760	2,097
Under/(over) provision in prior years	248	(79)
	<b>3,008</b>	2,018
Tax outside Hong Kong	1,168	233
Over provision in prior years	(2)	(2)
	<b>1,166</b>	231
	<b>4,174</b>	2,249
Deferred taxation charge		
Change in fair value of investment properties	1,633	385
Other origination and reversal of temporary differences	388	708
	<b>2,021</b>	1,093
	<b>6,195</b>	3,342

(a) Hong Kong profits tax is provided at the rate of 16.5% (2013: 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:

	2014	2013
Profit before share of results of associates, joint ventures and taxation	35,063	36,600
Tax at Hong Kong profits tax rate of 16.5% (2013: 16.5%)	5,785	6,039
Effect of different tax rates of subsidiaries operating outside Hong Kong	1,927	299
Net effect of non-deductible expenses and non-taxable income	(1,657)	(3,058)
Utilization of tax losses not previously recognized	(88)	(100)
Tax losses and other temporary differences not recognized	(51)	220
Under/(over) provision in prior years	246	(81)
Others	33	23
Tax expenses	<b>6,195</b>	3,342

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 8 Dividends

	2014	2013
Dividends recognized as distribution during the year:		
2013 final dividend of HK\$2.40 per share based on 2,671 million shares (2013: 2012 final dividend of HK\$2.40 per share based on 2,616 million shares)	<b>6,410</b>	6,278
2014 interim dividend of HK\$0.95 per share based on 2,705 million shares (2013: HK\$0.95 per share based on 2,657 million shares)	<b>2,570</b>	2,524
	<b>8,980</b>	8,802

## 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\$33,520 million (2013: HK\$40,329 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,692,992,879 (2013: 2,640,075,929). The diluted earnings per share is based on 2,696,619,283 (2013: 2,640,137,063) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 3,626,404 (2013: 61,134) 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\$21,415 million (2013: HK\$18,619 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2014	2013
Profit attributable to the Company's shareholders as shown in the consolidated income statement	<b>33,520</b>	40,329
Increase in fair value of investment properties	<b>(12,131)</b>	(19,187)
Effect of corresponding deferred tax charges	<b>1,633</b>	385
Realized fair value gains of investment properties disposed	<b>733</b>	1,571
Share of results of associates and joint ventures		
– fair value gains of investment properties	<b>(2,228)</b>	(4,837)
– effect of corresponding deferred tax (credit)/charges	<b>(260)</b>	316
	<b>(12,253)</b>	(21,752)
Non-controlling interests	<b>148</b>	42
Net effect of changes in the valuation of investment properties	<b>(12,105)</b>	(21,710)
Underlying profit attributable to the Company's shareholders	<b>21,415</b>	18,619

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 10 Investment Properties

### The Group

(a) Movement during the year

	Completed	Under development	Total
Valuation			
At 1 July 2012	214,792	19,075	233,867
Acquired on acquisition of a subsidiary	287	–	287
Additions	889	3,721	4,610
Transfer upon completion	3,694	(3,694)	–
Transfer upon redevelopment	(379)	379	–
Redesignate from properties for sale	–	760	760
Disposals	(841)	–	(841)
Transfer to other properties	(143)	–	(143)
Exchange difference	905	217	1,122
Increase in fair value	18,455	732	19,187
At 30 June 2013 and 1 July 2013	237,659	21,190	258,849
Additions	<b>1,125</b>	<b>9,827</b>	<b>10,952</b>
Transfer upon completion	<b>5,888</b>	<b>(5,888)</b>	–
Disposals	<b>(215)</b>	–	<b>(215)</b>
Transfer to			
– properties under development	–	<b>(854)</b>	<b>(854)</b>
– properties for sale	–	<b>(2,745)</b>	<b>(2,745)</b>
– other properties	<b>(40)</b>	–	<b>(40)</b>
Exchange difference	<b>(272)</b>	<b>(166)</b>	<b>(438)</b>
Increase in fair value	<b>10,480</b>	<b>1,651</b>	<b>12,131</b>
At 30 June 2014	<b>254,625</b>	<b>23,015</b>	<b>277,640</b>

(b) Value of properties shown above comprises:

	2014	2013
Properties in Hong Kong held under		
Long lease (not less than 50 years)	<b>30,916</b>	31,062
Medium-term lease (less than 50 years but not less than 10 years)	<b>183,270</b>	174,863
Properties outside Hong Kong held under		
Long lease (not less than 50 years)	–	1,485
Medium-term lease (less than 50 years but not less than 10 years)	<b>63,454</b>	51,439
	<b>277,640</b>	258,849

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 10 Investment Properties (cont'd)

(c) Investment properties valuation

The Group's investment properties were valued at their fair values at 30 June 2014 and 30 June 2013 by Knight Frank Petty Limited, an independent firm of professional qualified valuers. The current use of the investment properties equates to their highest and best use.

Fair values of the Group's investment properties are categorized as Level 3 measurement in the three-level fair value hierarchy. During the year, there were no transfers between different levels within the fair value hierarchy.

The fair values of the Group's completed investment properties are derived 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, operating costs and the quality of the property and the tenants.

The fair values of the Group's investment properties under development are derived using the residual method. The valuation is based on the development potential of the development site by deducting the estimated costs to complete the construction, the cost of borrowing the capital to undertake the development and the developer's profit and risk from the capital value of the proposed development assuming completion as at the date of valuation. The capital value of the completed development is derived by capitalization of the projected income from the development or by reference to comparable sales evidence available in the relevant market.

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

	Fair value	Weighted average capitalization rate
		%
<b>Completed</b>		
Hong Kong	205,221	5.2
Mainland China	49,404	6.6
	<u>254,625</u>	
<b>Under development</b>		
Hong Kong	8,965	4.9
Mainland China	14,050	6.6
	<u>23,015</u>	

The fair values of the Group's investment properties are inversely related to capitalization rates, which are determined by investors' expectations about future return of property investment, rental growth and the risk profile of the properties being valued. A lower (higher) capitalization rate would imply a higher (lower) property value.

