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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)

2014 / 15 Annual Results

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2015, excluding the effect of fair-value changes on investment properties, amounted to HK\$19,825 million, compared to HK\$21,415 million last year. Underlying earnings per share were HK\$7.07, compared to HK\$7.95 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$31,082 million and HK\$11.09 respectively, compared to HK\$33,520 million and HK\$12.45 last year. The reported profit included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK\$12,350 million, compared to HK\$12,838 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 2015. The dividend will be payable on 26 November 2015. 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\$21,704 million, generating a profit of HK\$7,332 million for the Group as compared to HK\$10,511 million for last year. Contracted sales in attributable terms for the year, which mainly reflected bookings in subsequent years, were impressively strong, amounting to over HK\$37,500 million. Contracted sales since July 2015 have reached about HK\$6,000 million.

Rental Income

The Group's rental portfolio continued to deliver satisfactory performance for the year under review. Rental income from both Hong Kong and the mainland grew steadily, driven by higher rents for new leases and renewals. Gross rental income, including contributions from joint-venture projects, rose 6% year-on-year to HK\$19,681 million while net rental income increased 8% year-on-year to HK\$15,352 million.

Property Business – Hong Kong

Land Bank

In the year under review, the Group stayed active in the land market and acquired six sites through public tenders. These sites, with a combined gross floor area of 4.9 million square feet, are at strategic locations and will be utilized mostly for developing large-scale residential projects that offer economies of scale. The majority of the units to be built will be of small-to-medium sizes. Site details are shown in the following table.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Tin Shui Wai Town Lot No. 33	Residential/Shops	100	1,219,000
Tin Shui Wai Town Lot No. 34	Residential/Shops	100	1,040,000
Tin Wing Station Development	Residential/Shops	Joint venture	982,000
Tai Po Town Lot No. 225	Residential	100	901,000
Tuen Mun Town Lot No. 515	Residential	100	476,000
Tuen Mun Town Lot No. 539	Residential/Shops	100	307,000
Total			4,925,000

Driven by active land acquisitions, the Group's land bank has been expanding in recent years. As at the end of June 2015, the Group's total land bank in Hong Kong amounted to 50.8 million square feet, comprising 28.7 million square feet of completed investment properties and 22.1 million square feet of properties under development. The Group also held over 30 million square feet in terms of site area of agricultural land spanning throughout the New Territories. These sites are mostly located along existing or planned railway lines and under various stages of land use conversions.

After the end of the financial year, the Group continued to capitalize on land acquisition opportunities in Hong Kong and successfully bid for the tenders for developing two additional sites. In July, the Group acquired a site in Ma Tau Kok close to an MTR station currently under construction with a total gross floor area of about 105,000 square feet. In the following month, the development right for another site above the MTR Yuen Long Station with a total gross floor area of 1.5 million square feet was acquired. This development will provide nearly 1,900 residential units and about 107,000 square feet of retail space, bringing much synergy as an integral part of the Group's YOHO Mall. A substantial portion of these two developments will offer residential units of mainly small-to-medium sizes. With these two new acquisitions, the Group's total land bank in Hong Kong has been increased to 52.4 million square feet.

Property Development

Sales in the primary market stayed robust with active new launches by developers, while transactions in the secondary market were affected by further tightening of mortgage financing by the authority in late February this year and the recent stock market volatility. Interest rates stayed at a low level, despite anticipations for a modest increase in US interest rates beginning later this year. This low interest rate environment, together with positive demographic trends and sustained income growth, continued to underpin demand, particularly for the segment of small- to medium-sized units.

The Group continues to strengthen its market position, underpinned by its active new project launches. During the year, the Group offered a wide range of products for sale and generated a favourable response from the market. Residential projects comprising mainly small- to medium-sized units, including The Wings IIIA and The Wings IIIB in Tseung Kwan O, and the first phase of Century Link in Tung Chung, have been over 95% sold. Luxury projects were also well received, including Deauville in Tsuen Wan West, a new batch of units of The Cullinan at Airport Express Kowloon Station, and the houses at Twelve Peaks and 50 Stanley Village Road on Hong Kong Island. Offices at W50 in Wong Chuk Hang were virtually sold out shortly after the project was put up for sale in July last year. All these have contributed to the strong contracted sales of nearly HK\$32,000 million in Hong Kong for the year. The initial batches of Ultima in Ho Man Tin were put onto the market in June this year. With an average price of about HK\$40 million for each unit sold, the development generated sales of about HK\$4,500 million from June to August.

An indispensable part of the Group's corporate culture is the pursuit of excellence. Over the years, it has earned a reputation for quality products and services, which enables it to command a price premium in the market. Apart from premium materials and fine finishes, the Group is also recognized for its expertise in integrating the design and master layout of its projects with the surrounding environment. These value enhancement endeavours, together with better construction cost management, have helped support the margins of development projects.

During the year, the Group completed more than one million square feet of properties in Hong Kong, of which 900,000 square feet were residential.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Park Vista Phase 1	18 Castle Peak Road, Tam Mi, Yuen Long	Residential/ Shops	100	780,000
Mount One	39 Luen Hing Street, Fanling	Residential/ Shops	100	140,000
W50	50 Wong Chuk Hang Road	Office	100	120,000
Total				1,040,000

Property Investment

Supported by a sizable portfolio of investment properties with over 28.7 million square feet of gross floor area, the Group's rental business in Hong Kong delivered a healthy performance during the year. Gross rental income, including contributions from joint-venture projects, rose by 7% to HK\$15,675 million, mainly driven by positive rental reversions and higher rents for new leases. Overall occupancy also remained high at around 95%.

Retail portfolio

With an extensive network of shopping malls, the Group now owns over ten million square feet of retail space in Hong Kong. This quality and diversified portfolio continued to reinforce the Group's leading position in the retail leasing market and supported its rental income growth. Overall tenant sales growth at major shopping malls outperformed the Hong Kong retail market, with positive rental reversions and high occupancy.

With a primary focus on serving local customers, the Group's regional malls in diversified locations have built up a solid customer base over the years and continued to benefit from the growth in domestic consumption. Such renowned malls as APM, IFC Mall, New Town Plaza, Tai Po Mega Mall, Landmark North, East Point City and V City sustained their satisfactory performance. Tenant mix refinements were carried out to better meet the needs of the neighborhoods. Additional trendy fashion and lifestyle brands as well as popular eateries were introduced to enhance overall shopping experience for customers.

