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新鴻基地產發展有限公司

Sun Hung Kai Properties Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 16)
(Warrant Code: 1441)

2013 / 14 Annual Results

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
Total			**3,025,000**

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

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.

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
Total				**2,796,000**

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 join-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.

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.

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
Total				**4,331,000**

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.

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.

<u>Infrastructure and other business</u>

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.

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.

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.

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.

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

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following audited consolidated figures for the Group for the year ended 30 June 2014 with comparative figures for 2013:-

Consolidated Income Statement
For the year ended 30 June 2014
(Expressed in millions of Hong Kong dollars)

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

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2014
(Expressed in millions of Hong Kong dollars)

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

Consolidated Statement of Financial Position
As at 30 June 2014
(Expressed in millions of Hong Kong dollars)

	Notes	2014	2013
Non-current assets			
Investment properties		**277,640**	258,849
Fixed assets		**25,376**	22,788
Associates		**4,044**	3,891
Joint ventures		**49,545**	49,643
Loan receivables		**628**	801
Other financial assets		**2,899**	3,375
Intangible assets		**4,539**	4,937
		364,671	344,284
Current assets			
Properties for sale		**149,409**	132,938
Inventories		**299**	307
Debtors, prepayments and others	**7**	**23,394**	18,191
Other financial assets		**747**	705
Bank deposits and cash		**18,528**	16,471
		192,377	168,612
Current liabilities			
Bank and other borrowings		**(9,241)**	(8,060)
Trade and other payables	**8**	**(25,283)**	(22,753)
Deposits received on sales of properties		**(5,538)**	(15,031)
Taxation		**(6,493)**	(5,473)
		(46,555)	(51,317)
Net current assets		**145,822**	117,295
Total assets less current liabilities		**510,493**	461,579
Non-current liabilities			
Bank and other borrowings		**(74,490)**	(56,570)
Deferred taxation		**(15,753)**	(13,803)
Other long-term liabilities		**(561)**	(677)
		(90,804)	(71,050)
NET ASSETS		**419,689**	390,529
CAPITAL AND RESERVES			
Share capital		**53,464**	1,335
Share premium		**-**	46,880
Reserves		**361,319**	337,697
Shareholders' funds		**414,783**	385,912
Non-controlling interests		**4,906**	4,617
TOTAL EQUITY		**419,689**	390,529

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.

The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 30 June 2013, except for the changes 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 contributions 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 operations in the consolidated financial statements. The adoption of HKFRS 11 has not had any material impact on the Group's results and financial position.

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 HKFRS 10, HKFRS 11, 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[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization[5]
Amendments to HKAS 19	Defined benefit plans : employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations[5]
HKFRS 9	Financial instruments[3]
HKFRS 15	Revenue from contracts with customers[6]
HK(IFRIC)-Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[5] Effective for annual periods beginning on or after 1 January 2016
[6] 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.

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			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated 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

For the year ended 30 June 2013

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	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.

(b) 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
	75,100	53,793

3. Net Finance Costs

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

4. Profit before Taxation

	2014	2013
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**21,648**	8,516
Cost of inventories sold	**8,557**	6,777
Depreciation and amortization	**1,476**	1,322
Amortization of intangible assets (included in cost of sales)	**402**	402
Operating lease rentals for land and buildings, assets transmission sites and leased lines	**1,399**	1,282
Staff costs (including directors' emoluments and retirement schemes contributions)	**6,162**	5,675
Share-based payments	**18**	52
Auditors' remuneration	**21**	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 and unlisted investments	**123**	117
Interest income from listed and unlisted debt securities	**71**	70
Profit on disposal of available-for-sale investments	**238**	117
Profit on disposal of financial assets at fair value through profit or loss	**3**	4
Fair value gains on financial assets at fair value through profit or loss	**69**	-
Profit on disposal of fixed assets	**8**	7

5. Taxation

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

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.

6. Earnings per Share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit 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	**33,520**	40,329
Increase in fair value of investment properties	**(12,131)**	(19,187)
Effect of corresponding deferred tax charges	**1,633**	385
Realized fair value gains of investment properties disposed	**733**	1,571
Share of results of associates and joint ventures		
- fair value gains of investment properties	**(2,228)**	(4,837)
- effect of corresponding deferred tax (credit)/charges	**(260)**	316
	(12,253)	(21,752)
Non-controlling interests	**148**	42
Net effect of changes in the valuation of investment properties	**(12,105)**	(21,710)
Underlying profit attributable to the Company's shareholders	**21,415**	18,619

7. Debtors, Prepayments and Others

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.

8. Trade and Other Payables

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.