- (d) Profit on disposal of the Group's investment properties during the year amounted to HK\$174 million (2013: HK\$535 million).
- (e) Gross rental income and direct operating expenses from investment properties during the year amounted to HK\$14,408 million (2013: HK\$12,213 million) and HK\$3,402 million (2013: HK\$2,993 million) respectively.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 11 Fixed Assets

### The Group

(a) Movement during the year

	Hotel properties	Properties under development	Other properties	Network equipment	Other fixed assets	Total
Cost						
At 1 July 2012	10,393	2,187	5,475	3,978	3,897	25,930
Acquired on acquisition of a subsidiary	–	–	–	–	9	9
Additions	521	3,211	58	1,072	470	5,332
Transfer upon completion	2,100	(2,175)	–	–	75	–
Transfer from completed investment properties	–	–	143	–	–	143
Disposals	–	–	–	(124)	(83)	(207)
Exchange difference	43	11	1	–	8	63
At 30 June 2013 and 1 July 2013	13,057	3,234	5,677	4,926	4,376	31,270
Additions	<b>268</b>	<b>1,567</b>	<b>35</b>	<b>830</b>	<b>573</b>	<b>3,273</b>
Transfer from						
– completed investment properties	–	–	<b>40</b>	–	–	<b>40</b>
– investment properties under development	–	<b>854</b>	–	–	–	<b>854</b>
Disposals	–	–	–	<b>(456)</b>	<b>(155)</b>	<b>(611)</b>
Exchange difference	<b>(9)</b>	<b>(22)</b>	–	–	<b>(1)</b>	<b>(32)</b>
At 30 June 2014	<b>13,316</b>	<b>5,633</b>	<b>5,752</b>	<b>5,300</b>	<b>4,793</b>	<b>34,794</b>
Accumulated depreciation						
At 1 July 2012	1,967	–	1,379	1,759	2,234	7,339
Charge for the year	304	–	129	468	421	1,322
Disposals	–	–	–	(105)	(80)	(185)
Exchange difference	2	–	–	–	4	6
At 30 June 2013 and 1 July 2013	2,273	–	1,508	2,122	2,579	8,482
Charge for the year	<b>337</b>	–	<b>126</b>	<b>573</b>	<b>440</b>	<b>1,476</b>
Disposals	–	–	–	<b>(416)</b>	<b>(122)</b>	<b>(538)</b>
Exchange difference	<b>(1)</b>	–	–	–	<b>(1)</b>	<b>(2)</b>
At 30 June 2014	<b>2,609</b>	–	<b>1,634</b>	<b>2,279</b>	<b>2,896</b>	<b>9,418</b>
Net book value at 30 June 2014	<b>10,707</b>	<b>5,633</b>	<b>4,118</b>	<b>3,021</b>	<b>1,897</b>	<b>25,376</b>
Net book value at 30 June 2013	10,784	3,234	4,169	2,804	1,797	22,788

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 11 Fixed Assets (cont'd)

(b) Net book value of properties shown above comprises:

	2014	2013
Properties in Hong Kong held under		
Long lease (not less than 50 years)		
Hotel properties	1,129	1,062
Other properties	2,411	2,399
	<b>3,540</b>	3,461
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	7,937	8,025
Properties under development	4,125	2,737
Other properties	1,707	1,770
	<b>13,769</b>	12,532
Properties outside Hong Kong held under		
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	1,641	1,697
Properties under development	1,508	497
	<b>3,149</b>	2,194
	<b>20,458</b>	18,187

## 12 Subsidiaries

### The Company

	2014	2013
Unlisted shares, at cost	30,245	30,235

Particulars regarding principal subsidiaries are set out in the section headed "Principal Subsidiaries" of the Annual Report 2014.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 13 Associates

### The Group

	2014	2013
Unlisted shares, at cost less impairment loss	37	36
Hong Kong listed shares, at cost	585	585
Share of post-acquisition reserves	3,039	2,661
	<b>3,661</b>	3,282
Amounts due from associates	383	609
	<b>4,044</b>	3,891
Market value of Hong Kong listed shares	1,828	2,139

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. For the year ended 30 June 2013, the amounts of HK\$292 million were interest bearing at market rates.

The Group's effective interest in the revenue, results, assets and liabilities of its associates are summarised below:

	2014	2013
Investment properties	1,109	1,018
Other non-current assets	2,634	2,439
Current assets	2,034	2,223
Current liabilities	(743)	(818)
Non-current liabilities	(1,373)	(1,580)
Net assets	3,661	3,282
Revenue	3,151	3,134
Fair value change of investment properties net of related deferred tax	87	117
Profit for the year	426	460

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2014.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 14 Joint Ventures

### The Group

	2014	2013
Unlisted shares, at cost less impairment loss	<b>3,000</b>	3,000
Share of post-acquisition reserves	<b>40,157</b>	37,827
	<b>43,157</b>	40,827
Amounts due from joint ventures	<b>6,388</b>	8,816
	<b>49,545</b>	49,643

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\$644 million (2013: HK\$2,243 million) which are interest bearing at market rates.

The Group's effective interest in the revenue, results, assets and liabilities of its joint ventures are summarised below:

	2014	2013
Investment properties	<b>59,371</b>	56,489
Other non-current assets	<b>4,209</b>	3,402
Current assets	<b>16,254</b>	16,147
Current liabilities	<b>(13,788)</b>	(12,609)
Non-current liabilities	<b>(22,889)</b>	(22,602)
Net assets	<b>43,157</b>	40,827
Revenue	<b>6,947</b>	7,389
Fair value change of investment properties net of related deferred tax	<b>2,401</b>	4,404
Profit for the year	<b>5,041</b>	7,229

Particulars regarding principal joint ventures are set out in the section headed "Principal Joint Ventures" of the Annual Report 2014.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 15 Loan Receivables

### The Group

	2014	2013
Loan receivables	<b>1,000</b>	840
Less: Amount due within one year included under current assets	<b>(372)</b>	(39)
	<b>628</b>	801

Loan receivables include mortgage loan receivables which are secured on properties and repayable by monthly instalments with various tenors not more than 20 years at the year end date and carry interest at rates with reference to banks' lending rates.

As at 30 June 2014, 0.1% (2013: 1.9%) of loan receivables have been overdue but not impaired, of which 100% (2013: 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 2014 and 30 June 2013 is not significant.

## 16 Other Financial Assets

### The Group

	2014	2013
<b>Available-for-sale debt securities</b>		
Listed debt securities, overseas	<b>795</b>	871
Listed debt securities, Hong Kong	<b>155</b>	153
Unlisted debt securities	–	57
	<b>950</b>	1,081
<b>Available-for-sale equity securities</b>		
Listed equity securities, overseas	<b>597</b>	894
Listed equity securities, Hong Kong	<b>1,078</b>	1,101
Unlisted equity securities	<b>274</b>	299
	<b>1,949</b>	2,294
	<b>2,899</b>	3,375
Market value of listed securities		
Listed overseas	<b>1,392</b>	1,765
Listed in Hong Kong	<b>1,233</b>	1,254
	<b>2,625</b>	3,019

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 17 Intangible Assets

### The Group

	Concession assets	Goodwill	Telecommunications licences	Total
Cost				
At 1 July 2012	6,930	35	1,852	8,817
Additions	–	–	640	640
At 30 June 2013 and 1 July 2013	6,930	35	2,492	9,457
Additions	<b>4</b>	–	–	<b>4</b>
At 30 June 2014	<b>6,934</b>	<b>35</b>	<b>2,492</b>	<b>9,461</b>
Accumulated amortization				
At 1 July 2012	3,598	–	520	4,118
Amortization	258	–	144	402
At 30 June 2013 and 1 July 2013	3,856	–	664	4,520
Amortization	<b>258</b>	–	<b>144</b>	<b>402</b>
At 30 June 2014	<b>4,114</b>	–	<b>808</b>	<b>4,922</b>
Net Book Value at 30 June 2014	<b>2,820</b>	<b>35</b>	<b>1,684</b>	<b>4,539</b>
Net Book Value at 30 June 2013	3,074	35	1,828	4,937

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.