The Group has made considerable efforts to enhance the asset quality of the existing malls to maintain their competitiveness. This commitment to premium quality is well demonstrated by the renovation and reconfiguration of the Grand Century Place mall in Mong Kok, which was renamed MOKO. With the completion of its renovation in August this year, the mall has introduced various international brands and restaurants that are either new to the district or to the city. The new layouts with themed floors and additional escalators have drawn higher traffic flows and offered customers greater convenience. The mall is now fully let and has recorded significant rental income growth.

Renovations at other malls are also progressing well. To capitalize on opportunities arising from Kowloon East, APM is currently implementing various upgrading works, including the conversion of over 150,000 square feet of office space into retail use as well as an extensive greening project at the podium garden. Metroplaza is a shopping hub for its neighbouring area, serving locals and the nearby office workforce. Its renovation work, commenced late last year to enhance its market positioning, covers floor layout reconfiguration, indoor decor enhancement, as well as additional greening at the outdoor piazza. Tenant mix will also be further refined with the introduction of international trendy brands.

The Group's retail portfolio will be further bolstered with the addition of new projects in the pipeline. To be opened in phases, YOHO Mall, comprising Sun Yuen Long Centre, the retail portions of YOHO Midtown and Grand YOHO as well as the retail space of the recently acquired site above MTR Yuen Long Station, covers an area of about 1.1 million square feet. The retail space of YOHO Midtown has opened recently. Renovation of the adjacent Sun Yuen Long Centre will also be completed in late 2015. These two parts, which are fully let, will provide a retail space of over 500,000 square feet and house over 200 shops, including a variety of international eateries, some of which are entering northwest New Territories for the first time. The 470,000-square-foot retail space under Grand YOHO is scheduled to open in 2017. The site above MTR Yuen Long Station will provide an additional 107,000 square feet of retail area. YOHO Mall will feature leisure elements including 120,000 square feet of green space and an outdoor piazza to offer customers a relaxing shopping environment. Upon its full completion, YOHO Mall will represent the largest shopping destination in northwest New Territories, comparable to New Town Plaza in the east.

Following YOHO Mall, other upcoming additions to the Group's retail network will include PopWalk in Tseung Kwan O and Harbour North in North Point. To be developed in phases, PopWalk, beneath the Group's residential projects near MTR Tseung Kwan O Station, will have a total of over 240,000 square feet of retail space. Given its proximity and easy access to the MTR station and nearby properties, PopWalk is well positioned to capture the rising demand for shopping, entertainment and leisure in the expanding community. The first phase of PopWalk, with around 66,000 square feet of retail space, is scheduled to open in the second quarter of 2016 and the market response to pre-leasing has been encouraging.

Meanwhile, Harbour North situated right next to MTR North Point Station will house over 140,000 square feet of retail space with a diverse mix of tenants, targeting residents and people

working in the neighborhood as well as tourists. With a glamorous facade spanning 270 metres on Java Road, high quality tenants will be attracted and will help turn the street into a prosperous retail avenue. In addition, customers can enjoy al fresco dining along the 410-metre waterfront promenade with a panoramic view of Victoria Harbour. The project will be developed in two phases and is expected to further enhance the Group's rental income in the medium term. Apart from this, a premium shopping mall atop MTR Nam Cheong Station is also under development. Served by an extensive network, the mall will provide 300,000 square feet of retail space for residents in the vicinity and from the densely populated West Kowloon.

Office portfolio

During the year under review, modest rental growth and low vacancy rates were seen for grade-A offices in most areas of Hong Kong.

Situated in prime locations of various districts, the Group's ten-million-square-foot office space generated promising results for the year. Occupancy levels remained high, and steady growth in rental income was recorded. The Group's premium offices, located mainly along railway lines with quality buildings and professional property management, have always been the preferred choices for multinational corporations.

Leasing demand for premium office space in Central has been solid during the year amid limited new supply while occupancies at the world-renowned International Finance Centre (IFC) further picked up to almost fully let. As a prestigious address for international financial institutions in Hong Kong, IFC also saw strong demand from mainland financial institutions.

International Commerce Centre (ICC), above Airport Express Kowloon Station and next to the future Guangzhou-Shenzhen-Hong Kong Express Rail Link terminus, offers tenants unparalleled convenience. Rising demand from major financial institutions, including those from the mainland, has enabled spot rent at ICC to remain high. Strong rental reversions on new leases and renewals were recorded during the year.

The Group's office portfolio in other areas also performed well. With robust demand from both multinationals and local enterprises, occupancy of the Group's Millennium City cluster remained high, and positive rental reversions were achieved for the year. Other premium office space such as Sun Hung Kai Centre in Wan Chai, Grand Central Plaza in Sha Tin, and Metroplaza in Kwai Fong continued to attract quality tenants from diverse sectors with high occupancies during the year.

Property Business – Mainland

Land Bank

As at the end of June 2015, the Group's total land bank on the mainland amounted to 79.6 million square feet with about 68 million square feet of properties under development, over 60% of which will be high-end residences or serviced apartments. The remaining portion is earmarked for development into premium offices, shopping malls and hotels. In addition, the Group held 11.6 million square feet of completed investment properties, comprising mainly premium offices and shopping centres at prime locations in first-tier cities, including Shanghai, Beijing and Guangzhou.

In July this year, the Group reduced its stake from 80% to 50% in Oriental Bund, a large-scale integrated development in Foshan in Guangdong, with the aim of reallocating more resources, in particular human resources, to other projects in first-tier cities, including the Xujiahui Centre project in Shanghai. The Group's total land bank on the mainland stood at 71 million square feet following the disposal of related stakes. The Group will continue to seek business opportunities in first-tier cities.

Property Development

The mainland residential market was active amid a benign policy environment and growing buyer's confidence over the past few months. First-tier cities, in particular, witnessed a notable rebound in home sales with prices firming up while their land markets also entered the year on a positive note. Nevertheless, destocking remained the main theme in lower-tier cities, with relatively soft prices.

During the year, the Group achieved contracted sales of over HK\$5,800 million on the mainland in attributable terms. Major contributors included the wholly-owned Shanghai Arch in Lujiazui and Shanghai Cullinan on Middle Huaihai Road, as well as joint-venture projects Oriental Bund in Foshan and The Woodland in Zhongshan.

The Group always upholds the belief of Building Homes with Heart, and it has extended the application from Hong Kong to the mainland. The Group strives to exceed customer expectations by delivering premium products and services, and its dedication to building quality homes has been highly acclaimed by buyers.

