



SUN HUNG KAI PROPERTIES LIMITED

2012/13

Annual Report

Stock Code : 16

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Board of Directors and Committees

Board of Directors

Executive Directors

Kwok Ping-kwong, Thomas (*Chairman & Managing Director*)
Kwok Ping-luen, Raymond (*Chairman & Managing Director*)
Wong Chik-wing, Mike (*Deputy Managing Director*)
Lui Ting, Victor (*Deputy Managing Director*)
Chan Kui-yuen, Thomas
Kwong Chun
Chan Kwok-wai, Patrick (*Chief Financial Officer*)
Kwok Kai-fai, Adam (*Alternate Director to Kwok Ping-kwong, Thomas*)
Kwok Ho-lai, Edward (*Alternate Director to Kwok Ping-luen, Raymond*)

Non-Executive Directors

Lee Shau-kee (*Vice Chairman*)
Kwok Ping-sheung, Walter
Woo Po-shing
Kwan Cheuk-yin, William
Wong Yick-kam, Michael
Woo Ka-biu, Jackson (*Alternate Director to Woo Po-shing*)

Independent Non-Executive Directors

Yip Dicky Peter
Wong Yue-chim, Richard
Li Ka-cheung, Eric
Fung Kwok-lun, William
Leung Nai-pang, Norman
Leung Kui-king, Donald
Leung Ko May-yee, Margaret

Committees

Executive Committee

Kwok Ping-kwong, Thomas
Kwok Ping-luen, Raymond
Wong Chik-wing, Mike
Lui Ting, Victor
Chan Kui-yuen, Thomas
Kwong Chun
Chan Kwok-wai, Patrick
So Chung-keung, Alfred
Tung Chi-ho, Eric
Chow Kwok-yin, Eric
Wong Chin-wah, Jimmy
Yung Sheung-tat, Sandy

Audit Committee

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

Remuneration Committee

Wong Yue-chim, Richard*
Li Ka-cheung, Eric
Kwan Cheuk-yin, William
Leung Nai-pang, Norman

Nomination Committee

Wong Yue-chim, Richard*
Kwan Cheuk-yin, William
Yip Dicky Peter
Leung Nai-pang, Norman

* *Committee Chairman*

Corporate Information and Information for Shareholders

Corporate Information

Company Secretary

Yung Sheung-tat, Sandy

Auditor

Deloitte Touche Tohmatsu

Registered Office

45th Floor, Sun Hung Kai Centre
30 Harbour Road
Hong Kong
Telephone : (852) 2827 8111
Facsimile : (852) 2827 2862
Website : www.shkp.com
E-mail : shkp@shkp.com

Share Registrar

Computershare Hong Kong
Investor Services Limited
Shop Nos. 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Solicitors

Woo, Kwan, Lee & Lo
Mayer Brown JSM
Winston Chu & Company
Clifford Chance

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of Tokyo – Mitsubishi UFJ, Ltd.
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Bank of Communications Co., Ltd.
United Overseas Bank Limited
Industrial and Commercial Bank of China Limited
Hang Seng Bank Limited
Agricultural Bank of China Limited

Information for Shareholders

Share Listing

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

Stock Code

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

Investor Relations Contact

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

Financial Calendar for 2012/13

Interim results announcement : 28 February 2013
Interim dividend paid : 25 April 2013
Annual results announcement : 12 September 2013
Closure of register of members¹ : 11 to 14 November 2013
(both days inclusive)
Annual general meeting : 14 November 2013
Closure of register of members² : 20 to 22 November 2013
(both days inclusive)
Final dividend payable : on or about 19 December 2013

Notes:

1. For the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting.
2. For the purpose of ascertaining shareholders' entitlement to the proposed final dividend.

Choice of Language or Means of Receipt of Corporate Communications

This annual report is now available in printed form in English and in Chinese, and on the website of the Company.

If (i) shareholders, who have received or chosen to receive printed copies of this annual report in English or in Chinese, wish to receive the same in the other language; or (ii) shareholders, who have received or chosen to receive or are deemed to have consented to receive this annual report by electronic means, wish to receive printed copies; or (iii) shareholders for any reason have difficulty in receiving or gaining access to this annual report on the Company's website, they may obtain printed copies free of charge by sending a request to the Company c/o the Share Registrar, Computershare Hong Kong Investor Services Limited, by post to 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at shkp@computershare.com.hk.

For shareholders who wish to change their choice of language or means of receipt of the Company's future corporate communications free of charge, they may at any time notify the Company by giving reasonable notice (of not less than 7 days) to the Company c/o the Share Registrar by post or by email or by completing and returning the accompanying Change Request Form.

Financial Highlights and Land Bank

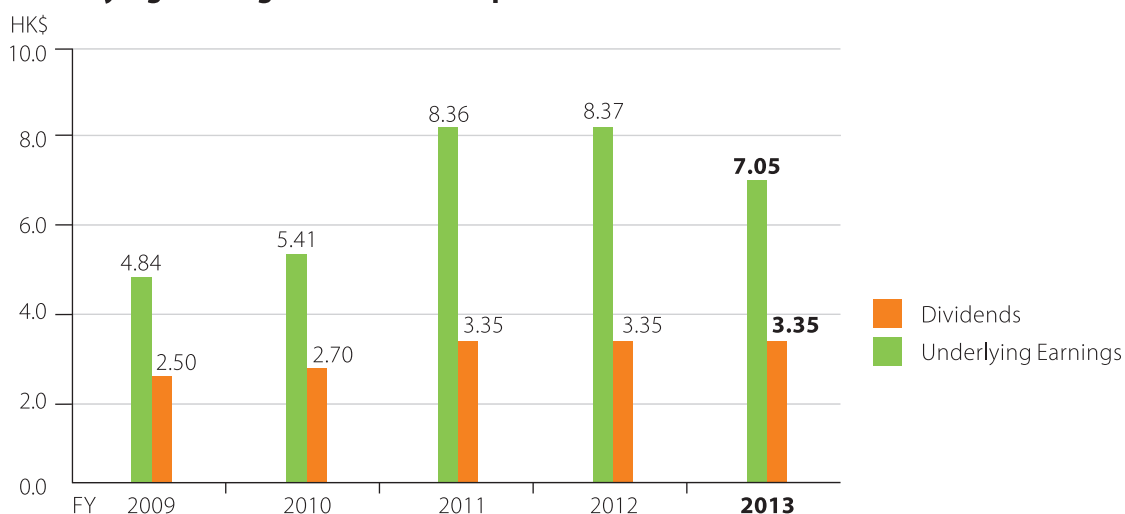
For the year ended 30 June	2013	2012	Change (%)
Financial Highlights (HK\$ million)			
Revenue	53,793	68,400	-21.4
Profit attributable to the Company's shareholders			
– Reported	40,329	43,080	-6.4
– Underlying ¹	18,619	21,678	-14.1
Gross rental income ²	16,019	14,444	+10.9
Net rental income ²	12,236	11,069	+10.5
Financial Ratios			
Net debt to shareholders' funds (%)	12.5	16.4	-3.9 ³
Dividend payout (%)	47.5	40.0	+7.5 ³
Financial Information per Share (HK\$)			
Earnings per share for profit attributable to the Company's shareholders			
– Reported	15.28	16.63	-8.1
– Underlying	7.05	8.37	-15.8
Dividends			
– Interim dividend	0.95	0.95	–
– Final dividend	2.40	2.40	–
– Full-year dividend	3.35	3.35	–
Shareholders' funds	144.48	132.49	+9.0
Land Bank in Hong Kong (gross floor area in million square feet)			
Properties under development ⁴	18.0	18.1	-0.6
Completed investment properties ⁶	28.6	28.5	+0.4
Total	46.6	46.6	–
Land Bank on the mainland (gross floor area in million square feet)			
Properties under development ⁵	71.6	74.4	-3.8
Completed investment properties ⁶	9.5	9.4	+1.1
Total	81.1	83.8	-3.2

Notes:

- Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties
- Including contributions from jointly controlled entities and associates
- Change in percentage points, dividend payout based upon underlying profit
- Excluding 232,000 square feet of gross floor area from a project acquired after the financial year end and over 27 million square feet of farmland in terms of site area
- Excluding 7.6 million square feet of gross floor area from a project acquired after the financial year end
- The Group has a 50% stake in a premium 950,000-square-foot shopping mall in Singapore in addition to property holdings in Hong Kong and on the mainland

Financial Highlights and Land Bank

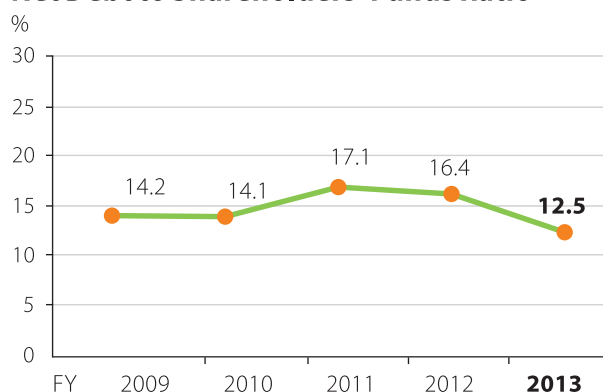
Underlying Earnings and Dividends per Share



Shareholders' Funds per Share[#]

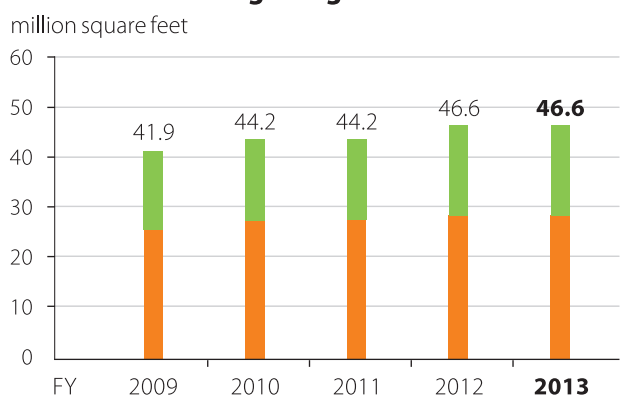


Net Debt to Shareholders' Funds Ratio[#]



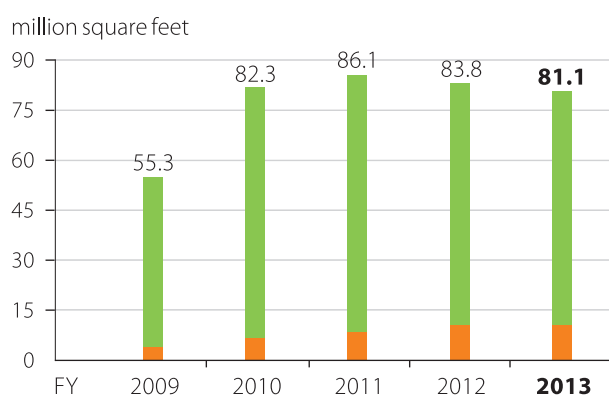
[#] Comparative figures for FY 2009–2010 were restated for the early adoption of HKAS 12 (Amendments)

Land Bank in Hong Kong



Properties Under Development

Land Bank on the Mainland



Completed Investment Properties

Group Financial Summary

Key Financial Information and Ratios

Financial year	2013 HK\$	2012 HK\$	2011 HK\$	(Restated) ¹	
				2010 HK\$	2009 HK\$
Reported earnings per share	15.28	16.63	18.71	11.71	3.89
Underlying earnings per share	7.05	8.37	8.36	5.41	4.84
Dividends per share	3.35	3.35	3.35	2.70	2.50
Shareholders' funds at book value per share	144.48	132.49	119.44	102.42	92.98
Net debt / Shareholders' funds (%)	12.5	16.4	17.1	14.1	14.2
Interest cover (times) ²	8.7	13.7	18.3	17.6	14.9

Key Income Statement Items

For the year ended 30 June	2013 HK\$M	2012 HK\$M	2011 HK\$M	(Restated) ¹	
				2010 HK\$M	2009 HK\$M
Revenue	53,793	68,400	62,553	33,211	34,234
Operating profit before change in fair value of investment properties	19,300	24,988	21,366	13,842	13,983
Operating profit after change in fair value of investment properties	38,487	44,470	46,436	30,311	11,329
Profit attributable to the Company's shareholders	40,329	43,080	48,097	30,039	9,984
Underlying profit attributable to the Company's shareholders ³	18,619	21,678	21,479	13,883	12,415

Key Statement of Financial Position Items

As at 30 June	2013 HK\$M	2012 HK\$M	2011 HK\$M	(Restated) ¹	
				2010 HK\$M	2009 HK\$M
Investment properties and fixed assets	281,637	252,458	230,759	200,826	180,205
Associates and jointly controlled entities	53,534	49,515	41,935	35,826	31,775
Other financial assets and loans	4,176	4,109	3,637	3,900	3,418
Intangible assets	4,937	4,699	5,049	4,357	4,647
Net current assets	117,295	114,862	93,017	65,170	68,615
Non-current liabilities	(71,050)	(74,684)	(62,202)	(42,054)	(45,595)
Net assets	390,529	350,959	312,195	268,025	243,065
Share capital	1,335	1,308	1,285	1,285	1,282
Share premium and reserves	384,577	345,251	305,680	261,936	237,117
Shareholders' funds	385,912	346,559	306,965	263,221	238,399
Non-controlling interests	4,617	4,400	5,230	4,804	4,666
Total Equity	390,529	350,959	312,195	268,025	243,065

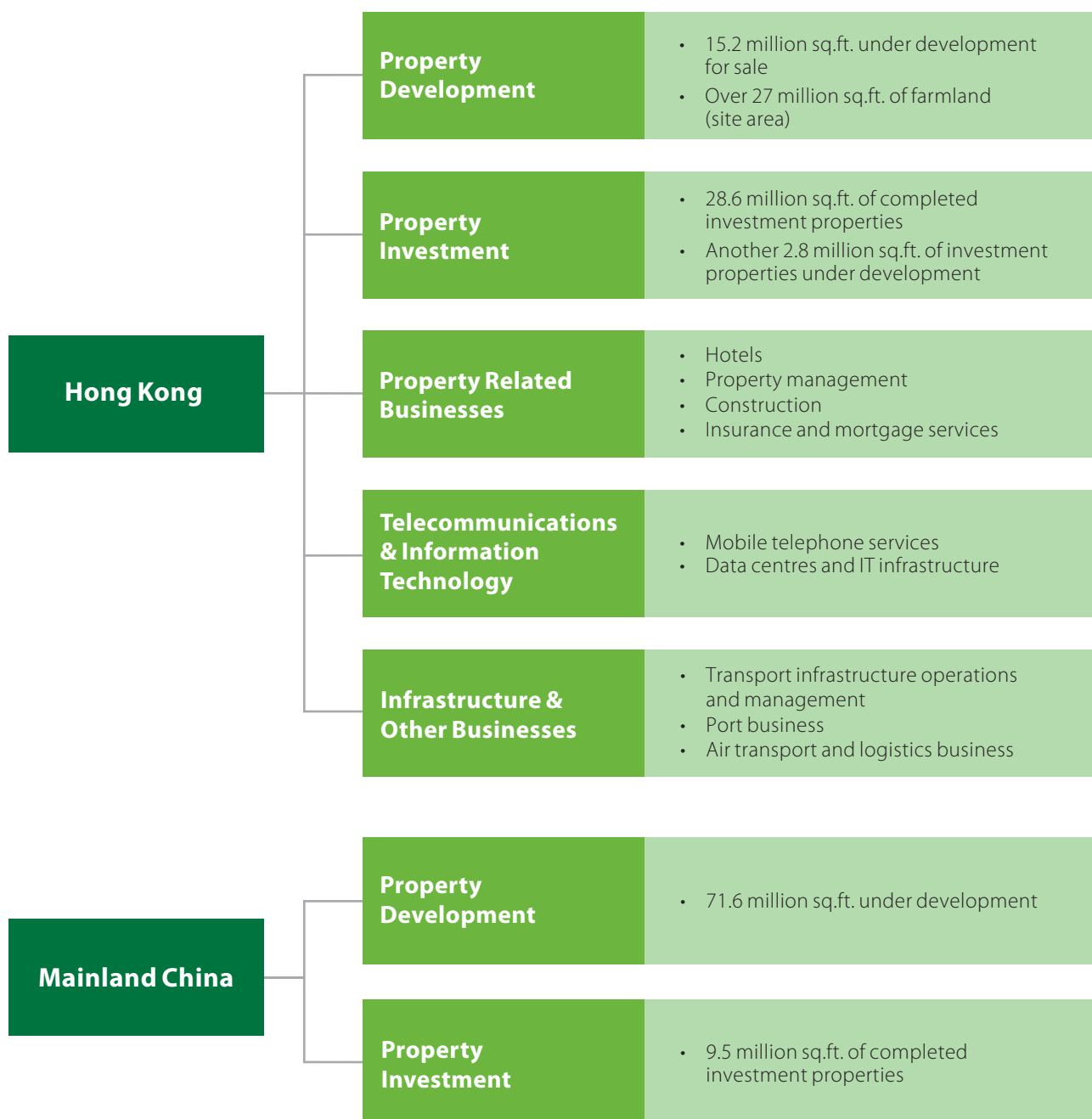
Notes:

- The Group adopted the amendments to Hong Kong Accounting Standard 12, Deferred tax: recovery of underlying assets. Figures for the years 2009 to 2010 have been restated for comparison purposes.
- Interest cover represents operating profit before change in fair value of investment properties divided by net interest expenses before notional non-cash interest accretion and capitalization.
- Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties.

Business Structure

Sun Hung Kai Properties

As at 30 June 2013



The Group's principal subsidiaries and joint venture companies are listed on pages 161 to 168

Chairman's Statement

We are pleased to present our report to the shareholders.

Results

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2013, excluding the effect of fair-value changes on investment properties, amounted to HK\$18,619 million, compared to HK\$21,678 million last year. Underlying earnings per share were HK\$7.05, compared to HK\$8.37 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$40,329 million and HK\$15.28 respectively, compared to HK\$43,080 million and HK\$16.63 last year. The reported profit for the year included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK\$23,281 million, compared to HK\$22,076 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 2013. Together with the interim dividend of HK\$0.95 per share, the dividend for the full year will be HK\$3.35, the same as last year.

Business Review

Property Sales and Rental Income

Property Sales

Revenue from property sales for the year as recorded in the accounts, including revenue from joint-venture projects, was HK\$20,060 million. Profit generated from property sales was HK\$7,190 million, as compared to last year's HK\$13,074 million. The Group recorded satisfactory contracted sales of HK\$32,905 million for the year in attributable terms, versus last year's HK\$38,217 million, despite a challenging property sales market in Hong Kong.

Rental Income

The Group continued to record rent increases for new leases and renewals during the year, both in Hong Kong and on the mainland. Increased contributions from new mainland properties further boosted the robust rental income growth. Gross rental income, including contributions from joint-venture projects, rose 11% to HK\$16,019 million and net rental income increased 11% to HK\$12,236 million.

Property Business — Hong Kong

Land Bank

The total land bank in Hong Kong amounted to 46.6 million square feet as at the end of June 2013. This included 28.6 million square feet of completed investment properties. The other 18 million square feet were properties under development. In addition, the Group held over 27 million square feet of farmland in terms of site area under various stages of land use conversion, located primarily along existing or planned railway lines in the New Territories.

The Group continued to capitalize on opportunities in the land market and added seven sites during the year. These sites have a combined attributable gross floor area of about two million square feet, compared to the acquisition of 5.2 million square feet in the last financial year. Details are shown in the table below. The majority of the units planned for these sites will be of small-to-medium size, catering to changing market demand.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Inland Lot No. 9027, North Point	Residential/Shopping centre	100	701,000
Tseung Kwan O Town Lot No. 118	Residential/Shopping centre	100	563,000
Inland Lot No. 9020, North Point	Hotel	100	388,000
Sha Tin Town Lot No. 566	Residential	100	130,000
Tung Chung Town Lot No. 11	Shopping centre	20	86,000
97 Belcher's Street, Kennedy Town	Residential/Shops	92	85,000
38-52 Western Street, Sai Ying Pun	Residential/Shops	92	76,000
Total			2,029,000

Chairman's Statement

The Group bought a Yuen Long residential site with easy access to an MTR station by public tender in early September this year. The development has a total gross floor area of 232,000 square feet. A substantial majority of the units to be built will be of small-to-medium size. The Group's total land bank in Hong Kong increased to 46.8 million square feet with this acquisition.

Property Development

The year under review, particularly the latter half, was challenging for property sales amid various government measures to regulate and cool the market. Secondary market activity has slowed down meaningfully since late February this year following the adoption of further stringent government demand-side management measures. In the first-hand market, relatively few new projects were launched for sale after the new ordinance on first-hand residential sales became effective in late April and sales of remaining units in existing projects were also affected. This led to a significant drop in first-hand residential sales in the past few months.

Despite all these policy headwinds, low mortgage interest rates, reasonable repayment affordability, continuing income growth and positive demographic factors continued to support the demand from local end users. This helps underpin the resilience of residential property prices, particularly for the segment of small- to medium-sized units.

Contracted sales in Hong Kong during the year amounted to over HK\$22,000 million, despite an unfavourable property sales market. Major residential projects sold included The Wings II in Tseung Kwan O, the first phase of Century Gateway in Tuen Mun and Residence 88 in Yuen Long. The Group also disposed of selected investment properties such as Kowloon Commerce Centre to meet keen demand from end users.

The Group has always done its utmost to satisfy customer needs by delivering the right products and quality service. It adds value at all stages of development from designing master layout plans and flat mixes to materials and finishes and on to attentive management service. This has resulted in many of the territory's most recognizable projects over the years and earned the Group a trusted brand name and leading market position, which further enhances the competitiveness of its developments.

The Group completed five projects with 1.9 million square feet of attributable gross floor area in Hong Kong during the year. They included 820,000 square feet of residential properties and 810,000 square feet of offices, both of which are 90% sold. The premium V City shopping mall in Tuen Mun and other retail space are being kept as rental properties.

Chairman's Statement

Project	Location	Usage	Attributable	
			Group's Interest (%)	Gross Floor Area (square feet)
Century Gateway Phase 1/ V City	83 Tuen Mun Heung Sze Wui Road, Tuen Mun	Residential/ Shopping centre	Joint venture	997,000
Kowloon Commerce Centre Tower B	51 Kwai Cheong Road, Kwai Chung	Office/Shops	100	509,000
Elite Centre	22 Hung To Road, Kwun Tong	Office	100	207,000
49 King Yip Street	49 King Yip Street, Kwun Tong	Office	100	120,000
Chatham Gate	388 Chatham Road North, Hung Hom	Residential/ Shopping centre	29	106,000
Total				1,939,000

Property Investment

The Group owns and manages over 28.6 million square feet of well-diversified investment properties in Hong Kong. This sizable portfolio creates synergy among properties, especially within integrated developments.

The leasing market in Hong Kong remained solid and healthy while the Group's premium properties continued to be the favoured option for business expansion and relocation alternatives. For the year under review, the Group's gross rental income from Hong Kong, including contributions from joint-venture projects, rose by 9% to HK\$13,289 million, primarily attributable to positive rental reversions and higher rents for new leases. A high occupancy of over 95% was achieved for the Group's rental portfolio.

Long-term relationships with tenants are maintained by offering high-quality premises and service. Constant upgrades enable the Group to maintain superior building quality, while premium management service further enhances its competitiveness. The continual development of new premium investment properties across the territory strengthened the Group's leading position in the Hong Kong leasing market. To optimize its portfolio of unparalleled scale and diversity, the Group will continue to review options for non-core property disposal.

Retail Portfolio

The Group is in a leading position in Hong Kong's retail leasing market and has a diverse collection of quality shopping malls amounting to over ten million square feet of gross floor area. The unique positioning of each mall serves to target customers with distinctive needs. Occupancy stayed high and positive rental reversions were achieved throughout the year.

The Group's malls in traditional shopping destinations such as IFC Mall in Central once again delivered impressive performance with high occupancies and increased rents. Its extensive shopping centre network extends beyond traditional shopping districts and has wide coverage in both the western and eastern parts of the territory. Many of these malls are easily accessible via adjoining MTR stations and a number of them are regional centres with broad customer bases.

The opening of V City in August this year represents another important step for the Group in expanding its shopping mall portfolio in the western part of the territory. This new mall along the West Rail brought different, new tenants to Tuen Mun, introducing a fresh lifestyle concept targeting young locals, professionals and tourists in the region. It has a well-balanced store mix with trendy fashion, accessories and beauty products, as well as well-known restaurants. The mall's unique position in the region, footbridges connecting neighboring areas and direct connections to both the West Rail and Light Rail contributed to the heavy traffic since opening. Tenant sales have also been better than expected. The fully-leased V City is expected to become the energized focal point of Tuen Mun's retail market.

Chairman's Statement

The portfolio along the East Rail also performed well. New Town Plaza consistently attracted large crowds of shoppers after recent refinements to layout and tenant mix. Landmark North by the border continued to see rising shopper spending. APM is a regional mall at the heart of the emerging Kowloon East business hub and well positioned to capture growing retail spending in the region.

Future additions to the Group's retail portfolio span various parts of Hong Kong, and two are located along the West Rail. The premium mall in the Nam Cheong Station development is scheduled to be completed in phases from 2017. This iconic shopping mall of nearly 300,000 square feet in West Kowloon is expected to benefit from its exceptional location at the interchange of the West Rail and Tung Chung lines. YOHO mall, adjoining Yuen Long Station, will be formed by two existing malls and a new mall under construction. It will be the largest shopping mall, covering one million square feet, in the northwest New Territories when completed.

On Hong Kong Island, a premium shopping mall in a high-quality residential/commercial project on the North Point waterfront is in the pipeline, and this will generate synergy with the Group's seafront hotel project next door. Retail space in projects under development in Tseung Kwan O will also further strengthen the Group's market position in this energetic community with a growing population. These additions will together enlarge the Group's diversified portfolio and reinforce its leading role in the market.

The Group always recognizes the importance of continuous improvement and carefully devises plans for portfolio upgrades. The reconfiguration of Grand Century Place above Mong Kok East Station has been progressing on schedule. A more contemporary image and fresh elements such as duplex fashion units will further boost the mall's appeal to shoppers upon completion in 2015. The planned renovation of Metroplaza adjacent Kwai Fong Station is expected to enhance its competitiveness.

Office Portfolio

The trend of office relocation and expansion to new high-potential business areas continues to benefit the Group's well-diversified Hong Kong office portfolio of approximately ten million square feet. During the year under review, overall occupancy remained high with steady growth in rental income. Properties outside of Central did particularly well.

International Commerce Centre (ICC) on top of Airport Express Kowloon Station and next to the coming high-speed rail terminal has helped establish West Kowloon as a premier business district in Hong Kong. It is complemented by world-class facilities including two luxury hotels, serviced suites and an upscale mall. The Sky100 Hong Kong Observation Deck and the recently-launched iconic ICC Light and Music Show further enhance the attractiveness of the complex. The virtually fully-let ICC continued to be the preferred choice of grade-A offices for multinational and mainland corporations, and this robust demand led to higher spot rents.

Across other non-Central districts in Hong Kong, the Group has strong presence in the office market. Sun Hung Kai Centre and Central Plaza by Victoria Harbour on Hong Kong Island, Millennium City in Kowloon East, as well as Grand Central Plaza and Metroplaza in the New Territories are examples of quality non-Central office space that have attracted tenants from diverse sectors, leading to high occupancies and increased rent for the year under review.

As the symbol of Hong Kong's core business district, International Financial Centre (IFC) continues to lead the Central office market amid a stabilizing global economy and achieved high occupancy. The two iconic towers above Hong Kong Station maintained their competitive edge of direct linkage to the Airport Express and superior quality with world-class facilities and specifications. Extensive ancillary components like a high-end hotel, luxury serviced suites and a prestigious mall round out the complex. Near-term new office supply in Central is expected to be limited and IFC continues to attract interest from international and mainland financial institutions.

Chairman's Statement

The Group leverages its expertise to explore strategies for enhancing the value of existing properties. Besides regular upkeep and renovations to enhance building quality, the Group also aims to generate added value through various approaches like incorporating green elements in buildings.

Residential and serviced suites

Signature Homes is the Group's renowned affiliate for residential leasing, which oversees around one million attributable square feet of luxury accommodation and around 700 attributable serviced suites in Hong Kong. Overall occupancy was satisfactory during the year under review. The new Vega Suites atop MTR Tseung Kwan O Station is well positioned to benefit from the expanding business potential in Kowloon East and occupancy has been on the rise since its opening in October last year. Four Seasons Place in Central and The HarbourView Place in West Kowloon, both with direct connections to the Airport Express, continued to be the preferred choice for extended stays.

Property Business — Mainland

Land Bank

The Group held an attributable 81.1 million square feet in its mainland land bank as at the end of June 2013. About 71.6 million square feet were properties under development, of which over 75% will be high-end residences or serviced apartments. The rest will be premium offices, shopping malls and hotels. The Group also held 9.5 million square feet of completed investment properties on the mainland, comprising mainly premium offices and shopping centres at prime locations in Shanghai and Beijing.

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

The Group acquired a prime site at Xujiahui, one of the busiest commercial hubs and most popular precincts for shopping and entertainment in Shanghai in September this year. This solely-owned integrated project has a total floor area of 7.6 million square feet, including about 1.3 million square feet of underground floor area, and will comprise high-end office, shopping and hotel premises.

Property Development

The residential markets in major mainland cities saw satisfactory sales over the past few months supported by solid end-user demand, while home prices stayed on an uptrend amid buyer confidence. Land prices in prime cities rose with limited supply and real estate developers' enthusiasm for replenishing their land banks in view of satisfactory home sales.

The Group achieved robust contracted sales of about HK\$10,000 million in attributable terms on the mainland during the year under review, well exceeding expectations at the beginning of the financial year. Sales of the wholly-owned Shanghai Arch, a new standard for luxury residential development in the city, continued to be a major contributor, while a number of joint-venture projects were also well received by the market.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Taihu International Community Phase 5	Taihu New City, Wuxi	Residential	40	1,142,000
The Riviera Phase 1A	59 Linjiang Road, Guangzhou	Residential	33	412,000
The Woodland Phase 4B	Zhongshan Wu Road, Zhongshan	Residential	Joint venture	265,000
Lake Dragon Phase 2A	Dragon Lake Community, Huadu, Guangzhou	Residential	60	211,000
Total				2,030,000

Chairman's Statement

The Group's residential projects under development on the mainland are progressing as planned. The first phase of Shanghai Arch with over 500,000 square feet of gross floor area is slated for completion by the end of this year. Phase 1A of the Forest Hills high-end residence in Tianhe, Guangzhou has about 430,000 square feet of gross floor area. The units are virtually sold out and expected to be completed in the second half of 2014. In early September this year, a new batch of units at Phase 1B of Forest Hills were put on the market and have been well received.

Property Investment

The gradual full completion of mainland landmark investment properties has further reinforced the Group's prestigious brand on the mainland. Rental income from mainland investment properties has become a meaningful contributor to the Group's recurring income. Gross rental income from the mainland, including contributions from joint-venture projects, rose by 28% to HK\$2,067 million for the year under review as a result of higher rents for new leases and renewals and greater contributions from new investment properties. This was despite an economic slowdown on the mainland.

The Group continues to expand its investment property portfolio at key locations in major mainland cities. The newly-acquired Xujiahui Centre project in the core area of Xuhui district in Shanghai is the latest milestone addition to the Group's mainland property portfolio. It is one of the few projects connected to an interchange of three metro lines in Shanghai. The project will have a total gross floor area of over seven million square feet for premium shopping, office and hotel premises. Leveraging its experience in developing large-scale iconic projects such as IFC, ICC and New Town Plaza in Hong Kong, which are also at strategic rail stations, the Group will certainly make the project successful and a new landmark in the city like Shanghai IFC and Shanghai ICC. The Xujiahui Centre project, upon completion, is expected to become one of the major rental income contributors.

Other major investment properties under development include the Hong Cheng project in Guangzhou and Minhang project in Shanghai. Construction of the 50%-owned Hong Cheng project near Tianhe metro station in Guangzhou has been progressing well. It will offer around 900,000 square feet of retail space. Another integrated project above Xinzhuang metro station in Minhang, Shanghai will include a 1.5-million-square-foot regional mall. The Group has a 35% interest in this project and construction is targeted to commence in the first quarter of next year. These projects, together with Xujiahui Centre project, will strengthen the Group's market position on the mainland and make increasingly significant contributions to its recurring income in the medium-to-long term.