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.

Telecommunications licences represent the discounted value of the annual fees payable for the telecommunications licences over the licence period, which have finite useful lives ranging from 12 to 15 years, and are amortized on a straight line basis. The corresponding non-current and current portion of these contractual liabilities are recorded in other long-term liabilities and other payables respectively.

## 18 Properties for Sale

### The Group

	2014	2013
Properties pending development for sale	<b>66,551</b>	62,071
Properties under development for sale	<b>59,923</b>	56,214
Stock of completed properties for sale	<b>22,935</b>	14,653
	<b>149,409</b>	132,938

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 19 Debtors, Prepayments and Others

### The Group

	Notes	2014	2013
Debtors, deposits and prepayments		<b>17,958</b>	14,188
Deposits for acquisition of properties		<b>4,487</b>	3,331
Amounts due from customers for contract works	19a	<b>76</b>	79
Short-term loans		<b>388</b>	36
Derivative financial instruments	19b	<b>485</b>	557
		<b>23,394</b>	18,191

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\$10,879 million (2013: HK\$6,534 million), of which 92% (2013: 88%) are aged less than 60 days, 1% (2013: 1%) between 61 to 90 days and 7% (2013: 11%) more than 90 days.

As at 30 June 2014, 13% (2013: 22%) of trade debtors are past due but not impaired, of which 64% (2013: 77%) are aged less than three month since the due dates. These relate to a number of independent customers for whom there is no recent history of default and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The balance and movement of the impairment allowance as at 30 June 2014 and 30 June 2013 is not significant.

### 19a. Amounts due from/(to) customers for contract works

#### The Group

	Notes	2014	2013
Contract costs incurred plus recognized profits			
less recognized losses		<b>961</b>	1,209
Less: Progress billings		<b>(887)</b>	(1,137)
		<b>74</b>	72
Represented by:			
Due from customers included in current assets	19	<b>76</b>	79
Due to customers included in current liabilities	24	<b>(2)</b>	(7)
		<b>74</b>	72

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 19 Debtors, Prepayments and Others (cont'd)

### 19b. Derivative financial instruments

	Notes	2014		2013	
		Assets	Liabilities	Assets	Liabilities
Fair value hedges	19 & 24				
– interest rate swaps		375	–	472	–
– currency swaps		110	126	85	87
		<b>485</b>	<b>126</b>	557	87

At the year end date, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps to hedge the fair value interest rate risk of the Group's fixed interest rate borrowings and currency swaps (to hedge principal repayment of foreign currency debt) analysed as follows:

	Notional principal amount	
	2014	2013
Fixed-to-floating interest rate swaps maturing		
Within one year	400	–
After one year, but within five years	2,925	2,200
After five years	1,098	1,923
	<b>4,423</b>	4,123
Currency swaps maturing		
After one year, but within five years	477	490
After five years	8,974	6,208
	<b>9,451</b>	6,698

The fixed-to-floating interest rate swaps converted the fixed rates to floating rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a weighted average margin of 0.55% (2013: 0.48%) per annum. The currency swaps converted the foreign currency interest rates to Hong Kong dollars fixed and floating rates at effective rate of 3.94% (2013: 4.00%) and HIBOR plus weighted average margin of 1.50% (2013: 1.65%) respectively. 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\$111 million (2013: HK\$363 million) along with the corresponding decrease in fair value of the hedged borrowings attributable to the hedged risk of the same amount has been recognized in income statement.

At the year end date, the Group had outstanding cash flow hedge in respect of floating-to-fixed interest rate swap to hedge the exposure to variability in cash flows of the Group's floating interest rate borrowing analysed as follows:

	Notional principal amount	
	2014	2013
Floating-to-fixed interest rate swap maturing		
After one year, but within five years	30	–

The floating-to-fixed interest rate swap converted the floating rate to fixed rate at 4.80% (2013: Nil) per annum. The swap is measured at fair value and the increase in fair value during the year is recognized in the cash flow hedging reserve in equity and will be released to the income statement when the hedged forecast transaction affects profit or loss.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 20 Amounts due from Subsidiaries

### The Company

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

## 21 Other Financial Assets

### The Group

	2014	2013
<b>Financial assets at fair value through profit or loss</b>		
Listed equity securities, overseas	11	10
Listed equity securities, Hong Kong	665	576
	<b>676</b>	586
<b>Available-for-sale debt securities maturing within one year</b>		
Listed debt securities, overseas	16	119
Unlisted debt securities	55	–
	<b>71</b>	119
	<b>747</b>	705

## 22 Bank Deposits and Cash

Deposits with banks are interest bearing at prevailing market rates. About 61% (2013: 57%) of the Group's bank deposits and cash are denominated in Hong Kong dollars, 31% (2013: 32%) in Renminbi, 7% (2013: 10%) in United States dollars, and 1% (2013: 1%) in other currencies.

## 23 Bank and Other Borrowings

### The Group

	Note	2014	2013
Unsecured bank overdrafts		96	83
Long-term bank and other borrowings due within one year	25	9,145	7,977
		<b>9,241</b>	8,060

## 24 Trade and Other Payables

		2014		2013	
	Notes	The Group	The Company	The Group	The Company
Creditors and accrued expenses		22,292	51	19,917	47
Amounts due to customers for contract works	19a	2	–	7	–
Amounts due to non-controlling interests		2,863	–	2,742	–
Derivative financial instruments	19b	126	–	87	–
		<b>25,283</b>	<b>51</b>	22,753	47

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 24 Trade and Other Payables (cont'd)

Included in trade and other payables of the Group are trade creditors of HK\$2,289 million (2013: HK\$2,108 million), of which 78% (2013: 72%) are aged less than 60 days, 2% (2013: 3%) between 61 to 90 days and 20% (2013: 25%) more than 90 days.

The amounts due to non-controlling interests are interest free, unsecured and have no fixed terms of repayment.