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:

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

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).

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" of the Annual Report.

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.

DIVIDEND

The Board of Directors of the Company (the "Board") has decided to recommend the payment of a final dividend of HK$2.40 per share (2013: HK$2.40 per share) for the year ended 30 June 2014. Including the interim dividend of HK$0.95 per share paid on 16 April 2014, the total dividend for the year ended 30 June 2014 amounts to HK$3.35 per share (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 (the "Register of Members") on Monday, 24 November 2014.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting will be held on Saturday, 15 November 2014 and the Notice of 2014 Annual General Meeting will be published and despatched to the Shareholders and the warrantholders of the Company (the "Warrantholders") in due course.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS

(1) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2014 Annual General Meeting, the Register of Members will be closed from Tuesday, 11 November 2014 to Saturday, 15 November 2014, both days inclusive, during such period no transfer of shares will be registered and no share will be allotted upon exercise of the subscription rights attached to the warrants of the Company. In order to be eligible to attend and vote at the 2014 Annual General Meeting,

   (i) in the case of Shareholders, all transfer documents accompanied by the relevant share certificates (together the "Share Transfer Documents") must be lodged for registration with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited ("Computershare"), not later than 4:30 p.m. on Monday, 10 November 2014; and

   (ii) in the case of Warrantholders, all subscription forms accompanied by the relevant warrant certificates and exercise moneys (together the "Warrant Exercise Documents") must be lodged for registration with Computershare, which also acts as the registrar maintaining the register of warrantholders of the Company (the "Register of Warrantholders"), not later than 4:30 p.m. on Tuesday, 4 November 2014.

(2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members and the Register of Warrantholders will be closed from Thursday, 20 November 2014 to Monday, 24 November 2014, both days inclusive, during such period no transfer of shares or warrants (including the allotment of shares upon exercise of the subscription rights thereof) will be registered. In order to establish entitlements to the proposed final dividend,

   (i) in the case of Shareholders, the Share Transfer Documents must be lodged for registration with Computershare not later than 4:30 p.m. on Wednesday, 19 November 2014; and

   (ii) in the case of Warrantholders, the Warrant Exercise Documents must be lodged for registration with Computershare not later than 4:30 p.m. on Thursday, 13 November 2014.

The address of Computershare for lodging the Share Transfer Documents and Warrant Exercise Documents is Shop Nos. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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.

AUDIT COMMITTEE

The annual results for the year ended 30 June 2014 have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Deloitte Touche Tohmatsu, and they have issued an unmodified opinion.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 30 June 2014, the Company complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, joint Chairmen of the Company, also serve as Managing Directors of the Company. This was at variance with Code Provision A.2.1, 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.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

With effect from 3 March 2014, the new Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the "New Companies Ordinance") has come into force. As a result, the Company considers it appropriate and desirable to adopt a new set of articles of association (the "New Articles"), which incorporates certain key changes under the New Companies Ordinance based on the existing articles of association (the "Existing Articles"). The Company has also taken the opportunity to incorporate into the New Articles certain practices and procedures that have been adopted by the Company pursuant to relevant requirements of the Listing Rules.

Accordingly, a special resolution (the "Resolution") will be proposed at the 2014 Annual General Meeting for Shareholders to consider and, if thought fit, approve the adoption of the New Articles by the Company.

Details of the Resolution and a summary of major areas of amendments to the Existing Articles will be set out in a circular to be issued by the Company. Such circular will be sent, together with the 2013/14 annual report, to the Shareholders and Warrantholders in due course.

ANNUAL REPORT

The 2013/14 annual report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.shkp.com, and printed copies of the annual report will be sent to the Shareholders and Warrantholders before the end of October 2014.

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

Hong Kong, 12 September 2014

As at the date hereof, the Board comprises nine Executive Directors, being KWOK Ping-kwong, Thomas (Chairman & Managing Director)(KWOK Kai-fai, Adam being his Alternate Director), KWOK Ping-luen, Raymond (Chairman & Managing Director)(KWOK Ho-lai, Edward being his Alternate 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 and FUNG Yuk-lun, Allen; four Non-Executive Directors, being LEE Shau-kee (Vice Chairman), WOO Po-shing (WOO Ka-biu, Jackson being his Alternate Director), KWAN Cheuk-yin, William and WONG Yick-kam, Michael; and seven Independent Non-Executive Directors, being YIP Dicky Peter, WONG Yue-chim, Richard, LI Ka-cheung, Eric, FUNG Kwok-lun, William, LEUNG Nai-pang, Norman, LEUNG Kui-king, Donald and LEUNG KO May-yee, Margaret.