The Group's latest completed investment property on the mainland is the luxury 1.3-million-square-foot IAPM shopping mall, which is a part of the flagship integrated Shanghai ICC project. This upscale mall follows the success of the late-night shopping concept at APM in Hong Kong and features over 230 tenants, including international trendy luxury retailers, fine dining restaurants, a state-of-the-art cinema and a lifestyle supermarket. The fully-let IAPM has drawn high traffic since its soft opening in August this year. The Group is confident that the success of IAPM will lead to a significant increase in rental income from its mainland investment portfolio.

Shanghai ICC has two premium office towers of about 1.3 million square feet. One ICC is almost fully-let with reputable international firms as tenants. The construction of Two ICC is expected to be completed in financial year 2014/15. Pre-leasing of Two ICC will commence next year, focusing on major multinational companies, professional firms and mainland corporations. ICC Residence, offering over 200,000 square feet of luxury apartments for lease, is at the stage of interior decoration and will set a new standard of living in Shanghai.

Shanghai IFC is a standout integrated development with a direct connection to the Lujiazui metro station. The 1.2 million-square-foot Shanghai IFC Mall targets high-spending locals and tourists on the mainland. Traffic remained high and tenants' businesses were further boosted with the opening of Phase 2 last year. On top of a number of top-tier flagship stores in Phase 1, Phase 2 introduced more renowned luxury retailers for fashion, jewellery and international cuisine. The mall is virtually fully leased and has drawn continuous interest from many prospective tenants since it opened in 2010, showing good rental growth potential.

Chairman's Statement

The two office towers of Shanghai IFC have attracted a spectrum of renowned banks, multinational corporations and professional firms. Tower One is fully occupied. Tower Two recorded increased occupancy. The IFC Residence serviced suites providing luxurious accommodations for senior executives and expatriates saw a gradual rise in occupancy over the past year.

Beijing APM in the heart of Wangfujing will have greater accessibility with a planned metro station exit. The newly-opened anchor flagship stores and popular new eateries have been well received. The tenant mix has been upgraded with more stylish brands and additional multi-storey stores and a beauty zone will be introduced to attract more shoppers. A notable growth in traffic flow and steady increase in tenant sales were observed during the year under review.

Other Businesses

Hotel

Hong Kong's hotel sector maintained high occupancy, underpinned mainly by solid growth in the number of visitors from the mainland. Against this background, the Group's hotels in Hong Kong continued to deliver satisfactory performance during the year under review. Since the opening in late 2012, overall business has been gathering momentum at the Holiday Inn Express Hong Kong Kowloon East, while the Crowne Plaza Hong Kong Kowloon East continued to attract more premium travellers and saw its restaurants and wedding business performing well. The Group's other seven hotels in Hong Kong, the Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong, W Hong Kong and the four Royal brand hotels, were able to keep average occupancy at a high level of above 90% during the year.

The Ritz-Carlton Shanghai, Pudong achieved increased occupancy and room rates despite a highly-competitive environment, and its restaurant with magnificent views of the Bund has increasingly been a hotspot for local residents and visitors.

The acquisition of a waterfront hotel site in North Point in Hong Kong through public tender in March this year will further strengthen the Group's hotel portfolio. This site can accommodate 388,000 square feet of gross floor area and will create a synergy with the adjacent residential/commercial site currently under development.

Telecommunications and Information Technology

SmarTone

SmarTone saw an increase in local mobile service revenue and customer numbers during the year despite intense market competition. Profitability was however pressured by lower roaming revenue and higher costs. The company launched its 4G network during the year and the acquisition of additional spectrum will enable further improvements in network quality and capacity in a cost-effective way. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision achieved further growth in revenue and operating profit for the year. iAdvantage reported good occupancy and maintained its position as a major operator of carrier-neutral data centres in Hong Kong. SUNeVision will build on its track record and solid financial position to further develop its core businesses.

Infrastructure and other businesses

The Group's infrastructure and transport businesses had a generally satisfactory year. The Wilson Group performed well and business at the Airport Freight Forwarding Centre remained steady despite uncertain economic conditions in Europe. The Group's joint-venture projects also operated smoothly. Traffic on the Route 3 (Country Park Section) increased steadily. Business at the Hong Kong Business Aviation Centre continued to grow in the year, while the slowdown in global trade affected the performance of the River Trade Terminal. The Group's infrastructure projects are all in Hong Kong and provide steady income streams over the long term.

Chairman's Statement

Corporate Finance

The Group's strong financial position is evidenced by its low gearing and healthy interest coverage ratio. Net debt to shareholder's funds stood at a low level of 12.5% as at 30 June 2013. After the full payment of the land premium for the latest acquisition in Shanghai, the ratio is expected to remain at a healthy level below 20%.

The Group continues to enjoy strong support from banks and investors. A HK\$15,200 million five-year term loan/revolving syndicated credit facility at competitive terms drew an overwhelming response from banks in March 2013. There was also high demand for the Group's HK\$600 million and US\$500 million ten-year bonds issued under its Medium Term Notes Programme during the year under review. These long-dated bonds have helped extend the Group's debt maturity profile.

Under the Group's conservative financial policy, the majority of its borrowings are denominated in Hong Kong dollars and no derivative or structured-product transactions have been executed for speculation.

The Group has consistently scored the highest credit ratings among local property companies — an A1 rating with a negative outlook from Moody's and an A+ rating with a negative outlook from Standard & Poor's.

Corporate Governance

Maintaining high standards of corporate governance is a core part of the Group's philosophy. The Board of the Company appointed an additional Independent Non-Executive Director (INED) effective 1 March 2013. Prior to this appointment, the number of INEDs accounted for one third of the Board. The total number of INEDs has now increased to seven as a result of the appointment. The diversified expertise and experience of INEDs are valuable assets for the Group's long-term development.

The Board oversees the Executive, Audit, Remuneration and Nomination Committees. The Executive Committee meets regularly and is primarily responsible for formulating business policies and making key business decisions. The Audit, Remuneration and Nomination Committees are all chaired by INEDs to ensure proper implementation of the Group's strategies. The Board also maintains and assesses the effectiveness of the internal control system through regular reviews performed by the Audit Committee, management and both internal and external auditors. These well-established Board committees and internal control system safeguard the Group's assets and the interests of stakeholders.

The Group is committed to maintaining high transparency. Communication channels include annual and interim reports, press releases and formal announcements, all of which can be found on the Group's website. As part of its efforts to strengthen close relationships with stakeholders worldwide, the Group participates frequently in large-scale investor conferences and presentations. It also hosted non-deal roadshows overseas, in addition to regular meetings with investors, analysts and credit agencies to keep stakeholders up to date on the latest developments.

In recognition of its efforts at transparency and dedication to maintaining a high standard of corporate governance, the Group has received various major awards from leading financial publications, including Asia's Icon on Corporate Governance from *Corporate Governance Asia* magazine. It won Best Corporate Governance and Best Corporate Social Responsibility in Hong Kong and was named Best Real Estate Company in Asia by *FinanceAsia* magazine. The Group was also named Best Managed Company in the Property Sector in Asia and Best Developer in Hong Kong Overall by *Euromoney* magazine.

Chairman's Statement

Sustainable Development

The Group is devoted to sustainable development as part of its belief in Building Homes with Heart. It puts customers first and emphasizes care for staff, promoting environmental protection and making contributions to the community. The management also take the lead in caring for the needy.

The Group has won numerous accolades for its premium products and service. It has professional teams to ensure the quality of new residential developments and help owners as they take possession. Its property management subsidiaries Hong Yip and Kai Shing provide premium service and added convenience to residents. Shopping mall and office tenant care programmes and concierges are widely praised by tenants and shoppers. The Group's management visit residents and commercial tenants to hear their views. The SHKP Club additionally fosters two-way communication with customers. It now has nearly 320,000 members and maintains long-term, close relationships with customers with various initiatives including property-related benefits and service.

The Group is a caring employer and believes its 37,000-plus employees are its most valuable asset. It recruits high-calibre management trainees regularly and provides comprehensive training including in-house and overseas programmes to develop the full potential of staff at all levels. The Group encourages its staff to maintain balanced and healthy lives. It offers scholarships for the children of employees and maintains ties with retired staff through regular activities.

Protecting the environment is essential to sustainable development, so the Group integrates environmental considerations with all aspects of its operations and it makes a priority of reducing waste and energy consumption. The Group promotes green living through SHKP G Power and its Love Nature Campaign includes events to encourage the community to recognize the importance of conservation.

The Group considers it essential to be a positive force in the community and contributes in numerous ways. It held the first charity Race to ICC-100 — SHKP Vertical Run for the Chest to promote healthy and active lifestyles. The Group runs the Guinness world record ICC Light and Music Show to spread a positive Love Hong Kong message.

Reading and holistic development get a boost with the SHKP Book Club. Its fourth Young Writers' Debut Competition produced ten winners, who were the latest among 33 talented young writers to have their first books published since the contests started. The Group also took part in the Hong Kong Book Fair, sponsoring visits by 1,000-plus underprivileged children for the sixth consecutive year and the Pure Land: Inside the Mogao Grottoes at Dunhuang 3-D exhibition there this year.

The Group provides assistance to the needy through its Building Homes with Heart Caring Initiative with staff volunteers and puts on festive events for the less fortunate. The SHKP Volunteer Team is now in its tenth year and has 2,000-plus members who put in significantly more service hours this year than the year before. The SHKP Club continues its Loving Home initiative this year to promote domestic harmony. Activities staged included the Pictures of Love Gallery that attracted more than 600,000 views and the Loving Home Support the Family campaign to further spread the loving home spirit.

The Group's second sustainability report was published in late 2012 and was expanded to cover its four Royal hotels for the first time and provided more information on supply-chain performance, showing a commitment to enhanced transparency and sustainable development. The Group has also been a constituent of the Hang Seng Corporate Sustainability and Hang Seng (Mainland and HK) Corporate Sustainability indices since their inception in 2010.

Prospects

Modest global economic growth is expected to continue with diminished systematic risks in the year ahead, supported mainly by an improving US economy and continuously accommodative monetary policies of major central banks. Although worries over an earlier exit of the US quantitative easing may dampen market sentiment and hence result in financial market volatility, major global interest rates including the US fed funds rate are likely to remain low for an extended period of time.

Chairman's Statement

The mainland economy is likely to improve gradually in the months ahead, with government stimulus measures keeping economic growth and employment at acceptable levels. The Central Government's focus on structural reforms should help foster more sustainable growth over the long term. This should serve as a driver for Hong Kong's long-term economic development. In the near term, Hong Kong's economic expansion is expected to remain moderate, supported by continuous growth in domestic consumer spending, follow-through of transportation infrastructure works and expanding export service including tourism.

Residential markets, both on the mainland and in Hong Kong, will continue to be influenced by respective policy measures. On the mainland, demand from first-time buyers amid ongoing urbanization is expected to remain robust, while the sales of high-end units will continue to be restrained by home purchase restrictions. In Hong Kong, the new ordinance on first-hand sales has increased costs and time for preparing projects for sale. More importantly, the government's stringent measures, particularly various types of stamp duty, will continue to restrain various kinds of demand, though first-time buyers who usually purchase small- to medium-sized units will be less affected. Nevertheless, low mortgage rates, reasonable repayment affordability and continuous income growth will underpin potential residential demand. While the supply of new housing units will remain limited in the near term, the government's continuous efforts to increase housing and land supply should be conducive to long-term healthy development of the property market, offering more business opportunities for the sector. The Group remains positive about the prospects for Hong Kong's residential market over the medium-to-long term.

The Group will step up efforts to quicken the process of obtaining pre-sale consents and put new projects in Hong Kong and on the mainland up for sale when ready. Major new residential projects to be launched in Hong Kong over the next nine months will include Century Gateway II at MTR Tuen Mun Station, Imperial Kennedy in the western part of Hong Kong Island, a residential project in Fanling and Riva in Yuen Long East. The majority of these new launches will be small- to medium-sized units, which will be relatively easily absorbed in the current market conditions. The Group also plans to put a new batch of The Cullinan in West Kowloon and two office projects being developed on Hoi Bun Road in Kwun Tong and Wong Chuk Hang Road in Island South on the market. Major mainland projects that will go on sale include the quality offices in the integrated Tianhui Plaza in Guangzhou, premium homes and shops at Oriental Bund in Foshan and additional batches of other projects including Shanghai Arch in Lujiazui.

The Group will continue to bolster its leading market position through its steadily growing investment property portfolio. Regular tenant mix reviews and property upgrades will continue to enhance both the capital and rental values of the Group's existing investment property portfolio. Its rental income will continue to grow in Hong Kong and on the mainland, driven by high occupancies with rising rents in the existing portfolio and new contributions from new shopping malls including V City in Tuen Mun, Hong Kong and IAPM at Shanghai ICC. The YOHO Mall next to MTR Yuen Long Station, a premium mall atop MTR Nam Cheong Station and a shopping mall on the North Point waterfront in the next few years will make the Group's shopping network more comprehensive and competitive across Hong Kong. Investment properties under development on the mainland include the Hong Cheng shopping mall near Tianhe metro station in Guangzhou and an integrated project in Minhang district atop Xinzhuang metro station in Shanghai. The new acquisition of the Xujiahui Centre project, comprising premium office, shopping and hotel premises, will become a new landmark in Shanghai and one of the major contributors to the Group's rental income on the mainland. All these projects, upon completion, will accelerate the rental income growth over the long term.

The Group continues to capitalize on the opportunities arising from growing tourism in the region. The acquisition of a hotel site in North Point in Hong Kong in March this year and future hotels in key mainland cities developed as parts of integrated projects will further boost the Group's position in the hospitality industry and recurrent income from its hotel portfolio over time.

Chairman's Statement

The Group's current land bank will enable it to increase production volume over the medium term. It will focus more on developing small- to medium-sized units in response to the market environment in Hong Kong, and continue to follow a selective and focused approach to the property business in key mainland cities including Beijing, Shanghai, Guangzhou and Shenzhen.

Focusing on enhancing asset turnover, the Group will continue to launch residential projects for sale and proactively dispose of selected non-core property assets. These moves, together with its strong recurrent income and healthy financial position, will enable the Group to selectively grasp good business opportunities to invest in projects with high development potential. The Group will also continue to enhance its leading position by differentiating in terms of products and customer service, further raising its brand name to command price premiums. It will adhere to the goal of achieving a balance between earnings from property sales and investment properties.

Looking ahead, a high standard of corporate governance, seasoned management team and robust balance sheet with healthy gearing will continue to enable the Group to sustain business development in a competitive and challenging environment. Barring unforeseen circumstances, the results for the coming financial year are expected to be satisfactory.

Appreciation

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

Kwok Ping-kwong, Thomas
Chairman & Managing Director

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 12 September 2013

Business Model and Strategic Direction

Business Model

The Group is one of the largest property developers and landlords in Hong Kong and it creates sustainable value for shareholders by developing premium premises in both Hong Kong and on the mainland.

Property development for sale is one of the two core elements of the Group's business, and the process is vertically integrated from land acquisition, project planning, material sourcing, construction and project management through to sales and marketing and property management. This ensures high standards in every aspect and enables the Group to better meet the demand for comfortable homes.

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

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

Core Values

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

- **Building Homes with Heart**
Producing premium projects and offering quality services for ideal living environments
- **Speed, Quality, Efficiency**
Earning the support and trust of all stakeholders with speed, quality and efficiency
- **Customer first**
Constantly anticipating what customers want and offering quality products and attentive services that exceed expectations
- **Continuous learning**
Keeping up with the market and setting high standards, along with lifelong learning for greater adaptability and constantly exploring new ideas
- **Teamwork**
Nurturing a pool of talented and high-calibre employees capable of achieving objectives through harnessing the power of teamwork, collective experience and professional knowledge

Strategic Direction

The Group creates sustainable value for shareholders through the following strategies:

- Balanced sources of income
- Hong Kong focus
- Expansion on the mainland
- Prudent financial management

Balanced Sources of Income

The Group aims for balanced sources of income over the long term with equal emphasis on property development for sale and property investment. This strategy offers a balance between steady cash flow and fast asset turnover.

The property investment portfolio generates a steadily growing income stream for the Group's shareholders. Constant monitoring and refining of existing investment properties, asset enhancement initiatives and tenant mix refinements are keys to maintaining the Group's leading position in the leasing market.

Property development serves as the growth engine for the Group over the long term and offers fast asset turnover, as well as enhances liquidity and capital utilization. The Group makes efforts to ensure outstanding quality and services to command premium pricing.

Hong Kong Focus

The Group has been part of Hong Kong for decades and has built a trusted reputation and premium brand name over the years. The Group is confident in Hong Kong's prospects and its position as a global financial centre, and as gateway to the world for the mainland.

Business Model and Strategic Direction

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

Expansion on the Mainland

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

Prudent Financial Management

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

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

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

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

Hong Kong Property Business

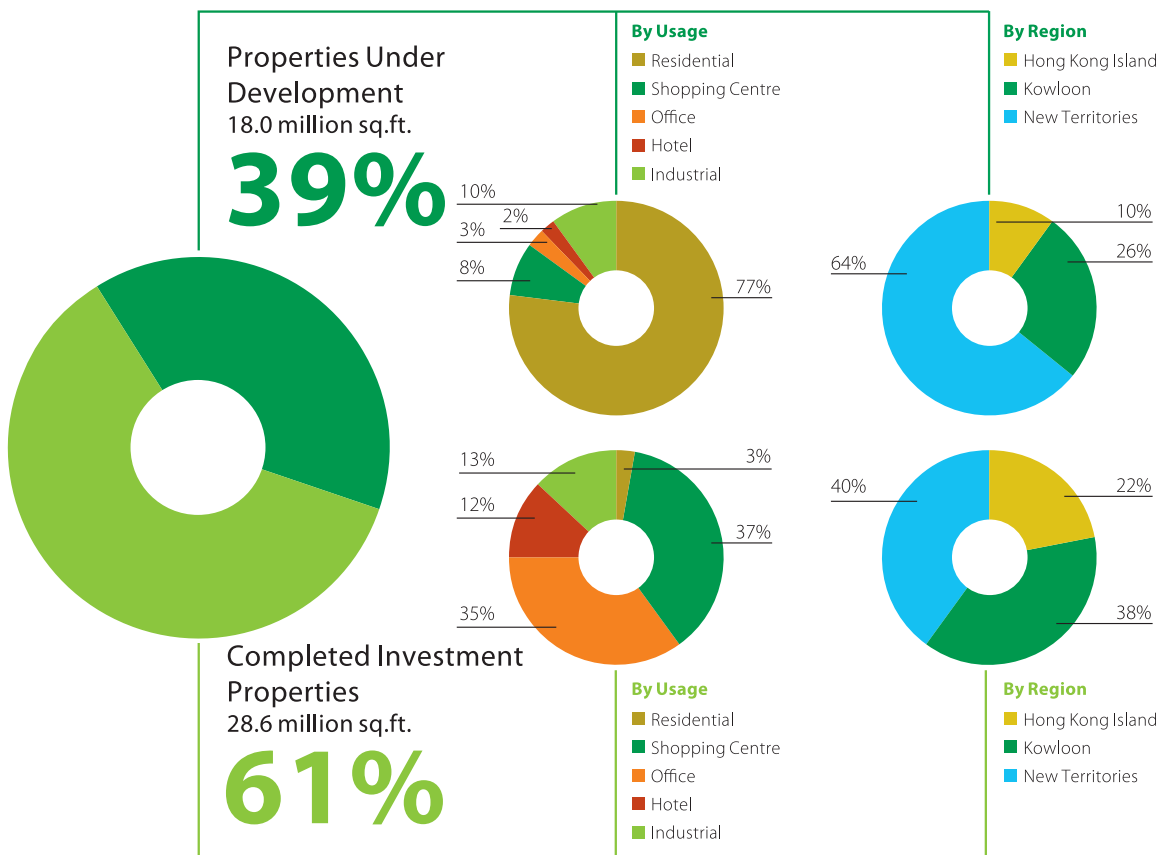
Highlights

- Development land bank increased to 18.2 million square feet of gross floor area including one acquisition of 232,000 square feet of gross floor area after the financial year end
- Completed 1.9 million square feet of properties, of which 1.6 million were for sale
- Contracted sales of over HK\$22,000 million
- Net rental income from 28.6 million square feet of quality investment properties up 8% from previous year to HK\$10,249 million

Land Bank

Hong Kong Land Bank Composition

(46.6 million square feet of attributable gross floor area as at 30 June 2013)



Hong Kong Property Business

The Group continued to capitalize on land acquisition opportunities during the year under review. It added seven sites with a combined attributable gross floor area of two million square feet to its development land bank in Hong Kong, 1.3 million square feet of which is designated residential. The total included two adjoining sites on the coast of North Point on Hong Kong Island; one for 701,000 square feet of quality residential and retail premises and the other for a 388,000-square-foot hotel. The Group also expanded its holdings in Tseung Kwan O and the western part of Hong Kong Island. Details of the new sites are on page 8.

The Group's land bank in Hong Kong amounted to 46.6 million square feet of gross floor area as at the end of June 2013, consisting of 18 million square feet of properties under development and 28.6 million square feet of completed investment properties. About 15.2 million square feet of properties under development will be for sale. The Group will continue to expand its portfolio of quality rental properties, particularly adding to its extensive network of shopping centers. Of the 2.8 million square feet of properties under development for investment, 50% will be retail space including several prime malls at key locations. The Group additionally owns over 27 million square feet of farmland in terms of site area in the

New Territories. These sites are mostly along existing or planned rail lines and in various stages of land use conversion.

The Group holds a diverse portfolio in terms of usage and location. Premium shopping malls made up 37% and quality office space accounted for 35% of the rental portfolio as at the end of June 2013. About 77% of its development land bank was residential premises for sale spread throughout the territory.

The Group acquired a site in Yuen Long with easy access to an MTR station in September this year. The project has a total floor area of 232,000 square feet, boosting the Group's total land bank in Hong Kong to 46.8 million square feet, and will be developed into primarily small- to medium-sized residential units.

The Group's land bank in Hong Kong as at 30 June 2013 by attributable gross floor area was as follows:

	Attributable Gross Floor Area (million square feet)			Total
	Development for Sale	Development for Investment	Completed Investment Properties	
By Usage				
Residential	13.9	—	0.9	14.8
Shopping centre	—	1.4	10.6	12.0
Office	0.2	0.4	10.0	10.6
Hotel	—	0.4	3.5	3.9
Industrial ⁽¹⁾	1.1	0.6	3.6	5.3
Total	15.2	2.8	28.6	46.6
By Region				
Hong Kong Island	1.1	0.7	6.3	8.1
Kowloon	3.5	1.2	10.7	15.4
New Territories	10.6	0.9	11.6	23.1
Total	15.2	2.8	28.6	46.6

⁽¹⁾ Including industrial/office premises and godowns

Property Development

Following the acquisition of a 232,000-square-foot development after the financial year end, the Group currently has 15.4 million square feet of properties under development for sale, of which 14.1 million square feet will be for residential use. The remaining 1.3 million square feet will either be decentralized offices or is industrial space with land use conversion plans.

Contracted sales in Hong Kong during the year amounted to over HK\$22,000 million, despite a challenging property sales market. Major residential projects sold included The Wings II in Tseung Kwan O, the first phase of Century Gateway in Tuen Mun and Residence 88 in Yuen Long. The Group also disposed of selected investment properties such as Kowloon Commerce Centre in Kwai Chung.

The Group will continue to offer new residential and selected office projects for sale when ready. Its current land bank is sufficient for developments in the next five years and production volume is expected to rise over the medium term.

Major Projects Under Development

Building Homes with Heart has been the Group's belief for decades. The Group always aims to meet customer aspirations by providing quality products and service. Value enhancement is also achieved by boosting synergies among sites in the same locality, as with development clusters in Yuen Long East, Tseung Kwan O and North Point.

Development Cluster — Yuen Long East

Riva

Lot No. 2099 in DD 109, Yuen Long

(100% owned)

Site area	: 674,000 square feet
Gross floor area	: 856,000 square feet (residential) 24,000 square feet (retail)
Approximate units	: 780
Date of occupation permit	: September 2013

Lot No. 1927 in DD 107, Yuen Long

(100% owned)

Site area	: 1.9 million square feet
Gross floor area	: 2.3 million square feet (residential) 37,000 square feet (retail)
Approximate units	: 3,000
Expected date of occupation permit	: from the first half of 2015 in phases

These two projects are in the eastern part of Yuen Long. Riva on Lot No. 2099 in DD 109 consists of 25 apartment towers of 5 to 23 storeys and 48 garden houses. The occupation permit was issued in September 2013. Construction of another development on Lot No. 1927 in DD 107 has proceeded to the superstructure stage and will be completed in three phases. The occupation permit for the first phase of over 800,000 square feet of gross floor area is expected to be granted in the first half of 2015. The whole project will have about 30 residential blocks of 12 to 16 storeys providing over 3,000 units, the majority of which will be one- to two-bedroom units.

Development Cluster — Tseung Kwan O

The Wings II

Tseung Kwan O Town Lot No. 76

(Area 66B, Tseung Kwan O)

(100% owned)

Site area	: 132,000 square feet
Gross floor area	: 662,000 square feet (residential) 66,000 square feet (retail)
Approximate units	: 784
Expected date of occupation permit	: first half of 2014

The Wings IIIA

Tseung Kwan O Town Lot No. 113

(Area 66A, Tseung Kwan O)

(100% owned)

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

Property Development

The Wings IIIB

Tseung Kwan O Town Lot No. 114

(Area 66C1, Tseung Kwan O)

(100% owned)

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

Tseung Kwan O Town Lot No. 118

(Area 66D2, Tseung Kwan O)

(100% owned)

Site area	: 161,000 square feet
Gross floor area	: 483,000 square feet (residential) 80,000 square feet (retail)
Approximate units	: 610
Expected date of occupation permit	: after 2016

The Group is currently developing four residential projects in Tseung Kwan O, following the completion of the integrated complex comprising The Wings, PopCorn shopping mall, two international hotels and Vega Suites. The Wings II and The Wings IIIA now under construction will have footbridge connections to The Wings and PopCorn atop MTR Tseung Kwan O Station. The Wings II with 784 residential units in four towers was offered for sale in January this year and is virtually sold out. Construction of the superstructure is progressing well and the occupation permit is expected to be issued in the first half of 2014.

The Wings IIIA will have about 960 units and superstructure works are already in progress. The Wings IIIB situated right next to The Wings IIIA will provide another 320 units and foundation works were completed recently. Detailed planning for the site at Lot No.118 is under way. This development with a lower development density is near the coast and will contain more than 600 residential units.

Development Cluster — North Point

Inland Lot No. 9027, North Point

(100% owned)

Site area	: 252,000 square feet
Gross floor area	: 578,000 square feet (residential) 123,000 square feet (retail)
Approximate units	: 700
Expected date of occupation permit	: after 2016

Inland Lot No. 9020, North Point

(100% owned)

Site area	: 58,000 square feet
Gross floor area	: 388,000 square feet (hotel)
Expected date of occupation permit	: after 2016

The Group acquired these two sites in North Point during the year. The residential site at Inland Lot No. 9027 acquired in July last year has a total gross floor area of over 700,000 square feet. It will provide about 700 residential units, ranging from studios to four-bedroom units, and 123,000 square feet of retail premises. Site formation is under way. The adjacent hotel site at Inland Lot No. 9020 was bought in March this year. This development will offer more than 500 guest rooms with other ancillary facilities including retail, restaurants and other amenities for fitness and business uses. The two sites having frontages facing the Victoria Harbour will be connected by a planned seaside promenade.

Other Major Projects

Century Gateway II

Tuen Mun Town Lot No. 447

(Joint venture)

Site area	: 286,000 square feet (whole development)
Gross floor area	: 558,000 square feet (phase 2 under development)
Approximate units	: 910
Expected date of occupation permit	: second half of 2013

Property Development

The whole development of about 2,000 residential units and the new V City shopping centre is linked to MTR Tuen Mun Station by air-conditioned footbridges. An occupation permit for the first phase comprising four residential towers and V City was granted in December 2012. Over 95% of the units in the first phase have been sold and the handover has been progressing well since August 2013. The second phase will have three blocks of 31- to 35-storey residential towers. Unit configurations range from one to four bedrooms, and about two-thirds will be one- to two-bedroom units. The superstructure is near completion and the occupation permit is expected to be issued before the end of this year.

Yuen Long Town Lot No. 507

(100% owned)

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

This development comprising over 470,000 square feet of retail space and nine residential towers will contain 2,500 residential units. It is the last of the Group's YOHO developments. Construction of this project adjoining MTR Yuen Long Station is progressing in three phases. Work on the superstructures of four towers containing 1,100 units with a gross floor area of almost 800,000 square feet in the first phase and the retail mall is under way. The occupation permit is expected to be granted in the second half of 2016. The new retail space and two existing shopping centres nearby will be linked to form the million-square-foot YOHO Mall. Details about the mall are on page 31.

Kowloon Inland Lot No. 11175, Ho Man Tin

(100% owned)

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

This development will have seven town houses and seven 20- to 25-storey residential towers. Most of the 500 residential units to be built will be three- to four-bedroom units. The development will be located next to MTR Ho Man Tin Station now under construction, which will be the interchange for the Shatin to Central Link and Kwun Tong Line Extension. Construction has proceeded to the superstructure and occupation permits for the two phases are expected to be obtained in the first and second halves of 2015 respectively. Each phase will have about 250 units.

Tung Chung Town Lot No. 36

(Area 55A, Tung Chung)

(100% owned)

Site area	: 273,000 square feet
Gross floor area	: 1.4 million square feet (residential) 27,000 square feet (retail)
Approximate units	: 2,400
Expected date of occupation permit	: from the first half of 2016 in phases

This residential site is in the eastern part of Tung Chung new town. It will have three apartment blocks of low development density and five blocks of 27- to 29-storey residential towers. This development containing over 2,000 units will be completed in two stages. The first phase will have a total floor area of about 820,000 square feet in three towers containing approximately 1,400 units. Construction of the superstructure has commenced and the occupation permit is expected to be obtained in the first half of 2016.

New Kowloon Inland Lot No. 6333

(Nam Cheong Station Development)

(Joint venture)

Site area	: 497,000 square feet
Gross floor area	: 2.3 million square feet (residential) 298,000 square feet (retail)
Approximate units	: 3,400
Expected date of occupation permit	: after 2016

This development is above MTR Nam Cheong Station, which is the interchange for Tung Chung and West Rail lines. There will be a 298,000-square-foot shopping mall and 14 residential blocks. About 80% of the 3,400 flats will be studio, one- or two-bedroom units. Foundation work has been progressing well. Work on the superstructure of the first phase with approximately 1,000 units will soon commence.