## 25 Bank and Other Borrowings

### The Group

	2014	2013
Unsecured bank overdrafts	96	83
Long-term bank and other loans	83,635	64,547
	<b>83,731</b>	64,630

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

	Note	2014	2013
<b>Secured bank loans repayable</b>			
Within one year		974	220
After one year, but within two years		280	1,111
After two years, but within five years		262	290
After five years		46	51
		<b>1,562</b>	1,672
<b>Unsecured bank loans repayable</b>			
Within one year		7,569	7,257
After one year, but within two years		7,570	7,547
After two years, but within five years		20,127	12,030
After five years		7,783	1,764
		<b>43,049</b>	28,598
<b>Other unsecured loans repayable</b>			
Within one year		602	–
After one year, but within two years		2,236	611
After two years, but within five years		10,405	11,445
After five years		25,781	21,721
		<b>39,024</b>	33,777
<b>Amount due to a related company repayable</b>			
Within one year		–	500
		<b>83,635</b>	64,547
Less: Amount due within one year included under current liabilities	23	<b>(9,145)</b>	(7,977)
		<b>74,490</b>	56,570

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

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	
	2014	2013	2014	2013
Secured bank loans	<b>588</b>	1,451	<b>588</b>	1,451
Unsecured bank loans	<b>35,480</b>	21,341	<b>35,389</b>	21,371
Other unsecured loans	<b>38,422</b>	33,778	<b>38,767</b>	34,371
	<b>74,490</b>	56,570	<b>74,744</b>	57,193

- (a) As at 30 June 2014, the Group had entered into fixed-to-floating interest rate swaps in the aggregate notional amount of HK\$4,423 million (2013: HK\$4,123 million) to hedge the fair value interest rate risk of certain fixed interest rate borrowings and currency swaps in the aggregate notional amount of HK\$9,451 million (2013: HK\$6,698 million) to hedge principal repayment of foreign currency debt (see note 19b). 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.
- (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 and other loans are repayable on various dates up to May 2027 (2013: May 2027) and carry interest, after hedging where appropriate, at effective rate per annum of 2.95% (2013: 3.25%) at the year end date.
- (d) The carrying amount of the gross borrowings by currency (after currency swaps) is as follows:

	2014	2013
Hong Kong dollars	<b>52,335</b>	35,609
United States dollars	<b>20,140</b>	17,612
Renminbi	<b>11,256</b>	11,409
	<b>83,731</b>	64,630

- (e) The amount due to a related company was fully paid on 30 June 2014. The amount was unsecured and interest bearing at effective rate per annum of 0.46% at 30 June 2013 by reference to HIBOR plus a margin.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 26 Deferred Taxation

### The Group

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 2012	3,582	9,339	(501)	31	12,451
On acquisition of a subsidiary	31	-	(7)	-	24
Charged to income statement	600	385	75	33	1,093
Exchange difference	17	223	(6)	1	235
At 30 June 2013 and 1 July 2013	4,230	9,947	(439)	65	13,803
Charged to income statement	<b>304</b>	<b>1,633</b>	<b>15</b>	<b>69</b>	<b>2,021</b>
Charged to reserve	-	-	-	<b>1</b>	<b>1</b>
Exchange difference	<b>(6)</b>	<b>(68)</b>	<b>3</b>	<b>(1)</b>	<b>(72)</b>
At 30 June 2014	<b>4,528</b>	<b>11,512</b>	<b>(421)</b>	<b>134</b>	<b>15,753</b>

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK\$4,074 million (2013: HK\$4,008 million), of which HK\$8 million (2013: HK\$8 million) of tax losses will expire at various dates up to 2019 (2013: 2018). Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

## 27 Other Long-term Liabilities

### The Group

	2014	2013
Asset retirement and other obligations	<b>59</b>	62
Contractual obligations for telecommunications licences	<b>502</b>	615
	<b>561</b>	677

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 28 Share Capital

	2014		2013	
	Number of shares in million	Amount	Number of shares in million	Amount
<b>Authorized:</b>				
Ordinary shares of HK\$0.50 each (note 28(ii))	–	–	2,900	1,450
<b>Issued and fully paid:</b>				
Ordinary shares				
At beginning of year – ordinary shares of HK\$0.50 each	<b>2,671</b>	<b>1,335</b>	2,616	1,308
Transition to no-par value regime on 3 March 2014	–	<b>50,213</b>	–	–
Issue of shares	<b>54</b>	<b>1,916</b>	55	27
At end of year – ordinary shares with no par value (2013: HK\$0.50 each)	<b>2,725</b>	<b>53,464</b>	2,671	1,335

- (i) Transition to no-par value regime on 3 March 2014

On 3 March 2014, the new Hong Kong Companies Ordinance Chapter 622 (new CO) came into effect. The new CO abolishes the concepts of nominal (par) value, share premium and authorized share capital for all shares of Hong Kong incorporated companies. Any amount received for issuing equity shares of a company should be recorded as share capital.

Pursuant to the adoption of the new CO, the balance on the share premium was transferred to share capital.

- (ii) Issue of shares in respect of scrip dividends

On 19 December 2013, the Company issued and allotted 33,577,171 new fully paid shares of HK\$0.50 each in the Company at HK\$99.70 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2013 final dividends pursuant to the scrip dividend schemes announced by the Company on 22 November 2013. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 16 April 2014, the Company issued and allotted 19,764,710 new fully paid shares in the Company at HK\$91.69 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2014 interim dividends pursuant to the scrip dividend schemes announced by the Company on 19 March 2014. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 20 December 2012, the Company issued and allotted 41,033,218 new fully paid shares of HK\$0.50 each in the Company at HK\$112.04 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2012 final dividends pursuant to the scrip dividend schemes announced by the Company on 23 November 2012. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 25 April 2013, the Company issued and allotted 14,019,343 new fully paid shares of HK\$0.50 each in the Company at HK\$107.44 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2013 interim dividends pursuant to the scrip dividend schemes announced by the Company on 19 March 2013. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 28 Share Capital (cont'd)

### (iii) Bonus issue 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 the 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 2014, 896,583 units of Warrants had been exercised by the holders thereof and 879,872 shares were issued and allotted by the Company to the holders of the Warrants. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. At 30 June 2014, 224,481,648 units of Warrants remained outstanding.

### (iv) Exercise of share options

17,000 shares (2013: 160,000 shares) were issued on exercise of share options during the year ended 30 June 2014.

## 29 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 granted by the Company and the assessment of fair value of the share options granted during the year are set out in the Directors' Report of the Annual Report 2014.

### 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.

### (i) Movements in share options to subscribe for ordinary shares in the Company under the Old Scheme during the year ended 30 June 2014 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2013	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2014
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	4,032,000	-	-	(120,000)	3,912,000
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	2,356,000	-	-	(426,000)	1,930,000
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	1,376,000	-	(17,000)	(115,000)	1,244,000
			<b>7,764,000</b>	<b>-</b>	<b>(17,000)</b>	<b>(661,000)</b>	<b>7,086,000</b>
Weighted average exercise prices (HK\$)			<b>110.37</b>	<b>-</b>	<b>96.15</b>	<b>112.29</b>	<b>110.22</b>

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 29 Share Option Schemes (cont'd)

### The Old Scheme (cont'd)

- (i) Movements in share options to subscribe for ordinary shares in the Company under the Old Scheme during the year ended 30 June 2013 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				At 30 June 2013
			At 1 July 2012	Granted during the year	Exercised during the year	Lapsed/cancelled during the year	
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	4,480,000	–	(134,000)	(314,000)	4,032,000
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	2,866,000	–	(26,000)	(484,000)	2,356,000
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	–	1,408,000	–	(32,000)	1,376,000
			7,346,000	1,408,000	(160,000)	(830,000)	7,764,000
Weighted average exercise prices (HK\$)			113.55	96.15	112.29	114.02	110.37

- (ii) Details of share options exercised during the year ended 30 June 2014 are as follows:

