

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

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
		<u>364,671</u>	<u>344,284</u>
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
		<u>192,377</u>	<u>168,612</u>
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)
		<u>(46,555)</u>	<u>(51,317)</u>
Net current assets		<u>145,822</u>	<u>117,295</u>
Total assets less current liabilities		<u>510,493</u>	<u>461,579</u>
Non-current liabilities			
Bank and other borrowings		(74,490)	(56,570)
Deferred taxation		(15,753)	(13,803)
Other long-term liabilities		(561)	(677)
		<u>(90,804)</u>	<u>(71,050)</u>
NET ASSETS		<u>419,689</u>	<u>390,529</u>
CAPITAL AND RESERVES			
Share capital		53,464	1,335
Share premium		-	46,880
Reserves		361,319	337,697
Shareholders' funds		<u>414,783</u>	<u>385,912</u>
Non-controlling interests		<u>4,906</u>	<u>4,617</u>
TOTAL EQUITY		<u>419,689</u>	<u>390,529</u>

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		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	26,463	7,331	593	237	27,056	7,568
Mainland China	7,144	2,348	2,072	567	9,216	2,915
Singapore	-	-	58	28	58	28
	33,607	9,679	2,723	832	36,330	10,511
Property rental						
Hong Kong	12,015	9,215	2,658	2,213	14,673	11,428
Mainland China	2,962	2,198	151	100	3,113	2,298
Singapore	-	-	703	546	703	546
	14,977	11,413	3,512	2,859	18,489	14,272
Hotel operation	3,930	1,026	680	226	4,610	1,252
Telecommunications	13,244	789	-	-	13,244	789
Transportation, infrastructure and logistics	3,507	1,080	2,785	198	6,292	1,278
Other businesses	5,835	1,352	398	97	6,233	1,449
	<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 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		<u>28,868</u>		<u>5,467</u>		<u>34,335</u>

For the year ended 30 June 2013

	The Company and its subsidiaries		Associates and joint ventures		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	15,561	6,124	761	320	16,322	6,444
Mainland China	866	(291)	2,744	964	3,610	673
Singapore	-	-	128	73	128	73
	16,427	5,833	3,633	1,357	20,060	7,190
Property rental						
Hong Kong	10,821	8,211	2,468	2,038	13,289	10,249
Mainland China	1,929	1,377	138	90	2,067	1,467
Singapore	-	-	663	520	663	520
	12,750	9,588	3,269	2,648	16,019	12,236
Hotel operation	3,383	727	654	210	4,037	937
Telecommunications	12,067	1,136	-	-	12,067	1,136
Transportation, infrastructure and logistics	3,475	988	2,678	162	6,153	1,150
Other businesses	5,691	1,175	289	78	5,980	1,253
	<u>53,793</u>	<u>19,447</u>	<u>10,523</u>	<u>4,455</u>	<u>64,316</u>	<u>23,902</u>
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		<u>33,258</u>		<u>7,689</u>		<u>40,947</u>

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
	<u>75,100</u>	<u>53,793</u>

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
	<u>2,517</u>	<u>2,344</u>
Notional non-cash interest accretion	81	93
Less : Amount capitalized	(290)	(416)
	<u>2,308</u>	<u>2,021</u>
Interest income on bank deposits	(258)	(134)
	<u>2,050</u>	<u>1,887</u>

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)
	<u>3,008</u>	<u>2,018</u>
 Tax outside Hong Kong	 1,168	 233
Over provision in prior years	(2)	(2)
	<u>1,166</u>	<u>231</u>
	<u>4,174</u>	<u>2,249</u>
Deferred taxation charge		
Change in fair value of investment properties	1,633	385
Other origination and reversal of temporary differences	388	708
	<u>2,021</u>	<u>1,093</u>
	<u>6,195</u>	<u>3,342</u>

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	<u>33,520</u>	<u>40,329</u>
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	<u>(260)</u>	<u>316</u>
	(12,253)	(21,752)
Non-controlling interests	<u>148</u>	<u>42</u>
Net effect of changes in the valuation of investment properties	<u>(12,105)</u>	<u>(21,710)</u>
Underlying profit attributable to the Company's shareholders	<u>21,415</u>	<u>18,619</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\$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 <i>HK\$ Million</i>	30 June 2013 <i>HK\$ Million</i>
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 warrant holders 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 warrant holders 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-uen, 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.