Review of Operations – Hong Kong Property Business

Property Development

Major Projects Under Development in Hong Kong by Year of Completion*

Location	Project Name	Group's Interest (%)	Attributable Gross Floor Area (square feet)					Total
			Residential	Shopping Centre	Office	Hotel	Industrial	
Scheduled completion in financial year 2013/14								
Lot No. 2099 in DD109, Yuen Long	Riva	100	856,000	24,000	-	-	-	880,000
Tseung Kwan O Town Lot No. 76 (Area 66B, Tseung Kwan O)	The Wings II	100	662,000	66,000	-	-	-	728,000
305 Shau Kei Wan Road	i·UniQ Residence	92	47,000	9,000	-	-	-	56,000
157 Shau Kei Wan Road	i·UniQ Grand	92	39,000	14,000	-	-	-	53,000
Tuen Mun Station Development Phase 2	Century Gateway II	JV	558,000	-	-	-	-	558,000
Lot No. 5371 in DD 116, Ha Yau Tin, Yuen Long	Residence 88	100	233,000	-	-	-	-	233,000
Lot No. 495 in DD 399, Casam Beach, Ting Kau		100	78,000	-	-	-	-	78,000
Tsing Lung Tau Lot No. 67		100	11,000	-	-	-	-	11,000
Kwun Tong Inland Lot No. 173		64.3	-	-	199,000	-	-	199,000
Year Total:			2,484,000	113,000	199,000	-	-	2,796,000
Scheduled completion in financial year 2014/15								
Lot No. 1927 in DD 107, Yuen Long Phase 1		100	813,000	37,000	-	-	-	850,000
Fanling Sheung Shui Town Lot No. 202		100	136,000	4,000	-	-	-	140,000
Kowloon Inland Lot No. 11175, Ho Man Tin Phase 1		100	401,000	-	-	-	-	401,000
50 Wong Chuk Hang Road		100	-	-	120,000	-	-	120,000
Year Total:			1,350,000	41,000	120,000	-	-	1,511,000
Scheduled completion in financial year 2015/16								
Tung Chung Town Lot No. 36 Phase 1 (Area 55A, Tung Chung)		100	820,000	27,000	-	-	-	847,000
Tseung Kwan O Town Lot No. 113 (Area 66A, Tseung Kwan O)	The Wings III A	100	721,000	72,000	-	-	-	793,000
Tseung Kwan O Town Lot No. 114 (Area 66C1, Tseung Kwan O)	The Wings III B	100	234,000	24,000	-	-	-	258,000
68 Belcher's Street	Imperial Kennedy	92	108,000	36,000	-	-	-	144,000
Lot No. 1927 in DD 107, Yuen Long Phase 2		100	1,079,000	-	-	-	-	1,079,000
Kowloon Inland Lot No. 11175, Ho Man Tin Phase 2		100	468,000	-	-	-	-	468,000
Year Total:			3,430,000	159,000	-	-	-	3,589,000
Major projects scheduled for completion in financial year 2016/17 or beyond								
Nam Cheong Station Development		JV	2,311,000	298,000	-	-	-	2,609,000
Yuen Long Town Lot No. 507		100	1,848,000	471,000	-	-	-	2,319,000
Inland Lot No. 9027, North Point		100	578,000	123,000	-	-	-	701,000
Tseung Kwan O Town Lot No. 118		100	483,000	80,000	-	-	-	563,000
97 Belcher's Street		92	67,000	18,000	-	-	-	85,000
38-52 Western Street		92	71,000	5,000	-	-	-	76,000
Tung Chung Town Lot No. 36 Phase 2 (Area 55A, Tung Chung)		100	547,000	-	-	-	-	547,000
Lot No. 1927 in DD 107, Yuen Long Phase 3		100	366,000	-	-	-	-	366,000
Yuen Long Town Lot No. 528		100	232,000	-	-	-	-	232,000
Inland Lot No. 8963, Stubbs Road		100	181,000	-	-	-	-	181,000
Sha Tin Town Lot No. 566		100	130,000	-	-	-	-	130,000
195 Prince Edward Road West		100	45,000	-	-	-	-	45,000
Tung Chung Town Lot No. 11		20	-	86,000	-	-	-	86,000
Kwun Tong Inland Lot No. 174		64.3	-	-	303,000	-	-	303,000
Inland Lot No. 9020, North Point		100	-	-	-	388,000	-	388,000
Kwun Tong Inland Lot No. 240		50	-	-	-	-	575,000	575,000
Total for Major Projects in Financial Year 2016/17 or Beyond:			6,859,000	1,081,000	303,000	388,000	575,000	9,206,000

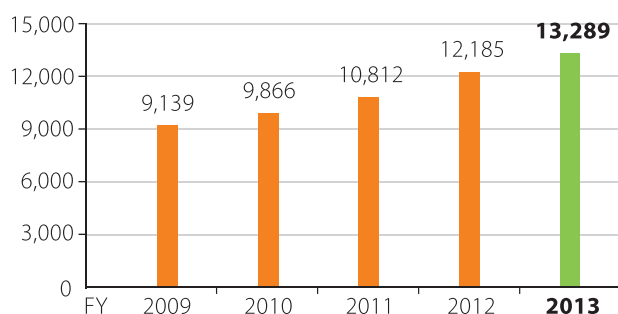
* Completion refers to the issuance of occupation permit

Property Investment

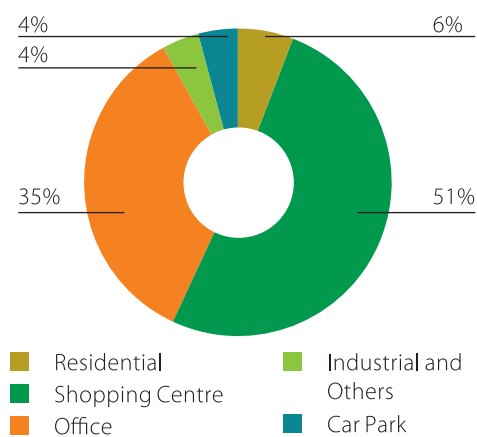
The Group's Hong Kong investment property portfolio is one of the largest in the territory, and it recorded a 9% increase in gross rental income during the year under review. Occupancy remained high at 95%. The Group is customer oriented and regularly upgrades its properties for greater appeal, and it is always fine-tuning the trade mixes in its shopping malls to bring in increased traffic.

Gross Rental Income in Hong Kong⁽¹⁾

HK\$ million



Gross Rental Income in Hong Kong by Sector⁽¹⁾



⁽¹⁾ Including contributions from jointly controlled entities and associates

Completed Investment Properties

Shopping Centres

Continuing growth in Hong Kong retail sales helped by rising visitor spending and resilient domestic consumption boosted the retail leasing market. The Group has one of the largest aggregations of shopping centres and the majority are in prime districts close to rail lines for convenient access. Occupancy stayed high during the year and positive rental reversions were achieved. Regular mall renovations are undertaken to meet customers' rising expectations and visitor traffic increased in most of the Group's malls.

The new V City mall has 270,000 square feet of retail space and all of it was let when it opened in August this year. The three-level mall houses nearly 130 renowned brands and popular restaurants, with a significant portion of them new to the region. It offers a modern lifestyle concept that suits young locals, professionals and tourists. The mall is atop MTR Tuen Mun Station and is the only mall in the district with direct links to both the Light Rail and West Rail, as well as an extensive array of footbridges to the surrounding areas. It is also above a public transport interchange for local and cross-border travel. The mall is specially designed to offer a spacious and comfortable shopping environment. V City has drawn heavy traffic since opening. Customers were attracted by its beautiful design, popular retail brands, user-friendly mobile apps and popular events. Tenants achieved higher than expected sales.

Property Investment

The top ten contributors to the Group's retail rental income in Hong Kong are described below and together they generated more than HK\$4,500 million in gross rental income for the year under review.

Malls in traditional shopping districts performed well as Hong Kong continued to draw visitors from around the globe. IFC Mall is ideally situated in the business core of Hong Kong with excellent connections to different parts of the territory, which makes it the preferred destination for consumers seeking luxury products and specialty goods. The fully-let mall has attracted many new international brands, and formed a cluster of deluxe watch retailers. Tenant sales growth outperformed the Hong Kong market and traffic grew at a healthy pace, leading to increased rents for renewals and new leases.

The Sun Arcade is in the established Tsim Sha Tsui shopping precinct of Kowloon and has shown sustainable growth in traffic and sales. It offers a wide selection from trendy fashion to luxury brands and occupancy is high with solidly higher rents. New facades facing Canton Road and Peking Road present an inviting look to draw customers.

WTC More is firmly established as a distinctive, modern mall in the Causeway Bay shopping mecca and it taps into the high spending power of locals and tourists. It offers an eclectic mix of unique and trendy fashion brands plus a variety of restaurants with panoramic sea views, which make it popular for shopping and dining.

In the eastern part of the territory, APM in Kowloon East pioneered the late-night shopping concept and its collection of lifestyle retailers, innovative promotions and after-hours happenings consistently draw crowds of stylish young customers. Upgrades to the mall and tenant realignments helped ensure high occupancy and higher rents. The new cruise terminal at the site of the former Kai Tak Airport expands the APM catchment with the addition of more international tourists, and the mall will keep on enhancing its tenant mix and service quality to capitalize upon it fully. The mall is introducing an array of new automated digital systems to enhance the facilities and customer service for added convenience.

Further to the east, East Point City in Tseung Kwan O saw satisfactory increases in both rents and tenant sales. It contains an attractive array of jewellery, cosmetics, fashion and electronic stores, as well as popular eateries, in one shopping hotspot. Traffic has been increasing with a larger population from new residential projects in the district and growing visitor spending has further bolstered sales.

Along the East Rail Line, the Group has an extensive presence. New Town Plaza in Sha Tin is a major regional shopping centre. The introduction of international brand names, many in Hong Kong or the New Territories for the first time, further boosted the mall's diversified trade mix. These new retailers attracted shoppers from all over Hong Kong and the entire mall benefitted from the increased traffic, spurring a growth in retail sales and rents. The mall also provides mobile apps with services like e-booking for restaurants and a car locator for convenient shopping.

Landmark North in the northern New Territories is in a prime location along the East Rail and consistently draws large crowds from the local area and beyond. The mall is adjusting its trade cluster and brand mix to meet the various expectations of shoppers. Its image got a boost with the introduction of a collection of noted international jewellery and watch, cosmetic and skincare retailers, many of which were new to the northern district. The desirable array of stores and high-spending customers consistently produce sales levels comparable to traditional tourist areas.

Property Investment

Tai Po Mega Mall is the biggest lifestyle shopping mall in the northeast New Territories and it boosts its leading position by constantly upgrading the trade mix and mall improvements with enhanced zoning, as well as theme exhibitions and promotions. There are over 150 retailers offering a selection of shopping, dining and entertainment options. Occupancy was high and rents increased during the year under review.

Regular renovations to the Group's retail portfolio are carried out to keep its competitiveness. Renovations are in full swing at Grand Century Place in Mong Kok. The renovation project entails refinishing the exterior to present a new image and reposition the mall as a trendy retail destination, and refining the tenant line up to appeal to local families and tourists. There will also be retailers opening in Hong Kong or Mong Kok for the first time and more popular food and beverage choices. The result will be a new face of retail in Mong Kok all conveniently under one roof.

Renovations are tentatively scheduled for Metroplaza in Kwai Chung in mid 2014. Shop layout redesign will improve circulation and traffic flow on different floors and the enhanced trade mix with more fine restaurants will also help draw shoppers.

Offices

The office leasing market stayed buoyant as supply remained limited. There was solid demand in areas outside of Central from various business sectors. The traditional Central core saw softer demand from global financial institutions amid a volatile capital market, but with some signs of stabilization in recent months.

The Group owns a diverse office portfolio that is largely in non-Central areas and along rail lines. Overall occupancy remained high and rental income increased with continuous positive rental reversions.

International Finance Centre (IFC) is a landmark development on the harbour front of the central business district above Airport Express Hong Kong Station. It comprises first-class offices, IFC Mall, Four Seasons Hotel Hong Kong and Four Seasons Place. IFC is a prestigious address for multinational business in Hong Kong and is seeing new demand from mainland financial institutions, contributing to its high occupancy.

Sun Hung Kai Centre and Central Plaza in Wan Chai are both near full occupancy by tenants including multinational corporations. Rents rose at both properties during the year under review. These grade-A office towers remain appealing to international organizations looking to come to Hong Kong.

International Commerce Centre (ICC) is Hong Kong's tallest building, in a new financial centre and transportation hub above Airport Express Kowloon Station. ICC and the surrounding vicinity include luxury residences along with The Ritz-Carlton, Hong Kong and W Hong Kong hotels, The HarbourView Place serviced suites, high-end Elements shopping centre and the Sky100 Hong Kong Observation Deck.

ICC continued to record high occupancy during the year under review. Tenants include numerous well-known investment banks and there has been new demand from commercial banks and investment funds. The building is the projection venue for the nightly ICC Light and Music Show and hosts the annual Race to ICC-100 — SHKP Vertical Run for the Chest. It was the only Hong Kong winner of the China Civil Engineering Society Tien-yow Jeme Civil Engineering Prize this year and won the Best Mixed-use Development Hong Kong honour at the Asia Pacific Property Awards. It was named one of the Hong Kong People Engineering Wonders in the 21st century by the Hong Kong Institution of Engineers.

Property Investment

Millennium City, comprising various phases, is well positioned to benefit from the government's Energizing Kowloon East project as another Hong Kong business core. The Group holds an attributable 1.7 million square feet of completed grade-A offices in this new commercial hub. Tenants include large multinationals, financial institutions and local companies, and occupancies remained high during the year under review.

In the New Territories, the Group has a presence in the office market through office buildings like New Town Tower and Grand Central Plaza adjacent to MTR Sha Tin Station and Metroplaza connected to MTR Kwai Fong Station. These office buildings offer additional options for non-Central office space and have been attracting tenants from diverse sectors including government, information technology, trading and finance.

The Group continued to re-position individual office buildings so as to raise their potential rental value. 26 Nathan Road at the heart of Tsim Sha Tsui was renovated and re-positioned as an office building for specialized trades. Its rental income has shown meaningful enhancement after the re-positioning. Grand Century Place in Mong Kok has an eclectic tenant mix. The office tower is connected to the rail station and achieved high occupancy. Other prime office towers in non-Central areas continued to perform well with increased rent during the year under review.

Residential, Serviced Suites and Other

The Group holds close to one million square feet of luxury residential units for lease under its Signature Homes division. The premises are in prestigious locations and offer a broad choice of accommodation with stylish designs, top-quality furnishings and sweeping sea views, along with full recreational and clubhouse facilities for tenants. The Group's premium portfolio of serviced suites includes The HarbourView Place at Kowloon Station and Four Seasons Place at Hong Kong Station. Occupancy of both the residential units and serviced suites was satisfactory during the year under review.

Vega Suites became the first stylish suite hotel in Tseung Kwan O when it opened in October 2012. It has direct access to an MTR station and has become the preferred choice for corporate executives in Kowloon East. Occupancy of the suites has been picking up since opening. The development is well positioned to flourish as Kowloon East develops into a new centre of business.

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

Property Investment

Investment Properties Under Development

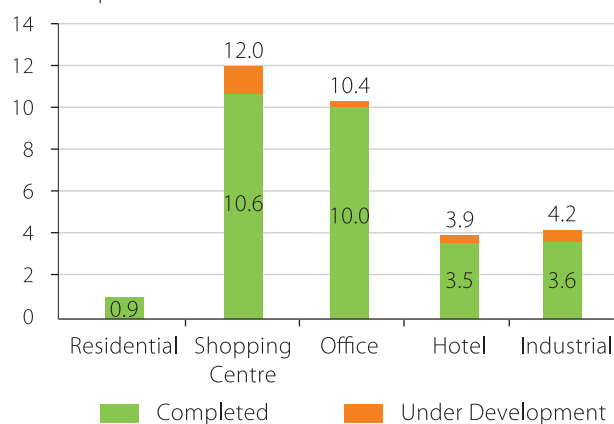
The Group had an attributable 2.8 million square feet of investment properties under development as at the end of June 2013. This was made up of 1.4 million square feet of retail space in prime areas and office and hotel space each accounted for 400,000 square feet. Most of the remaining 600,000 square feet was industrial sites; principally for conversion to office use. The Group will keep on adding new, quality assets to its investment portfolio to strengthen its status as a premium landlord with a well-diversified portfolio.

These future shopping malls will further strengthen the Group's retail network and its position in retail leasing in Hong Kong.

The Group is always fine-tuning its mix of property investments by raising the proportion of high-grade projects in prime locations, as it adds quality new assets to its rental portfolio and dispose of selected non-core investment properties.

Investment Properties: Completed and Under Development⁽¹⁾

million square feet



⁽¹⁾ As at 30 June 2013

The development at MTR Nam Cheong Station will include a premium shopping centre of about 300,000 square feet of gross floor area in West Kowloon to be completed in phases from 2017 onwards. It will be easily accessible at the interchange of the West Rail and Tung Chung lines and served by a bus terminal, satisfying the demand from the residential development atop and West Kowloon's dense population. The location close to the terminus of the Guangzhou-Shenzhen-Hong Kong Express Rail Link should also bring in many tourists.

A new 470,000-square-foot shopping mall in Yuen Long will integrate with two existing malls to form the million-square-foot regional YOHO Mall. It will provide a wide selection of international and local retailers and al fresco dining. Direct connections to the surrounding comprehensive transport network will make YOHO mall a regional mall comparable to New Town Plaza in Sha Tin.

The Group's acquisitions over the past years will accommodate over 120,000 square feet of retail space on the North Point waterfront and another 240,000 square feet in projects under development in Tseung Kwan O town centre.

Property Investment

Major Completed Investment Properties

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

(1) Including industrial/office premises and godowns

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

Mainland Property Business

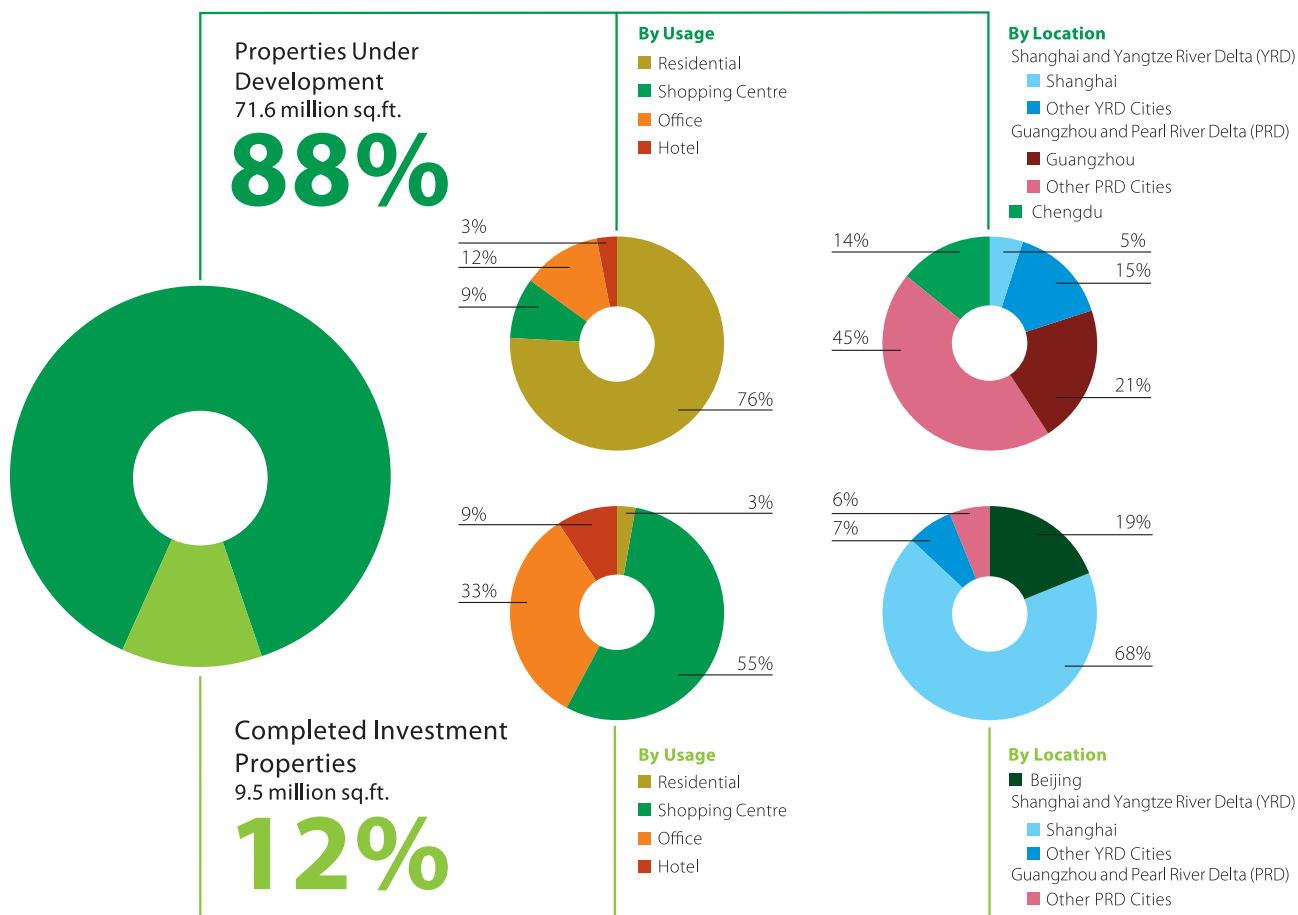
Highlights

- 79.2 million square feet of properties under development, including the Xujiahui Centre project of 7.6 million square feet of gross floor area acquired after the financial year end
- Completed an attributable two million square feet of residential properties
- Contracted sales of about HK\$10,000 million
- High net rental income growth of 33% from an expanding rental portfolio of 9.5 million square feet
- Selective investment approach focusing on prime cities

Land Bank

Mainland Land Bank Composition

(81.1 million square feet of attributable gross floor area as at 30 June 2013)



Mainland Property Business

The Group's mainland development land bank amounted to 71.6 million square feet of attributable gross floor area as at end of June 2013, of which about 76% will be high-end residences and serviced apartments. The Group also held another 9.5 million square feet of completed properties for long-term investment; mostly premium offices and shopping centres in prime locations.

The Group made a major acquisition on the mainland after the financial year end. A prime site at the core area of Xuhui District in Shanghai was acquired in early September this year. This solely-owned integrated project will have a total of 7.6 million square feet of area, including 1.3 million square feet of underground area, and will comprise high-end office, shopping and hotel premises.

The Group's mainland land bank as at 30 June 2013 was as follows:

	Attributable Gross Floor Area (million square feet)		
	Under Development	Completed Investment Properties	Total
By Usage			
Residential ⁽¹⁾	54.6	0.3	54.9
Shopping Centre	6.6	5.2	11.8
Office	8.6	3.1	11.7
Hotel	1.8	0.9	2.7
Total	71.6	9.5	81.1
By Location			
Beijing	—	1.8	1.8
Shanghai and Yangtze River Delta (YRD)	14.5	7.1	21.6
<i>Shanghai</i>	4.0	6.5	10.5
<i>Other YRD cities</i>	10.5	0.6	11.1
Guangzhou and Pearl River Delta (PRD)	47.1	0.6	47.7
<i>Guangzhou</i>	15.0	—	15.0
<i>Other PRD cities</i>	32.1	0.6	32.7
Chengdu	10.0	—	10.0
Total	71.6	9.5	81.1

⁽¹⁾ Including serviced apartments

Property Development

The mainland residential market saw satisfactory sales over the year under review with prices in prime cities showing impressive growth. The market was underpinned by solid end-user demand as a result of continuous urbanization and growing income, coupled with support measures for first-time buyers, although investor demand has been restrained by home purchase restrictions. Land sales in key cities were better than expected amid limited supply in prime locations and satisfactory home sales achieved by major developers.

The Group will adhere to its selective and focused approach to business on the mainland, concentrating mainly on prime cities such as Beijing, Shanghai, Guangzhou and Shenzhen. Its mainland development land bank, including the Xujiahui Centre project, amounts to nearly 80 million square feet, of which the majority is intended for premium residences or serviced apartments. These projects are located in areas with great growth potential, including Shanghai and the neighbouring Yangtze River Delta, Guangzhou and the Pearl River Delta and the western business hub of Chengdu.

The Group's brand name is increasingly recognized on the mainland and its presence there has made a meaningful contribution to its overall business, with attributable contracted sales increasing to about HK\$10,000 million in the year under review. The Group will continue to extend its success on the mainland market by applying its expertise and experience in developing up-market residences and integrated projects over the years.

Major Projects Under Development

SHANGHAI & YANGTZE RIVER DELTA

Shanghai ICC

999 Huai Hai Zhong Road, Shanghai

(100% owned)

Shanghai ICC is in the most vibrant commercial centre of Puxi and has excellent transport links to two existing metro lines and one under construction. The development has approximately 2.8 million square feet of gross floor area taken up by top offices, a premium shopping centre and the premier ICC Residence luxury apartments. The first office tower of 660,000 square feet completed in 2011 is near fully let. The opulent IAPM mall of around 1.3 million square feet had a soft launch in the third quarter this year and over time it will become a hotspot with a variety of fashion, leisure, shopping, art and entertainment.

The Group plans to keep over 200,000 square feet of the ICC Residence apartments for rent. It is at the stage of internal decoration, which is slated for completion in late 2013. The last phase of the project — office tower two with over 600,000 square feet of gross floor area — is scheduled for completion in financial year 2014/15.

Shanghai Arch

Pu Ming Road, Lujiazui, Shanghai

(100% owned)

Shanghai Arch sits on the bank of the Huangpu River with a panoramic view of the famous Bund. It is adjacent to the Lujiazui business zone with convenient transportation. The Group is applying its expertise in building up-market homes to ensure that the deluxe Shanghai Arch is one of the most prestigious projects in the Yangtze River Delta and sets a new standard for high-end residences in the region. The project incorporates a stylish design and first-class materials, and will provide 1.7 million square feet of residential units and serviced apartments.

There will be approximately 200 units with over 500,000 square feet of floor area in the first phase. The Group has put over 100 units on the market since March 2012 and sales have been encouraging. Construction has been progressing well, with the first phase slated for completion by the end of 2013.

Property Development

Minhang Project

Minhang, Shanghai
(35% owned)

This project is in Minhang district in Shanghai. It will be a large integrated development with over four million square feet of gross floor area made up of about 1.9 million square feet of luxury residential units and serviced apartments, a trendsetting shopping mall of over 1.5 million square feet, prime office space and a five-star hotel. It will be above Xinzhuang metro station that connects the existing lines 1 and 5, a new line currently under construction and an express rail line. Planning has been finalized and construction of the residential units is expected to commence in the first quarter of 2014.

Xujiahui Centre Project

Xuhui District, Shanghai
(100% owned)

The Xujiahui Centre project will be another Shanghai landmark in the tradition of the Group's Shanghai IFC and Shanghai ICC masterworks. The project enjoys great geographic advantages as it is in the most prosperous part of the Xujiahui commercial core in Puxi and it will be connected to Xujiahui metro station that is the interchange of three lines. The project will benefit from the best of the city's bustling features and convenient transport.

There will be approximately 7.6 million square feet of gross floor area developed in several phases. The Group tentatively plans to develop an integrated commercial complex with approximately 4.1 million square feet of premium offices, 3.2 million square feet of high-end retail space and a 310,000-square-foot luxury hotel.

Hangzhou MIXC

Qianjiang New City CBD, Hangzhou
(40% owned)

The six-million-square-foot Hangzhou MIXC is in the Qianjiang central business district and will be linked to the interchange of two metro lines currently under construction. The project is being developed in two phases. The completed first phase has 1.1 million square feet in the luxury MIXC Residence that was almost sold out in 2010 and a grand shopping mall of 1.6 million square feet of gross floor area that has been open since 2010.

Construction of phases 2A and 2B with a combined gross floor area of over 3.4 million square feet is progressing well. Phase 2A with over 950,000 square feet of office space has been fully pre-sold and is expected to be completed in financial year 2014/15. Phase 2B, comprising one million square feet of serviced apartments in Upper MIXC, 900,000 square feet of office space, a 400,000-square-foot five-star Park Hyatt hotel and about 150,000 square feet of retail shops, will be finished by the end of 2015. The pre-sale of 470 serviced apartment units went well in the first half of 2013 and the remaining 350 or so units are scheduled for sale during financial year 2013/14.

Foothill Residence

Zhijiang National Tourist Holiday Resort, Hangzhou
(40% owned)

Foothill Residence within the tranquil Zhijiang National Tourist Holiday Resort benefits from the surrounding natural beauty and nearby theme park and scenic areas. It will be in a picturesque resort-like luxury residential enclave within a half-hour drive of downtown Hangzhou. There will be around two million square feet of residential floor area to be developed into more than 1,200 residential units of various sizes. Construction is progressing smoothly and the whole project is scheduled for completion in phases by mid 2016.

The first phase consists of around 650 units, with an approximate floor area of 900,000 square feet. Around 400 units in the first phase were put on the market in the first quarter of 2013 to a positive response. Another 250 or so units will be offered for sale in financial year 2013/14. The first phase of the project is expected to be completed in financial year 2014/15.

Property Development

Suzhou Project

Yuanqu, Suzhou
(90% owned)

This project has over 3.5 million square feet of gross floor area to be completed in phases from the second half of 2013. Lake Genève is the residential part of the project by the scenic southern Jinji Lake. It is close to Suzhou's first Four Seasons Hotel planned by the Group. Lake Genève will be a low-density community of over 240 lakefront houses with about 850,000 square feet of gross floor area. Approximately 130 units in the first phase have been put on the market since the end of 2011 with satisfactory sales. Buyers have been taking possession of this batch since August 2013.

Another part of the project in the east Jinji Lake business centre will be developed into the Suzhou ICC integrated complex of approximately two million square feet. The site is linked to a metro station and a station on the Shanghai-Suzhou express rail. It will be developed into a luxury shopping mall, premium offices and serviced apartments.

Taihu International Community

Taihu New City, Wuxi
(40% owned)

Taihu International Community is a mixed-use landmark development in Taihu New City that enjoys convenient transportation. The 14-million-square-foot development features mainly high-end residential units, a hotel, offices and retail space. Over eight million square feet has been completed and virtually sold out so far, with another one million square feet scheduled for completion in financial year 2013/14.

The project has comprehensive facilities and integrates the beauty of the lake view and cultural elements from a new art and culture centre. The opulent MIXC mall will have about 1.5 million square feet of gross floor area and is expected to be completed in financial year 2014/15, further adding to the appeal of the project.

Nanjing ICC

Hexi CBD, Nanjing
(100% owned)

Nanjing ICC is an integrated complex above the interchange of two metro lines in the Hexi business core of Nanjing. There will be around three million square feet of gross floor area, including over two million square feet of quality offices, a grand shopping centre and a hotel. The entire project is expected to be completed in four to five years.

GUANGZHOU & PEARL RIVER DELTA

Lake Dragon

Huadu, Guangzhou
(60% owned)

Lake Dragon is a low-density residential development in Huadu with the picturesque scenery of the Dragon Lake resort area integrated with a golf course. There will be about seven million square feet of gross floor area in this development. The first phase of 1.3 million square feet in 245 houses was virtually sold out before completion in 2010.

The second phase with 800,000 square feet of gross floor area has 80 houses and over 120 apartments. Sales were satisfactory. The 80 houses were completed in 2012 and the apartment blocks were finished in the third quarter of 2013. The Group plans to put 28 lakefront town houses with over 280,000 square feet of gross floor area in the third phase on the market in the second half of 2013.

Property Development

Tianhui Plaza

Zhujiang New Town, Guangzhou
(33.3% owned)

Tianhui Plaza is an integrated complex in the central business district of Zhujiang New Town in Guangzhou, adjacent to Liede metro station. It has about five million square feet of gross floor area in the deluxe serviced apartments called The Riviera, a high-end shopping centre, two premium office towers and a five-star hotel, all surrounded by local landmarks, five-star hotels and tourist attractions.

The Riviera has more than 500 quality serviced apartments in seven towers. Some 95% of the units have been sold and most of them have panoramic views of the Pearl River and Canton Tower. The first six towers of The Riviera have been completed, while the remaining tower will be completed by the end of 2013. Construction of the two office towers is going smoothly. One tower was put up for sale in September this year to a positive market response. More information about the shopping mall, which is intended to be kept as a rental property, is on page 43.

Forest Hills

Tianhe, Guangzhou
(70% owned)

This project is in the prosperous north Tianhe district of Guangzhou, which is a premier business centre interspersed with traditional high-end residential enclaves. Forest Hills is close to the Guangzhou East rail station that provides through-train service between Guangzhou and Hong Kong and is also well connected to an interchange of two Guangzhou metro lines. The project will have about 1.6 million square feet of luxury residences, 400,000 square feet of prime offices and some retail shops.

Phase 1A of Forest Hills has about 430,000 square feet of gross floor area. Units were put on the market in late 2012 and are almost sold out. The Group launched a new batch of units in Phase 1B in September this year. Phase 1B has a gross floor area of over 460,000 square feet and is scheduled for completion in 2015. Construction of the offices is proceeding as planned since the ground breaking in early 2013 with foundation work under way.

Hong Cheng Project

Tianhe, Guangzhou
(50% owned)

The Hong Cheng project is in a prime section of the prosperous and bustling Tianhe Road in Guangzhou. It will have a 900,000-square-foot up-market multipurpose mall that offers shopping, dining, entertainment, culture and leisure in one complex. Construction is progressing well. More details about the mall are on page 43.

Park Royale

Huadu, Guangzhou
(100% owned)

Park Royale is a premium residential project being developed in phases. There will be over eight million square feet of gross floor area on Shiling Road East in Huadu, Guangzhou overlooking the beautiful scenery surrounding the Hongxiuquan reservoir.

The first phase has over 1,600 units with about two million square feet of gross floor area. Approximate 90% have been sold. The handover of Phase 1A consisting of nearly 800 condominium units started in August 2013. The superstructure work on Phase 1B with over 800 units is progressing on schedule. Phase 2 comprising about 950,000 square feet will be ready for pre-sale by early 2015.