During the period under review, a gross floor area of approximately seven million square feet was completed on the mainland. Investment properties to be kept for rental purposes accounted for 28% of the gross floor area while the rest are properties developed for sale.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Two ICC	288 South Shaanxi Road, Shanghai	Office	100	630,000
Hangzhou MIXC Phases 2A & B	Qianjiang New City, Hangzhou	Office/Shops	40	798,000
Foothill Residence	76 Shanhusa Road, Zhijiang, Hangzhou	Residential	40	781,000
Taihu International Community Phases 7A & B	Taihu New City, Wuxi	Residential/ Shopping Centre	40	1,177,000
Forest Hills Phases 1A & B	Linhe East Road, Tianhe, Guangzhou	Residential/Shops	70	651,000
Top Plaza	Zhujiang New Town, Guangzhou	Office	33.3	221,000
Parc Central	218 Tianhe Road, Guangzhou	Shopping Centre	50	431,000
Park Royale Phase 1B	1 Shiling Avenue East, Huadu, Guangzhou	Residential/Shops	100	1,072,000
Jovo Town Phase 2B	Shuangliu County, Chengdu	Residential	91	750,000
Sirius Phases 1B & C	Jinjiang District, Chengdu	Residential/Shops	40	429,000
Total				6,940,000

Property Investment

The Group's mainland investment property portfolio continued to expand and deliver satisfactory rental income growth. As at the end of June 2015, the completed investment property portfolio reached an attributable 11.6 million square feet, most of which is located in prime cities such as Shanghai and Beijing. For the year under review, gross rental income, including contributions from joint-venture projects, rose by 7% to HK\$3,319 million, mainly driven by positive rental reversions.

Investment properties in the pipeline, mostly located in first-tier cities, are expected to further drive growth momentum in rental income upon completion. An addition to be opened soon is the 50%-owned Parc Central, located on the bustling Tianhe Road in Guangzhou. Commanding a prime spot in the ever-busy Tianhe District, this 900,000-square-foot mall is well served by an extensive transport network and populous residential establishments in the neighborhood. The mall, offering a variety of international fashion brands and specialty

restaurants, will be opened in the first half of 2016. Response to pre-leasing has been encouraging.

Guangzhou is also home to the Group's 33.3%-owned IGC (International Grand City), a one-million-square-foot mall embedded in the central business district of Zhujiang New Town. Upon opening in 2016, IGC will house prominent affordable luxury retail brands, quality eateries and popular entertainment. Adjacent to Liede metro station and surrounded by premium offices, luxury hotels and high-end residences, IGC is well positioned as a one-stop mall for executives, business travellers and local families.

Complementing the Group's strong presence in Shanghai, the construction of the iconic Shanghai ICC integrated project in Puxi was finished during the year, marked by the completion of Two ICC office tower. Occupancy at One ICC office tower remained high as reputable international corporate tenants have been attracted to the project's prime location, high quality and top-notch property management services. Leasing at Two ICC is also progressing smoothly. The trendy and luxury shopping mall, IAPM, is now fully let and brings in various international brands and fine restaurants, some of which are new to Shanghai or the mainland. Both traffic flow and tenant sales have ramped up fast since opening two years ago.

Another flagship project, Shanghai IFC in Pudong, continued to perform well. Both office towers were fully occupied, mainly due to their advantageous location in the Lujiazui Finance and Trade Zone. The top-tier luxury Shanghai IFC Mall recorded healthy growth in both footfall and tenant sales. Internal renovation and construction work on external connections with nearby buildings are ongoing, aiming to provide customers with a better shopping experience and connectivity.

Besides Shanghai ICC and Shanghai IFC, the 100%-owned Xujiahui Centre project in Xuhui District will further bolster the Group's strong presence in Shanghai. With a total gross floor area of 7.6 million square feet, the Xujiahui Centre project will be developed into a complex consisting of premium offices, high-end shopping space and a luxury hotel. In addition to its direct linkage to Xujiahui metro station which serves as an interchange for three metro lines, footbridges will be built to connect the whole development as well as major properties in the neighbourhood. The extensive network is expected to draw a high traffic to this landmark project in Puxi. As a long-term investment, the project is expected to become a major growth driver for the Group's future rental income. Superstructure of Lot 1 located on Huashan Road is expected to be topped out by the end of 2015. Pre-leasing of its 330,000-square-foot shopping mall and 180,000-square-foot offices has already begun. Foundation works for Lot 2, which consists of 45,000 square feet of retail space and 319,000 square feet of office, have also commenced.

Located at the heart of Wangfujing, Beijing APM represents the Group's presence in the capital. Retail sales at the mall recorded healthy growth following the Group's initiatives to further boost the mall's performance through tenant mix refinements. Close to 30 new tenants were brought in during the year under review, and a new zone dedicated to affordable luxury brands will be

introduced to appeal to both locals and tourists. Sun Dong An Office Tower registered high occupancy and strong rental reversions.

The Group is also developing a number of integrated investment projects at prime locations in other key cities, including the 100%-owned Nanjing IFC. This integrated project consists of over three million square feet of gross floor area, comprising quality offices, a premium shopping mall and a luxury hotel. The project is being developed in phases and its construction has been progressing well. The gradual completion of these investment projects will become one of the key drivers for the Group's rental income.

Other Businesses

Hotel

Beginning in late 2014, the hotel industry in Hong Kong has been through an eventful year in the face of a number of headwinds, including a dip in visitor numbers and the strong US dollar which has eroded Hong Kong's price competitiveness.

During the period, the Group was able to sustain high full-year occupancy levels of its hotels in Hong Kong through proactively taking promotion and marketing initiatives, despite an operating environment that has become more challenging over the past few months. The four Royal Brand hotels continued to see occupancies stay at about 95% while the two hotels opened in recent years, Crowne Plaza Hong Kong Kowloon East and Holiday Inn Express Hong Kong Kowloon East, recorded further improvements in occupancies. The Group's deluxe hotels, including Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong, remained among the most sought-after hotels for high-spending tourists and business travellers. Hotels in the pipeline in Hong Kong will include a waterfront hotel in North Point which will be a part of the Group's integrated project featuring the Harbour North shopping mall and high-end residences, as well as a premium hotel in Sha Tin which will be the sister project of Royal Park Hotel.

The Ritz-Carlton Shanghai, Pudong continued to register notable growth in room rate and occupancy. With its prime location, sophisticated management and growing brand recognition on the mainland, the hotel has increasingly been a top pick for corporate clients and a favoured venue for glamorous wedding events, which also gave a boost to the hotel's food and beverage business.