Exercise date	Exercise price	Market value per share at exercise date	Number of share options
22 July 2013	HK\$96.15	HK\$102.10	3,000
25 July 2013	HK\$96.15	HK\$103.10	3,000
7 August 2013	HK\$96.15	HK\$102.60	4,000
15 October 2013	HK\$96.15	HK\$103.30	3,000
10 June 2014	HK\$96.15	HK\$107.00	4,000
			<b>17,000</b>

Details of share options exercised during the year ended 30 June 2013 are as follows:

Exercise date	Exercise price	Market value per share at exercise date	Number of share options
3 January 2013	HK\$111.40	HK\$117.70	14,000
18 January 2013	HK\$116.90	HK\$127.90	7,000
21 January 2013	HK\$116.90	HK\$129.40	13,000
22 January 2013	HK\$111.40	HK\$129.60	60,000
23 January 2013	HK\$111.40	HK\$128.50	8,000
24 January 2013	HK\$116.90	HK\$130.50	6,000
25 January 2013	HK\$111.40	HK\$129.90	7,000
28 January 2013	HK\$111.40	HK\$129.30	24,000
31 January 2013	HK\$111.40	HK\$127.30	14,000
26 February 2013	HK\$111.40	HK\$117.30	7,000
			<b>160,000</b>

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 29 Share Option Schemes (cont'd)

### The New Scheme

During the year, 1,272,000 share options were granted at HK\$1.00 per lot to a number of directors and employees of the Company and its subsidiaries to subscribe for 1,272,000 ordinary shares in the Company and subsequently 1,112,000 share options were accepted by the grantees.

- (i) Movements in share options to subscribe for ordinary shares in the Company under the New Scheme during the year are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				At 30 June 2014
			At 1 July 2013	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	-	1,112,000	-	-	1,112,000
			-	1,112,000	-	-	1,112,000
	Weighted average exercise prices (HK\$)		-	102.30	-	-	102.30

During the year ended 30 June 2013, no share options were granted under the New Scheme.

## 30 Share Premium

### The Company

At 1 July 2012	40,782
Shares issued on exercise of share options	22
Shares issued in lieu of final dividend paid for the year ended 30 June 2012	4,577
Shares issued in lieu of interim dividend paid for the year	1,499
At 30 June 2013 and 1 July 2013	46,880
Shares issued on exercise of share options	2
Shares issued in lieu of final dividend paid for the year ended 30 June 2013	3,331
Transition to no-par value regime on 3 March 2014	(50,213)
At 30 June 2014	-

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 31 Reserves

### The Company

	Capital reserve	Retained profits	Total
At 1 July 2012	5,420	83,436	88,856
Shares issued on exercise of share options	(4)	–	(4)
Recognition of equity-settled share-based payments	32	–	32
Profit for the year	–	16,093	16,093
Final dividend paid for the year ended 30 June 2012	–	(6,278)	(6,278)
Interim dividend paid for the year	–	(2,524)	(2,524)
At 30 June 2013 and 1 July 2013	5,448	90,727	96,175
Recognition of equity-settled share-based payments	10	–	10
Profit for the year	–	16,537	16,537
Final dividend paid for the year ended 30 June 2013	–	(6,410)	(6,410)
Interim dividend paid for the year	–	(2,570)	(2,570)
At 30 June 2014	5,458	98,284	103,742

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2014 amounted to HK\$98,284 million (2013: HK\$90,727 million).

## 32 Notes to Consolidated Statement of Cash Flows

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

	2014	2013
Operating profit before change in fair value of investment properties	24,982	19,300
Depreciation and amortization	1,878	1,724
Impairment of assets	–	4
Profit on disposal of investment properties	(174)	(535)
Profit on disposal of fixed assets	(8)	(7)
Profit on disposal of available-for-sale investments	(238)	(117)
Dividend income from investments	(123)	(117)
Interest income	(130)	(169)
Share-based payments	18	52
Exchange difference	(29)	(116)
<b>Operating profit before changes in working capital</b>	<b>26,176</b>	20,019
Decrease in properties for sale	8,073	263
Additions to properties pending development for sale	(22,869)	(14,471)
Decrease in inventories	8	130
(Increase)/decrease in debtors, prepayments and others	(4,087)	4,147
(Increase)/decrease in financial assets at fair value through profit or loss	(90)	2
Increase/(decrease) in trade and other payables	2,303	(327)
(Decrease)/increase in deposits received on sales of properties	(9,493)	11,911
<b>Cash generated from operations</b>	<b>21</b>	21,674

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 32 Notes to Consolidated Statement of Cash Flows (cont'd)

### (b) Analysis of the net cash outflow in respect of the acquisition of a subsidiary – acquisition of assets

In April 2013, the Group acquired an additional 60% equity interest in Beijing New Town Plaza Real Estate Co., Ltd. raising its total interest to 100%, which owned an investment property in Beijing.

The amount of identifiable assets acquired and liabilities recognized at the date of acquisition are as follows:

	2013
Investment properties	287
Fixed assets	9
Bank deposits and cash	1
Trade and other payables	(2)
Deferred taxation	(24)
Total identifiable net assets	271
Less: Interests in joint ventures	(88)
	183
Net cash outflow in respect of the acquisition of a subsidiary:	
Cash consideration paid	183
Bank deposits and cash acquired	(1)
	182

### (c) Analysis of the balance of cash and cash equivalents at end of year

	2014	2013
Bank deposits and cash	<b>18,528</b>	16,471
Bank overdrafts	<b>(96)</b>	(83)
	<b>18,432</b>	16,388
Less: Bank deposits maturing after more than three months	<b>(1,434)</b>	(2,392)
Less: Pledged bank deposits	<b>(7)</b>	(7)
	<b>16,991</b>	13,989

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 33 Joint Operations

### The Group

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:

	2014	2013
Investment properties	<b>13,559</b>	13,108
Properties pending development for sale	<b>84</b>	83
Stocks of completed properties for sale	<b>142</b>	142
	<b>13,785</b>	13,333
Trade and other payables	<b>242</b>	225
Taxation	<b>53</b>	47
Deferred taxation	<b>125</b>	111
	<b>420</b>	383
Revenue	<b>763</b>	666
Expenses	<b>208</b>	182

## 34 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 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:

		Associates		Joint ventures	
		2014	2013	2014	2013
Interest income	(a)	<b>2</b>	4	<b>59</b>	99
Rental income	(b)	-	-	<b>1</b>	1
Rental expenses	(b)	<b>1</b>	1	<b>41</b>	41
Other revenue from services rendered	(c)	<b>110</b>	91	<b>107</b>	37
Purchase of goods and services	(c)	-	-	<b>482</b>	346

- (a) The outstanding balances with associates and joint ventures at the year end date are disclosed in notes 13 and 14 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 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.
- (d) During the year, a related company had provided a loan of HK\$500 million to the Group. The related company is a company controlled by certain discretionary trusts where certain directors of the Company are the beneficiaries of those trusts. Interest expense of HK\$2.27 million (2013: HK\$2.37 million) was paid during the year. This was a connected transaction which fulfilled certain exemption requirements from any disclosure or other obligations contained in Chapter 14A of the Listing Rules. The outstanding balance and terms of the loan are disclosed in note 25(e).