Oriental Bund

Chancheng, Foshan
(80% owned)

Oriental Bund in southern downtown Foshan is a large integrated development made up largely of fine residences. It will have grand views of the winding Dongping River and easy transport connections to downtown Foshan, with one metro station nearby already in service and another under construction. The project will have around 30 million square feet of gross floor area, over 80% of which will be residential. It also has a wide array of facilities and services provided by prime offices, a premium hotel and modern shopping mall. Phase 1A will have nearly 600,000 square feet of residential space. Construction is going smoothly and scheduled for completion in the second half of 2015. The Group will begin selling the first phase in batches in financial year 2013/14. Phase 1B comprising another 700,000 square feet of premium residences and street shops is slated for completion in the first half of 2016.

Property Development

The Woodland

*Zhongshan 5 Road, Zhongshan
(Joint venture)*

The Woodland is a landmark residential development in the centre of Zhongshan with over five million square feet of gross floor area being built in stages. The first three phases and part of the fourth, totalling over two million square feet, were finished and almost sold out. Another 560,000 square feet under construction has been 90% sold and is expected to be finished in the first half of 2014. Construction of over one million square feet of quality residences in the next phase will soon commence.

Shilong Project

*Shilong, Dongguan
(100% owned)*

This development in the centre of Shilong will offer panoramic views of the waterfront from every unit and easy access to Guangzhou and Shenzhen via the nearby Shilong rail station. The project will be developed in phases, producing over 4.5 million square feet of premium residential units. Planning has been finalized and piling for the first phase has started.

OTHER CITIES

Jovo Town

*Shuangliu County, Chengdu
(91% owned)*

Jovo Town is a quality residential project in the premium Tianfu Avenue South residential area of Chengdu. There will be over six million square feet of gross floor area containing more than 4,000 high-end residential units. The site is near the new embassy compound, exhibition and convention centre and the largest ocean park in Chengdu, and within walking distance of a planned station on metro line 1.

The first phase with about two million square feet of gross floor area was completed and nearly sold out before June 2012. The second phase, subdivided into Phases 2A, 2B and 2C, will offer over 1,500 units of approximately 2.5 million square feet of gross floor area. Phases 2A and 2B with around 1.4 million square feet of gross floor area have already gone on the market to a good reception. Phase 2A with about 600,000 square feet of gross floor area will be completed in the second half of 2013, and Phase 2B consisting of 800,000 square feet of gross floor area is scheduled for completion in 2015. Construction of Phase 2C will soon commence.

Chengdu ICC

*Jinjiang, Chengdu
(40% owned)*

Chengdu ICC is a high-end integrated development above a metro station that will link an existing line and a proposed new one. The easy metro connections will let residents and tenants reach the Chengdu East rail station in five minutes and still enjoy the comprehensive local community facilities.

The development will span around 14 million square feet made up of seven million square feet of high-end residences and deluxe serviced apartments, four million square feet of prime offices, a modern shopping mall of over 1.8 million square feet and a five-star hotel.

The first two residential towers have about 570,000 square feet of gross floor area and are expected to be completed in the first half of 2014. Another two towers with 570,000 square feet of gross floor area are scheduled for completion in the second half of 2014. These four towers have already been topped out.

Property Development

Major Projects Under Development by Year of Completion

Location	Project Name	City	Group's Interest (%)	Attributable Gross Floor Area (square feet)*				
				Residential	Shopping Centre	Office	Hotel	Total
Scheduled completion in financial year 2013/14								
Pu Ming Road Project, Lujiazui, Phase 1	Shanghai Arch	Shanghai	100	538,000	–	–	–	538,000
Huai Hai Zhong Road Lot 3 Phase 3	ICC Residence	Shanghai	100	216,000	–	–	–	216,000
Suzhou Project Phase 1	Lake Genève	Suzhou	90	453,000	–	–	–	453,000
Taihu New City Project Phase 6	Taihu International Community	Wuxi	40	435,000	–	–	–	435,000
Shiling Project Phase 1A	Park Royale	Guangzhou	100	1,016,000	64,000	–	–	1,080,000
Liede Project Phase 1B	The Riviera ⁽¹⁾	Guangzhou	33	88,000	–	–	–	88,000
Dragon Lake Project Phase 2B	Lake Dragon	Guangzhou	60	240,000	–	–	–	240,000
Zhongshan Wu Road Project Phase 4C	The Woodland	Zhongshan	JV	562,000	–	–	–	562,000
Dongda Avenue Project Phase 1A	Sirius ⁽²⁾	Chengdu	40	226,000	–	–	–	226,000
Shuangliu County Project Phase 2A	Jovo Town	Chengdu	91	555,000	2,000	–	–	557,000
Year Total:				4,329,000	66,000	–	–	4,395,000
Scheduled completion in financial year 2014/15								
Huai Hai Zhong Road Lot 3 Phase 4	Shanghai ICC	Shanghai	100	–	–	614,000	–	614,000
Zhijiang Project Phase 1	Foothill Residence	Hangzhou	40	359,000	–	–	–	359,000
Qianjiang New City Project Phase 2A	Hangzhou MIXC	Hangzhou	40	–	–	386,000	–	386,000
Taihu New City Project Phase 7	Taihu International Community	Wuxi	40	424,000	587,000	–	–	1,011,000
Liede Project Phase 2	Tianhui Plaza	Guangzhou	33	–	332,000	209,000	149,000	690,000
Linhe Project Phase 1	Forest Hills	Guangzhou	70	630,000	22,000	–	–	652,000
Hong Cheng Project		Guangzhou	50	–	431,000	–	–	431,000
Dragon Lake Project Phase 3A	Lake Dragon	Guangzhou	60	172,000	–	–	–	172,000
Shiling Project Phase 1B	Park Royale	Guangzhou	100	990,000	–	–	–	990,000
Dongda Avenue Project Phase 1B	Sirius ⁽²⁾	Chengdu	40	227,000	–	–	–	227,000
Shuangliu County Project Phase 2B	Jovo Town	Chengdu	91	750,000	–	–	–	750,000
Year Total:				3,552,000	1,372,000	1,209,000	149,000	6,282,000
Scheduled completion in financial year 2015/16								
Pu Ming Road Project, Lujiazui, Phase 2	Shanghai Arch	Shanghai	100	206,000	18,000	–	–	224,000
Zhijiang Project Phase 2	Foothill Residence	Hangzhou	40	422,000	–	–	–	422,000
Qianjiang New City Project Phase 2B	Hangzhou MIXC	Hangzhou	40	403,000	58,000	359,000	160,000	980,000
Liede Project Phase 3	Tianhui Plaza	Guangzhou	33	–	–	450,000	–	450,000
Linhe Project Phase 2	Forest Hills	Guangzhou	70	–	–	254,000	–	254,000
Chancheng Project Phases 1A & 1B	Oriental Bund	Foshan	80	1,118,000	155,000	–	–	1,273,000
Zhongshan Wu Road Project Phase 4D	The Woodland	Zhongshan	JV	1,055,000	–	–	–	1,055,000
Year Total:				3,204,000	231,000	1,063,000	160,000	4,658,000
Major projects scheduled for completion in financial year 2016/17 or beyond								
Pu Ming Road Project, Lujiazui, remaining phases	Shanghai Arch	Shanghai	100	928,000	5,000	–	–	933,000
Minhang Project		Shanghai	35	659,000	529,000	189,000	75,000	1,452,000
Xujiahui Centre Project		Shanghai	100	–	3,194,000	4,072,000	314,000	7,580,000
Taihu New City Project remaining phases	Taihu International Community	Wuxi	40	308,000	–	162,000	143,000	613,000
Suzhou Project remaining phases		Suzhou	90	907,000	373,000	946,000	471,000	2,697,000
Hexi CBD Project	Nanjing ICC	Nanjing	100	–	510,000	2,178,000	460,000	3,148,000
Shiling Project remaining phases	Park Royale	Guangzhou	100	6,664,000	44,000	–	–	6,708,000
Dragon Lake Project remaining phases	Lake Dragon	Guangzhou	60	2,590,000	162,000	–	–	2,752,000
Linhe Project remaining phases	Forest Hills	Guangzhou	70	466,000	–	–	–	466,000
Chancheng Project remaining phases	Oriental Bund	Foshan	80	19,385,000	1,592,000	863,000	178,000	22,018,000
Zhongshan Wu Road Project remaining phases	The Woodland	Zhongshan	JV	1,429,000	164,000	–	–	1,593,000
Shilong Project		Dongguan	100	4,520,000	91,000	–	–	4,611,000
Shuangliu County Project remaining phases	Jovo Town	Chengdu	91	3,075,000	26,000	–	–	3,101,000
Dongda Avenue Project remaining phases	Chengdu ICC	Chengdu	40	2,589,000	733,000	1,656,000	165,000	5,143,000
Total for Major Projects in Financial Year 2016/17 or Beyond:				43,520,000	7,423,000	10,066,000	1,806,000	62,815,000

Note: (1) The Riviera, which is serviced apartments, is part of the Tianhui Plaza integrated development

(2) Sirius is the residential component of the Chengdu ICC integrated development

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

Property Investment

The Group's mainland investment property portfolio amounts to an attributable 9.5 million square feet, made up of 3.1 million square feet of office space and 5.2 million square feet of shopping malls. Most of these are in prime cities like Shanghai and Beijing. The Group's brand name on the mainland got a boost with the full completion of Shanghai IFC in 2012 and the recent opening of IAPM mall.

Rental income grew substantially in the year, with gross income up 28% to HK\$2,067 million and net rental income up 33% to HK\$1,467 million, including contributions from joint-venture developments. The increases were mainly due to higher rents for new leases and renewals and additional contributions from new developments.

Completed Investment Properties

Shopping Centres

The Group's expanding retail network in major cities continues to benefit from rising consumer spending, with the latest addition being IAPM mall at Shanghai ICC.

IAPM mall in the Shanghai ICC complex is on Huai Hai Zhong Road, the busy traditional shopping district of Shanghai. It had a soft opening in August this year and shops are opening gradually. The mall will be a new retail hotspot for the latest trendy luxury items, bringing the innovative late-night shopping concept to Shanghai. The 1.3 million square feet of retail space has accommodated over 230 international trendy luxury retailers, designer brands, al fresco dining and a deluxe cinema, all of which are a consistent focus of attention in the city. It is fully leased with some tenants being new to the mainland and Shanghai. The modern luxury stores recorded high traffic and satisfactory sales, while the new-to-Shanghai restaurants have been popular among visitors since opening. Innovative marketing is under way to bring fanfare to the opening.

Shanghai IFC Mall in the Shanghai IFC complex in Little Lujiazui fills its 1.2 million square feet with one of the largest collections of top-tier luxury flagships and fine dining restaurants in Shanghai, making it the high-end luxury shopping destination in the city. It has further introduced more luxury jewellery and watch retailers, international menswear retailers and gourmet restaurants this year. The modern design, easy access, elite brand mix, grand exhibitions, intense social networking promotions and continuous mall refinements continued to attract high traffic. The mall generates decent income and is virtually fully let.

Beijing APM mall contains over a million square feet of space and is one of the most popular shopping destinations in Beijing with leading global retailers and a wide selection of restaurants. The mall has been reconfigured and renovated to enhance its spaciousness. The opening of multi-storey anchor tenants and express escalators further increased traffic. The carefully-crafted tenant mix includes many well-known international retailers, which makes it a magnet for the young and trendy. Retail sales increased and continuous refinements have led to major changes in the profile of shoppers, with the majority of them being high-spending locals. Further renovations started to accommodate more multi-level stores and a beauty zone.

Property Investment

Offices

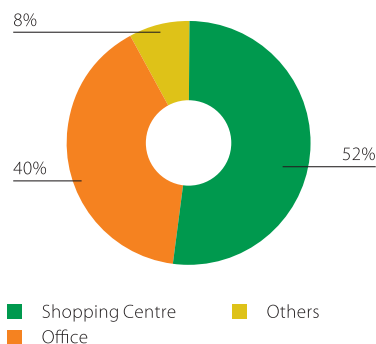
The Group's offices on the mainland are preferred by multinationals, financial institutions, major mainland companies and professional firms.

Shanghai IFC is in the core of the city's Lujiazui Finance and Trade Zone. It comprises two premium grade-A office towers plus the IFC Mall, IFC Residence serviced apartments and The Ritz-Carlton Shanghai, Pudong. The first office tower is fully taken up and occupancy of the second tower is satisfactory. Interest among potential new tenants remains high, particularly for local financial institutions. The outstanding quality of the complex has attracted numerous prestigious tenants such as reputable domestic and overseas financial institutions, renowned banks and global consultants.

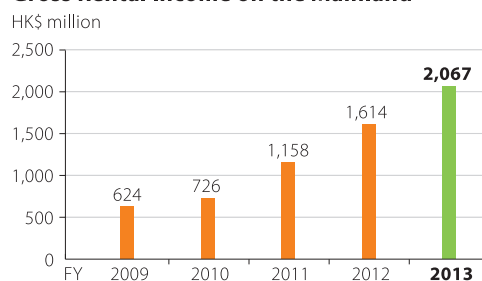
The Shanghai ICC complex is in the traditional Puxi commercial district with convenient transport provided by two metro lines in service and another under construction. Other components of the project include the IAPM shopping mall and the Shanghai ICC Residence that is currently undergoing interior decoration. Shanghai ICC has two premium office towers with advanced design, specification and facilities. The One ICC office tower contains 666,000 square feet of floor area and has a direct connection to a nearby metro station after the opening of IAPM mall. Occupancy is high with many well-known multinationals as tenants. Pre-leasing of the Two ICC office tower with over 600,000 square feet of floor area will start next year, and construction is scheduled for completion in financial year 2014/15.

Shanghai Central Plaza is also on Huai Hai Zhong Road and has over 360,000 square feet of high-quality office space in attributable terms. Average occupancy remained high during the year. The Sun Dong An Office Tower in the prime Wangfujing commercial district in Beijing is complemented by the Beijing APM mall underneath that offers a wide range of shopping and dining for office tenants. Occupancy remains high with positive rental reversions.

Gross Rental Income on the Mainland by Sector⁽¹⁾



Gross Rental Income on the Mainland⁽¹⁾



⁽¹⁾ Including contributions from jointly controlled entities and associates

Property Investment

Major Completed Mainland Investment Properties

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

⁽¹⁾ Including basement retail area

Investment Properties Under Development

The Group's property investment portfolio keeps expanding. It now holds about 12.7 million square feet of offices and 9.8 million square feet of shopping malls under development in prime sites of major mainland cities following the acquisition of the Xujiahui Centre project. The Group will retain some of these premium, strategically-located properties with high development potential as long-term investments.

The wholly-owned Xujiahui Centre project, ideally situated in the well-developed Xujiahui commercial core of Shanghai, will be directly connected to Xujiahui metro station that serves as an interchange for three lines. The project will have about 7.6 million square feet of gross floor area, including an underground commercial area of around 1.3 million square feet. A detailed breakdown of floor area by usage is on page 36. With the Group's extensive experience in developing flagship integrated projects, the project will become another landmark for the Group in Shanghai and further strengthen its position and brand on the mainland and serve as an important component of its future growth.

The 50%-owned Hong Cheng mall in the Guangzhou Tianhe retail zone is an extraordinary example of architecture that will cover nearly 900,000 square feet of retail space. The mall will be close to a metro station serving the lines 1 and 3 and the rapid transit system. Several pedestrian overpasses and subways will connect the mall with nearby commercial facilities, bus terminals and metro stations. The project is set to attract huge customer flows. The mall is slated for completion by the end of 2014 and pre-leasing has started.

The Group has a 33.3% interest in the integrated Tianhui Plaza project in the Zhujiang Xincheng business district of Guangzhou by Liede metro station. Project details are on page 38. The one-million-square-foot shopping mall in the project, to be kept for rental, will have a wide selection of the latest luxury goods under one roof to attract executives, business travellers and high-spending residents. The complex is expected to be completed in 2015.

The Group has a 35% interest in the Minhang integrated project in Shanghai. In addition to residential units and serviced apartments, the development also includes over 500,000 square feet of grade-A offices, a five-star hotel and a 1.5-million-square-foot shopping mall. The mall is set to become a new focal point for entertainment and shopping in Minhang with its advantageous location above Xinzhuang metro station, a key transport hub in Shanghai that links to the express rail and serves as the interchange of two existing metro lines and a new line under construction. More details on the other components and development progress are on page 36.

Property Investment

Construction of the 40%-owned The MIXC in Wuxi is under way and this 1.5-million-square-foot mall is expected to be completed in financial year 2014/15. The Group has increased its stake in New Town Plaza in Beijing to 100%. The premise has over 220,000 square feet retail space near Puhuangyu metro station in Beijing and is slated for redevelopment. Other integrated projects including Nanjing ICC, Chengdu ICC and Suzhou ICC are in prime locations and supported by extensive transport infrastructure. They will include premium office space, up-market shopping malls, deluxe hotels and serviced apartments. The projects will be built in phases and will add to the Group's mainland investment portfolio in the medium term.

Property Related Businesses

Hotels

Hong Kong's tourism sector continued to grow during the year under review with a decent increase in the number of visitor arrivals. The performance of the Group's portfolio of fine hotels was satisfactory in this healthy business environment, recording high occupancies.

The Four Seasons Hotel Hong Kong has maintained its position as the city's hospitality leader and continues to build its international reputation as one of the world's great hotels. Gross revenue and average room rate continued to grow over the previous year. The hotel's banquet facilities remain the preferred choice for social events and hosted over 240 weddings in the Year of the Dragon. Accolades and awards continue with renewed *Forbes Travel Guide* five-star rating, and the Four Seasons has been the only hotel in the world with two Michelin three-star restaurants for the second year in a row.

The Ritz-Carlton, Hong Kong sits atop the territory's tallest building, International Commerce Centre, offering unrivaled views of the city. The hotel has earned numerous international awards since opening in 2011. These include a recent *Forbes Travel Guide* five-star rating and a Top Executive Lounge in Hong Kong honour for its Club Lounge at the coveted Hurun Presidential Awards 2013. Its Chinese restaurant also received a second star in the *2013 Michelin Guide*. The hotel recorded impressive growth in occupancy during the year under review.

The Ritz-Carlton Shanghai, Pudong celebrated its third anniversary in 2013. The hotel continued to record growth in market share despite intense competition in the luxury hotel sector in Shanghai. It was voted Best Hotel in China in the *Condé Nast Traveler's* 2012 Readers' Choice survey. Its Italian restaurant that reopened in May following a face-lift has been well received by customers, and its other restaurants also continue to do well. The hotel's versatile function space remains very popular for corporate and social events in Shanghai.

W Hong Kong saw its room rate continue to grow and occupancy stayed high during the year. The hotel offers premium accommodation and leisure facilities, earning international media acclaim. It remains the preferred choice for travellers from the art and cultural community with its distinctive market positioning. The hotel celebrated its fifth anniversary this year with a grand party in August showcasing the latest in fashion, music and design.

The Crowne Plaza Hong Kong Kowloon East has shown growth in occupancy and an increase in total revenue since opening in late 2012. Its food and beverage outlets are some of the most popular spots in the neighbourhood. The hotel has one of the largest pillar-free ballrooms in Hong Kong, which makes it the preferred venue for meetings and conferences. Extensive exposure at wedding expos and a beautifully-landscaped wedding garden have contributed to the success of its wedding business. It was named the Best New Hotel in Hong Kong at the 2013 TTG China Travel Awards.

The Holiday Inn Express Hong Kong Kowloon East offers an uncomplicated and relaxing hotel stay for travellers looking for good value. A unique market position and proximity with easy access to the MTR has made it very popular and highly competitive. Overall business has been gathering momentum and exceeded expectations since the opening in late 2012.

The four Royal brand hotels in Hong Kong kept average occupancy at a high level of about 95% during the year under review.

The Royal Garden's food and beverage outlets did well, and won a number of accolades including one star in the *2013 Michelin Guide* for Dong Lai Shun. The hotel has undergone renovations. Guest rooms were refurbished and renovation of the retail space was completed recently. An extension project is under way that will add floors on top of the building. Upon full completion expected in the second half of 2014, the hotel will have some extra guest rooms and more comprehensive facilities for both business and leisure activities, further boosting its attractiveness to customers.

The Royal Plaza Hotel began a major refurbishment project in March 2012 and the first phase was already finished. The 300 renovated rooms offer a brand new impression to travellers and the second phase is expected to be finished by the end of 2013. The refurbished restaurant and bar will boost the competitiveness of the hotel's food and beverage business. The hotel has received numerous accolades including being recognized in the *Michelin Guide* as a 'very comfortable' hotel for five consecutive years.

The Royal Park Hotel offers premium service and occupancy stayed high in the year. The hotel constantly reviews customers' needs and refines its products and service to have greater appeal. New family rooms allow guests to better arrange their vacations and the introduction of workout suites provides an excellent alternative for business travellers who want to feel rejuvenated after a busy day.

Property Related Businesses

Overall business of the Royal View Hotel was satisfactory in terms of revenue, occupancy and room rate. Seasonal promotions and theme buffets draw guests to the food and beverage outlets, and a popular outdoor wedding venue has led to a significant growth in banquet business. The hotel is committed to sustainable development and green management for low-carbon living and participates in different community activities.

The Group will continue to strengthen its hotel portfolio with new developments in the pipeline. It acquired a waterfront hotel site in North Point, Hong Kong in March this year. This site can accommodate 388,000 square feet of gross floor area and will provide over 500 guest rooms. This new development, together with other new hotels under development on the mainland as parts of integrated projects, will further raise the Group's position in the hospitality industry.

Property Management

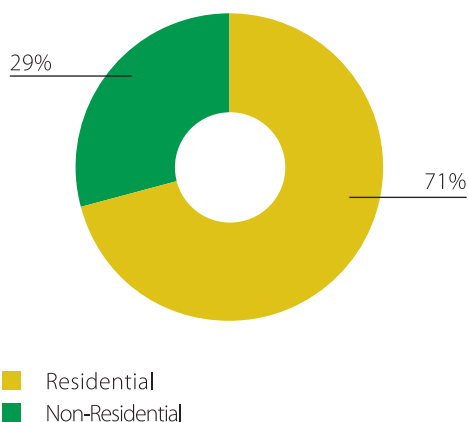
The Group looks after the residents and commercial tenants of its developments with caring, professional service by subsidiaries the Hong Yip Service Company Limited and Kai Shing Management Services Limited. Together the two companies manage over 245 million square feet of residential and commercial properties in Hong Kong and on the mainland.

Business saw steady progress during the year under review for both companies. Hong Yip took over management of a new phase of The Woodland in Zhongshan and secured 14 management contracts in Hong Kong that involved 2,700 units from outside owners. New properties managed by Kai Shing included AnaCapri, Shouson Peak, Seascape Villa, Kowloon Commerce Centre Tower B and Elite Centre in Hong Kong, plus IAPM and IFC Mall Phase 2 in Shanghai, Chengdu Jovo Town Phase 1B and the second phase of Lake Dragon in Guangzhou.

Kai Shing and Hong Yip take positive steps with sustainable environmental programmes and strive to provide better living environments for residents with the latest technology. They promote energy saving by monitoring the daily operation of properties they manage. Hong Yip won a Biggest Units Saver Award (property management category) in the 2012 Friends of the Earth Power Smart Energy Saving Contest. Kai Shing won a gold label in the Low-carbon Office Operation Programme organized by the WWF for International Commerce Centre and Millennium City 5. Kai Shing provided added convenience to residents and shoppers by upgrading its smart property management capabilities. A new app that delivers real-time property information to smartphones is available to residents and other innovative apps for mall management were also enhanced.

The two property management subsidiaries earned recognition for their quality service and staff development. Hong Yip has again won awards in the Manpower Developer Award Scheme organized by the Employee Retraining Board. Both companies won *Reader's Digest* Trusted Brand gold awards for property management for the second year running. Hong Yip won three excellence citations in the Quality Property and Facility Management Award for its outstanding property and facility management and Kai Shing earned prestigious grand awards for both office building and shopping centre management in a competition organized by the Hong Kong Association of Property Management Companies and the Hong Kong Institute of Surveyors. Kai Shing additionally won a 2012 Greater China Super Brand Award for its achievements in the industry and contribution to economic development in the greater China region.

Floor Area Managed by Hong Yip and Kai Shing by Usage



Property Related Businesses

Construction

The construction division completed five residential and commercial developments during the year totalling 3.2 million square feet of construction floor area, including 600,000 square feet completed by a joint-venture company. The residential developments were the first phase of Century Gateway completed by a subsidiary and Chatham Gate completed by a joint-venture company. The commercial developments were Kowloon Commerce Centre Tower B, Elite Centre and 49 King Yip Street. The division achieved turnover of HK\$8.8 billion (on a progressive completion basis) in the year while another HK\$562 million (on a progressive completion basis) was recorded by joint-venture companies.

The major residential developments in progress are i•UniQ Residence, i•UniQ Grand, Riva, Residence 88, Century Gateway II, Imperial Kennedy, The Wings II, The Wings IIIA & IIIB, Fanling Sheung Shui Town Lot No. 202, Kowloon Inland Lot No. 11175, Tung Chung Town Lot No. 36 and Yuen Long Town Lot 507. The principal commercial developments in progress are Kwun Tong Inland Lot No. 173 and 50 Wong Chuk Hang Road. There are also many addition and alteration projects under way.

The construction division has several wholly-owned subsidiaries operating in related fields to complement its activities. These subsidiaries provide construction-related services to the Group and third-party clients including electrical and fire-prevention systems, construction plant and machinery and landscaping. The division also supplies concrete to the Group and external contractors through an associate.

Insurance and Mortgage Services

Sun Hung Kai Properties Insurance Limited again recorded double-digit growth in premium turnover and satisfactory growth in underwriting profit in financial year 2012/13 compared to the year before. The company maintains a conservative, prudent approach and has a solid business base. It will continue to focus on developing quality business that complements the Group's activities.

The financial services division is made up of the Hung Kai Finance Company Limited and Honour Finance Company Limited. It remains focused on mortgages, mortgage referrals and other financial service in support of the Group's property development business. The division remained profitable over the year despite intense competition.

Telecommunications and Information Technology

Telecommunications

SmarTone increased local mobile service revenue and customer numbers amid fierce market competition in the year under review. Average revenue per user was adversely affected by a reduction in roaming revenue. Profitability therefore came under pressure due to slower local mobile service revenue growth, lower roaming revenue and higher costs.

SmarTone's 4G network went into service during the year, further enhancing its network performance. The company acquired additional spectrum in March 2013, which will enable more improvements in network quality and capacity in a cost effective way. Customer experience was enhanced by the introduction of exclusive services including Street View To Go and Cloud Storage Manager, as well as improvements in customer care.

The company raised US\$200 million through a ten-year bond in March 2013 to secure more long-term funding and optimize capital structure amid the low interest rate environment. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

Information Technology

SUNeVision achieved another year of profitability with its data centre businesses making up a significant portion of its core operations.

iAdvantage maintained its market position as a major carrier-neutral data centre service provider in Hong Kong. It excels in offering world-class facilities and service, and strives to be customers' preferred choice in sourcing data centre hosting, outsourcing, business continuity and other mission-critical operations. iAdvantage continued to provide quality and professional service to meet the stringent requirements of customers in the financial service, telecommunications, information technology and public administration sectors.

iAdvantage gained new businesses and invested further in data centre infrastructure during the year. Overall data centre occupancy remained satisfactory. The company will continue its pursuit of growth and is looking for additional data centre space. SUNeVision's last-mile connectivity business offers quality service to customers.

Infrastructure and Other Businesses

Transport Infrastructure Operations and Management

The Group's 100% ownership of the Wilson Group gives it a significant role in Hong Kong's parking, tunnel, bridge and toll road management businesses. The Wilson Group continued to perform well during the year.

Wilson Parking won a substantial number of new public and private contracts during the year under review, further reinforcing its position as the local market leader with 350 car parks providing some 110,000 bays. It was the first Hong Kong car park operator to win a *Reader's Digest* Trusted Brand award with the top platinum honour. Service excellence also led to Wilson being named Best Car Park Operator by the Hong Kong Housing Authority and receiving accolades from the media .

Wilson's business continues to expand and its quality standards are rising. It is also a leader in operations and maintenance of major road infrastructure including the Tsing Ma Control Area. Wilson's technology division sources and supplies a full range of highly-innovative equipment. Its integrated parking guidance and car search system won a 2013 Best Green ICT (Innovation) Bronze Award. Wilson also secured a contract to supply speed-enforcement cameras for a number of tunnels and developed the industry's first car park system that accepts a broader range of electronic payment options.

Autotoll is 50% owned by the Wilson Group and remains the market leader with more than 273,000 vehicles users for automatic toll collection and over 10,000 in telematics. It completed the government speed map panel project during the year and won gold in the Mystery Caller Assessment Award.

Wilson expanded its car park management portfolio and parking system installations on the mainland, and it renewed a number of parking contracts in Macau.

The Group has a 70% interest in the Route 3 (CPS) Company, which won a 30-year franchise in 1995 to design, construct and operate the 3.8-km Tai Lam Tunnel and 6.3-km Tsing Long Highway connecting Yuen Long and the Ting Kau Bridge. The dual three-lane, north-south expressway serves as an alternative to Tuen Mun Road and offers a reliable, time- and fuel-saving direct route for cross-boundary traffic and commuters travelling between the northwest New Territories and the urban areas. Traffic and revenue rose steadily during the year.

Transport International Holdings Limited is a publicly-listed company 33.3% owned by the Group. The company's franchised bus business was negatively affected by high oil prices and rising operating costs as a result of inflationary pressure.

Sky100 Hong Kong Observation Deck

The Sky100 Hong Kong Observation Deck is the only indoor viewing platform in the city with a 360-degree view of the territory and Victoria Harbour. It has become a 'must-see' attraction for tourists since opening in April 2011, recording double-digit growth for each of the two years of operation in the number of visitors from both the mainland and overseas. Sky100 received a Hong Kong New Brand Award in last year's Prestigious Corporate Brand Awards given by the Chinese University of Hong Kong and a local newspaper.

Sky100 conveys special features of the city to locals and tourists and is in demand for events like exhibitions, fashion shows, media events, product launches, corporate dinners and private parties. Educational programmes at Sky100 are popular extra-curricular school activities and are accompanied by teaching materials developed with the Hong Kong Institution of Education that use the unique 360-degree view to help young people understand more about Hong Kong. Sky100 is also exploring other business opportunities in its new café and bar and as a venue for MICE (meetings, incentive travel, conventions and exhibitions) business and wedding banquets.

Port Business

The Hoi Kong Container Services Company Limited has a leading position in providing comprehensive midstream container handling for intra-Asia shipping lines. It is in a prime location in Kwai Tsing with four berths and 3.3 hectares of container yard space. The company remained profitable and was able to maintain its market position with reliable and efficient operations despite sluggish trade in maritime transport. The company is a wholly-owned subsidiary of the Group.

The River Trade Terminal in Tuen Mun is ideally situated for trade between Hong Kong and the Pearl River Delta. The terminal operates 49 berths across 65 hectares and has 3,000 metres of quay front. It handles and consolidates containers and break-bulk cargo, stores reefer cargo and acts as a container freight station. Sluggish global trade affected its business but the company continued tight cost controls to enhance overall operational flexibility and efficiency. The Group has a 50% interest in the company.

Air Transport and Logistics Business

The Airport Freight Forwarding Centre Company Limited operates a warehouse and office facility at Hong Kong International Airport covering over 1.5 million square feet. Sustained demand for warehousing amid continuing retail sales growth in Hong Kong over the past year contributed to solid rental performance for the company despite recent signs of softening in the air cargo trade.

The Hong Kong Business Aviation Centre Limited holds the franchise to serve business aircraft flying in and out of Hong Kong, and it has become the premier gateway for entrepreneurs and executives doing business on the mainland and Asia. The growing recognition of business aviation as a time-saving tool has led to a sustained increase in the number of aircraft based in Hong Kong, and the company recorded a steady growth in flight movements in the year. The Group owns 35% of the company.

Waste Management

Care for the environment has long been a central tenet of the Group's business philosophy, and it makes a tangible contribution to an eco-friendly Hong Kong with 20% stakes in Green Valley Landfill and South China Transfer.

Green Valley Landfill is responsible for the daily operation and long-term aftercare of the South East New Territories Landfill in Tseung Kwan O. The site covers 100 hectares and has the capacity to handle 43 million cubic metres of waste. Business was steady for the company during the year. South China Transfer operated Hong Kong's largest refuse transfer station on Stonecutters Island, processing over 2,300 tonnes of solid municipal waste and 450 tonnes of grease-trap waste per day in 2012. The franchise granted to this joint venture expired in December 2012 and the business generated satisfactory income to the Group during the franchise period.

Corporate Finance

The Group maintains its adherence to the prudent financial management principles that have helped it weather different economic cycles and allows it to invest in attractive projects when opportunities arise.