Telecommunications and Information Technology

SmarTone

SmarTone's net profit showed impressive increase as a result of growth in both service revenue and handset sales during the year under review. Apart from renewing its existing 3G spectrum and acquiring an additional spectrum block for future business growth, SmarTone has further enhanced its mobile broadband capacity and 4G coverage. The company will continue to focus on quality network performance, premium customer care and innovative services in order to deliver a comprehensive experience to customers. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

With its data centre as the core business, SUNeVision performed well and recorded satisfactory profit growth during the year. The new high-tier data centre in Tseung Kwan O will comprise over 470,000 square feet of gross floor area in two towers. Foundation work has been completed while the main contractor for the superstructure work was appointed in July. The development progress of the data centre is on schedule and is slated for completion in 2017. Together with the existing centres in Chai Wan, Sha Tin and Tsuen Wan, the new centre will further help SUNeVision meet market demand for quality data centre services in terms of diversified locations and reliable building facilities. Meanwhile, SUNeVision will continue to maintain its position as a major carrier-neutral data centre service provider in Hong Kong.

Infrastructure and Other Businesses

The Group's transport and infrastructure businesses in Hong Kong performed satisfactorily for the year under review. Increasing demand for the convenience of business travel has meant a healthy performance for the Hong Kong Business Aviation Centre. Business at Route 3 (Country Park Section) continued to perform well while that of Wilson Group remained solid. Amid a relatively weak sea-freight market, the River Trade Terminal continued to strengthen its customer base and enhance its operational efficiency. The Airport Freight Forwarding Centre achieved rental income growth on the back of sustained demand for modern warehouse space.

Corporate Finance

Adhering to prudent financial management disciplines has been an important factor for the long-term success of the Group. The Group's strong financial position is reflected in its low net gearing ratio and high liquidity. As at the end of June 2015, the net debt to shareholders' funds ratio was at a low level of 11.2%, while the interest coverage ratio remained healthy at 9.3 times for the year under review.

By the end of August 2015, the Group had received cash proceeds of about HK\$14,500 million from the exercise of warrants. This served to replenish the Group's capital which was partly utilized for the land acquisition of the Xujiahui Centre project in the last financial year and to further enhance the Group's liquidity for its business development and expansion in the future.

With the strong support of the banking community, the Group has been able to procure an ample amount of unsecured bank facilities on a committed basis. In January 2015, the Group successfully self-arranged a five-year HK\$10,000 million syndicated loan facility to refinance part of its debts due, and to lengthen its maturity profile.

In recognition of its strong financial position and prudent financial discipline, the Group has been awarded the highest credit ratings among property companies in Hong Kong. Both Moody's and Standard & Poor's have affirmed the Group's A1 and A+ credit ratings respectively, with stable outlooks.

The majority of the Group's bank facilities are denominated in Hong Kong dollars, with the remaining portion mainly in US dollars and Renminbi. The Group does not have any exposure to derivatives or structured products for speculative purpose.

Corporate Governance

A commitment to high standards of corporate governance is one of the keys to the Group's continued success. The Group has a comprehensive set of mechanisms in place to ensure sound corporate governance practices.

The Board comprises 19 Directors who are respected experts from various industries with diversified expertise and experience. Seven of them are Independent Non-Executive Directors (INEDs). The Executive Committee meets regularly to set business policies and make key business decisions. Audit, Nomination and Remuneration Committees are also in place and chaired by INEDs. The Board maintains and consistently assesses the effectiveness of the internal control system by evaluating reviews performed by the Audit Committee, management and both internal and external auditors.

Maintaining effective two-way communication to promote better understanding and transparency is an important priority for the Group. During the year, the Group hosted overseas non-deal road shows in addition to regular meetings and conference calls, to keep stakeholders informed of its business strategies and latest developments. Other communication channels include annual and interim reports, press releases and formal announcements, all of which can also be found on the Company's website.

The Group's commitment to good corporate governance and quality management earned various major awards from leading financial magazines over the year, including Best Managed Company in the Real Estate/Property Sector in Asia from *Euromoney* magazine. It received recognitions for Best Investor Relations, Best Corporate Social Responsibility and Best Environmental Responsibility in Hong Kong from *Corporate Governance Asia* magazine. A Platinum Award in Financial Performance, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations was also earned from *The Asset* magazine.

Sustainable Development

The core of the Group's sustainable development principle is to build business for the long term while taking into consideration the social, environmental and economic impact of its planning and operation. Guided by the spirit of Building Homes with Heart, the Group's approach to sustainability manifests in its commitment to providing quality products and services, and the continuous development of staff. Additionally, the Group has adopted a three-pronged approach to fulfilling its corporate social responsibility (CSR), focusing on promoting reading and holistic development, supporting healthy and sustainable living, and caring for the underprivileged.

Notable among its comprehensive CSR programmes includes the title and charity sponsorship of an international cycling event organized by the Hong Kong Tourism Board, named the Sun Hung Kai Properties Hong Kong Cyclothon. Scheduled for October 2015, the event, together with the annual SHKP Vertical Run for Charity in December, is set to bring the Group's commitment to promoting healthy living and goodwill in the community to a new level. Proceeds from both events will go to worthy causes that provide assistance to the underprivileged. Support for the Group's other community activities, including the SHKP Reading Club, the Love Nature Campaign and the Building Homes with Heart Caring Initiative, has remained strong. These programmes are making significant contributions to the communities in which the Group operates.

The Group published the 2013/14 *SHKP Sustainability Report* in accordance with the G4 reporting guidelines (the international standard of the Global Reporting Initiative) as well as the *Environmental, Social and Governance Reporting Guide* issued by The Stock Exchange of Hong Kong Limited. The report also featured a new online data management system that expanded the reporting scope on key environmental metrics.

As a successful sustainability strategy calls for resilience over time, the Group is committed to extending its tradition of creating premium customer experience through quality products. This focus is of primary importance in a market where quality-related concerns, such as the hardware of buildings and later-stage maintenance, are key issues. The SHKP Quality Campaign, a group-wide and long-term initiative aimed at both policy and operations, helps establish the highest quality benchmarks for the Group. Through this campaign the Group became and remains the only developer offering three-year quality guarantees for newly sold residential units in Hong Kong. The Quality Raising Suggestion Scheme, which celebrated its 22nd anniversary, reinforced the Group's organizational focus on quality improvement for products and services.