Emoluments to directors (being the key management personnel compensation) are disclosed in note 5.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 35 Contingent Liabilities and Commitments

### The Group

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:

	2014	2013
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	645	1,204
Authorized but not contracted for	1,156	1,978
(b) The Group's share of capital commitments of joint ventures		
Contracted but not provided for	437	694
Authorized but not contracted for	588	–
(c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK\$935 million (2013: HK\$1,100 million) and other guarantees of HK\$4 million (2013: HK\$4 million).		

### The Company

At the year end date, the Company had contingent liabilities, not included in the Company's financial statements, in respect of guarantees for bank and other borrowings drawn by:

	2014	2013
Subsidiaries	78,919	59,331
Joint ventures	760	808
	<b>79,679</b>	60,139

The Group and the Company have not recognized any deferred income of the above guarantees for subsidiaries and joint ventures as their fair value cannot be reliably measured and their transaction price was HK\$Nil.

## 36 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 analysed as follows:

	2014	2013
Not later than one year	12,912	11,217
Later than one year but not later than five years	16,757	14,993
Later than five years	2,117	2,429
	<b>31,786</b>	28,639

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 36 Operating Lease (cont'd)

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 analysed as follows:

	2014	2013
Not later than one year	1,027	981
Later than one year but not later than five years	1,340	1,344
Later than five years	1,067	1,202
	<b>3,434</b>	<b>3,527</b>

## 37 Charges of Assets

At the year end date, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$7 million (2013: 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 approximately HK\$7,629 million (including bank deposits and cash of HK\$166 million) (2013: HK\$8,845 million (including bank deposits and cash of HK\$167 million)) have been charged to secure its bank borrowings.

## 38 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 financial statements are continually evaluated based on historical experience and other factors that are considered relevant, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

### (a) Fair value of investment properties

At each year end date, the Group's investment properties are stated at fair value based on the valuation carried out by an independent qualified professional valuer. In determining the fair value, the valuer has based on market value basis which takes into account, inter-alia, certain estimates, including open market rents, appropriate capitalization rates, reversionary income potential, redevelopment potential and comparable market transactions. The management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable.

### (b) Impairment of assets

Assets including goodwill and intangible assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. Estimating the value in use of an asset involves estimating the future cash flows expected to arise from its continuing use and from its disposal at the end of its useful life and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 38 Critical Accounting Judgements and Estimation (cont'd)

### (c) *Income taxes*

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

### (d) *Recognition of deferred tax assets*

The amount of the deferred tax assets included in the financial statement 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.

### (e) *Assessment of useful economic lives*

Fixed assets and intangibles (other than goodwill) are depreciated or amortized over their useful economic lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value.

### (f) *Fair value of financial instruments*

Financial instruments such as available-for-sale securities and derivative financial instruments are measured in the financial statements at fair values. The management uses its judgement in selecting the appropriate valuation technique for financial instruments that are not quoted in an active market. For derivative financial instruments such as interest rate swaps and currency swaps, assumptions are made based on inputs supported by observable market prices or rates.

## 39 Financial Risk Management

The Group's major financial instruments include investments, amounts due from associates and joint ventures, loans 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 as an equity movement.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 39 Financial Risk Management (cont'd)

### (a) Foreign currency risk (cont'd)

The Group is also exposed to foreign currency risk in respect of its foreign currency borrowings, bank deposits and cash, mainly denominated in United States dollars and Renminbi. 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 2014, it is estimated that a 10% increase/decrease in exchange rate of Hong Kong dollars against all other currencies, with all other variables held constant, would increase/decrease the profit before taxation for the year by approximately HK\$1,506 million (2013: HK\$1,168 million). The equity would be decreased/increased by HK\$72 million (2013: HK\$104 million).

### (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 2014, it is estimated that an increase/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\$275 million (2013: HK\$160 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 2013.

### (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 2014, it is estimated that an increase/decrease of 10% in equity prices, with all other variables held constant, would increase/decrease the profit before taxation for the year and total equity by approximately HK\$61 million and HK\$270 million, respectively (2013: HK\$57 million and HK\$319 million, respectively).

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 39 Financial Risk Management (cont'd)

### (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 financial statement after deducting any impairment loss. Except for the financial guarantees as set out in note 35, the Group does not provide any other guarantee which would expose the Group to material credit risk.

### (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 2014	Notes	Carrying amount	Total contractual undiscounted cash flow	Up to	>1 year	> 2 years	> 5 years
				1 year	to 2 years	to 5 years	
Creditors and accrued expenses	24	22,292	22,298	18,483	2,007	1,612	196
Amounts due to non-controlling interests	24	2,863	2,863	2,325	538	-	-
Bank and other borrowings	23 & 25	83,731	97,037	11,831	12,532	35,782	36,892
Other long-term liabilities	27	561	704	-	203	338	163
Derivative financial instruments	19b	126	132	(21)	(8)	130	31
		<b>109,573</b>	<b>123,034</b>	<b>32,618</b>	<b>15,272</b>	<b>37,862</b>	<b>37,282</b>

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 39 Financial Risk Management (cont'd)

### (e) Liquidity risk (cont'd)

As at 30 June 2013	Notes	Carrying amount	Total contractual undiscounted cash flow	Up to 1 year	>1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	24	19,917	19,923	15,081	1,526	3,134	182
Amounts due to non-controlling interests	24	2,742	2,742	2,204	–	538	–
Bank and other borrowings	23 & 25	64,630	75,808	10,100	11,033	27,708	26,967
Other long-term liabilities	27	677	897	–	193	479	225
Derivative financial instruments	19b	87	101	6	8	11	76
		88,053	99,471	27,391	12,760	31,870	27,450

### (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.

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 financial statements are not materially different from their fair values.

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 39 Financial Risk Management (cont'd)

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

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 2014

	Level 1	Level 2	Total
<b>Financial assets</b>			
Available-for-sale debt securities			
Listed debt securities, overseas	811	–	811
Listed debt securities, Hong Kong	155	–	155
Unlisted debt securities	55	–	55
Available-for-sale equity securities			
Listed equity securities, overseas	597	–	597
Listed equity securities, Hong Kong	1,078	–	1,078
Unlisted equity securities	–	121	121
Financial assets at fair value through profit or loss			
Listed equity securities, overseas	11	–	11
Listed equity securities, Hong Kong	665	–	665
Derivative financial instruments			
Interest rate swaps	–	375	375
Currency swaps	–	110	110
	<b>3,372</b>	<b>606</b>	<b>3,978</b>
<b>Financial liabilities</b>			
Derivative financial instruments			
Currency swaps	–	126	126

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 39 Financial Risk Management (cont'd)