The Group's financial position is robust as evidenced by its healthy gearing and interest coverage ratio with abundant liquidity. Net debt to shareholders' funds stood at a low 12.5% as at 30 June 2013. This ratio is expected to remain at a healthy level of below 20% after full payment of the land premium for the Group's significant acquisition in Shanghai in early September this year.

The Group maintains excellent relationships with banks. A HK\$15,200 million five-year term loan/revolving syndicated credit facility was signed in March 2013 at very competitive terms to maintain substantial committed banking facilities on a standby basis.

The Group has consistently high credit ratings — an A1 rating with a negative outlook from Moody's and an A+ rating with a negative outlook from Standard & Poor's. These are among the highest of local property companies. The Group capitalized on its high credit ratings to issue HK\$600 million and US\$500 million ten-year bonds under its Medium Term Note Programme since January this year. These issues extended the Group's debt maturity profile and expanded its funding channels in this exceedingly low interest rate environment.

The majority of the Group's borrowings are denominated in Hong Kong dollars, resulting in small foreign exchange risk. In line with its conservative financial policy, the Group has not executed any derivative or structured-product transactions for speculation.

Financial Review

Review of Results

Profit attributable to the Company's shareholders for the year ended 30 June 2013 was HK\$40,329 million, a decrease of HK\$2,751 million or 6.4% compared to HK\$43,080 million for the last year. The reported profit has included an increase in fair value of investment properties net of related deferred taxation and non-controlling interests of HK\$23,281 million (2012: HK\$22,076 million).

Underlying profit attributable to the Company's shareholders for the year ended 30 June 2013, excluding the net effect of fair value changes in the valuation of investment properties, decreased by HK\$3,059 million or 14.1% to HK\$18,619 million compared to HK\$21,678 million for the last year. The decrease was primarily due to reduced profit contribution from property sales. Property sales reported a profit of HK\$7,190 million, which fell by 45% or HK\$5,884 million, mainly due to fewer sales of Hong Kong residential projects than last year. In addition, the Group has disposed certain non-core investment properties and realized valuation gains of HK\$1,571 million in its underlying profits. Net rental for the year grew 10.5% to HK\$12,236 million, driven by positive rental reversions as well as full year contributions from the new investment properties in Mainland China. Profit contribution from telecommunications segment decreased HK\$249 million or 18% to HK\$1,136 million over the last year, largely due to drop in roaming revenue reflecting fierce market competition. Performance of the Group's hotel portfolio remained satisfactory, showing continued growth in occupancy and room rates well supported by solid fundamentals of the hospitality industry. Profit contribution from hotel segment, however, recorded a decrease of HK\$95 million or 9.2% to HK\$937 million, owing to the renovation of Royal Plaza Hotel as well as pre-opening expenses of the two newly completed hotels in Kowloon East opened in late 2012.

Financial Resources and Liquidity

(a) Net debt and gearing

As at 30 June 2013, the Company's shareholders' funds increased by HK\$39,353 million to HK\$385,912 million or HK\$144.5 per share from HK\$346,559 million or HK\$132.5 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 2013, calculated on the basis of net debt to Company's shareholders' funds, was 12.5% compared to 16.4% at 30 June 2012. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 8.7 times compared to 13.7 times for the previous year. This was due to higher interest expenses incurred reflecting higher average borrowing as well as higher average interest rate resulting from the use of more long-term fixed rate debt financing during the year.

As at 30 June 2013, the Group's gross borrowings totalled HK\$64,630 million. Net debt, after deducting bank deposits and cash of HK\$16,471 million, amounted to HK\$48,159 million, a decrease of HK\$8,769 million since 30 June 2012. The maturity profile of the Group's gross borrowings is set out as follows:

	30 June 2013	30 June 2012
	HK\$ Million	HK\$ Million
Repayable:		
Within one year	8,060	9,801
After one year but within two years	9,269	8,799
After two years but within five years	23,765	37,493
After five years	23,536	15,173
Total bank and other borrowings	64,630	71,266
Bank deposits and cash	16,471	14,338
Net debt	48,159	56,928

Financial Review

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

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements.

(b) Treasury policies

The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2013, about 76% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 24% 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 2013, about 55% of the Group's bank and other borrowings were denominated in Hong Kong dollars, 27% in US dollars and 18% in Renminbi. The foreign currency borrowings were mainly for financing property projects outside Hong Kong.

The Group's bank and other borrowings are principally arranged on a floating rate basis. For some of the fixed rate notes issued by the Group, interest rate swaps have been used to convert the rates to floating rate basis. As at 30 June 2013, about 54% of the Group's bank and other borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis and 46% 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 2013, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK\$4,123 million and currency swaps (to hedge principal repayment of foreign currency borrowings) in the aggregate notional principal amount of HK\$6,698 million.

As at 30 June 2013, about 57% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 32% in Renminbi, 10% in United States dollars and 1% in other currencies.

Charges of Assets

As at 30 June 2013, 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\$8,845 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 2013, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint venture companies and other guarantees in the aggregate amount of HK\$1,104 million (30 June 2012: HK\$1,239 million).

Investor Relations

Maintaining high standards of corporate governance is a cornerstone of the Group's business philosophy. It places great importance on providing accurate and timely information to the investment community and maintaining effective two-way communication channels with stakeholders, including equity and fixed-income investors, to promote greater understanding and transparency.

Corporate information is disseminated on a timely basis through different channels including annual and interim reports, regular press releases and public announcements, all of which are available on the Group's website. Post-results meetings and analyst briefings are held shortly after results announcements, with the management present to answer questions.

The Group takes a proactive approach to communicating with investors, analysts and credit agencies. The management interact with them on a regular basis through meetings and conference calls to keep them abreast of the Group's strategy, sustainability initiatives, business updates and latest development of Hong Kong and mainland property markets. The Group also reaches out to overseas equity and fixed-income investors by participating in international investor conferences and staging non-deal road shows to foster dialogue. Site visits to the Group's projects for the investment community during the year under review included show flats for Century Gateway, a residential project in Tuen Mun, and two new hotels as well as serviced suites in Tseung Kwan O.

The Group's efforts to transparency and dedication to maintaining high standards of corporate governance over the years have earned numerous major awards from leading financial publications.

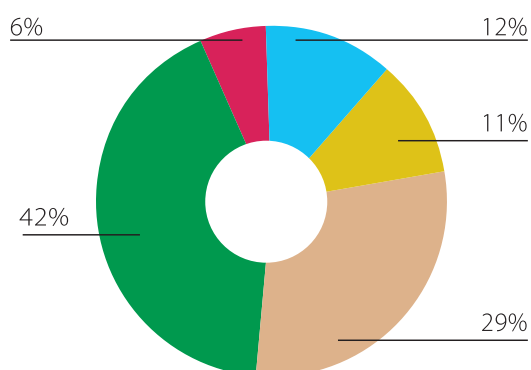
Awards

Financial Year 2012/13

- Best Managed Company in the Property Sector in Asia, Best Developer in Hong Kong Overall, Best Retail Developer, Best Office Developer and Best Mixed Use Developer in Hong Kong from *Euromoney* magazine
- Best Real Estate Company in Asia, Best Corporate Governance and Best Corporate Social Responsibility in Hong Kong from *FinanceAsia* magazine
- Asia's Icon on Corporate Governance and Asian Corporate Director Recognition Award, Best Environmental Responsibility, Best Corporate Social Responsibility, Best Investor Relations Company, Best Investor Relations Professional, and Best Investor Relations Website/Promotion in Hong Kong, plus Asia's Best Chief Financial Officer (Investor Relations) from *Corporate Governance Asia* magazine

Investor Relations

Communications with the Investment Community in Financial Year 2012/13 (About 1,000 Participants)



- Meetings and Conference Calls
- Overseas Road Shows
- Post-results Briefings and Meetings
- Investor Conferences / Forums
- Site Visits

Major Investor Relations Events in Financial Year 2012/13

Date	Event
2012	
3rd Quarter	<ul style="list-style-type: none"> – 2011/12 annual results announcement ■ Press conference ■ Analyst briefing ■ Post-results meetings with fund managers – Non-deal road show in Singapore – Investor forum in Hong Kong – Visit to Century Gateway show flats
4th Quarter	<ul style="list-style-type: none"> – Non-deal road shows in Taiwan, Japan and the US – Investor conference in Singapore – Visit to Crowne Plaza Hong Kong Kowloon East, Holiday Inn Express Hong Kong Kowloon East and Vega Suites
2013	
1st Quarter	<ul style="list-style-type: none"> – 2012/13 interim results announcement ■ Press conference ■ Analyst briefing ■ Post-results meetings with fund managers – Non-deal road show in Europe – Investor conferences in Hong Kong
2nd Quarter	<ul style="list-style-type: none"> – Non-deal road show in the US – Investor conferences in Hong Kong

Sustainable Development

Sustainability is an integral part of the Group's Building Homes with Heart ideal and is vital to its long-term growth and success. Dedication to producing the finest developments and offering first-class customer service over the years has built the Group a well-established, trusted brand name. The Group also believes in environmental protection and cares for the community with various charitable initiatives to make positive contributions to society.

The Group published its second stand-alone sustainability report during the year to update stakeholders on its efforts towards sustainable development. The report was prepared according to the Global Reporting Initiatives G3.1 reporting framework and covers the Group's four Royal hotels for the first time. Information about supply chain performance was also expanded. The report was independently assessed, verified and certified to a B+ application level, which is an advance over the previous report and demonstrates the Group's on-going commitment to sustainable development and enhanced transparency.

The Group has been a constituent of the Hang Seng Corporate Sustainability and Hang Seng (Mainland and HK) Corporate Sustainability indices since their inception in 2010, which is further recognition of its commitment to corporate social responsibility.

Customer Service

The Group strives to deliver service excellence to customers. It constantly anticipates what customers want and offers attentive service that exceeds expectations. It places great emphasis on building long-term relationships with customers and enhances two-way communication with them through channels including hotlines, suggestions forms, customer surveys, mystery shopping and gathering opinions through service ambassadors and social network sites. Senior management visit residents and commercial tenants to listen to their needs and follow-up action is taken for continued enhancements.

The Group understands that buying a home is one of the biggest decisions people make in their lives. It spares no effort to deliver the very best with designated inter-departmental teams to oversee the handover of every new property. A two-year quality guarantee is offered on all new residential units. Attentive customer care extends to property management service from subsidiaries Hong Yip and Kai Shing. The quality service has been recognized by numerous awards from professional bodies.

Premium customer service is offered to tenants of commercial buildings. Regular communications with tenants to understand their needs ensure they have secure and pleasant working environments. Mall shoppers and tenants also receive the finest customer service. The Group held a fifth SHKP Malls 'Serving with Heart' Customer Care Ambassador Election to encourage customer care and enhance communications. The Group's Tenant Care Programme for retail tenants continues, with seminars and workshops to give tenants the skills and knowledge needed to stay competitive.

The Group uses technology to enhance the customer experience. New initiatives included V City's Eat Easy electronic remote table booking system mobile app that lets patrons book tables at any restaurant in the mall and provides notifications on queue status for added convenience. A new information app covers all residential properties managed by Kai Shing and gives registered users real-time news about their property, the weather and traffic so they can stay connected.

The SHKP Club was set up in 1996 to enhance two-way communication with customers. It offers property-related service and privileges to nearly 320,000 members including shopping, leisure and recreational information, benefits and activities. It maintains close and long-term relationships with members through channels including hotlines, facebook and weibo pages, and Group-related activities and workshops.

Sustainable Development

Staff Development and Personal Growth

The Group employs over 37,000 people and believes that they are its most valuable asset, engaging them with training and career development opportunities. It is a caring employer and encourages work-life balance, and it communicates with staff to enhance their sense of belonging and morale.

The Group's training goals are to support organizational development, facilitate team synergy and enhance individual competence. Over 40,000 places were filled at training and structured courses during the year, covering a wide spectrum of technical skills and professional development. Modular workshops are offered for general staff to sharpen skills and cultivate a corporate mindset and other programmes help supervisory staff to coach and interact with subordinates. Senior executives have leadership development training with opportunities to take courses at prestigious overseas universities. Staff can get sponsorship for external training in job-related courses ranging from short seminars to degree programmes up to master's level.

Special programmes are also staged to groom staff for business continuity and sustainability. Management Trainee and Graduate Engineer programmes have been taking in high-calibre graduates since 2002, offering them job attachments, mentoring, study trips and other forms of development. Customer service staff attend regular seminars and workshops to cultivate a service mindset and sharpen communication skills. Frontline property management staff have had the Service Excellence programme since 1999 to encourage teamwork for quality and consistent service. Self-learning programmes are available in the Group's Training Library, along with e-learning programmes and reference materials on the company intranet. The Group additionally publishes a quarterly staff training newsletter.

Mainland staff have orientation programmes to help them better understand the Group's business and corporate culture, and a mainland projects conference is held every year so regional and project heads from different cities can discuss their experience and strategic planning with senior management.

The Group places great emphasis on communicating with staff through multiple channels and listening to their opinions, including regular suggestion schemes in which staff are encouraged to recommend ways of enhancing product and service quality or occupational safety while boosting team spirit. Staff are kept informed of company developments through the intranet and a staff newsletter.

The Group encourages its staff to maintain a healthy balance between work and life. A wide array of interest classes and regular social and recreational activities are held, with some open to family members. Regular tips on how to live and work better are offered through the company intranet. The Group periodically reviews staff remuneration with reference to market practice and individual performance to maintain morale. Internal promotions are offered to talented staff to enhance mobility within the Group and allow people to develop their potentials and careers. The Group extends its care to children of staff by providing sponsorships for undergraduate studies and overseas exchanges. Retired staff maintain ties with the Group through the SHKP Evergreen Club with activities like outings, social gatherings with festive gifts and interest classes.

Sustainable Development

Environmental Protection and Promotion

The Group considers protecting the environment essential for its long-term success. Environmental considerations are integrated in the decision-making process across all its operations — from planning and procurement through to construction and property management. The Group also supports community events that promote greener lifestyles and living environments.

The Group is committed to sustainable design and construction. Project teams consider potential environmental impacts at all stages of planning and developing new projects and make provisions to reduce or mitigate them. The high standard in planning sustainable buildings is recognized by international and local building rating schemes. More and more Group developments are certified or pre-certified under Leadership in Energy and Environmental Design (LEED) and the Hong Kong Building Environmental Assessment Method (BEAM) in Hong Kong and on the mainland. The latest additions include Kowloon Commerce Centre Tower A obtaining LEED Core and Shell Development gold certification and Nanjing ICC obtaining LEED Core and Shell Development silver pre-certification. The Group also has vast green spaces and special landscaping in its developments to offer residents and tenants comfortable, refreshing environments.

The Group's consistent performance in environmental protection has been widely recognized. It continued to make remarkable progress in reducing waste, energy consumption and carbon emissions, as well as enhancing indoor air quality. These efforts are recognized by numerous certificates and labels received under the Hong Kong Awards for Environmental Excellence scheme. In particular, the number of buildings managed by the Group receiving Carbon 'Less' certificates saw an increase, as it moves forward to making all managed properties subject to carbon audits.

Raising community awareness of environmental issues is another crucial part of the Group's environmental efforts. As part of SHKP G Power, the Love Nature Campaign involves a series of events and educational programmes to encourage employees, young people and the community to care for the environment. Beach clean-ups and nature excursions engaged nearly 1,000 employees and student volunteers during the year. The Group also continued its sponsorship of the production of interactive educational kits and school visits. Nearly 600 primary schools received educational kits and about 6,000 students heard the green message from school visits during the year.

The extensive residential and commercial property portfolios provide a vehicle for promoting green living. The Group signed the Environment Bureau's Energy Saving Charter on Indoor Temperature for a second year, undertaking to put energy-saving initiatives in place at major malls. Offices, malls and residential developments managed by Hong Yip and Kai Shing again joined various energy-saving and carbon-reduction campaigns held by green groups and helped promote environmental awareness in the community.

The Group and the Community

The Group works for the sustainable development of Hong Kong and makes positive contributions to the community. It has a clear framework for community investment and participates in programmes that create long-term benefits. The Group promotes reading and holistic development as well as healthy living through long-term programmes and new initiatives to meet changing community needs. Top management take an active role in mobilizing frontline staff to volunteer and care for the disadvantaged. Sustained community efforts were acknowledged with a 2012/2013 President's award and being named Second Top Donor by The Community Chest.

The Group promotes a healthy, active lifestyle in the community through charitable sports events. It staged the first Race to ICC-100 — SHKP Vertical Run for the Chest during the year with over 300 runners climbing to the Sky100 Hong Kong Observation Deck on the 100th floor of International Commerce Centre for charity. The same building also features the ICC Light and Music Show that holds a Guinness world record as the largest light and sound show on a single building and spreads a Love Hong Kong message every evening to locals and tourists.

Sustainable Development

The Building Homes with Heart Caring Initiative offers a wide range of community outreach opportunities to staff while allocating immediate financial resources to worthy causes in Hong Kong. Staff are encouraged to contribute their skills and talents to the less fortunate with the support and direct participation of top management. More than 30,000 seniors and disadvantaged people were treated to festive cheer during the year. The Group held Chinese New Year lunches for a third consecutive year for nearly 2,000 seniors at Ma Wan Park Noah's Ark. With the support of Group volunteers, the Building Homes with Heart Caring Initiative helped almost 100 elderly households affected by redevelopment to relocate to new homes, with senior executives and staff volunteers inspecting new flats, tiling floors and installing lights. The SHKP Volunteer Team has been helping young people, the elderly, disabled and underprivileged for a decade. The 2,000-plus members put in a new high of about 120,000 service hours during the year.

The Group places great emphasis on education for young people, as well as reading and holistic development. SHKP Book Club initiatives to build a stronger culture of reading and writing have been ongoing for eight years. It staged a fourth Young Writers' Debut Competition with the ten winning books by Hong Kong and mainland authors making their debuts at the Hong Kong Book Fair this July. The competitions have let 33 talented young authors fulfil their dreams of having a book published since 2006. The Group additionally staged a sixth Read to Dream programme that took nearly 1,200 underprivileged children to the Hong Kong Book Fair with allowances to buy books and included a series of reading related activities during the year. More than 6,000 children have taken part in the programme over the years. A second SHKP Reading Index survey was carried out, revealing that Hong Kong people's interest in reading has increased gradually. The Group additionally sponsored a Little Arts Lovers project with the Hong Kong Arts Festival Society to promote children's holistic development with art and cultural activities. It also sponsored the popular Pure Land: Inside the Mogao Grottoes at Dunhuang in 3D exhibition at the Hong Kong Book Fair.

The SHKP-Kwoks' Foundation was set up in 2002 and offers scholarships to allow talented students with limited means to complete undergraduate courses. It also subsidizes tertiary education and training programmes.

The SHKP Club promotes loving homes and social harmony to members and the general public through competitions, exhibitions at Group malls, seminars, workshops, its Cherish Your Family facebook page and more. The 2012 Pictures of Love photo competition winners were displayed at roving exhibitions and attracted 600,000 views. It compiled selected quotes in a Secrets of Love notebook to promote the spirit of Loving Homes for charity, with sales proceeds going to the Hong Kong Family Welfare Society to help families in need. Loving Homes Support the Family activities in 2013 included a popular territory-wide Tales of Family Support competition for stories about mutual support and sharing happiness that attracted more than 6,000 entries.

Corporate Governance Report

Maintaining high standards of business ethics and corporate governance has always been one of the Group's prime tasks. It believes that conducting the Group's businesses in an open and responsible manner and following good corporate governance practices serve its long-term interests and those of its shareholders. Details of the Group's investor relations initiatives and the recognition it has received for good management and corporate governance are set out under the section headed "Investor Relations" on page 54.

Corporate Governance Practices

Rigorous standards of corporate governance enhance the Group's accountability and transparency, earning the confidence of shareholders and the public. The Company complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30 June 2013, except that there is no separation of the roles of chairman and chief executive.

The Board of Directors of the Company (the "Board") continues to monitor and review the Company's corporate governance practices to ensure compliance.

Board of Directors

Composition

The Board currently has 19 Directors – seven Executive Directors, five Non-Executive Directors and seven Independent Non-Executive Directors. Further details of the composition of the Board are set out on page 2.

The changes to the composition of the Board during the year ended 30 June 2013 were as follows:

- Dr. Leung Nai-pang, Norman and Mr. Leung Kui-king, Donald were appointed as Independent Non-Executive Directors both with effect from 1 July 2012;
- Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were appointed as Alternate Directors to Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond respectively with effect from 13 July 2012;
- Messrs. Wong Chik-wing, Mike and Lui Ting, Victor, both being Executive Directors, were appointed as Deputy Managing Directors with effect from 13 July 2012; and
- Mrs. Leung Ko May-yee, Margaret was appointed as an Independent Non-Executive Director with effect from 1 March 2013.

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

Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are brothers and they are nephews of Mr. Kwong Chun. Also, Mr. Kwok Kai-fai, Adam is a son of Mr. Kwok Ping-kwong, Thomas and a nephew of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond. Mr. Kwok Ho-lai, Edward is a son of Mr. Kwok Ping-luen, Raymond and a nephew of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas. In addition, Sir Po-shing Woo is the father of Mr. Woo Ka-biu, Jackson. Save as disclosed above, there are no family or other material relationships among members of the Board.

Corporate Governance Report

The Board believes that the balance between Executive and Non-Executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of shareholders and the Group. Non-Executive Directors and Independent Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgment and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, to ensure that the interests of shareholders are taken into account.

In advance of the implementation of new Rule 3.10(A) of the Listing Rules in late December 2012, two additional Independent Non-Executive Directors were appointed in July 2012, increasing the number of Independent Non-Executive Directors to six which represented one-third of the Board. Following the appointment of an additional Independent Non-Executive Director in March 2013, the total number further increased to seven, of whom at least one has appropriate professional qualifications or accounting or related financial management expertise. No Independent Non-Executive Director who will retire and be eligible for re-election at the forthcoming annual general meeting of the Company (the "AGM") has served the Company for more than nine years.

The Company has received from all Independent Non-Executive Directors their confirmation of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent.

Dr. Fung Kwok-lun, William held a non-executive role in The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), and Mrs. Leung Ko May-yee, Margaret held executive role or directorships in HSBC Holdings plc ("HSBC Holdings") and certain of its subsidiaries (the "HSBC Subsidiaries"), including Hang Seng Bank Limited, Hang Seng Bank (China) Limited and HSBC, prior to her retirement from the HSBC group in June 2012. HSBC Holdings and the HSBC Subsidiaries are associates of HSBC Trustee (C.I.) Limited ("HSBC Trustee") which in turn is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance holding certain shares in the Company as a trustee of certain discretionary trusts (the "Trusts").

The Company is of the view that both Dr. Fung Kwok-lun, William and Mrs. Leung Ko May-yee, Margaret are independent since (i) HSBC Trustee does not take instructions from HSBC Holdings and the HSBC Subsidiaries on the manner of exercising the voting rights in respect of the shares in the Company held under the Trusts; and (ii) neither Dr. Fung Kwok-lun, William nor Mrs. Leung Ko May-yee, Margaret could and can control the decision making process of HSBC Trustee in relation to the exercise of the aforesaid voting rights attaching to the shares in the Company. In addition, despite her executive role or directorships in HSBC Holdings and the HSBC Subsidiaries, Mrs. Leung Ko May-yee, Margaret has not been involved in the business operation of HSBC Trustee.

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

The Company requests the Directors to disclose annually to the Company the number and nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Prior to the implementation of the new code provision in the Code on board diversity in September 2013, the Company has already taken steps to comply with it and adopted a board diversity policy (the "Diversity Policy") setting out the approach to achieve diversity on the Board in June 2013. The Nomination Committee will monitor the implementation of the Diversity Policy and review the same as appropriate.

Corporate Governance Report

Board Meetings

The Board held four regular meetings and one non-regular meeting during the year ended 30 June 2013. At the Board meetings, the Directors discussed the overall strategies of the Group, monitored the financial and operational performance, and approved the annual and interim results of the Group, the appointments of Directors and committee members and the grant of share options, as well as other significant matters.

A tentative schedule for regular Board meetings for each year is provided to Directors prior to the commencement of each calendar year. In addition, at least 14 days' notice of all regular Board meetings together with the meeting agenda is given to all Directors such that all Directors are given the opportunity to include matters for discussion in the agenda. Meeting agenda and accompanying Board papers are sent to all relevant Directors at least three days in advance of every regular Board meeting or committee meeting.

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

The attendance records of the Directors at the Board meetings held during the year ended 30 June 2013 are set out below:

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

* attended by his Alternate Director, Mr. Woo Ka-biu, Jackson

Corporate Governance Report

Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Directors are given sufficient time for discussion at the Board meetings. Where queries are raised by Directors, prompt and full responses will be given if possible.

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

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

Chairmen

Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are the joint Chairmen and Managing Directors of the Company. This is at variance with code provision A.2.1 of the Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Although the positions of Chairman and Managing Director are not separate, the powers and authorities have not been concentrated as the responsibilities have been shared by two individuals, namely the two joint Chairmen and Managing Directors. Besides, all major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are five Non-Executive Directors and seven Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

The joint Chairmen are primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings of which they are members.

During the year ended 30 June 2013, the joint Chairmen held a meeting with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the Executive Directors.

Training and Support for Directors

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

The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are also issued to Directors and senior management where appropriate to ensure their awareness of best corporate governance practices.

A briefing on the new disclosure obligations in respect of inside information was organised to the members of the Executive Committee, including Executive Directors, during the year under review. Also, briefings on the directors' duties and responsibilities were given to the newly appointed Independent Non-Executive Director and Alternate Directors.

Corporate Governance Report

During the year ended 30 June 2013, the Directors also participated in the following trainings:

Directors	Type of trainings
Executive Directors	
Kwok Ping-kwong, Thomas	A, B, C
Kwok Ping-luen, Raymond	A, B, C
Wong Chik-wing, Mike	A, B, C
Lui Ting, Victor	A, C
Chan Kui-yuen, Thomas	A, B, C
Kwong Chun	A, C
Chan Kwok-wai, Patrick	A, B, C
Kwok Kai-fai, Adam	A, B, C
<i>(appointed as Alternate Director to Kwok Ping-kwong, Thomas with effect from 13 July 2012)</i>	
Kwok Ho-lai, Edward	A, C
<i>(appointed as Alternate Director to Kwok Ping-luen, Raymond with effect from 13 July 2012)</i>	
Non-Executive Directors	
Lee Shau-kee	A, C
Kwok Ping-sheung, Walter	C
Woo Po-shing	C
Kwan Cheuk-yin, William	A, C
Wong Yick-kam, Michael	A, C
Woo Ka-biu, Jackson	A, C
<i>(Alternate Director to Woo Po-shing)</i>	
Independent Non-Executive Directors	
Yip Dicky Peter	A, B, C
Wong Yue-chim, Richard	A, C
Li Ka-cheung, Eric	A, B, C
Fung Kwok-lun, William	A, B, C
Leung Nai-pang, Norman	A, C
Leung Kui-king, Donald	A, C
Leung Ko May-yee, Margaret	A, C
<i>(appointed with effect from 1 March 2013)</i>	

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

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

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

Compliance with Model Code

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

Before the Group's interim and annual results are announced, notifications are sent to the Directors and the Relevant Employees to remind them not to deal in the securities of the Company during the blackout periods. In response to specific enquiry by the Company, all Directors confirmed that they complied with the Model Code during the year ended 30 June 2013.

Corporate Governance Report

Executive Committee

The Executive Committee was established in 1977 and consists of all Executive Directors and five full time senior executives of the Group. A list of members of the Executive Committee and their biographies are set out on page 2 and pages 92 to 104 respectively.

The Executive Committee meets regularly and is primarily responsible for formulating business policies, making decisions on key business issues and policies, facilitating the approval of certain corporate actions and exercising the powers and authority delegated by the Board in respect of matters which arise between regularly scheduled Board meetings.

The Board has delegated its responsibilities to the Executive Committee to develop, review and monitor the policies and practices on corporate governance of the Group and make recommendations to the Board, to review and monitor the Company's policies and practices on legal and regulatory compliance, to review and monitor the code of conduct and ethical behaviour applicable to the Directors and employees and the training and continuous professional development of Directors and senior management, and to review the Company's compliance with the Code and disclosures in the corporate governance report.

During the year ended 30 June 2013, the Executive Committee oversaw the daily business operations of the Group and made key business decisions. In addition, the Committee reviewed the Company's compliance with the Code and the regulatory and statutory requirements, and the disclosure in this corporate governance report. The Executive Committee also approved the policy on inside information which sets out the principles and procedures for handling and disclosing inside information of the Group for compliance with the new requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules, and such policy has been communicated to the relevant senior executives of the Company.

The attendance records of the members at the Committee meetings held during the year ended 30 June 2013 are set out below:

Committee members	Meetings attended/held
Kwok Ping-kwong, Thomas	43/44
Kwok Ping-luen, Raymond	42/44
Wong Chik-wing, Mike	39/44
Lui Ting, Victor	41/44
Chan Kui-yuen, Thomas	39/44
Kwong Chun	36/44
Chan Kwok-wai, Patrick	39/44
So Chung-keung, Alfred	40/44
Tung Chi-ho, Eric	39/44
Chow Kwok-yin, Eric	41/44
Wong Chin-wah, Jimmy	37/44
Yung Sheung-tat, Sandy	41/44

Remuneration Committee

The Remuneration Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director. Other members of the Committee are Dr. Li Ka-cheung, Eric, Mr. Kwan Cheuk-yin, William and Dr. Leung Nai-pang, Norman who was appointed with effect from 16 November 2012. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors.

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The Company has adopted the model to delegate the determination of the remuneration packages of individual Executive Directors to the Remuneration Committee. The Committee is responsible for formulating and recommending remuneration policy to the Board and reviewing and making recommendations on compensation-related issues. The fees for Directors are subject to the approval of the shareholders at the general meetings in accordance with the articles of association of the Company. The Committee consults with the joint Chairmen on its proposals and recommendations if necessary, and also has access to independent professional advice if necessary. The Committee is also provided with sufficient resources enabling it to perform its duties. The Remuneration Committee's specific terms of reference are posted on the websites of the Company and HKEx.

During the year ended 30 June 2013, the Remuneration Committee reviewed the grant of share options to the Alternate Directors and held a meeting to review the Directors' fees and the emoluments of the Executive Directors. The attendance records of the members at the Committee meeting are set out below:

Committee members	Meeting attended/held
Wong Yue-chim, Richard	1/1
Li Ka-cheung, Eric	1/1
Kwan Cheuk-yin, William	1/1
Leung Nai-pang, Norman <i>(appointed with effect from 16 November 2012)</i>	1/1

Nomination Committee and Appointment of Directors

The Nomination Committee was established in June 2005 and is chaired by Professor Wong Yue-chim, Richard, an Independent Non-Executive Director. Other members of the Committee are Mr. Kwan Cheuk-yin, William, Mr. Yip Dicky Peter and Dr. Leung Nai-pang, Norman who was appointed with effect from 16 November 2012. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and will consider different criteria including appropriate professional knowledge and industry experience, as well as consult external recruitment professionals when required. The Committee also reviews the size, structure and composition of the Board and assesses the independence of the Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary. The Nomination Committee's specific terms of reference are posted on the websites of the Company and HKEx.

During the year ended 30 June 2013, the Nomination Committee recommended to the Board for approval of the appointments of two Deputy Managing Directors, two Alternate Directors and an Independent Non-Executive Director, and held a meeting to discuss and review the composition of the Board and the re-election of retiring Directors at the forthcoming 2013 AGM. The attendance records of the members at the Committee meeting are set out below:

Committee members	Meeting attended/held
Wong Yue-chim, Richard	1/1
Kwan Cheuk-yin, William	1/1
Yip Dicky Peter	1/1
Leung Nai-pang, Norman <i>(appointed with effect from 16 November 2012)</i>	1/1

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All Directors have formal letters of appointment setting out the key terms of their appointments. In accordance with the articles of association of the Company, one-third of the Directors are required to retire from office by rotation and are eligible for re-election at each AGM and each Director should be subject to retirement by rotation at least once every three years. Non-Executive Directors (including Independent Non-Executive Directors) will be subject to a term of approximately two years commencing from the date of the AGM at which they are re-elected and expiring at the AGM to be held two years thereafter, and they shall be eligible for re-election at that AGM for a like term upon the expiry of their term of office.