The Group's view on quality extends beyond construction to comprehensive after-sales services. The property management subsidiaries Hong Yip and Kai Shing continue to offer premium customer care, while shopping malls and offices relentlessly strive to provide excellent shopping and commercial experiences. The Group's proactive approach to foster two-way communication has been successful in building long-term relationships with customers. The SHKP Club continued to build closer ties with its 350,000 members.

As a responsible employer, the Group's commitment to staff development not only contributes to the well-being of its employees but also improves their performance at work. The Group remained dedicated to offering training and development programmes to staff at all levels for continuous growth. The SHKP Quality Academy, a platform to bring in the best and brightest experts in various fields to help broaden and deepen the staff knowledge base, offers courses in diverse disciplines including architecture, construction, management and customer service.

PROSPECTS

Global economic conditions in the near term are likely to be challenging in view of the latest stock market volatility, worries over decelerating economic growth in emerging markets and possible US interest rate hikes. Nevertheless, the easing of monetary policies is expected to continue in major economies including the EU, Japan and China, lending support to the global economy. Meanwhile, geopolitical risks have diminished following significant improvements in foreign affairs in certain regions of political tensions.

For the mainland, the Group remains confident about the medium- to long-term outlook of its economy and the property market, despite a slowdown in its economic momentum and equity market volatility in the short term. The central government is pushing ahead with longer-term developmental plans. The recent One Belt One Road initiative is expected to enhance China's economic cooperation with its neighbouring countries and help Chinese enterprises develop new overseas markets. Continuous state-owned enterprises reforms, the establishment of the Silk Road Infrastructure Fund and the Asian Infrastructure Investment Bank will also serve as drivers for the mainland's economic development over time.

The Hong Kong economy is facing a challenging international financial market environment and weakening external demand in the near term, but over the medium term, the economy is expected to benefit from the mainland's favourable policies including Shanghai-Hong Kong Stock Connect and Mutual Recognition of Funds initiative. Furthermore, continuing income growth, positive demographic trends and reasonable home-mortgage repayment affordability, will also help maintain a healthy local residential market, particularly in the primary segment.

Over the past few years, the Group has been actively acquiring land in Hong Kong, and its residential production volume in attributable terms in the financial year 2015/16 will increase to over 3.8 million square feet, with a majority of the units already been pre-sold. The Group will continue to launch projects for sale when they are ready. Century Link II in Tung Chung is currently offered for sale with positive market response. In the coming months, major projects to be put onto the market in Hong Kong include Phase 1 of Grand YOHO in Yuen Long, Phase 1 of Park Vista in Yuen Long East, and residential units at Tseung Kwan O Town Lot No. 118. These projects are expected to offer satisfactory profit margins. Major mainland projects to be offered for sale will include quality office space at GCC (Guangzhou Commerce Centre) adjacent to the through-train station in Tianhe District in Guangzhou downtown, as well as a batch of new units at Shanghai Arch, Shanghai Cullinan and Oriental Bund in Foshan.

The Group will continue to strengthen the competitiveness of its rental portfolio through asset enhancement initiatives and tenant- and trade-mix refinements. The Group's future rental income is expected to achieve steady growth amid positive rental reversions, sustained high occupancies and new investment properties that are coming on stream. Over 1.7 million square feet of attributable retail space located in Hong Kong, Guangzhou and Shanghai are to be opened in the next two to three years.

In Hong Kong, the retail portion of YOHO Midtown, being part of the largest retail hub in northwest New Territories, has recently opened. Also, the first phase of PopWalk at the Group's residential enclave in Tseung Kwan O South will commence operation in the first quarter next year. Other shopping space in the pipeline will include a waterfront shopping mall, Harbour North, in North Point and a shopping centre beneath a large-scale residential development at MTR Nam Cheong Station.

On the mainland, two shopping malls in Guangzhou will be opened in 2016, namely Parc Central located in the core business centre in Guangzhou, and IGC as part of the integrated project Tianhui Plaza at Zhujiang New Town. Office towers and the shopping mall located at Lot 1 on Huashan Road of the mega Xujiahui Centre project in Shanghai is also likely to be completed in the financial year 2016/17. These, coupled with the gradual leasing of the subsequent phases of the Xujiahui Centre project, will further elevate the Group's role as an outstanding Hong Kong developer with a sizeable base of rental revenue on the mainland.

The Group will continue to strengthen its core businesses, namely property developments for sale, and investment properties for rental. With abundant cash flows supported by high asset turnover and steady growth in recurrent income, together with a robust balance sheet, healthy

gearing and capital raised from the exercise of warrants, the Group is well positioned to capitalize on land acquisition opportunities, particularly in Hong Kong. A selective approach will remain for business development on the mainland with a focus on first-tier cities. The Group will also strive to maintain its leading position in the market with its prestige branding strategy of premium products and services, while putting emphasis on cost efficiency in construction work.

The Group's results for the coming financial year are expected to be encouraging, barring unforeseen circumstances.

APPRECIATION

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

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 10 September 2015

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 2015 with comparative figures for 2014:-

Consolidated Income Statement For the year ended 30 June 2015

(Expressed in millions of Hong Kong dollars)

	Notes	2015	2014
Revenue	2(a)	66,783	75,100
Cost of sales		<u>(38,989)</u>	<u>(44,989)</u>
Gross profit		27,794	30,111
Other net income		594	1,009
Selling and marketing expenses		(3,269)	(3,761)
Administrative expenses		<u>(2,341)</u>	<u>(2,377)</u>
Operating profit before changes in fair value of investment properties	2(a)	22,778	24,982
Increase in fair value of investment properties		<u>10,987</u>	<u>12,131</u>
Operating profit after changes in fair value of investment properties		33,765	37,113
Finance costs		<u>(2,445)</u>	<u>(2,308)</u>
Finance income		265	258
Net finance costs	3	(2,180)	(2,050)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$2,174 million (2014: HK\$2,488 million)) of:			
Associates		<u>493</u>	426
Joint ventures		<u>5,057</u>	5,041
	2(a) & 6(b)	<u>5,550</u>	5,467
Profit before taxation	4	37,135	40,530
Taxation	5	<u>(4,771)</u>	<u>(6,195)</u>
Profit for the year	2(a)	<u>32,364</u>	<u>34,335</u>
Attributable to :			
Company's shareholders		31,082	33,520
Non-controlling interests		<u>1,282</u>	815
		<u>32,364</u>	<u>34,335</u>

(Expressed in Hong Kong dollars)

Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)

Basic	6(a)	<u>\$11.09</u>	<u>\$12.45</u>
Diluted		<u>\$10.98</u>	<u>\$12.43</u>
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		<u>\$7.07</u>	<u>\$7.95</u>
Diluted		<u>\$7.01</u>	<u>\$7.94</u>