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

As at 30 June 2013

	Level 1	Level 2	Total
<b>Financial assets</b>			
Available-for-sale debt securities			
Listed debt securities, overseas	990	–	990
Listed debt securities, Hong Kong	153	–	153
Unlisted debt securities	57	–	57
Available-for-sale equity securities			
Listed equity securities, overseas	894	–	894
Listed equity securities, Hong Kong	1,101	–	1,101
Unlisted equity securities	–	147	147
Financial assets at fair value through profit or loss			
Listed equity securities, overseas	10	–	10
Listed equity securities, Hong Kong	576	–	576
Derivative financial instruments			
Interest rate swaps	–	472	472
Currency swaps	–	85	85
	3,781	704	4,485
<b>Financial liabilities</b>			
Derivative financial instruments			
Currency swaps	–	87	87

# Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

## 40 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:

	2014	2013
Secured bank loans	1,562	1,672
Unsecured bank and other loans	82,169	62,958
Total borrowings	83,731	64,630
Less: Bank deposits and cash	(18,528)	(16,471)
Net debt	65,203	48,159
Shareholders' funds	414,783	385,912
Net debt-to-shareholders' funds ratio	15.7%	12.5%

## 41 Comparative Figures

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

## 42 Approval of Financial Statements

The financial statements set out on pages 112 to 175 were approved by the board of directors on 12 September 2014.

# 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 2014 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.

<b>Name</b>	<b>Note</b>	<b>Total Attributable Equity Interest Held by the Company (%)</b>	<b>Activities</b>	<b>Issued Share Capital/ Registered Capital* (HK\$)</b>
SUNeVision Holdings Ltd. (Listed in Hong Kong)	2	74.04	Provision of data centre, facilities management, web applications and value added services and installation and maintenance services	232,234,053
SmarTone Telecommunications Holdings Limited (Listed in Hong Kong)	3	67.26	Mobile telephone system operation	104,598,890
Sun Hung Kai Real Estate Agency Limited	6	100	General management & agency	1,000,000
New Town (N.T.) Properties Limited	7	100	Investment holding	2,287,658,338
Hung Kai Finance Company, Limited	9	100	Registered deposit-taking company	100,000,200
Fidelity Finance Company, Limited	6	100	Finance	200
Honour Finance Company, Limited	6	100	Finance	500,000
Sun Hung Kai Properties (Financial Services) Limited	6	100	Finance	100,000
Sun Hung Kai Properties Insurance Limited	6	100	General insurance	75,000,000
Sun Hung Kai Architects and Engineers Limited	6	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	6	100	Property & facility management	10,000
Mantegna Investment Company Limited	1	100	Property investment	2
				(Note 10) 9,999,998
Royaltelle International Limited		100	Hotel management	2
Able Smart Assets 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

# Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
Barnard Enterprises Limited	1	75	Property investment	US\$100
Beauty Marble Investment Limited		100	Property investment	2
Beijing New Town Plaza Real Estate Co., Ltd.	5c	100	Property investment	US\$9,000,000*
Beijing Sun Dong An Co., Ltd.	5a	100	Property investment	US\$129,000,000*
Best Winners Limited	1	100	Property investment	US\$1
Biliboss Ltd.	1	100	Property investment	US\$1
Billion Great Investment Limited		100	Property development	2
Branhall Investments Limited	1	100	Property investment	2
		100		(Note 10) 39,999,998
Bright Strong Limited		100	Property development and investment	2
Buratto Limited	1	100	Property investment	US\$1
Charmford Holdings Limited		100	Property development	1
Cheer Kong Limited		100	Property development	2
Cheerlord Investment Ltd.	1	100	Property investment	US\$1
成都忠捷置業有限公司	5b	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
Connick Limited	1	100	Property investment	US\$1
Cranejoy Limited		100	Property development	350,000,000
Crown World Investment Limited		100	Property development and investment	1
Dictado Company Limited		100	Property investment	200
Dipende Limited	1	100	Property investment	US\$1
Ease Gold Development Limited		100	Property development and investment	2
Easywise Limited		64.3	Property development	1
Entero Company Limited	8	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
Excel Elite Assets Limited	1	100	Property investment	US\$1
Excellent Chance Limited	1	100	Property investment	US\$1
First Gain Assets Limited	1	100	Property investment	US\$1
Firstmax Limited		100	Property investment	2
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 Yield Investment Limited		100	Property investment	2
佛山市新普房地產開發有限公司	5c	100	Property development and investment	US\$34,000,000*
佛山市新升房地產開發有限公司	5c	80	Property development	US\$70,000,000*
佛山市新鋒房地產開發有限公司	5c	80	Property development	US\$194,000,000*

# Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
佛山市新晉房地產開發有限公司	5c	80	Property development	US\$70,000,000*
佛山市新駿房地產開發有限公司	5c	80	Property development	US\$77,000,000*
佛山市新昊房地產開發有限公司	5c	80	Property development	US\$98,000,000*
佛山市新匯房地產開發有限公司	5c	80	Property development	US\$98,000,000*
佛山市新景房地產開發有限公司	5c	80	Property development	US\$77,000,000*
東莞創紀房地產開發有限公司	5c	100	Property development	US\$121,000,000*
Full Market Limited		100	Property investment	2
Garudia Limited		100	Property investment	2
Gleamland Limited	1	100	Property investment	US\$1
Golden Square Properties Enterprises Limited	1	100	Property investment	2
		100		(Note 10) 999,998
Good Assets Limited		100	Property development	1
Goodwick Limited		100	Property development and investment	1
Group Allied Limited		100	Property development and investment	1
Guangzhou Dragon Lake Real Estate Ltd.	5c	60	Property development	604,965,400*
廣州新天房地產發展有限公司	5b	70	Property development	RMB798,000,000*
廣州市匯信房地產開發有限公司	5a	95	Property development	RMB82,000,000*
廣州市佳俊房地產開發有限公司	5c	100	Property development	RMB210,000,000*
Harbour Vantage Limited		100	Property development	2
Headmaster Assets Limited	1	100	Property investment	US\$1
Hero Town Limited	1	100	Property investment	US\$86,500,001
Herowell Limited		100	Property investment	1
Hinwood Investment Limited		100	Property development and investment	1
Hoi Kong Container Services Company Limited		100	Mid stream operator	40,000,000
Honenberg Limited		100	Property investment	2
Hong Kong Business Aviation Centre Limited		35	Business Aviation Centre	1,000,000
Hong Kong Sky Deck Limited		100	Observation deck	1
Hung Kai Finance Investment Holding Limited		100	Property investment	200
Jayan Company Limited		100	Property investment and investment holding	2
Joinyfield 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
King Park Investment Limited		100	Property development	2
Kinstar Holdings Ltd		92	Property development	1
Kintech Investment Limited		100	Property development	1
Laboster Company Limited	6	100	Property investment	2
Lanecove Enterprise Limited	1	100	Property investment	US\$1
Lansmart Limited		100	Property development and investment	2

# Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
Large City Investments Limited	1	100	Property investment	US\$1
Lee Bit Kai Investment Company Limited	6	100	Property investment	1,000
Leverson Limited	1, 6	100	Property investment and hotel management	US\$1
Long Kinetic Limited		100	Property investment	1
Long Tesak Company Limited		100	Property investment	100,000
Lonsale Company Limited		100	Property investment	2
Lorient Holdings Ltd.	1	100	Property investment	US\$1
Lunalite Company Limited		100	Property investment	2
Manceton Limited		100	Property investment	2
Masston Limited		100	Property investment	1
Maxwear Limited	1	100	Property investment	US\$1
Mighty Choice Assets Limited	1	100	Property investment	US\$1
Mindano Limited		100	Property investment	10,000
Moscova Company Limited	6	100	Property investment	200
Nixon Cleaning Company Limited		100	Cleaning service	100,000
Obvio Yip Company Limited	6	100	Property development and investment	15,000,000,000
Open Step Limited		60	Property investment	10
Oriental Way Limited		100	Hotel 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
Protasan Limited		100	Property investment	100
Rainforce Limited		100	Property development	2
Rinnovare Limited	1	100	Property investment	US\$1
Route 3 (CPS) Company Limited		70	Toll road operation	10,000
Senmark Limited		100	Hotel development	2
Shanghai Central Plaza Property Co., Ltd.	5a	80	Property investment	US\$42,000,000*
Shanghai International Commerce Centre Co., Ltd.	5c	100	Property development and investment	US\$290,500,000*
Shanghai SHK International Commerce Centre Co., Ltd.	5c	100	Property development and investment	US\$90,000,000*
Shanghai SHK Weiyi Property Co., Ltd.	5c	100	Property development and investment	RMB1,200,000,000*
Shanghai SHK Weijing Property Co., Ltd.	5c	100	Property development and investment	RMB1,200,000,000*
Shanghai SHK Weizheng Property Co., Ltd.	5c	100	Property development and investment	RMB1,220,000,000*
Shanghai SHK Weiwang Property Co., Ltd.	5c	100	Property development and investment	RMB18,500,000,000*
Shanghai Xin Zhong Hui Property Co., Ltd.	5c	100	Property investment	US\$35,000,000*
Sharp Act Investments 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\$)
Shubbery Company Limited		100	Property investment	200
Shunyue Investments 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	6	100	Property investment	2
Speedway Assets Limited	1	100	Property investment	US\$1
Springwide Investments Limited	1	100	Property development	US\$1
Standard Top Limited		100	Property investment	2
Startrack Company Limited		100	Property investment	200
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.	5c	100	Property investment	US\$214,482,000*
Sun Hung Kai Development (Lujiazui II) Ltd.	5c	100	Property investment	US\$121,355,000*
Sun Hung Kai Development (Zhang Yang) Ltd.	5c	100	Property development and investment	US\$165,000,000*
Sun Hung Kai ICC (Nanjing) Co., Ltd.	5c	100	Property development and investment	RMB721,914,400*
Sun Hung Kai ICC (Suzhou) Co., Ltd.	5b	90	Property development and investment	RMB1,800,000,000*
Sun Hung Kai Properties (Capital Market) Limited	2	100	Finance	US\$10
Sun Hung Kai Properties Investment (Guangzhou) Limited	5c	100	Investment holding	US\$90,000,000*
Sun Hung Kai Secretarial Services Limited	6	100	Secretarial services	200
Sun Yuen Long Centre Management Company Limited		100	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
Supreme Rich Investment Limited		100	Property development	1
Tainam Holdings Limited	1	100	Property investment	US\$1
Talcon Limited	1	100	Property development	US\$1
Ten Choice Development Limited		100	Property investment	2
Tenuta Limited	1	100	Property investment	US\$1
Tipro Development Limited		100	Property investment	1,000,000
Tonthai Investment Enterprises Limited	1	100	Property investment	US\$1
Town Descant Company Limited		100	Property investment	200
Transport Infrastructure Management Limited		100	Road management	70,000,000
Tsi Mai Company Limited		100	Property investment	200
Uniland Investment Enterprises Limited	1	100	Property investment	US\$1
United Way Investments Limited	4, 6	100	Owner of trade mark	US\$1 (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	6	100	Investment holding and property investment	70,000

# Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
Warrior Company Limited		100	Property investment	300
Well Art Holdings Limited		92	Property development	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
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
Wiseland Enterprises Limited	1	100	Property development	US\$1
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.	5a	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 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
  6. Directly held by the Company.
  7. 11.89% directly and 88.11% indirectly held by the Company.
  8. 50% directly and 50% indirectly held by the Company.
  9. 99.9998% directly and 0.0002% 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 2014 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	Registered capital
#+ Cheerjoy Development Limited		35	Property development	Ordinary
# Dragon Beauty International Limited		50	Property development	Ordinary
First Star Development Limited		50	Property development	Ordinary
+ Glorious Concrete (BVI) Limited	4	50	Manufacturer of precast	Ordinary
+ Glorious Concrete (H.K.) Limited		50	Manufacturer of ready mixed concrete	Ordinary
#+ Green Valley Landfill, Limited		20	Landfill waste disposal facility	Ordinary
#+ Guangzhou Fujing Properties Development Co., Ltd.	3	33.3	Property development	Registered capital
# 廣州宏城廣場房地產開發有限公司	6	50	Property investment	Registered capital
#+ Hangzhou Runhong Properties Limited	5	40	Property development	Registered capital
IFC Development Limited	1	50	Property investment	Ordinary
Jade Land Resources Limited		25	Property development and investment	Ordinary
# Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited		50	Godown operation	Ordinary
+ Newfoundland Investment Holdings Limited	1	20	Investment holding	Ordinary
#+ Orchard Turn Holding Pte. Ltd.	2	50	Investment holding	Ordinary
+ Ranny Limited		50	Property investment	Ordinary
#+ River Trade Terminal Co. Ltd.	1	50	River trade terminal	Ordinary
# Senica International Limited	4	22.5	Investment holding	Ordinary
#+ Shanghai Xintian Real Estate Co., Ltd.	3	35	Property development and investment	Registered capital
Special Concept Development Limited		25	Property development and investment	Ordinary
+ Splendid Shing Limited		50	Property investment	Ordinary
#+ Star Play Development Limited		33.3	Property investment	Ordinary
#+ 祥寶投資(成都)有限公司	5	40	Property development and investment	Registered capital
Teamfield Property Limited		57.52	Property investment	Ordinary
+ Tinyau Company Limited		50	Property investment	Ordinary
+ Topcycle Development Limited		50	Property development	Ordinary
# Wolver Hollow Company Limited		50	Property investment	Ordinary
+ Xipho Development Company Limited		33.3	Property development	Ordinary

+ The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu.

# 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 2014 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal associates were incorporated and are operating in Hong Kong and unlisted.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share
#+ Transport International Holdings Limited (Listed in Hong Kong)	1	33.28	Public transportation	Ordinary
#+ Ranex Investments Limited		29	Property development and investment	Ordinary
#+ The Hong Kong School of Motoring Limited		30	Driving School	Ordinary
#+ Onluck Finance Limited		35.44	Finance	Ordinary
#+ Treasure Peninsula Limited		29	Finance	Ordinary

+ *The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu.*

# *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.*