Audit Committee and Accountability

The Board is responsible for presenting a balanced and clear assessment of the Group's performance and prospects. The Directors also acknowledge their responsibility for preparing the accounts that give a true and fair view of the Group's financial position on a going-concern basis and other price-sensitive announcements and other financial disclosures. Board members are provided with monthly updates, including contracted property sales updates, projects launched, upcoming projects, leasing updates and financial position, which give the Directors a balanced and understandable assessment of the performance, position and prospects of the Group. Management provides all relevant information to the Board, giving its members sufficient explanation and information they need to discharge their responsibilities. A statement by the auditor of the Company in respect of their reporting responsibilities is set out in the Independent Auditor's Report.

The Audit Committee was established in 1999 and is chaired by Dr. Li Ka-cheung, Eric, an Independent Non-Executive Director. Other members of the Committee are Mr. Yip Dicky Peter, Mr. Wong Yick-kam, Michael and Mr. Leung Kui-king, Donald who was appointed with effect from 16 November 2012. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors.

No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm.

The duties of the Audit Committee include:

- reviewing the Group's financial statements and annual reports and accounts, and interim reports before submitting them to the Board;
- reviewing the Group's financial controls, internal control and risk management systems;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control system including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- considering major investigation findings on internal control matters;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter and questions raised by the auditor to management, and management's response to such questions;
- reporting to the Board on matters relating to the Audit Committee under the Code;
- meeting with the external auditor to discuss issues regarding audit at least once a year in the absence of management; and

Corporate Governance Report

- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters.

The Audit Committee is provided with sufficient resources enabling it to perform its duties. The Audit Committee's specific terms of reference are posted on the websites of the Company and HKEx.

The Audit Committee held two meetings during the year ended 30 June 2013 and reviewed the interim and final results of the Group and discussed and approved the relevant financial reports. The Committee also reviewed the Group's internal control system and internal audit activities. Private session between the Committee members and the external auditor without the presence of the management had been arranged in each of the aforesaid Committee meetings. The attendance records of the members at the Committee meetings are set out below:

Committee members	Meetings attended/held
Li Ka-cheung, Eric	2/2
Yip Dicky Peter	2/2
Wong Yick-kam, Michael	2/2
Leung Kui-king, Donald <i>(appointed with effect from 16 November 2012)</i>	1/1

In July 2013, the Audit Committee also held a meeting to discuss the audit plan for the year ended 30 June 2013.

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

The Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditor and ensures that their engagement in other non-audit services will not impair their audit independence or objectivity. An independence confirmation has been obtained from Deloitte Touche Tohmatsu which confirms that for the year ended 30 June 2013 and thereafter to the date of this annual report, they are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by Deloitte Touche Tohmatsu for the year ended 30 June 2013 amounted to approximately HK\$14 million and HK\$7 million respectively. The non-audit services mainly consist of consultancy, taxation, review and other reporting services.

Internal Control

The Board has the overall responsibility for maintaining sound and effective internal control system to safeguard the Group's assets and stakeholders' interests, as well as for reviewing the effectiveness of the system. The Board conducts regular reviews of the Group's internal control system, which was developed based on the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) principles as follows:

- Control environment – laying the foundation for the other components of internal control, providing discipline and structure. Factors include integrity, ethical values and competence of personnel, authority and responsibility assignment, direction provided by the Board and effectiveness of the management.
- Risk assessment – the identification and analysis of risks underlying the achievement of objectives, including the risks relating to the changing regulatory and operating environment, as a basis for determining how such risks should be mitigated and managed.

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- (iii) Control activities – the policies and procedures that help to ensure management directives are carried out and any actions that may be needed to address risks to achieving company objectives are taken. These include such activities as approvals, authorizations, verifications, performance reviews, security of assets and segregation of duties.
- (iv) Information and communication – the processes and systems to identify, capture and communicate pertinent information in a timely manner. Such information can be internally or externally-generated, operational, financial or compliance-related, and the flow of information can be up, across or down the organization, so that all staff can effectively carry out their responsibilities.
- (v) Monitoring – the processes that assess the adequacy and quality of the internal control system's performance over time. These processes include ongoing monitoring activities and separate evaluations. Deficiencies in internal control should be reported upstream with serious matters to the top management and the Board.

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

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

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

The Board conducted a review of the Group's internal control system for the year ended 30 June 2013, including financial, operational and compliance controls, and risk management functions. The Board assessed the effectiveness of internal control through the reviews performed by the Audit Committee, executive management and both internal and external auditors. The annual review also considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function.

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

Delegation by the Board

The Board directs and approves the Group's overall strategies. Given the diversity and volume of the Group's businesses, responsibilities for execution and daily operations are delegated to the management. The Board gives clear directions as to the management's power, and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

As disclosed earlier in this corporate governance report, the Board has delegated specific roles and responsibilities to Executive, Audit, Remuneration and Nomination Committees. In addition, a Special Committee was established in March 2012 and is empowered to mainly act as the liaison and to handle the related matters on behalf of the Company in connection with an investigation relating to certain Directors.

Corporate Governance Report

All committees have specific terms of reference clearly defining their powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action.

Shareholder Relations

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

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

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any queries that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

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

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

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

The 2012 AGM was held on 15 November 2012 at Sun Hung Kai Centre to transact the ordinary and special businesses, including the adoption of audited financial statements, approval of final dividend, re-election of Directors, re-appointment of auditor, renewal of general mandates with respect to the repurchase and issue of shares, and approval of new share option schemes and termination of existing share option schemes for each of the Company and one of its listed subsidiaries.

Corporate Governance Report

The attendance records of the Directors at the 2012 AGM are set out below:

Directors	AGM attended
Executive Directors	
Kwok Ping-kwong, Thomas	✓
Kwok Ping-luen, Raymond	✓
Wong Chik-wing, Mike	✓
Lui Ting, Victor	✓
Chan Kui-yuen, Thomas	✓
Kwong Chun	✓
Chan Kwok-wai, Patrick	✓
Non-Executive Directors	
Lee Shau-kee	x
Kwok Ping-sheung, Walter	x
Woo Po-shing	x
Kwan Cheuk-yin, William	✓
Wong Yick-kam, Michael	✓
Independent Non-Executive Directors	
Yip Dicky Peter	✓
Wong Yue-chim, Richard	✓
Li Ka-cheung, Eric	✓
Fung Kwok-lun, William	x
Leung Nai-pang, Norman	✓
Leung Kui-king, Donald	✓

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

Shareholder(s) holding not less than one-twentieth of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting pursuant to Section 113 of the Companies Ordinance of Hong Kong (the "Ordinance"). The requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company. Besides, Section 115A of the Ordinance provides that (i) shareholder(s) representing not less than one-fortieth of the total voting rights of all shareholders of the Company or (ii) not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK\$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant shareholder(s) at the registered office of the Company.

The latest version of the memorandum and articles of association of the Company is available on the websites of the Company and HKEx, and no amendments were made during the year ended 30 June 2013.

Directors' Report

The Directors present their report for the year ended 30 June 2013:

Principal Activities

The principal activity of the Company continues to be holding investments in various subsidiaries.

The principal activities of the Group continue to be the development of and investment in properties for sale and rent, hotel operation, telecommunications, transportation, infrastructure and logistics. Other ancillary and supporting businesses, which are described under principal subsidiaries, jointly controlled entities and associates on pages 161 to 168, are integrated with the main business of the Group. An analysis of the Group's performance for the year by reportable and operating segments in business operation and geographical area is set out in note 2 to the financial statements.

Group Profits

Profit after taxation, including shares of results from jointly controlled entities and associates, amounted to HK\$40,947 million (2012: HK\$43,809 million). After taking non-controlling interests into account, profit attributable to the Company's shareholders was HK\$40,329 million (2012: HK\$43,080 million).

Dividends

An interim dividend of HK\$0.95 per share (2012: HK\$0.95 per share) was paid on 25 April 2013. The Board of Directors of the Company (the "Board") has recommended a final dividend of HK\$2.40 per share (2012: HK\$2.40 per share), making a total dividend of HK\$3.35 per share for the full year ended 30 June 2013 (2012: HK\$3.35 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2013 Annual General Meeting"), will be payable in cash, with an option for the shareholders of the Company (the "Shareholders") to receive new fully paid shares of nominal value of HK\$0.50 each in the share capital of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "Scrip Dividend Scheme"). A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to the Shareholders on or about Wednesday, 27 November 2013.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the 2013 Annual General Meeting and the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on or about Thursday, 19 December 2013 to the Shareholders whose names appear on the register of members of the Company on Friday, 22 November 2013.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's ordinary shares during the year ended 30 June 2013.

Share Capital

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

Share Premium and Reserves

Movements in the share premium and reserves of the Company and the Group during the year are shown in note 30 to the financial statements and on page 112 respectively.

Directors' Report

Fixed Assets

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

Group Financial Summary

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

Development and Investment Properties

Particulars of major development and investment properties in Hong Kong held by the Group are set out on pages 26 and 32 respectively; and particulars of major development and investment properties on the mainland held by the Group are set out on pages 40 and 43 respectively.

Directors

The list of Directors is set out on page 2 and their biographical information are set out on pages 92 to 103.

During the year, Dr. Leung Nai-pang, Norman and Mr. Leung Kui-king, Donald were appointed as Independent Non-Executive Directors of the Company both with effect from 1 July 2012. In addition, with effect from 13 July 2012, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were appointed as Alternate Directors to Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond respectively, and Messrs. Wong Chik-wing, Mike and Lui Ting, Victor, both being the Executive Directors, were appointed as Deputy Managing Directors of the Company. Also, Mrs. Leung Ko May-yee, Margaret was appointed as an Independent Non-Executive Director of the Company with effect from 1 March 2013. All other Directors held office for the whole year.

In accordance with Article 95 of the Company's articles of association (the "Articles of Association"), Mrs. Leung Ko May-yee, Margaret, who was appointed as an additional Director of the Company by the Board after the 2012 annual general meeting of the Company, will hold office until the 2013 Annual General Meeting and, being eligible, has offered herself for re-election. In addition, in accordance with Article 104(A) of the Articles of Association, Mr. Kwok Ping-luen, Raymond, Mr. Wong Chik-wing, Mike, Dr. Li Ka-cheung, Eric, Mr. Kwok Ping-sheung, Walter, Sir Po-shing Woo, Mr. Chan Kui-yuen, Thomas and Mr. Kwong Chun will retire from office, and being eligible, have offered themselves for re-election at the 2013 Annual General Meeting.

None of the Directors proposed for re-election has a service agreement with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

The Company has received from each Independent Non-Executive Director a confirmation of his or her independence pursuant to the independence guidelines under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and considers that all the Independent Non-Executive Directors are independent.

Mrs. Leung Ko May-yee, Margaret held executive role or directorships in HSBC Holdings plc ("HSBC Holdings") and certain of its subsidiaries (the "HSBC Subsidiaries"), including Hang Seng Bank Limited, Hang Seng Bank (China) Limited and The Hongkong and Shanghai Banking Corporation Limited, prior to her retirement from the HSBC group in June 2012. HSBC Holdings and the HSBC Subsidiaries are associates of HSBC Trustee (C.I.) Limited ("HSBC Trustee") which in turn is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") holding certain shares in the Company as the trustee of certain discretionary trusts (the "Trusts"). Nevertheless, the Company is of the view that Mrs. Leung Ko May-yee, Margaret still meets the independence guidelines set out in Rule 3.13 of the Listing Rules for the following reasons: (i) HSBC Trustee, as a substantial shareholder of the Company and the trustee of the Trusts, does not take instructions from HSBC Holdings and the HSBC Subsidiaries on the manner of exercising the voting rights in respect of the shares in the Company held under the Trusts; (ii) Mrs. Leung Ko May-yee, Margaret has not been involved in the business operation of HSBC Trustee; and (iii) Mrs. Leung Ko May-yee, Margaret could not and cannot control the decision making process of HSBC Trustee in relation to the exercise of the aforesaid voting rights attaching to the shares in the Company.

Directors' Report

Directors' and Chief Executives' Interests

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

1. Long positions in shares and underlying shares of the Company

Name of Director	Number of shares held				Total	Number of underlying shares held under equity derivatives ¹	% of shares in issue as at 30.06.2013	
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests			Total	Total
Kwok Ping-kwong, Thomas	2,087,895	306,753	—	429,719,388 ^{2,485}	432,114,036	100,000		
						(personal interests)		
						48,000	432,262,036	16.18
						(family interests)		
Kwok Ping-luen, Raymond	79,235	—	—	433,040,622 ^{3,485}	433,119,857	100,000	433,219,857	16.22
Lee Shau-kee	486,340	—	343,000 ⁶	—	829,340	—	829,340	0.03
Wong Chik-wing, Mike	200,950	—	—	—	200,950	100,000	300,950	0.01
Lui Ting, Victor	60,000	—	—	—	60,000	100,000	160,000	0.01
Wong Yue-chim, Richard	—	1,000	—	—	1,000	—	1,000	0.00
Li Ka-cheung, Eric	—	4,028	—	—	4,028	—	4,028	0.00
Fung Kwok-lun, William	220,000	9,500	—	—	229,500	—	229,500	0.01
Leung Nai-pang, Norman	—	10,000	—	—	10,000	—	10,000	0.00
Leung Kui-king, Donald	—	2,000	—	—	2,000	—	2,000	0.00
Leung Ko May-yee, Margaret	15,214	3,000	—	—	18,214	—	18,214	0.00
Kwok Ping-sheung, Walter ⁷	75,000	—	—	1,087,663,522	1,087,738,522	—	1,087,738,522	40.72
Woo Po-shing	1,375,789	—	—	—	1,375,789	—	1,375,789	0.05
Wong Yick-kam, Michael	176,532	—	—	—	176,532	—	176,532	0.01
Chan Kui-yuen, Thomas	—	66,000	126,500 ⁸	—	192,500	100,000	292,500	0.01
Kwong Chun	762,722	339,358	—	—	1,102,080	40,000	1,142,080	0.04
Chan Kwok-wai, Patrick	—	—	—	—	—	100,000	100,000	0.00
Kwok Kai-fai, Adam	—	—	—	543,068,429 ^{2,489}	543,068,429	—	543,068,429	20.33
(Alternate Director to Kwok Ping-kwong, Thomas)								
Kwok Ho-lai, Edward	—	—	—	546,389,663 ^{3,489}	546,389,663	—	546,389,663	20.46
(Alternate Director to Kwok Ping-luen, Raymond)								
Woo Ka-biu, Jackson	—	1,000	—	—	1,000	—	1,000	0.00
(Alternate Director to Woo Po-shing)								

Directors' Report

Notes:

1. *These underlying shares held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company, details of which are set out in the section headed "Share Option Schemes" below.*
2. *Messrs. Kwok Ping-kwong, Thomas and Kwok Kai-fai, Adam were deemed to be interested in 429,719,388 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.*
3. *Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were deemed to be interested in 433,040,622 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.*
4. *Of the said 429,719,388 shares and 433,040,622 shares in the Company as stated in Notes 2 and 3 above respectively, 33,264,568 shares represented the same interests and were therefore duplicated amongst Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam and Kwok Ho-lai, Edward for the purpose of Part XV of the SFO.*
5. *In addition, on 30 September 2010, the trustee of certain discretionary trusts (the "Trustee"), which was then indirectly interested in a total of 1,081,739,328 shares in the Company, informed the Company that "a re-organisation of such trusts has recently taken place.*

Consequent upon such re-organisation, the "interests" as deemed under the provisions of the Securities and Futures Ordinance of Hong Kong of the various Kwok family members who are directors of SHKP in the said 1,081,739,328 shares in SHKP with effect from 29 September 2010 are as follows:

1. *Madam Kwong Siu Hing continues to be interested in all the said 1,081,739,328 shares in SHKP.*
2. *Each of Mr Kwok Ping Kwong Thomas and Mr Kwok Ping Luen Raymond is interested in 371,286,430 shares out of the said 1,081,739,328 shares in SHKP.*
3. *Mr Kwok Ping Sheung Walter is not interested in any of the said 1,081,739,328 shares in SHKP."*

Subsequent to the above notification from the Trustee on 30 September 2010 and up to 30 June 2013, the Trustee's interests in the shares of the Company increased to 1,159,132,924 shares.

6. *Dr. Lee Shau-kee was deemed to be interested in the 343,000 shares in the Company held through Superfun Enterprises Limited ("Superfun"). This corporation was wholly-owned by The Hong Kong and China Gas Company Limited ("HK China Gas") which was 39.88% held by Henderson Land Development Company Limited ("Henderson Land"). Henderson Land was taken to be 64.18% held by Henderson Development Limited ("Henderson Development"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of Henderson Development. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau-kee. He was taken to be interested in the 343,000 shares in the Company held by Superfun by virtue of Part XV of the SFO.*
7. *Mr. Kwok Ping-sheung, Walter has informed the Company that his share interests in the Company are under dispute. The interests of Mr. Kwok Ping-sheung, Walter in the Company as disclosed here are based on his latest form of disclosure notification dated 23 September 2009 given under Part XV of the SFO.*
8. *These shares were held by a company which was obliged to act in accordance with the instructions of Mr. Chan Kui-yuen, Thomas.*
9. *In addition to the deemed interests as stated in Notes 2 to 4 above, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 113,349,041 shares in the Company by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.*

Directors' Report

2. Long positions in shares and underlying shares of associated corporations of the Company

(a) SUNeVision Holdings Ltd. ("SUNeVision")

Name of Director	Number of shares held			Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 30.06.2013
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests				
Kwok Ping-kwong, Thomas	—	—	2,140,000 ¹	2,140,000	—	2,140,000	0.09
Kwok Ping-luen, Raymond	—	—	3,485,000 ^{1&2}	3,485,000	—	3,485,000	0.15
Wong Chik-wing, Mike	218,000	—	—	218,000	—	218,000	0.01
Lui Ting, Victor	356	—	—	356	—	356	0.00
Leung Nai-pang, Norman	41,000	142	—	41,142	—	41,142	0.00
Leung Ko May-yee, Margaret	1,000	2,000	—	3,000	—	3,000	0.00
Wong Yick-kam, Michael	200,000	—	—	200,000	—	200,000	0.01
Kwong Chun	600,000	—	—	600,000	—	600,000	0.03
Kwok Kai-fai, Adam <i>(Alternate Director to Kwok Ping-kwong, Thomas)</i>	—	—	11,927,658 ^{1&3}	11,927,658	—	11,927,658	0.51
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	—	—	13,272,658 ^{1,2&3}	13,272,658	—	13,272,658	0.57

Notes:

- Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 2,140,000 shares in SUNeVision by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.
- In addition to the deemed interests as stated in Note 1 above, Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were also deemed to be interested in 1,345,000 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.
- In addition, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 9,787,658 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.
- Mr. Kwok Ping-sheung, Walter has informed the Company that his share interests in SUNeVision are under dispute. The "no interest" position of Mr. Kwok Ping-sheung, Walter in SUNeVision as disclosed here is based on the latest form of disclosure notification dated 23 September 2009 given under Part XV of the SFO.

Directors' Report

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

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 30.06.2013
	Other interests	Total			
Kwok Ping-luen, Raymond	4,475,534 ¹	4,475,534	—	4,475,534	0.43
Kwok Kai-fai, Adam (Alternate Director to Kwok Ping-kwong, Thomas)	5,937,944 ²	—	—	5,937,944	0.57
Kwok Ho-lai, Edward (Alternate Director to Kwok Ping-luen, Raymond)	10,413,478 ^{1&2}	—	—	10,413,478	1.00

Notes:

- Messrs. Kwok Ping-luen, Raymond and Kwok Ho-lai, Edward were deemed to be interested in 4,475,534 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.
- In addition, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in 5,937,944 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.

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

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 30.06.2013
	Personal interests (held as beneficial owner)	Total			
Kwok Ping-luen, Raymond	393,350	393,350	—	393,350	0.10
Kwok Ping-sheung, Walter	61,522	61,522	—	61,522	0.02

Directors' Report

- (d) Each of Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam and Kwok Ho-lai, Edward had the following interests in shares of the following associated corporations:

Name of associated corporation	Attributable shares held through corporation	Attributable % of shares in issue through corporation as at 30.06.2013	Actual shares held through corporation	Actual % interests in issued shares as at 30.06.2013
Splendid Kai Limited	2,500	25.00	1,500 ¹	15.00
Hung Carom Company Limited	25	25.00	15 ¹	15.00
Tinyau Company Limited	1	50.00	1 ¹	50.00
Open Step Limited	8	80.00	4 ¹	40.00

Note:

1. Messrs. Kwok Ping-kwong, Thomas, Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam and Kwok Ho-lai, Edward were deemed to be interested in these shares by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.

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

Name of associated corporation	Total number of shares held	% of shares in issue as at 30.06.2013
Anbok Limited	2 ²	50.00
Billion Ventures Limited	1 ³	50.00
Central Waterfront Property Holdings Limited	100 ⁴	100.00
Central Waterfront Property Investment Holdings Limited	50 ⁵	50.00
CWP Limited	1 ⁶	50.00
Daily Win Development Limited	100 ⁷	25.00
E Man – Sanfield JV Construction Company Limited	1 ⁸	50.00
Everise (H.K.) Limited	1 ⁹	50.00
Fullwise Finance Limited	2 ²	50.00
Gold Sky Limited	1 ¹⁰	50.00
Jade Land Resources Limited	1 ¹¹	25.00
Karnold Way Limited	2,459 ¹²	24.59
Maxfine Development Limited	3,050 ¹³	33.33
Royal Peninsula Management Service Company Limited	1 ¹⁴	50.00
Special Concept Development Limited	1 ¹¹	25.00
Star Play Development Limited	1 ¹⁵	33.33
Tartar Investments Limited	300 ¹⁶	30.00
Teamfield Property Limited	4,918 ¹⁷	49.18
Topcycle Development Limited	1 ¹⁸	50.00
Topcycle Project Management Limited	1 ¹⁸	50.00
World Space Investment Limited	4,918 ¹⁷	49.18

Directors' Report

Notes:

1. *Dr. Lee Shau-kee was deemed to be interested in the 343,000 shares in the Company held through Superfun. This corporation was wholly-owned by HK China Gas which was 39.88% held by Henderson Land. Henderson Land was taken to be 64.18% held by Henderson Development. Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of Henderson Development. Rimmer and Riddick as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau-kee. He was taken to be interested in the 343,000 shares in the Company held by Superfun by virtue of Part XV of the SFO.*
2. *Dr. Lee Shau-kee was deemed to be interested in the two shares held through Everise (H.K.) Limited. This corporation was 50% held by Masterland Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
3. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Chico Investment Limited ("Chico"). This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
4. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Central Waterfront Property Investment Holdings Limited. This corporation was 34.21% held by Starland International Limited ("Starland"), a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
5. *Dr. Lee Shau-kee was deemed to be interested in a total of 50 shares of which 34.21 shares were held through Starland and 15.79 shares were held through Prominence Properties Limited ("Prominence"). Starland was wholly-owned by Henderson Land. Prominence was wholly-owned by HK China Gas which was 39.88% held by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
6. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Starland. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
7. *Dr. Lee Shau-kee was deemed to be interested in the 100 shares held through Citiright Development Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
8. *Dr. Lee Shau-kee was deemed to be interested in the one share held through E Man Construction Company Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
9. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Masterland Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
10. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Atex Resources Limited. This corporation was wholly-owned by Mightymark Investment Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
11. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Citiplus Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*

Directors' Report

12. *Dr. Lee Shau-kee was deemed to be interested in the 2,459 shares held through Chico. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
13. *Dr. Lee Shau-kee was deemed to be interested in the 3,050 shares held through Quickcentre Properties Limited. This corporation was 100% held by Henderson (China) Investment Company Limited of which 100% was held by Andco Limited, a wholly-owned subsidiary of Henderson China Holdings Limited. This corporation was 100% held by Brightland Enterprises Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
14. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Well Born Real Estate Management Limited. This corporation was wholly-owned by Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
15. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Benewick Limited. This corporation was 100% held by Dorway Investment Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
16. *Dr. Lee Shau-kee was deemed to be interested in the 300 shares held through Kenforce Investment Limited. This corporation was wholly-owned by Henderson China Properties Limited, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
17. *Dr. Lee Shau-kee was deemed to be interested in the 4,918 shares held through Billion Ventures Limited. This corporation was 50% held by Chico, a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*
18. *Dr. Lee Shau-kee was deemed to be interested in the one share held through Dandy Investments Limited. This corporation was a wholly-owned subsidiary of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 1.*

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executives of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations, that were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Schemes

1. Share option schemes of the Company

On 5 December 2002, the Company adopted a share option scheme (the "Old Scheme"). Under the Old Scheme, the Board shall be entitled at any time within ten years commencing on 5 December 2002 to make an offer for the grant of a share option to any employee as the Board may in its absolute discretion select.

Due to the expiry of the Old Scheme on 5 December 2012 and in order to ensure continuity of a share option scheme for the Company to incentivize its employees, the Shareholders at the annual general meeting of the Company held on 15 November 2012 passed an ordinary resolution to approve the adoption of a new share option scheme (the "New Scheme") and the termination of the Old Scheme.

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During the year ended 30 June 2013, the Company granted 1,474,000 share options under the Old Scheme. Following the termination of the Old Scheme on 15 November 2012, no further share options can be granted under the Old Scheme but the provisions of the Old Scheme remain in full force and effect in all other respects in relation to the share options granted under the Old Scheme. All outstanding share options granted under the Old Scheme and yet to be exercised shall remain valid.

Under the New Scheme, no share options were granted during the year ended 30 June 2013.

Particulars of the outstanding share options granted under the Old Scheme and their movements during the year ended 30 June 2013 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				Balance as at 30.06.2013	Closing price per share (HK\$)
				Balance as at 01.07.2012	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
(I) Directors									
Kwok Ping-kwong, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	—	—	—	100,000	N/A
Kwok Ping-luen, Raymond	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	—	—	—	100,000	N/A
Wong Chik-wing, Mike	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	—	—	—	100,000	N/A
Lui Ting, Victor	12.07.2010	111.40	12.07.2011 to 11.07.2015	80,000	—	—	(80,000)	—	N/A
	11.07.2012	96.15	11.07.2013 to 10.07.2017	N/A	100,000	—	—	100,000	92.85 ²
Chan Kui-yuen, Thomas	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	—	—	—	100,000	N/A
Kwong Chun	12.07.2010	111.40	12.07.2011 to 11.07.2015	100,000	—	(60,000)	—	40,000	129.40 ³
Chan Kwok-wai, Patrick	11.07.2011	116.90	11.07.2012 to 10.07.2016	100,000	—	—	—	100,000	N/A
(II) Associate of a Director	12.07.2010	111.40	12.07.2011 to 11.07.2015	48,000	—	—	—	48,000	N/A
(III) Other employees									
	12.07.2010	111.40	12.07.2011 to 11.07.2015	3,852,000	—	(74,000)	(234,000)	3,544,000	126.33 ³
	11.07.2011	116.90	11.07.2012 to 10.07.2016	2,766,000	—	(26,000)	(484,000)	2,256,000	127.53 ³
	11.07.2012	96.15	11.07.2013 to 10.07.2017	N/A	1,308,000	—	(32,000)	1,276,000	92.85 ²
Total				7,346,000	1,408,000 ⁴	(160,000)	(830,000)	7,764,000	

Directors' Report

Notes:

1. *The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.*
2. *This represented the closing price of the shares of the Company immediately before the date on which the share options were granted.*
3. *This represented the weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised.*
4. *The Company granted 1,474,000 share options under the Old Scheme on 11 July 2012 and subsequently 1,408,000 share options were accepted by the grantees.*
5. *The accounting policy adopted for the share options is set out in note 1t to the financial statements.*

Save as disclosed above, there were no outstanding share options granted under the Old Scheme during the year ended 30 June 2013.

The fair values of the share options granted by the Company were determined by using the Black-Scholes model which is one of the models to estimate the fair value of a share option. The total value of the share options granted on 11 July 2012 under the Old Scheme amounting to approximately HK\$29,478,500 was estimated based on the following variables and assumptions:

Risk free interest rate	0.32% ¹
Expected volatility	31.73% ²
Expected dividend	3.48% ³
Expected life of the share options	5 years ⁴

Notes:

1. *This represented the approximate yield of 5-year Exchange Fund Note traded on 11 July 2012.*
2. *This represented the annualized volatility of the closing price of the shares of the Company in the year preceding the date of grant.*
3. *This represented the yield of the expected dividend, being the historical dividend of the shares of the Company in the year preceding the date of grant.*
4. *This was based on the assumption that there was no material difference between the expected volatility over the whole life of the share options and the historical volatility of the shares of the Company in the year preceding the date of grant.*

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

The major terms of the Old Scheme and the New Scheme (collectively the "Schemes"), in conjunction with the requirements of Chapter 17 of the Listing Rules, are as follows:

1. The purpose of the Schemes is to attract and retain the best quality personnel for the development of the Company's businesses, to provide additional incentives to the employees of the Company or any of its subsidiaries, and to promote the long term financial success of the Company by aligning the interests of the grantees to the Shareholders.
2. The participants of the Schemes are the employees of the Company or any of its subsidiaries (including any Executive Directors of the Company or any of its subsidiaries) as the Board may in its absolute discretion select.

Directors' Report

3. The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Schemes and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the respective date of approval of each of the Schemes. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. Following the termination of the Old Scheme, no further share options can be granted under the Old Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. As at 12 September 2013, the number of shares of the Company available for issue in respect thereof was 260,170,604 shares, representing approximately 9.74% of the issued shares of the Company.

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

Directors' Report

2. Share option schemes of the subsidiaries

(I) SUNeVision

On 3 December 2002, SUNeVision adopted a share option scheme which became effective on 5 December 2002 (the "SUNeVision Old Scheme").

At the extraordinary general meeting of SUNeVision held on 1 November 2011, an ordinary resolution was passed by the shareholders of SUNeVision (the "SUNeVision Shareholders") for approving the adoption of a new share option scheme (the "SUNeVision Proposed Scheme") in contemplation of the transfer of listing of the shares in SUNeVision to the Main Board of the Stock Exchange then proposed and the termination of the SUNeVision Old Scheme when the SUNeVision Proposed Scheme became effective. As stated in the announcement of SUNeVision dated 10 June 2012, since SUNeVision did not proceed with the application for the transfer of listing of its shares in 2012, not all the conditions to which the SUNeVision Proposed Scheme was subject were fulfilled and the SUNeVision Proposed Scheme therefore did not take effect. Consequently, the SUNeVision Proposed Scheme can no longer be implemented as originally contemplated and no options have been and will be granted under the SUNeVision Proposed Scheme.

Due to the expiry of the SUNeVision Old Scheme on 3 December 2012, the SUNeVision Shareholders approved the adoption of a new share option scheme (the "SUNeVision New Scheme") and the termination of the SUNeVision Old Scheme at the annual general meeting of SUNeVision held on 1 November 2012. The adoption of the SUNeVision New Scheme and the termination of the SUNeVision Old Scheme became effective on 15 November 2012 following the passing of an ordinary resolution approving the same by the Shareholders at the annual general meeting of the Company held on 15 November 2012. No share options can be granted under the SUNeVision Old Scheme upon its termination.

During the year ended 30 June 2013, (i) there were no outstanding share options under the SUNeVision Old Scheme; and (ii) no share options were granted under the SUNeVision New Scheme.

The major terms of the SUNeVision New Scheme are as follows:

1. The purpose of the SUNeVision New Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the SUNeVision group and to provide SUNeVision with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as the board of SUNeVision may approve from time to time.
2. The participants of the SUNeVision New Scheme include (i) any executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the SUNeVision group; (ii) any consultants, professional and other advisers to each member of the SUNeVision group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of SUNeVision; (iv) any associates of a director, chief executive or substantial shareholder of SUNeVision; and (v) any employees of the substantial shareholder of SUNeVision, provided that the board of SUNeVision shall have absolute discretion to determine whether or not one falls within the above categories.