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2015
(Expressed in millions of Hong Kong dollars)

	2015	2014
Profit for the year	<u>32,364</u>	<u>34,335</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translating financial statements of foreign operations	(49)	(755)
Fair value losses on cash flow hedge	(3)	-
Available-for-sale investments		
- fair value gains/(losses)	117	(100)
- fair value gains transferred to consolidated income statement on disposal	-	(233)
- deferred tax on fair value change	-	(1)
	117	(334)
Share of other comprehensive (expenses)/income of associates and joint ventures	(358)	29
Item that will not be reclassified to profit or loss:		
Share of other comprehensive (expenses)/income of an associate	(19)	118
Other comprehensive expenses for the year	<u>(312)</u>	<u>(942)</u>
Total comprehensive income for the year	<u><u>32,052</u></u>	<u><u>33,393</u></u>
Total comprehensive income for the year attributable to:		
Company's shareholders	30,772	32,640
Non-controlling interests	1,280	753
	<u><u>32,052</u></u>	<u><u>33,393</u></u>

Consolidated Statement of Financial Position
As at 30 June 2015

(Expressed in millions of Hong Kong dollars)

	Notes	2015	2014
Non-current assets			
Investment properties		309,205	277,640
Fixed assets		25,621	25,376
Associates		4,018	4,044
Joint ventures		52,957	49,545
Loan receivables		820	628
Other financial assets		3,210	2,899
Intangible assets		4,090	4,539
		<u>399,921</u>	<u>364,671</u>
Current assets			
Properties for sale		149,750	149,409
Inventories		294	299
Debtors, prepayments and others	7	20,690	23,394
Other financial assets		894	747
Bank deposits and cash		32,561	18,528
		<u>204,189</u>	<u>192,377</u>
Current liabilities			
Bank and other borrowings		(10,816)	(9,241)
Trade and other payables	8	(25,690)	(25,283)
Deposits received on sales of properties		(13,904)	(5,538)
Taxation		(7,323)	(6,493)
		<u>(57,733)</u>	<u>(46,555)</u>
Net current assets		<u>146,456</u>	<u>145,822</u>
Total assets less current liabilities		<u>546,377</u>	<u>510,493</u>
Non-current liabilities			
Bank and other borrowings		(72,316)	(74,490)
Deferred taxation		(16,824)	(15,753)
Other long-term liabilities		(419)	(561)
		<u>(89,559)</u>	<u>(90,804)</u>
NET ASSETS		<u>456,818</u>	<u>419,689</u>
CAPITAL AND RESERVES			
Share capital		68,451	53,464
Reserves		382,575	361,319
Shareholders' funds		<u>451,026</u>	<u>414,783</u>
Non-controlling interests		<u>5,792</u>	<u>4,906</u>
TOTAL EQUITY		<u>456,818</u>	<u>419,689</u>

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation and Principal Accounting Policies

(a) Basis of preparation

The financial information relating to the years ended 30 June 2015 and 2014 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2014 to the Registrar of Companies and will deliver the consolidated financial statements for the year ended 30 June 2015 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance (Cap. 622) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements. The consolidated financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value.

The accounting policies adopted are consistent with those set out in the annual consolidated financial statements for the year ended 30 June 2014, 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 amendments and interpretation 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 2014.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined benefit plans : employee contributions
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
HK(IFRIC)-Int 21	Levies

The adoption of the above new HKFRSs has had 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 and amendments which are not yet effective for the year. These include the following which may be relevant to the Group.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization ¹
Amendments to HKAS 27	Equity method in separate financial statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception ¹
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations ¹
HKFRS 9	Financial instruments ³
HKFRS 15	Revenue from contracts with customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

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

2. Segment Information

Segment revenue and results are measured without allocation of central administration costs, other net income, net finance costs and changes in fair value of investment properties, which are reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

(a) Segment revenue and results

An analysis of the revenue and results for the year of the Group and its share of associates and joint ventures by reportable and operating segments is as follows:

For the year ended 30 June 2015

	The Company and its subsidiaries		Associates and joint ventures		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	11,067	4,446	186	125	11,253	4,571
Mainland China	6,609	1,672	3,842	1,092	10,451	2,764
Singapore	-	-	-	(3)	-	(3)
	17,676	6,118	4,028	1,214	21,704	7,332
Property rental						
Hong Kong	12,910	9,975	2,765	2,324	15,675	12,299
Mainland China	3,143	2,456	176	64	3,319	2,520
Singapore	-	-	687	533	687	533
	16,053	12,431	3,628	2,921	19,681	15,352
Hotel operation	4,136	1,058	702	235	4,838	1,293
Telecommunications	18,659	1,251	-	-	18,659	1,251
Transport infrastructure and logistics	3,549	1,137	2,870	308	6,419	1,445
Other businesses	6,710	1,501	471	72	7,181	1,573
	<u>66,783</u>	<u>23,496</u>	<u>11,699</u>	<u>4,750</u>	<u>78,482</u>	<u>28,246</u>
Other net income		594		79		673
Unallocated administrative expenses		(1,312)		-		(1,312)
Operating profit before changes in fair value of investment properties		22,778		4,829		27,607
Increase in fair value of investment properties		10,987		2,290		13,277
Operating profit after changes in fair value of investment properties		33,765		7,119		40,884
Net finance costs		(2,180)		(297)		(2,477)
Profit before taxation		31,585		6,822		38,407
Taxation						
- Group		(4,771)		-		(4,771)
- Associates		-		(45)		(45)
- Joint ventures		-		(1,227)		(1,227)
Profit for the year		<u>26,814</u>		<u>5,550</u>		<u>32,364</u>

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
Transport 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
	<u>75,100</u>	<u>25,339</u>	<u>10,098</u>	<u>4,212</u>	<u>85,198</u>	<u>29,551</u>
Other net income		1,009		-		1,009
Unallocated administrative expenses		(1,366)		-		(1,366)
Operating profit before changes 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 changes 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		<u>28,868</u>		<u>5,467</u>		<u>34,335</u>

Results from property sales include selling and marketing expenses of HK\$593 million (2014: HK\$180 million) and HK\$44 million (2014: HK\$158 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively. The corresponding property sales revenue is recognized in subsequent financial years upon completion.

Other businesses comprise revenue and profit derived from other activities including property management, construction, mortgage and other loan financing, data centre facilities and department store.