Directors' Report

3. The total number of shares of SUNeVision which may be issued upon exercise of all options to be granted under the SUNeVision New Scheme and any other share option schemes of SUNeVision shall not in aggregate exceed 10% of the total number of shares of SUNeVision in issue as at the date of approval of the SUNeVision New Scheme by the SUNeVision Shareholders. The 10% limit may be refreshed with the approval of the SUNeVision Shareholders in general meeting. The maximum number of shares of SUNeVision which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SUNeVision New Scheme and any other share option schemes of SUNeVision must not exceed 30% of the total number of shares of SUNeVision in issue from time to time (or such higher percentage as may be allowed under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange). As at 12 September 2013, the number of shares of SUNeVision available for issue under the SUNeVision New Scheme was 232,222,953 shares, representing approximately 10% of the issued shares of SUNeVision.
4. The total number of shares of SUNeVision issued and to be issued upon exercise of the share options granted under the SUNeVision New Scheme and any other share option schemes of SUNeVision to each participant (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the total number of shares of SUNeVision in issue.
5. A share option granted under the SUNeVision New Scheme may be exercised at any time during the option period after the share option has been granted by the board of SUNeVision. A share option period is a period to be determined by the board of SUNeVision at its absolute discretion and notified by the board of SUNeVision to each grantee as being the period during which a share option may be exercised, such period shall not be longer than ten years from the date of grant of the share option.
6. Unless otherwise determined by the board of SUNeVision and specified in the offer letter at the time of the offer, there is neither any performance target that needs to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised.
7. The acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
8. The exercise price of a share option to subscribe for shares of SUNeVision shall be at least the highest of:
 - the closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;
 - the average closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made to a participant; and
 - the nominal value of the shares of SUNeVision.
9. The SUNeVision New Scheme shall be valid and effective for a period of ten years commencing on the day on which the SUNeVision New Scheme takes effect.

Directors' Report

(II) SmarTone

SmarTone operates the following two share option schemes:

- (i) share option scheme adopted and became effective on 15 November 2002, and terminated on 8 December 2011 (the "SmarTone Old Scheme"); and
- (ii) share option scheme adopted on 2 November 2011 and became effective on 8 December 2011 (the "SmarTone New Scheme").

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

During the year ended 30 June 2013, no share options were granted under the SmarTone Schemes and the movements of the outstanding share options granted under the SmarTone Schemes were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options					Closing price per share (HK\$)
				Balance as at 01.07.2012	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2013	
SmarTone Old Scheme									
(I) Directors of SmarTone	13.06.2011	12.78	13.06.2012 to 12.06.2016	12,000,000	—	—	—	12,000,000	N/A
(II) Other employees of SmarTone	05.02.2004	4.50	05.02.2005 to 04.02.2014	546,000	—	(148,000)	—	398,000	14.87 ²
	13.06.2011	12.78	13.06.2012 to 12.06.2016	20,084,000	—	(459,000)	(200,000)	19,425,000	15.11 ²
	30.09.2011	13.12	30.09.2012 to 29.09.2016	765,000	—	—	(450,000)	315,000	N/A
	31.10.2011	14.96	31.10.2012 to 30.10.2016	150,000	—	—	—	150,000	N/A
	30.11.2011	13.02	30.11.2012 to 29.11.2016	277,500	—	—	—	277,500	N/A
SmarTone New Scheme									
(III) Other employees of SmarTone	30.12.2011	13.52	30.12.2012 to 29.12.2016	375,000	—	—	—	375,000	N/A
	29.02.2012	16.56	01.03.2013 to 28.02.2017	300,000	—	—	—	300,000	N/A
Total				34,497,500	—	(607,000)	(650,000)	33,240,500	

Notes:

1. The share options can be exercised up to one-third of the grant from the first anniversary of the date of grant, up to two-thirds of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
2. This represented the weighted average closing price of the shares of SmarTone immediately before the date on which the share options were exercised.

Directors' Report

Save as disclosed above, there were no outstanding share options granted under the SmarTone Schemes during the year ended 30 June 2013.

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

1. The purpose of the SmarTone Schemes is to reward participants who have made a valuable contribution to the growth of the SmarTone group and to enable the SmarTone group to recruit and/or to retain employees who are regarded as valuable to the SmarTone group or are expected to be able to contribute to the business development of the SmarTone group.
2. Any employee, agent, consultant or representative of SmarTone or any of its subsidiaries, including any director of SmarTone or any of its subsidiaries who has made valuable contribution to the growth of the SmarTone group based on his work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the SmarTone Schemes at the invitation of the directors of SmarTone.
3. SmarTone can issue share options so that the total number of shares of SmarTone that may be issued upon exercise of all share options to be granted under all the share option schemes of SmarTone does not in aggregate exceed 10% of the shares in issue on the respective date of adoption of each of the SmarTone Schemes. In respect of the SmarTone New Scheme, SmarTone may renew this limit at any time, subject to its shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding share options of SmarTone granted and yet to be exercised under all the share option schemes of SmarTone does not exceed 30% of the shares in issue of SmarTone from time to time. As at 12 September 2013, the number of shares of SmarTone available for issue in respect thereof was 102,948,685 shares which represented approximately 9.92% of the issued ordinary shares of SmarTone.
4. The maximum entitlement for any participant is that the total number of shares of SmarTone issued and to be issued upon exercise of share options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the relevant class of shares in issue of SmarTone.
5. The exercise period of any share option granted under the SmarTone Schemes shall be determined by the board of SmarTone but such period must not exceed ten years from the date of grant of the relevant share option.
6. The SmarTone Schemes do not specify any minimum holding period before the share option can be exercised but the board of SmarTone has the authority to determine the minimum holding period when the share options are granted.
7. Acceptance of offer to grant a share option shall be sent in writing together with a remittance in favour of SmarTone of HK\$1.00 by way of consideration for the grant and must be received by the company secretary of SmarTone within 28 days from the date of the making of such offer.

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8. The option price per share of SmarTone payable upon the exercise of any share option will be determined by the directors of SmarTone upon the grant of such share option. It shall be at least the highest of:
- the average closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the day of offer of such share option;
 - the closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheet on the day of offer of such share option, which must be a business day; and
 - the nominal value of a share of SmarTone.
9. The SmarTone Old Scheme was terminated on 8 December 2011 and the existing rights of the grantees under the outstanding share options granted and yet to be exercised under the SmarTone Old Scheme are not affected. The SmarTone New Scheme shall be valid and effective for a period of ten years commencing from the adoption of the SmarTone New Scheme on 2 November 2011.

Arrangement to Purchase Shares or Debentures

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

Interests of Substantial Shareholders and Other Persons

As at 30 June 2013, substantial shareholders of the Company and other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

	Number of shares held			Total	% of shares in issue as at 30.06.2013
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
(I) Substantial shareholders					
Kwong Siu-hing	22,344	—	1,159,132,924 ¹	1,159,155,268	43.40
HSBC Trustee	—	—	1,145,381,298	1,145,381,298 ²	42.88
(II) Other persons					
Adolfa Limited ("Adolfa")	206,409,198	33,264,568	—	239,673,766 ³	8.97
Bertana Limited ("Bertana")	206,409,198	33,264,568	—	239,673,766 ³	8.97
Cyric Limited ("Cyric")	206,409,198	33,264,568	—	239,673,766 ³	8.97
Asporto Limited ("Asporto")	168,880,254	—	—	168,880,254 ³	6.32
Rosy Result Limited ("Rosy Result")	168,880,254	—	—	168,880,254 ³	6.32
Thriving Talent Limited ("Thriving Talent")	168,880,254	—	—	168,880,254 ³	6.32

Directors' Report

Notes:

1. *Madam Kwong Siu-hing was deemed to be interested in 1,159,132,924 shares in the Company by virtue of her being a founder and/or a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. These shares were the same shares in which HSBC Trustee was deemed to be interested and were therefore duplicated between these two substantial shareholders.*
2. *On 30 September 2010, HSBC Trustee, as the trustee of certain discretionary trusts which was then indirectly interested in a total of 1,081,739,328 shares in the Company, informed the Company that "a re-organisation of such trusts has recently taken place.*

Consequent upon such re-organisation, the "interests" as deemed under the provisions of the Securities and Futures Ordinance of Hong Kong of the various Kwok family members who are directors of SHKP in the said 1,081,739,328 shares in SHKP with effect from 29 September, 2010 are as follows:

1. *Madam Kwong Siu Hing continues to be interested in all the said 1,081,739,328 shares in SHKP.*
 2. *Each of Mr Kwok Ping Kwong Thomas and Mr Kwok Ping Luen Raymond is interested in 371,286,430 shares out of the said 1,081,739,328 shares in SHKP.*
 3. *Mr Kwok Ping Sheung Walter is not interested in any of the said 1,081,739,328 shares in SHKP."*
3. *Of the shares held respectively by Adolfa, Bertana and Cyric, 33,264,568 shares were held through corporations of which each of Adolfa, Bertana and Cyric was interested in one-third of the entire issued share capital. These 33,264,568 shares represented the same interests and were therefore duplicated amongst these companies. Further, the shares held respectively by Adolfa, Bertana, Cyric, Asporto, Rosy Result and Thriving Talent formed part of the shares in which HSBC Trustee was deemed to be interested.*

Save as disclosed above, as at 30 June 2013, the Company was not notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Emolument Policy and Long Term Incentive Schemes of the Group

As at 30 June 2013, the Group employed more than 37,000 employees. The related employees' costs before reimbursements for the year amounted to approximately HK\$8,064 million. Compensation for the Group is made with reference to the market, 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 of key staff of the Group. Details of the old and new share option schemes of the Company are set out in the section headed "Share Option Schemes".

Basis of Determining Emolument to Directors

The same remuneration philosophy is applicable to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual competence, 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, similar to those offered to other employees of the Group.

Bank and Other Borrowings

Details of bank and other borrowings are set out in notes 23 and 25 to the financial statements.

Interest Capitalized

Interest capitalized during the year amounted to HK\$416 million (2012: HK\$395 million).

Charitable Donations

HK\$66 million (2012: HK\$69 million) was donated during the year.

Directors' Report

Directors' Interests in Competing Businesses

The interests of the Directors of the Company in competing businesses that were required to be disclosed pursuant to Rule 8.10 of the Listing Rules as informed by the relevant Directors were as follows:

Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond and their respective alternates, Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward (collectively the "Kwok Family") maintain certain interests in businesses which consist of property developments and investments in Hong Kong and Singapore and hotel operation in Hong Kong. As such, they are regarded as being interested in such competing businesses with the Group (the "Excluded Businesses"). However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. The Kwok Family does not have property developments and investments business and hotel operation business in the Mainland China. Therefore they are not regarded as being interested in such Excluded Businesses in the Mainland China. The Group does not have (i) property developments and investments in locations other than Hong Kong, Mainland China and Singapore, and (ii) hotel operation in locations other than Hong Kong and Mainland China.

Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond are non-executive directors of Transport International, whose businesses consist of property holdings and development. In this regard, each of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond is regarded as being interested in such Excluded Businesses.

Mr. Kwok Ping-luen, Raymond is a non-executive director of Wing Tai Properties Limited ("Wing Tai"). The businesses of Wing Tai consist of property development, property investment and management, and hospitality investment and management. Therefore, Mr. Kwok Ping-luen, Raymond is regarded as being interested in such Excluded Businesses.

Mr. Kwok Ping-sheung, Walter has interests in companies which have property development, property investment and management in Hong Kong and Mainland China. Therefore, Mr. Kwok Ping-sheung, Walter is regarded as being interested in such Excluded Businesses during the year. However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial.

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

Sir Po-shing Woo is a director of Henderson Development whose businesses principally consist of investment holding, and property development and investment in Hong Kong. In addition, both Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson hold directorships in certain companies including the Kailey Group and/or are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of these companies. The businesses of these companies consist of property development and investment. Accordingly, Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson are regarded as being interested in such Excluded Businesses. Sir Po-shing Woo, being a Non-Executive Director of the Company, and his alternate, Mr. Woo Ka-biu, Jackson, are not involved in the daily management of the Group.

Other than the family businesses of the Kwok Family, the above-mentioned Excluded Businesses are managed by separate companies or public listed companies with independent management and administration. In this respect, coupled with diligence of the Independent Non-Executive Directors and the Audit Committee of the Company, the Group is capable of carrying on its businesses independent of, and at arm's length from, the Excluded Businesses mentioned above.

Directors' Report

Connected Transaction

During the period from the date of the 2011/12 annual report of the Company to the date of this report, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

Directors' Interests in Contracts

Other than as disclosed in note 33 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Major Customers and Suppliers

During the year, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to the Group's five largest customers combined and five largest suppliers combined respectively.

Auditor

The retiring auditor, Messrs. Deloitte Touche Tohmatsu, has signified their willingness to continue in office. A resolution will be proposed at the 2013 Annual General Meeting to re-appoint them and to authorize the Directors to fix their remuneration.

Audit Committee

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

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 60 to 71.

Sufficiency of Public Float

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing Rules.

This report is signed for and on behalf of the Board.

Kwok Ping-kwong, Thomas

Chairman & Managing Director

Kwok Ping-luen, Raymond

Chairman & Managing Director

Hong Kong, 12 September 2013

Directors' Biographical Information

Directors

Kwok Ping-kwong, Thomas

Hon DBA, Hon DEng, MSc (Bus Adm), BSc (Eng), FCPA(Aust.), SBS, JP
Chairman & Managing Director (Age: 61)

Mr. Kwok has been Chairman of the Company since December 2011. Prior to the appointment as Chairman of the Company, Mr. Kwok had acted as Vice Chairman of the Company for 21 years. He is also a Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 36 years. Mr. Kwok holds a Master's degree in Business Administration from The London Business School, University of London, and a Bachelor's degree in Civil Engineering from Imperial College, University of London. He also holds an Honorary Doctorate in Engineering from The Hong Kong Polytechnic University and an Honorary Doctorate in Business Administration from The Open University of Hong Kong. He is a fellow of The Hong Kong Management Association and also a fellow of The Australia Certified Public Accountants. Mr. Kwok is also chairman of Route 3 (CPS) Company Limited, joint chairman of IFC Development Limited and an independent non-executive director of The Bank of East Asia, Limited. He was a non-executive director of SUNeVision Holdings Ltd.

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

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

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

Mr. Kwok is a son of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also a younger brother of Mr. Kwok Ping-sheung, Walter and an elder brother of Mr. Kwok Ping-luen, Raymond. He is the father of Mr. Kwok Kai-fai, Adam, and an uncle of Mr. Kwok Ho-lai, Edward.

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

For the year ended 30 June 2013, Mr. Kwok received a fee of HK\$320,000 for being Chairman of the Company. Also, he received other emoluments of a total of approximately HK\$2.39 million, including a fee of approximately HK\$10,000 for being a director of SUNeVision Holdings Ltd. for the period from 1 July 2012 to 1 November 2012.

Directors' Biographical Information

Kwok Ping-luen, Raymond

Hon LLD, Hon DBA, MBA, MA (Cantab), JP
Chairman & Managing Director (Age: 60)

Mr. Kwok has been Chairman of the Company since December 2011. Prior to the appointment as Chairman of the Company, Mr. Kwok had acted as Vice Chairman of the Company for 21 years. He is also a Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 35 years. Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. He is the chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a director of The Real Estate Developers Association of Hong Kong, a member of the General Committee of The Hong Kong General Chamber of Commerce and vice chairman of the council of The Chinese University of Hong Kong.

Mr. Kwok is a son of Madam Kwong Siu-hing who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also a younger brother of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas. He is the father of Mr. Kwok Ho-lai, Edward and an uncle of Mr. Kwok Kai-fai, Adam.

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

For the year ended 30 June 2013, Mr. Kwok received a fee of HK\$320,000 for being Chairman of the Company. Also, he received other emoluments of a total of approximately HK\$2.65 million, including fees of approximately HK\$40,000 and HK\$150,000 for being chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited respectively.

Dr. the Hon Lee Shau-kee

DBA(Hon), DSSc(Hon), LLD(Hon), GBM
Vice Chairman & Non-Executive Director (Age: 85)

Dr. Lee has been a Non-Executive Director of the Company for the last 41 years. He is the founder and chairman and managing director of Henderson Land Development Company Limited and Henderson Investment Limited. He has been engaged in property development in Hong Kong for more than 55 years. He is also chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited. He resigned as an independent non-executive director of The Bank of East Asia, Limited with effect from 24 April 2013. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Dr. Lee the Grand Bauhinia Medal for his distinguished community service.

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

For the year ended 30 June 2013, Dr. Lee received a fee of HK\$310,000 for being the Vice Chairman of the Company.

Directors' Biographical Information

Wong Chik-wing, Mike

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

Deputy Managing Director (Age: 57)

Mr. Wong has been a Deputy Managing Director of the Company since July 2012. He joined the Group in 1981 and has been an Executive Director of the Company since January 1996. He is also a member of both the Executive Committee and the Special Committee of the Company. Mr. Wong graduated from The Hong Kong Polytechnic University with distinction and holds a Master's degree in International Real Estate. He is a fellow of the Hong Kong Institute of Surveyors and a registered professional surveyor. He is currently responsible for project management matters of the Group's development projects.

Mr. Wong did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the year ended 30 June 2013, Mr. Wong received a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$17.76 million.

Lui Ting, Victor

BBA

Deputy Managing Director (Age: 59)

Mr. Lui has been an Executive Director and a Deputy Managing Director of the Company since April 2012 and July 2012 respectively. He is also a member of the Executive Committee of the Company. He has joined the Group since 1977 and is currently responsible for the sales and marketing of a number of large residential developments as well as acquisition and disposal of non-core property investment projects of the Group. He holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong.

Mr. Lui did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the year ended 30 June 2013, Mr. Lui received a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$17.55 million.

Yip Dicky Peter

MBA, BBS, MBE, JP

Independent Non-Executive Director (Age: 66)

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of both the Audit Committee and the Nomination Committee of the Company. He joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in London, China and San Francisco. Mr. Yip worked in a number of departments of HSBC, which included trade services, corporate banking, group consultancy service and regional training. His previous assignment prior to becoming CEO China had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. From January 2003 to April 2005, Mr. Yip was appointed chief executive China business, based in Shanghai; meanwhile, he was also a director of Bank of Shanghai, Ping An Insurance and Ping An Bank in China. Mr. Yip became a general manager of HSBC in April 2005 until his retirement from HSBC in June 2012. He was the executive vice president of Bank of Communications Co., Ltd. He is currently an independent non-executive director of South China (China) Limited. He was appointed as an independent director of DSG International (Thailand) PLC with effect from 24 April 2013 and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. with effect from 17 June 2013.

Directors' Biographical Information

Mr. Yip joined the Institute of International Finance in July 2012 as chief representative for the Asia-Pacific Region. He is also a China consultant of PricewaterhouseCoopers. He is an elected associated member of the Chartered Institute of Bankers, London. Mr. Yip was educated in Hong Kong with an MBA from The University of Hong Kong. He has a Certified Financial Planner certificate issued by the Institute of Financial Planners of Hong Kong. He received the Ten Outstanding Young Persons Award in 1984 for his contribution to the banking industry and the community in Hong Kong. Mr. Yip was awarded the MBE by the British Government in 1984. In 1999, he was appointed Unofficial Justice of Peace in Hong Kong. In 2000, he was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In June 2008, he was elected a member of Shanghai Committee of the Chinese People's Political Consultative Conference.

Mr. Yip is active in community and youth activities in Hong Kong and is a member of a number of service organisations such as Hong Kong Committee for United Nations Children Fund and the 8th National Council of Red Cross Society of China.

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

For the year ended 30 June 2013, Mr. Yip received fees of HK\$300,000 for being a Director of the Company, HK\$240,000 for being a member of the Audit Committee of the Company and HK\$60,000 for being a member of the Nomination Committee of the Company.

Professor Wong Yue-chim, Richard

SBS, JP

Independent Non-Executive Director (Age: 61)

Professor Wong has been an Independent Non-Executive Director of the Company since May 2005. He is the Chairman of both the Nomination Committee and the Remuneration Committee, and a member of the Special Committee of the Company. Professor Wong studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy. He is Professor of Economics at The University of Hong Kong. Professor Wong was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000.

Professor Wong serves as an independent non-executive director of CK Life Sciences Int'l, (Holdings) Inc., Great Eagle Holdings Limited, Orient Overseas (International) Limited, Pacific Century Premium Developments Limited and The Link Management Limited as the manager of The Link Real Estate Investment Trust. He is also an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited (whose shares were withdrawn from listing on The Stock Exchange of Hong Kong Limited). In addition, Professor Wong was a member of the managing board of the Kowloon-Canton Railway Corporation.

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

For the year ended 30 June 2013, Professor Wong received fees of HK\$300,000 for being a Director of the Company, and HK\$70,000 for being the Chairman of each of the Nomination Committee and the Remuneration Committee of the Company.

Directors' Biographical Information

Dr. Li Ka-cheung, Eric

LLD, DSocSc., B.A., GBS, OBE, JP

Independent Non-Executive Director (Age: 60)

Dr. Li was appointed as a Non-Executive Director of the Company in May 2005. He is currently an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is also an independent non-executive director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Li is the senior partner of Li, Tang, Chen & Co., Certified Public Accountants. He is also an independent non-executive director of Transport International Holdings Limited, Wong's International Holdings Limited (formerly known as Wong's International (Holdings) Limited), Hang Seng Bank Limited, China Resources Enterprise, Limited and RoadShow Holdings Limited. He retired as an independent non-executive director of Bank of Communications Co., Ltd. with effect from 25 June 2013.

Dr. Li is a member of The 12th National Committee of Chinese People's Political Consultative Conference. He was a former member of the Legislative Council of Hong Kong, the chairman of its Public Accounts Committee, a past president of the Hong Kong Institute of Certified Public Accountants and a former convenor-cum-member of the Financial Reporting Review Panel.

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

For the year ended 30 June 2013, Dr. Li received fees of HK\$300,000 for being a Director of the Company, HK\$280,000 for being the Chairman of the Audit Committee of the Company and HK\$60,000 for being a member of the Remuneration Committee of the Company. Also, he received other emoluments of a total of HK\$240,000 for being a director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Fung Kwok-lun, William

SBS, OBE, JP

Independent Non-Executive Director (Age: 64)

Dr. Fung has been an Independent Non-Executive Director of the Company since February 2010. He graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred the degrees of Doctor of Business Administration, *honoris causa*, by The Hong Kong University of Science and Technology and by The Hong Kong Polytechnic University.

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

Dr. Fung has held key positions in major trade associations. He is the past chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Pacific Economic Cooperation Committee. He has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008.

Directors' Biographical Information

Dr. Fung does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the year ended 30 June 2013, Dr. Fung received a fee of HK\$300,000 for being a Director of the Company.

Dr. Leung Nai-pang, Norman

LLD, GBS, JP

Independent Non-Executive Director (Age: 73)

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

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

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

For the year ended 30 June 2013, Dr. Leung received fees of HK\$300,000 for being a Director of the Company, and a fee of approximately HK\$37,315 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company for the period from 16 November 2012 to 30 June 2013.

Leung Kui-king, Donald

BSc

Independent Non-Executive Director (Age: 57)

Mr. Leung has been an Independent Non-Executive Director of the Company since July 2012. He is also a member of the Audit Committee of the Company. Mr. Leung graduated from The University of California, Berkeley with a Bachelor of Science degree in Business Administration and completed Harvard University's Advanced Management Program. He is currently an independent non-executive director of Tern Properties Company Limited.

Mr. Leung started his career with Bank of America in 1977 and joined Wardley Limited (a member of HSBC group) in 1984. He then joined the Company in 1986 and worked until his retirement in 2006.

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

For the year ended 30 June 2013, Mr. Leung received fees of HK\$300,000 for being a Director of the Company and approximately HK\$149,260 for being a member of the Audit Committee of the Company for the period from 16 November 2012 to 30 June 2013.

Directors' Biographical Information

Leung Ko May-yee, Margaret

SBS, JP

Independent Non-Executive Director (Age: 61)

Mrs. Leung was appointed as an Independent Non-Executive Director of the Company with effect from 1 March 2013. She holds a Bachelor's degree in Economics, Accounting and Business Administration from The University of Hong Kong. She was the vice-chairman and the chief executive of Hang Seng Bank Limited, the chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and the Group General Manager of HSBC Holdings plc prior to her retirement from the HSBC group in June 2012. The aforesaid entities of the Hang Seng group and HSBC are subsidiaries of HSBC Holdings plc (collectively, the "HSBC Subsidiaries"). HSBC Holdings plc and the HSBC Subsidiaries are associates of HSBC Trustee (C.I.) Limited which in turn is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance holding certain shares in the Company as the trustee of certain discretionary trusts.

Mrs. Leung is currently an independent non-executive director of First Pacific Company Limited. She was appointed as an independent non-executive director of Li & Fung Limited and Hong Kong Exchanges and Clearing Limited on 1 April 2013 and 24 April 2013 respectively, and as a non-executive director of QBE Insurance Group Limited with effect from 21 August 2013. She was an independent non-executive director of Swire Pacific Limited and Hutchison Whampoa Limited.

Mrs. Leung is a member of the board of directors and the finance committee of the Hospital Authority, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR, and the Banking Review Tribunal. She is also a council member and member of the finance committee of The University of Hong Kong, a court member of the Hong Kong Baptist University and the chairman of the executive committee of The Community Chest of Hong Kong. Mrs. Leung was the chairman of the board of governors of Hang Seng Management College and Hang Seng School of Commerce, and a member of the advisory board and the chairman of the investment committee of the Hong Kong Export Credit Insurance Corporation from 2005 to 2010. She was also a member of the Greater Pearl River Delta Business Council and the advisory committee of the Securities and Futures Commission.

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

For the year ended 30 June 2013, Mrs. Leung received a fee of approximately HK\$100,274 for being a Director of the Company for the period from 1 March 2013 to 30 June 2013.

Kwok Ping-sheung, Walter

D.Sc, Msc (Lond), DIC, MICE, JP

Non-Executive Director (Age: 62)

Mr. Kwok has been with the Group for 39 years. Mr. Kwok was Chairman and Chief Executive of the Group from 1990 to 2008. He holds an Honorary Doctor of Science degree and a Master of Science degree in Civil Engineering from the Imperial College of Science and Technology, University of London, and is a member of the Institution of Civil Engineers, U.K. and a Fellow of the Hong Kong Institution of Engineers. He is an Honorary Fellow of the School of Accountancy of The Central University of Finance and Economics in Beijing and Honorary Trustee of Tongji University in Shanghai and Nanjing University. Mr. Kwok is a non-executive director of SUNeVision Holdings Ltd. and Transport International Holdings Limited. He is also a director of Wilson Parking (Holdings) Limited and Hung Cheong Import & Export Company, Limited.

He is also a director of The Real Estate Developers Association of Hong Kong and Tsimshatsui East Property Developers' Association Ltd. and Honorary Treasurer of the Federation of Hong Kong Hotel Owners. On the community front, he is the past Chairman of the Former Directors Committee of the Hong Kong Community Chest. He is also a member of MBA Programmes Committee of The Chinese University of Hong Kong and an Honorary Member of The Court of The Hong Kong University of Science and Technology.

Directors' Biographical Information

Mr. Kwok is an Honorary Citizen of Beijing and Guangzhou. Mr. Kwok was a Standing Committee member of the National Committee of the Chinese People's Political Consultative Conference and is Honorary President and Vice Chairman of Friends of Hong Kong Association. Mr. Kwok is the committee member of the French Asian Art Society, the Chevalier of the Légion d'Honneur Club Hong Kong Chapter, Honorary President of The Association for the Promotion of Global Chinese Traders Fraternity Ltd. and Honorary Chairman of The Association of Global Chinese Art Collectors Fraternity.

Mr. Kwok is a son of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also the elder brother of Messrs. Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, and the uncle of Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward.

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

For the year ended 30 June 2013, Mr. Kwok received a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$30,000 for being a director of SUNeVision Holdings Ltd.

Sir Po-shing Woo

Hon.LLD., FCI Arb, F.I.Mgt., FlnstD, FHKMA

Non-Executive Director (Age: 84)

Sir Po-shing Woo has been a Non-Executive Director of the Company since August 1972. He was admitted to practise as solicitor in England and Hong Kong and is also a fellow of The Hong Kong Management Association, The Chartered Institute of Arbitrators, The Institute of Management and The Institute of Directors of England. He was awarded an Hon.LLD. by City University of Hong Kong and is a fellow of King's College of London as well as honorary professor of Nankai University of Tianjin. He is also the founder of the Woo Po Shing Medal in Law and the Woo Po Shing Overseas Summer School Travelling Scholarship, both at The University of Hong Kong, and the Woo Po Shing Professor (Chair) of Chinese and Comparative Law at City University of Hong Kong. Sir Po-shing Woo is also a director of Henderson Development Limited. He was a non-executive director of Henderson Land Development Company Limited. He is the father of Mr. Woo Ka-biu, Jackson.

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

For the year ended 30 June 2013, Sir Po-shing Woo received a fee of HK\$300,000 for being a Director of the Company.

Kwan Cheuk-yin, William

LLB

Non-Executive Director (Age: 78)

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of the Nomination Committee and the Remuneration Committee of the Company. As a managing partner with the solicitors firm of Woo, Kwan, Lee & Lo, Mr. Kwan has 50 years of experience in legal practice. He is a former director and advisor and currently a voting member of the Tung Wah Group of Hospitals, a past member of the Stamp Advisory Committee, vice chairman of the Hong Kong Scout Foundation Management Committee, vice chairman of the Scout Performing Arts Committee, chairman of Air Activities Committee, elected member of Scout Counsel of Hong Kong, president of the Hong Kong Branch of the King's College London Association, president of the Hong Kong Philatelic Society, life member of the Federation of Inter-Asia Philately, president of FIAP Grand Prix Club, a permanent advisor of Wah Yan (Hong Kong) Past Students Association, a director and honorary secretary of Wah Yan Dramatic Society, a committee member and legal advisor of South China Athletic Association and former vice manager of its Football Section as well as manager of its Ten Pin Bowling Section and an honorary legal advisor of the Hong Kong Society for Reproductive Society.

Directors' Biographical Information

Mr. Kwan was commissioner general and vice chairman of the Organizing Committees of the Hong Kong 1994, 1997, 2001, 2004 and 2009 International Stamp Exhibitions. He served on the Hong Kong Golf Club General Committee on several occasions in various capacities. He graduated from King's College, London University and is a fellow of King's College London, the Institute of Arbitrators and the Royal Philatelic Society, London.

Mr. Kwan did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the year ended 30 June 2013, Mr. Kwan received fees of HK\$300,000 for being a Director of the Company, and HK\$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

Wong Yick-kam, Michael

MBA, BBA

Non-Executive Director (Age: 61)

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

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

Mr. Wong did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the year ended 30 June 2013, Mr. Wong received fees of HK\$300,000 and HK\$240,000 for being a Director and a member of the Audit Committee of the Company respectively.

Chan Kui-yuen, Thomas

B Comm

Executive Director (Age: 67)

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

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

Directors' Biographical Information

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

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

For the year ended 30 June 2013, Mr. Chan received a fee of HK\$300,000 for being a Director of the Company. Also, he received other emoluments of a total of approximately HK\$11.86 million, including a fee of approximately HK\$10,000 for being a director of SUNeVision Holdings Ltd. for the period from 1 July 2012 to 1 November 2012.

Kwong Chun

Executive Director (Age: 84)

Mr. Kwong has been an Executive Director of the Company since October 1992. He is also a member of the Executive Committee of the Company. He graduated from the Zhong Nan Finance & Economics College of Wuhan in China. He worked for the Guangzhou office of the People's Bank of China before coming to Hong Kong in 1962 to work for Eternal Enterprises Limited. He was transferred to Sun Hung Kai Enterprises Limited in 1963. In 1972, the Company became a listed company and he has worked for it ever since.

Mr. Kwong is the younger brother of Madam Kwong Siu-hing, who is the mother of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond, and the grandmother of Messrs. Kwok Kai-fai, Adam and Kwok Ho-lai, Edward. Madam Kwong is also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

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

For the year ended 30 June 2013, Mr. Kwong received a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$5.10 million.

Chan Kwok-wai, Patrick

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

Executive Director & Chief Financial Officer (Age: 57)

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

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

Directors' Biographical Information

Mr. Chan is a member of the Hong Kong Special Administrative Region ("HKSAR") Government Scholarship Fund Investment Committee, the Investment Sub-committee of the Beat Drugs Fund Association HKSAR and Self-financing Post-secondary Education Fund Investment Committee, a council member of the Hong Kong Examinations and Assessment Authority ("HKEAA"), chairman of the finance committee of the HKEAA, and a member of the Standing Committee on Language Education and Research. He is also a member of the Board of Directors and the Admissions, Budgets and Allocations Committee of The Community Chest of Hong Kong, a vice chairman of the General Committee and chairman of the Corporate Governance Affairs Committee of The Chamber of Hong Kong Listed Companies. He is convenor of the Working Group of Finance Directors/ Financial Controllers of The Real Estate Developers Association of Hong Kong and a member of the Professional Development Sub-committee of the ACCA Hong Kong. He is a director of Hang Seng School of Commerce, a member of the Board of Governors of Hang Seng Management College Limited, and chairman of the finance committee of both institutions. Mr. Chan is an advisory board member of several universities in Hong Kong and a member of the Investment Committee of the Foundation of Tsinghua University Centre for Advanced Study Co. Ltd.