Other net income includes mainly 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:

	2015	2014
Hong Kong	55,645	63,761
Mainland China	10,280	10,585
Others	858	754
	<u>66,783</u>	<u>75,100</u>

3. Net Finance Costs

	2015	2014
Interest expenses	2,717	2,517
Notional non-cash interest accretion	67	81
Less : Amount capitalized	(339)	(290)
	<u>2,445</u>	<u>2,308</u>
Interest income on bank deposits	(265)	(258)
	<u>2,180</u>	<u>2,050</u>

4. Profit before Taxation

	2015	2014
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	9,836	21,648
Cost of inventories sold	13,719	8,557
Depreciation and amortization	1,523	1,476
Amortization of intangible assets (included in cost of sales)	449	402
Operating lease rentals for land and buildings, assets transmission sites and leased lines	1,447	1,399
Staff costs (including directors' emoluments and retirement schemes contributions)	6,626	6,162
Share-based payments	12	18
Auditors' remuneration	22	21
Loss on disposal of financial assets at fair value through profit or loss	9	-
Impairment loss of available-for-sale investments	5	-
Loss on disposal of fixed assets	23	-
and crediting:		
Dividend income from listed and unlisted investments	113	123
Interest income from listed and unlisted debt securities	62	71
Profit on disposal of available-for-sale investments	60	238
Profit on disposal of financial assets at fair value through profit or loss	-	3
Fair value gains on financial assets at fair value through profit or loss	91	69
Profit on disposal of fixed assets	-	8

5. Taxation

	2015	2014
Current taxation		
Hong Kong profits tax	2,952	2,760
Under provision in prior years	5	248
	<u>2,957</u>	<u>3,008</u>
Tax outside Hong Kong	746	1,168
Over provision in prior years	-	(2)
	<u>746</u>	<u>1,166</u>
	<u>3,703</u>	<u>4,174</u>
Deferred taxation charge		
Changes in fair value of investment properties	754	1,633
Other origination and reversal of temporary differences	314	388
	<u>1,068</u>	<u>2,021</u>
	<u>4,771</u>	<u>6,195</u>

Hong Kong profits tax is provided at the rate of 16.5% (2014: 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\$31,082 million (2014: HK\$33,520 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,803,709,401 (2014: 2,692,992,879). The diluted earnings per share is based on 2,829,858,793 (2014: 2,696,619,283) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 26,149,392 (2014: 3,626,404) 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\$19,825 million (2014: HK\$21,415 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2015	2014
Profit attributable to the Company's shareholders as shown in the consolidated income statement	<u>31,082</u>	<u>33,520</u>
Increase in fair value of investment properties	(10,987)	(12,131)
Effect of corresponding deferred tax charges	754	1,633
Fair value gains realized on disposal of investment properties net of deferred tax		
- Subsidiaries	982	733
- Associates and joint ventures	111	-
Share of results of associates and joint ventures		
- fair value gains of investment properties	(2,290)	(2,228)
- effect of corresponding deferred tax charges/(credit)	<u>116</u>	<u>(260)</u>
	<u>(11,314)</u>	<u>(12,253)</u>
Non-controlling interests	<u>57</u>	<u>148</u>
Net effect of changes in the valuation of investment properties	<u>(11,257)</u>	<u>(12,105)</u>
Underlying profit attributable to the Company's shareholders	<u><u>19,825</u></u>	<u><u>21,415</u></u>

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\$8,748 million (2014: HK\$10,879 million), of which 87% (2014: 92%) are aged less than 60 days, 1% (2014: 1%) between 61 to 90 days and 12% (2014: 7%) more than 90 days.

8. Trade and Other Payables

Included in trade and other payables of the Group are trade creditors of HK\$2,385 million (2014: HK\$2,289 million), of which 79% (2014: 78%) are aged less than 60 days, 2% (2014: 2%) between 61 to 90 days and 19% (2014: 20%) more than 90 days.

FINANCIAL REVIEW

Review of Operating Results

Profit attributable to the Company's shareholders for the year ended 30 June 2015 was HK\$31,082 million, a decrease of HK\$2,438 million or 7.3% compared to HK\$33,520 million for the last year. The decrease in reported profit was due to lower investment property valuation surplus and profit from property sales. The Group has recognized in the consolidated profit and loss account for the year an increase of HK\$10,987 million (2014: HK\$12,131 million) in fair value of its investment properties (before related deferred taxation and non-controlling interests) and a share of an increase of HK\$2,290 million (2014: HK\$2,228 million) in fair value of investment properties held by its joint ventures and associates.

Underlying profit attributable to the Company's shareholders for the year ended 30 June 2015, excluding the net effect of fair value changes on investment properties, was HK\$19,825 million, a decrease of HK\$1,590 million or 7.4% compared to HK\$21,415 million for the last year. The decrease in underlying profit was attributable to lower profit contributions from property sales in Hong Kong.

Profit from property sales for the year, including share of profit from joint ventures and associates, amounted to HK\$7,332 million, decreased by HK\$3,179 million compared to HK\$10,511 million for the last year. Profit from property sales in Hong Kong decreased by HK\$2,997 million from HK\$7,568 million to HK\$4,571 million. The decrease reflects fewer residential development projects completed during the year. Profit for the Hong Kong projects for the year was contributed mainly by W50, One Harbour Square, Twelve Peaks, The Cullinan, Mount One and Deauville. Profit from property sales in the Mainland decreased by HK\$151 million from HK\$2,915 million to HK\$2,764 million. Profit for the Mainland projects for the year was contributed mostly by Forest Hills Phase 1A & 1B, Tianhui Plaza Phase 2A, Shanghai Arch Phase 1, Hangzhou MIXC Phase 2A & 2B and Park Royale Phase 1B. At the balance sheet date, the Group had contracted property sales of HK\$26,795 million attributable to the Group but not yet recognized, of which HK\$21,480 million was derived from the presale of residential units for Hong Kong development projects including Century Link (first phase) in Tung Chung, The Wings IIIA and IIIB in Tseung Kwan O, Ultima in Ho Man Tin and Imperial Kennedy in Hong Kong Island.

Net rental income for the year, including contributions from joint ventures and associates, increased 7.6% or HK\$1,080 million to HK\$15,352 million. The increase reflects positive rental reversions and higher rents for new leases. Net rental income from the Group's Hong Kong and Mainland rental portfolio amounted to HK\$12,299 million and HK\$2,520 million, which increased over the last year by 7.6% and 9.7%, respectively.

Smartone reported an operating profit of HK\$1,251 million, increased by HK\$462 million or 58.6% over the last year, mainly driven by higher profit contribution from handset sales business and growth in mobile service revenue.

The Group's hotel operations (including share of joint ventures) contributed an operating profit of HK\$1,293 million, increased slightly by HK\$41 million or 3.3% over the last year. The Hong Kong hotel industry is facing tough challenges in the first six months of 2015, with a visibly slowdown in tourist arrivals, weaker tourist spending and keen competition in hotel room rates. The Group will continue to adopt proactive measures to improve efficiency and optimize earnings amid the challenging operating environment.

The Group's transport infrastructure and logistics businesses (including share of joint ventures and associates) continued to improve, contributing HK\$1,445 million in operating profit, an increase of 13.1% over the last year. The Group's other businesses (including share of joint ventures), comprising mainly property management, data centre business operated by SUNeVision and department store operation, have been growing steadily with operating profit increased by 8.6% to HK\$1,573 million.

Financial Resources and Liquidity

(a) Net debt and gearing

As at 30 June 2015, the Company's shareholders' funds increased by HK\$36,243 million to HK\$451,026 million or HK\$156.8 per share from HK\$414,783 million or HK\$152.2 per share at the previous year end. The increase was contributed by underlying results for the year, revaluation gains from investment properties as well as an increase in the Company's share capital in the amount of HK\$14,987 million associated mostly with shares issued on exercise of warrants.

The Group's financial position remains strong with a low debt leverage and strong interest cover. Gearing ratio as at 30 June 2015, calculated on the basis of net debt to Company's shareholders' funds, was 11.2% compared to 15.7% as at 30 June 2014. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 9.3 times compared to 11.1 times for the previous year.

As at 30 June 2015, the Group's gross borrowings totalled HK\$83,132 million. Net debt, after deducting bank deposits and cash of HK\$32,561 million, amounted to HK\$50,571 million, a decrease of HK\$14,632 million since 30 June 2014. The maturity profile of the Group's gross borrowings is set out as follows:

	30 June 2015 <i>HK\$ Million</i>	30 June 2014 <i>HK\$ Million</i>
Repayable:		
Within one year	10,816	9,241
After one year but within two years	17,415	10,086
After two years but within five years	29,563	30,794
After five years	25,338	33,610
Total bank and other borrowings	83,132	83,731
Bank deposits and cash	32,561	18,528
Net debt	50,571	65,203

The Group has also procured substantial undrawn committed 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 2015, about 79% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 21% 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 2015, about 62% 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 14% in Renminbi for financing the construction cost of property projects on the Mainland. All land acquisition costs for the Mainland projects are financed by capital injection funded by the Group's equity and internally generated funds.

As at 30 June 2015, 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 2015, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK\$4,023 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in notional principal amount of HK\$181 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 2015, about 80% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 19% in Renminbi and 1% in US dollars.

Charges of Assets

As at 30 June 2015, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$7 million, were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK\$2,877 million have been charged as security for bank borrowings. Except for the above charges, all the Group's assets are free from any encumbrances.

Contingent Liabilities

As at 30 June 2015, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK\$702 million (30 June 2014: HK\$939 million).

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 30 June 2015, the Group employed close to 37,000 employees. The related employees' costs before reimbursements for the year amounted to approximately HK\$9,340 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 which is same as that 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 (2014: HK\$2.40 per share) for the year ended 30 June 2015. Including the interim dividend of HK\$0.95 per share paid on 24 March 2015, the total dividend for the year ended 30 June 2015 amounts to HK\$3.35 per share (2014: HK\$3.35 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the “2015 Annual General Meeting”), will be payable on Thursday, 26 November 2015 to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company (the “Register of Members”) on Wednesday, 18 November 2015. Shares of the Company will be traded ex-dividend as from Monday, 16 November 2015.

ANNUAL GENERAL MEETING

The 2015 Annual General Meeting will be held on Thursday, 12 November 2015 and the Notice of 2015 Annual General Meeting will be published and despatched to the Shareholders and the warrant holders of the Company (the “Warrant holders”) in due course.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS

- (1) For the purpose of ascertaining Shareholders’ entitlement to attend and vote at the 2015 Annual General Meeting, the Register of Members will be closed from Monday, 9 November 2015 to Thursday, 12 November 2015, 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 2015 Annual General Meeting,
 - (i) Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the “Share Transfer Documents”) for registration not later than 4:30 p.m. on Friday, 6 November 2015; and
 - (ii) Warrant holders must lodge all subscription forms accompanied by the relevant warrant certificates and exercise moneys (together the “Warrant Exercise Documents”) for registration not later than 4:30 p.m. on Monday, 2 November 2015.

- (2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members and the register of Warranholders will be closed on Wednesday, 18 November 2015, during which 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) Shareholders must lodge the Share Transfer Documents for registration not later than 4:30 p.m. on Tuesday, 17 November 2015; and
 - (ii) Warranholders must lodge the Warrant Exercise Documents for registration not later than 4:30 p.m. on Wednesday, 11 November 2015.

The Share Transfer Documents and the Warrant Exercise Documents shall be lodged for registration with Computershare Hong Kong Investor Services Limited, which also acts as the registrar maintaining the register of Warranholders, at 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 2015.

AUDIT COMMITTEE

The annual results for the year ended 30 June 2015 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 it has issued an unmodified opinion.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 30 June 2015, 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 there is no separation of the roles of chairman and chief executive as required under Code Provision A.2.1. However, the powers and authorities had not been concentrated as, during the period from 1 July 2014 to 18 December 2014, the responsibilities were shared by two individuals, namely the then 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

In order to bring the articles of association of the Company (the “Articles of Association”) in line with the Companies Ordinance which came into force in March 2014, a special resolution (the “Special Resolution”) will be proposed at the 2015 Annual General Meeting for the Shareholders to consider and, if thought fit, approve the adoption of the new Articles of Association.

Details of the Special Resolution and a summary of major areas of amendments to the existing Articles of Association will be set out in a circular to be issued by the Company. Such circular will be sent, together with the 2014/15 annual report, to the Shareholders and Warrantholders.

ANNUAL REPORT

The 2014/15 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 will be sent to the Shareholders and Warrantholders before the end of October 2015.

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

Hong Kong, 10 September 2015

As at the date hereof, the Board comprises eight Executive Directors, being 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), KWOK Kai-fai, Adam, KWONG Chun, CHAN Kwok-wai, Patrick (Chief Financial Officer), TUNG Chi-ho, Eric and FUNG Yuk-lun, Allen; four Non-Executive Directors, being LEE Chau-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.