Mr. Chan did not hold any other directorships in the last three years in any other public companies, the securities of which are listed in Hong Kong or overseas. He does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

For the year ended 30 June 2013, Mr. Chan received a fee of HK\$300,000 for being a Director of the Company and other emoluments of approximately HK\$16.98 million.

Kwok Kai-fai, Adam

MBA, BSc

Alternate Director to Kwok Ping-kwong, Thomas (Age: 30)

Mr. Kwok was appointed as an Alternate Director to Mr. Kwok Ping-kwong, Thomas in July 2012. He holds a Bachelor of Science degree in Management Science and Engineering from Stanford University and a Master's degree in Business Administration from Harvard Business School. He worked in an international investment bank prior to joining the Group in November 2008 and currently is a project manager taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region.

Mr. Kwok is a son of Mr. Kwok Ping-kwong, Thomas, and a nephew of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

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

Kwok Ho-lai, Edward

BA

Alternate Director to Kwok Ping-luen, Raymond (Age: 32)

Mr. Kwok was appointed as an Alternate Director to Mr. Kwok Ping-luen, Raymond in July 2012. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. He has joined the Group since January 2010 and is now a sales and project manager, responsible for feasibility study, marketing and planning of new residential projects of the Group in Hong Kong. Before joining the Group, Mr. Kwok worked in a major international audit firm.

Directors' Biographical Information

Mr. Kwok is a son of Mr. Kwok Ping-luen, Raymond, and a nephew of Messrs. Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

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

Woo Ka-biu, Jackson

MA (Oxon)

Alternate Director to Sir Po-shing Woo (Age: 50)

Mr. Woo was appointed as an Alternate Director to Sir Po-shing Woo in October 2002. He holds a Master's degree in Jurisprudence from Oxford University and is qualified as a solicitor in Hong Kong, Australia, England and Wales. He is an honorary director of Tsinghua University, a China-Appointed Attesting Officer appointed by the Ministry of Justice, PRC. Mr. Woo is a director of Kailey group of companies. He had previously been a director of N M Rothschild & Sons (Hong Kong) Limited and then a partner of Ashurst Hong Kong. Prior to that, he was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. Mr. Woo is an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and Henderson Land Development Company Limited. He was an alternate director to Sir Po-shing Woo who was a non-executive director of Henderson Land Development Company Limited. In January 2008, Mr. Woo was awarded 2008 World Outstanding Chinese Award by the United World Chinese Association and Honorary Doctor Degree from The University of West Alabama. He is the son of Sir Po-shing Woo.

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

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

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

Senior Management

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

Executive Committee

Executive Committee

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

So Chung-keung, Alfred

MSc, BSc

Mr. So graduated from the University of Toronto and holds a Master degree of Science and a Bachelor degree of Science. He joined the Group in 1978 and is currently responsible for overall property business of the southern China region. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since March 1997.

Tung Chi-ho, Eric

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

Mr. Tung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a member of The Hong Kong Institute of Architects and a registered Architect. Mr. Tung has joined the Group since 1987 and is taking charge of the project management of selected key projects in Hong Kong and the mainland. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since December 1999.

Chow Kwok-yin, Eric

ACIS

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

Wong Chin-wah, Jimmy

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

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

Yung Sheung-tat, Sandy

BA(Law)Hons

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

Financial Statements

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Independent Auditor's Report



TO THE MEMBERS OF SUN HUNG KAI PROPERTIES LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sun Hung Kai Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 107 to 168, which comprise the consolidated and the company statements of financial position as at 30 June 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

12 September 2013

Consolidated Income Statement

For the year ended 30 June 2013
(Expressed in millions of Hong Kong dollars)

	Notes	2013	2012
Revenue	2(a)	53,793	68,400
Cost of sales		(29,907)	(38,220)
Gross profit		23,886	30,180
Other net income		985	532
Selling and marketing expenses		(3,515)	(3,765)
Administrative expenses		(2,056)	(1,959)
Operating profit before change in fair value of investment properties	2(a)	19,300	24,988
Increase in fair value of investment properties		19,187	19,482
Operating profit after change in fair value of investment properties		38,487	44,470
Finance costs		(2,021)	(1,654)
Finance income		134	122
Net finance costs	3	(1,887)	(1,532)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$4,521 million (2012: HK\$3,816 million)) of:			
Associates		460	256
Jointly controlled entities		7,229	5,899
	2(a) & 9(b)	7,689	6,155
Profit before taxation	4	44,289	49,093
Taxation	7	(3,342)	(5,284)
Profit for the year	2(a)	40,947	43,809
Attributable to :			
Company's shareholders		40,329	43,080
Non-controlling interests		618	729
		40,947	43,809
Dividends	8		
Interim dividend paid		2,524	2,484
Final dividend proposed		6,410	6,278
		8,934	8,762
(Expressed in Hong Kong Dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	9(a)		
Basic and diluted		\$15.28	\$16.63
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	9(b)		
Basic and diluted		\$7.05	\$8.37

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013
(Expressed in millions of Hong Kong dollars)

	2013	2012
Profit for the year	40,947	43,809
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translating financial statements of foreign operations	1,202	712
Fair value losses on cash flow hedge transferred to income statement	-	1
Available-for-sale investments		
– fair value gains/(losses)	266	(29)
– fair value losses/(gains) transferred to income statement on disposal	37	(29)
	303	(58)
Share of other comprehensive income of associates and jointly controlled entities		
– exchange difference on translating financial statements of foreign operations	292	119
– fair value gains/(losses) on available-for-sale investments	3	(1)
	295	118
Other comprehensive income for the year	1,800	773
Total comprehensive income for the year	42,747	44,582
Total comprehensive income for the year attributable to :		
Company's shareholders	41,995	43,792
Non-controlling interests	752	790
	42,747	44,582

Consolidated Statement of Financial Position

As at 30 June 2013

(Expressed in millions of Hong Kong dollars)

	Notes	2013	2012
Non-current assets			
Investment properties	10	258,849	233,867
Fixed assets	11	22,788	18,591
Associates	13	3,891	3,825
Jointly controlled entities	14	49,643	45,690
Loan receivables	15	801	587
Other financial assets	16	3,375	3,522
Intangible assets	17	4,937	4,699
		344,284	310,781
Current assets			
Properties for sale	18	132,938	117,144
Inventories		307	437
Debtors, prepayments and others	19	18,191	24,159
Other financial assets	21	705	711
Bank deposits and cash	22	16,471	14,338
		168,612	156,789
Current liabilities			
Bank and other borrowings	23	(8,060)	(9,801)
Trade and other payables	24	(22,753)	(22,256)
Deposits received on sales of properties		(15,031)	(3,120)
Taxation		(5,473)	(6,750)
		(51,317)	(41,927)
Net current assets			
		117,295	114,862
Total assets less current liabilities			
		461,579	425,643
Non-current liabilities			
Bank and other borrowings	25	(56,570)	(61,465)
Deferred taxation	26	(13,803)	(12,451)
Other long-term liabilities	27	(677)	(768)
		(71,050)	(74,684)
NET ASSETS			
		390,529	350,959
CAPITAL AND RESERVES			
Share capital	28	1,335	1,308
Share premium and reserves		384,577	345,251
Shareholders' funds			
		385,912	346,559
Non-controlling interests			
		4,617	4,400
TOTAL EQUITY			
		390,529	350,959

Directors:

Kwok Ping-kwong, Thomas

Kwok Ping-luen, Raymond

Parent Company Statement of Financial Position

As at 30 June 2013
(Expressed in millions of Hong Kong dollars)

	Notes	2013	2012
Non-current assets			
Subsidiaries	12	30,235	30,213
Current assets			
Amounts due from subsidiaries	20	114,177	100,747
Bank deposits and cash		25	26
		114,202	100,773
Current liabilities			
Trade and other payables	24	(47)	(40)
		114,155	100,733
Net current assets		114,155	100,733
NET ASSETS		144,390	130,946
CAPITAL AND RESERVES			
Share capital	28	1,335	1,308
Share premium and reserves	30	143,055	129,638
SHAREHOLDERS' FUNDS		144,390	130,946

Consolidated Statement of Cash Flows

For the year ended 30 June 2013
(Expressed in millions of Hong Kong dollars)

	Notes	2013	2012
Operating activities			
Cash generated from operations	31(a)	21,674	10,163
Hong Kong profits tax paid		(3,170)	(1,865)
Outside Hong Kong tax paid		(326)	(149)
Net cash from operating activities		18,178	8,149
Investing activities			
Purchase of other financial assets		(176)	(435)
Net repayments from/(advances to) associates and jointly controlled entities		2,084	(2,924)
Additions to fixed assets		(5,312)	(2,156)
Additions to investment properties		(4,361)	(3,982)
Acquisition of a subsidiary	31(b)	(182)	–
Payment of telecommunications licence fees		(813)	(129)
Net proceeds from disposal of investment properties		1,376	601
Proceeds from disposal of other financial assets		738	625
Proceeds from disposal of fixed assets		29	62
Interest received from investments		153	99
Dividends received from listed investments		88	96
Dividends received from unlisted investments		29	36
Dividends received from associates and jointly controlled entities		1,793	2,767
Loans and advances made		(141)	(368)
Net cash used in investing activities		(4,695)	(5,708)
Financing activities			
Bank and other borrowings raised		9,390	31,433
Repayment of bank and other borrowings		(16,161)	(21,572)
Increase in amount due to a related company		–	500
Decrease in pledged bank deposits		2	402
Increase in bank deposits maturing after more than three months		(2,392)	–
Interest paid		(2,246)	(1,801)
Interest received		124	121
Proceeds from issue of shares		18	–
Proceeds from issue of shares by a subsidiary		7	28
Payment for repurchase of shares by subsidiaries		–	(7)
Increase in fundings from non-controlling interests		810	31
Dividends paid to shareholders		(2,699)	(4,298)
Dividends paid to non-controlling interests		(654)	(452)
Net cash (used in)/from financing activities		(13,801)	4,385
(Decrease)/increase in cash and cash equivalents		(318)	6,826
Cash and cash equivalents at beginning of year		14,243	7,411
Effect of foreign exchange rates changes		64	6
Cash and cash equivalents at end of year	31(c)	13,989	14,243

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

(Expressed in millions of Hong Kong dollars)

	Attributable to Company's shareholders						Total	Non-controlling interests	Total
	Share capital	Share premium	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits			
At 1 July 2011	1,285	36,451	766	1,217	6,038	261,208	306,965	5,230	312,195
Profit for the year	-	-	-	-	-	43,080	43,080	729	43,809
Other comprehensive income/ (expenses) for the year	-	-	1	(56)	767	-	712	61	773
Total comprehensive income for the year	-	-	1	(56)	767	43,080	43,792	790	44,582
Recognition of equity-settled share-based payments	-	-	65	-	-	-	65	49	114
Shares issued by a subsidiary on exercise of share options	-	-	(2)	-	-	-	(2)	2	-
Interim dividend paid	-	64	-	-	-	(2,484)	(2,420)	-	(2,420)
Final dividend paid	23	4,267	-	-	-	(6,168)	(1,878)	-	(1,878)
Adjustments relating to changes in interests in subsidiaries	-	-	37	-	-	-	37	38	75
Transfer to joint venture	-	-	-	-	-	-	-	(1,205)	(1,205)
Contribution from non-controlling interests	-	-	-	-	-	-	-	2	2
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(506)	(506)
At 30 June 2012 and 1 July 2012	1,308	40,782	867	1,161	6,805	295,636	346,559	4,400	350,959
Profit for the year	-	-	-	-	-	40,329	40,329	618	40,947
Other comprehensive income for the year	-	-	-	308	1,358	-	1,666	134	1,800
Total comprehensive income for the year	-	-	-	308	1,358	40,329	41,995	752	42,747
Shares issued on exercise of share options	-	22	(4)	-	-	-	18	-	18
Recognition of equity-settled share-based payments	-	-	32	-	-	-	32	20	52
Interim dividend paid	7	1,499	-	-	-	(2,524)	(1,018)	-	(1,018)
Final dividend paid	20	4,577	-	-	-	(6,278)	(1,681)	-	(1,681)
Adjustments relating to changes in interests in subsidiaries	-	-	7	-	-	-	7	8	15
Contribution from non-controlling interests	-	-	-	-	-	-	-	99	99
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(662)	(662)
At 30 June 2013	1,335	46,880	902	1,469	8,163	327,163	385,912	4,617	390,529

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

1 Basis of Preparation and Principal Accounting Policies

a. Basis of preparation

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value, as explained in the principal accounting policies set out below.

b. Changes in accounting policies

In the current year, the Group has applied HKAS 1 (Amendments) "Presentation of items of other comprehensive income" issued by the HKICPA, which is effective for the Group's financial year beginning 1 July 2012. The HKAS 1 (Amendments) require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss; and (ii) items that may be reclassified subsequently to profit or loss. The amendments have been applied retrospectively. The adoption of HKAS 1 (Amendments) 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 2009-2011 Cycle ¹
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate financial statements ¹
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ²
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ²
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 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
HK(IFRIC)-Int 21	Levies ²

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015

It is not anticipated that these new and revised standards, amendments and interpretations will have a significant impact on the results and financial position of the Group.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

c. *Basis of consolidation*

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 30 June each year and include the Group's interests in associates and jointly controlled entities on the basis set out in note 1(g) and note 1(h) below, respectively. The financial statements of the associates and jointly controlled entities used for this purpose are either coterminous with the financial statements of the Company or cover a year ended not more than three months before the Company's year-end. The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and to the effective dates of disposal. All material intra-group transactions and balances are eliminated on consolidation. Unrealized profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity.

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Non-controlling interests in the net assets or liabilities consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

d. *Revenue*

Revenue derived from the Group's principal activities comprises proceeds from sale of properties (excluding proceeds on development properties sold prior to their completion which are included in deposits received on sale of properties under current liabilities), gross rental income from properties letting under operating leases, revenue from telecommunications, revenue from hotel operation, revenue from transportation, infrastructure and logistics and revenue derived from other business activities including property management, construction, financial services, internet infrastructure, enabling services and department store. It does not include the revenue of associates and jointly controlled entities.

e. *Revenue recognition*

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

(i) **Property sales**

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

(ii) **Rental income**

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

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

e. Revenue recognition (cont'd)

(iii) Hotel operation

Revenue from hotel operation is recognized upon provision of services.

(iv) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(v) Construction

Revenue in respect of building construction job is recognized based on the stage of completion method measured by reference to the proportion that costs incurred to date bear to estimated total costs for the contract.

(vi) Dividend income

Dividend income from investments is recognized when the right to receive payment is established.

(vii) Use of internet services centre facilities

Revenue from customer use of internet services centre facilities is recognized ratably over the term of the agreement.

(viii) Telecommunications

Revenue from telecommunication service is recognized when the services are rendered. Revenue from sales of handsets and related accessories is recognized upon the transfer of risks and rewards of ownership.

(ix) Toll income

Toll income is recognized upon the passage of vehicles through tunnel.

(x) Department store

Revenue from sale of goods and commission income from concession and consignment sales from department store operations are recognized upon the transfer of risks and rewards of ownership of the goods.

(xi) Provision of container and cargo handling service

Revenue from the provision of container and cargo handling service is recognized when the service is rendered.

(xii) Others

Other revenue including property management service fee, car parking management fee and insurance income are recognized when the services are rendered.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

f. Subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are carried in the Company's financial statements at cost less impairment loss.

g. Associates

Associates are those in which the Group is in a position to exercise significant influence, but not control or joint control, over the management, including participation in the financial and operating policy decisions.

Results of associates are incorporated in the consolidated income statement to the extent of the Group's share of post-acquisition profits less losses.

Interests in associates are accounted for in the consolidated statement of financial position under the equity method and are carried at cost as adjusted for post acquisition changes in the Group's share of their results and other comprehensive income less any identified impairment loss.

h. Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

(i) Jointly controlled entities

Jointly controlled entities involve the establishment of a separate entity in which the Group has a long-term interest and over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements.

Results of jointly controlled entities are incorporated in the consolidated income statement to the extent of the Group's share of post-acquisition profits less losses whereas accounted for in the Company's income statement only to the extent of dividend income.

Interests in jointly controlled entities are accounted for in the consolidated statement of financial position under the equity method and are carried at cost as adjusted for post-acquisition changes in the Group's share of their results and other comprehensive income less any identified impairment loss whereas in the Company's statement of financial position are stated at cost less impairment loss.

(ii) Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group recognized in the financial statements its share of jointly controlled assets and any liabilities incurred jointly with other venturers according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognized in the income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group and their amounts can be measured reliably.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

i. Intangible assets

(i) Telecommunication licences

A unified carrier licence, which is a right to establish and maintain a telecommunication network and to provide mobile services in Hong Kong, is recorded as an intangible asset. Upon the issuance and renewal of the relevant mobile licences, the cost thereof, which is the discounted value of the minimum annual fees payable over the licence period as specified in the respective licencing agreement and directly attributable costs of preparing the asset for its intended use, is recorded together with the related obligations. Amortization is provided on the straight line basis over the remaining licence period from the date when the asset is ready for its intended use.

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing and, accordingly, for the period prior to the asset being ready for its intended use, is capitalized as part of the intangible asset. Subsequent to the date when the asset is ready for its intended use, such finance costs are charged to the consolidated income statement in the year in which they are incurred.

Variable annual payments on top of the minimum annual payments, if any, are recognized in the consolidated income statement as incurred.

(ii) Goodwill

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries, associates and jointly controlled entities at the date of acquisition.

Goodwill is tested annually for impairment loss and carried at cost less accumulated impairment losses. Impaired losses recognized on goodwill are not reversed. Goodwill on acquisition of associates and jointly controlled entities is included in investments in associates and jointly controlled entities respectively.

Any excess of the Group's interest in fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in the income statement.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(iii) Concession assets

The Group has entered into a service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructures. Under the arrangement, the Group carries out the construction of toll road for the granting authority and receives in exchange a right to operate the toll road and the entitlement to toll fees collected from users of the toll road. The assets including the cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement are recorded as intangible assets. Once the underlying infrastructure of the concession arrangement is completed, the concession assets are amortized over the term of the concession on a straight line basis.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

j. Financial assets, financial liability and equity

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired and is reviewed by the management at every reporting date.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise marketable securities held for trading. At each year end date subsequent to initial recognition, these investments are measured at fair value. Changes in fair value are recognized in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortized cost using the effective interest method less impairment loss.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any identified impairment loss. Any impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as any of the other categories. At each year end date subsequent to initial recognition, available-for-sale investments are measured at fair value by reference to market prices. Changes in fair value are recognized in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gains or losses previously recognized in equity are removed from equity and recognized in profit or loss. Any impairment loss on available-for-sale investments is immediately recognized in profit or loss. Impairment loss recognized on available-for-sale investments will not reverse through income statement in subsequent periods.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment loss at each year end date subsequent to initial recognition. Any impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. Such impairment loss will not reverse in subsequent periods.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument. Financial liabilities are measured at amortized cost, using the effective interest method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

k. *Derivative financial instruments and hedging*

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

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

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

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

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

The fair values of currency swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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

l. *Properties*

(i) **Investment properties**

Investment properties are properties held for long term rental income or capital appreciation or both. These include completed properties, those under construction and properties that are being redeveloped for continuing use as investment properties.

Investment properties are carried at fair value based on valuation performed by an independent professional valuer on a market value basis related to individual properties, and separate values are not attributed to land and buildings. Changes in fair values are recognized in income statement in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected to arise from its disposal. Any gain or loss on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property, is included in income statement in the period in which the asset is derecognized.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

l. Properties (cont'd)

(ii) Hotel properties

Hotel properties and their integral fixed plant used in the operation of hotel are included in fixed assets at cost less accumulated depreciation and accumulated impairment losses, if any. Any gain or loss on disposal of a hotel property is recognized in the income statement.

(iii) Properties pending/under development for sale

Properties pending/under development for sale are included in properties for sale at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized and the anticipated costs to completion.

(iv) Stocks of completed properties for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realizable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Net realizable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the year end date, or by management estimates based on prevailing market conditions.

(v) Other properties

Other properties are properties held for production or administrative purposes and are included in fixed assets at cost less accumulated depreciation and accumulated impairment losses, if any. Any gain or loss on disposal of other properties is recognized in the income statement.

m. Depreciation

(i) Hotel properties

Depreciation is provided on hotel property and on its integral fixed plant and calculated on a straight line basis to write off their costs less accumulated impairment losses over the shorter of the term of the lease and estimated useful lives at rates ranging from 0.68% to 20% per annum.

(ii) Properties under development

No depreciation is provided on properties under development.

(iii) Network equipment

Network equipment including assets and equipment of the telecommunications networks are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight line basis to write off their costs over their estimated useful lives at rates ranging from 10% to 50% per annum. No depreciation is provided on network equipment under construction.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

m. Depreciation (cont'd)

(iv) Other properties

The cost of leasehold land and construction cost of buildings thereon are depreciated on a straight line basis over the shorter of the term of the lease and their estimated useful lives.

(v) Other fixed assets

Other fixed assets including equipment, furniture, fixtures, vessels and vehicles are stated at cost less accumulated depreciation calculated on a straight line method to write off the assets over their estimated useful lives at rates ranging from 4% to 33.3% per annum.

n. Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost, using effective interest method. The carrying amount of hedged borrowings is adjusted for the change in fair value attributable to the hedged risk when accounting for fair value hedges set out in note 1(k) applies.

Borrowing costs are expensed as incurred, except to the extent that they are capitalized as being directly attributable to the construction or production of assets which necessarily take a substantial period of time to get ready for their intended use or sale. Capitalization of such borrowing costs begins when construction or production activities commence and ceases when the assets are substantially ready for their intended use or sale.

o. Inventories

Inventories comprising mainly building materials, hotel stocks, handsets and consumable goods are stated at the lower of cost and net realizable value. Cost is calculated on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

p. Translation of foreign currencies

Foreign currency transactions during the year are converted into functional currency at the market rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at closing rates of exchange ruling at the year end date. Exchange differences arising in these cases are dealt with in the income statement.

The assets and liabilities of overseas subsidiaries, associates and jointly controlled entities expressed in their respective functional currencies are translated into Hong Kong dollars at the closing rates of exchange ruling at the year end date whereas the income statement are translated at average exchange rates for the year. Exchange differences arising on translation are recognized in other comprehensive income.

q. Deferred taxation

Deferred tax liabilities are provided in full, using the liability method, on all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, while deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

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

r. Provision

Provisions are recognized when the Group has a present obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle that obligation and the amount of obligation can be reliably estimated.

s. Retirement benefit costs

The retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Group's defined contribution schemes and the Mandatory Provident Fund Schemes.

t. Share-based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted at the grant date and expensed on a straight line basis over the relevant vesting periods with a corresponding increase in capital reserves within equity. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in income statement such that the calculated expense reflects the revised estimates with a corresponding adjustment to capital reserves.

At the time when the share options are exercised, the amount previously recognized in capital reserves will be transferred to share premium. When the share options are forfeited, lapsed or cancelled, after the vesting date or are still not exercised on the expiry date, the amount previously recognized in capital reserves will be transferred to retained profits.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

2 Segment Information

Segment profit represents the profit earned by each segment without allocation of central administration costs, other net income, net finance costs and change in fair value of investment properties. This is the measure 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 jointly controlled entities by reportable and operating segments is as follows:

For the year ended 30 June 2013

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

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

2 Segment Information (cont'd)

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

For the year ended 30 June 2012

	The Company and its subsidiaries		Associates and jointly controlled entities		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	35,044	12,504	209	114	35,253	12,618
Mainland China	878	293	820	118	1,698	411
Singapore	–	–	81	45	81	45
	35,922	12,797	1,110	277	37,032	13,074
Property rental						
Hong Kong	9,925	7,625	2,260	1,881	12,185	9,506
Mainland China	1,496	1,007	118	96	1,614	1,103
Singapore	–	–	645	460	645	460
	11,421	8,632	3,023	2,437	14,444	11,069
Hotel operation	3,089	827	631	205	3,720	1,032
Telecommunications	9,952	1,385	–	–	9,952	1,385
Transportation, infrastructure and logistics	3,275	936	2,619	161	5,894	1,097
Other businesses	4,741	984	278	20	5,019	1,004
	68,400	25,561	7,661	3,100	76,061	28,661
Other net income		532		–		532
Unallocated administrative expenses		(1,105)		–		(1,105)
Operating profit before change in fair value of investment properties		24,988		3,100		28,088
Increase in fair value of investment properties		19,482		3,873		23,355
Operating profit after change in fair value of investment properties		44,470		6,973		51,443
Net finance costs		(1,532)		(206)		(1,738)
Profit before taxation		42,938		6,767		49,705
Taxation						
– Group		(5,284)		–		(5,284)
– Associates		–		(21)		(21)
– Jointly controlled entities		–		(591)		(591)
Profit for the year		37,654		6,155		43,809

Results from property sales include selling and marketing expenses of HK\$507 million (2012: HK\$168 million) and HK\$462 million (2012: HK\$43 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 profit on disposal of investment properties, investment income from equity and bonds investments.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

2 Segment Information (cont'd)

(b) Segment assets and liabilities

The Group's assets and liabilities by reportable and operating segments are analysed as follows:

	The Company and its subsidiaries	Associates and jointly controlled entities	Total assets	Total liabilities
At 30 June 2013				
Property development				
Hong Kong	115,723	1,407	117,130	(14,903)
Mainland China	26,873	4,323	31,196	(9,064)
Singapore	-	311	311	-
	142,596	6,041	148,637	(23,967)
Property investment				
Hong Kong	208,425	33,200	241,625	(2,925)
Mainland China	53,555	5,650	59,205	(1,835)
Singapore	-	4,711	4,711	-
	261,980	43,561	305,541	(4,760)
Hotel operation	14,538	1,137	15,675	(436)
Telecommunications	7,107	-	7,107	(3,447)
Transportation, infrastructure and logistics	4,897	2,581	7,478	(1,074)
Other businesses	4,051	214	4,265	(3,084)
	435,169	53,534	488,703	(36,768)
Bank deposits and cash			16,471	-
Other financial assets			4,080	-
Bank and other borrowings			-	(64,630)
Unallocated corporate assets/(liabilities)			3,642	(1,693)
Taxation			-	(5,473)
Deferred taxation			-	(13,803)
Total assets/(liabilities)			512,896	(122,367)
At 30 June 2012				
Property development				
Hong Kong	111,922	1,862	113,784	(8,915)
Mainland China	22,568	4,342	26,910	(3,476)
Singapore	-	609	609	-
	134,490	6,813	141,303	(12,391)
Property investment				
Hong Kong	186,594	30,955	217,549	(2,824)
Mainland China	49,198	4,462	53,660	(1,241)
Singapore	-	3,596	3,596	-
	235,792	39,013	274,805	(4,065)
Hotel operation	11,049	1,151	12,200	(350)
Telecommunications	6,049	-	6,049	(3,851)
Transportation, infrastructure and logistics	5,174	2,361	7,535	(1,008)
Other businesses	3,605	177	3,782	(2,755)
	396,159	49,515	445,674	(24,420)
Bank deposits and cash			14,338	-
Other financial assets			4,233	-
Bank and other borrowings			-	(71,266)
Unallocated corporate assets/(liabilities)			3,325	(1,724)
Taxation			-	(6,750)
Deferred taxation			-	(12,451)
Total assets/(liabilities)			467,570	(116,611)

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

2 Segment Information (cont'd)

(c) Other segment information

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

	Depreciation and amortization charged to consolidated income		Additions to segment assets	
	statement			
	2013	2012	2013	2012
Property development for sale	12	11	14,514	29,234
Property investment for rental	–	–	4,611	4,177
Hotel operation	396	328	3,804	993
Telecommunications	719	602	1,250	940
Transportation, infrastructure and logistics	366	358	40	35
Other businesses	200	211	213	188
Unallocated corporate assets	31	28	3	18
	1,724	1,538	24,435	35,585

(d) Geographical information

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

	2013	2012
Hong Kong	49,828	65,270
Mainland China	3,230	2,770
Others	735	360
	53,793	68,400

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

	2013			2012		
	The Company and its subsidiaries	Associates and jointly controlled entities	Consolidated	The Company and its subsidiaries	Associates and jointly controlled entities	Consolidated
Hong Kong	231,057	38,539	269,596	205,983	36,506	242,489
Mainland China	55,244	9,973	65,217	50,910	8,804	59,714
Singapore	–	5,022	5,022	–	4,205	4,205
Others	273	–	273	264	–	264
	286,574	53,534	340,108	257,157	49,515	306,672
Loan receivables			801			587
Other financial assets			3,375			3,522
Total non-current assets			344,284			310,781

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

3 Net Finance Costs

	2013	2012
Interest expenses on		
Bank loans and overdrafts	1,236	1,175
Other loans wholly repayable within five years	386	357
Other loans not wholly repayable within five years	722	416
	2,344	1,948
Notional non-cash interest accretion	93	101
Less : Amount capitalized	(416)	(395)
	2,021	1,654
Interest income on bank deposits	(134)	(122)
	1,887	1,532

Finance costs have been capitalized for properties under development at rates ranging from 2.46% to 7.74% per annum (2012: 1.98% to 8.18%).

Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of asset retirement obligations and contractual obligations of telecommunications licence recognized in the statement of financial position to the present value of the estimated future cash flows expected to be required for their settlement in the future.

4 Profit before Taxation

	2013	2012
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	8,516	20,665
Cost of inventories sold	6,777	4,676
Depreciation and amortization of hotel properties	304	261
Depreciation of other properties, plant and equipment	1,018	927
Amortization of intangible assets (included in cost of sales)	402	350
Operating lease rentals for land and buildings, assets, transmission sites and leased lines	1,282	1,072
Staff costs (including directors' emoluments and retirement schemes contributions)	5,675	5,054
Share-based payments	52	114
Auditors' remuneration	19	18
Impairment loss of available-for-sale investments	4	23
Fair value losses on financial assets at fair value through profit or loss	20	83
and crediting:		
Dividend income from:		
listed investments	88	96
unlisted investments	29	36
Interest income from:		
listed debt securities	69	71
unlisted debt securities	1	8
Profit on disposal of available-for-sale investments	117	65
Profit on disposal of financial assets at fair value through profit or loss	4	-
Profit on disposal of fixed assets	7	17

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

5 Directors' Emoluments and Five Highest Paid Individuals

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

Name of director	Notes	Fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	(Note f) Share-based payments	2013 Total emoluments	2012 Total emoluments
Executive Directors								
Kwok Ping-kwong, Thomas		0.33	1.97	0.22	0.19	0.38	3.09	3.22
Kwok Ping-luen, Raymond		0.51	2.04	0.23	0.19	0.38	3.35	3.45
Wong Chik-wing, Mike		0.30	10.57	6.43	0.76	0.38	18.44	18.16
Lui Ting, Victor	a	0.30	6.10	10.89	0.56	1.14	18.99	2.57
Chan Kui-yuen, Thomas		0.31	4.85	6.55	0.45	0.38	12.54	12.50
Kwong Chun		0.30	2.65	2.45	-	0.38	5.78	5.47
Chan Kwok-wai, Patrick		0.30	6.12	10.56	0.30	0.57	17.85	16.23
Non-Executive Directors								
Lee Shau-kee		0.31	-	-	-	-	0.31	0.11
Kwok Ping-sheung, Walter		0.33	-	-	-	-	0.33	0.13
Woo Po-shing		0.30	-	-	-	-	0.30	0.10
Kwan Cheuk-yin, William		0.42	-	-	-	-	0.42	0.18
Wong Yick-kam, Michael		0.54	-	-	-	-	0.54	0.30
Independent Non-Executive Directors								
Yip Dicky Peter		0.60	-	-	-	-	0.60	0.35
Wong Yue-chim, Richard		0.44	-	-	-	-	0.44	0.22
Li Ka-cheung, Eric		0.88	-	-	-	-	0.88	0.63
Fung Kwok-lun, William		0.30	-	-	-	-	0.30	0.10
Leung Nai-pang, Norman	b	0.37	-	-	-	-	0.37	-
Leung Kui-king, Donald	b	0.45	-	-	-	-	0.45	-
Leung Ko May-yee, Margaret	c	0.10	-	-	-	-	0.10	-
Past Directors								
Kwong Siu-hing	d	-	-	-	-	-	-	0.05
Lo Chiu-chun, Clement	d	-	-	-	-	-	-	0.07
Chan Kai-ming	e	-	-	-	-	-	-	6.75
Total 2013		7.39	34.30	37.33	2.45	3.61	85.08	70.59
Total 2012		3.22	33.33	25.83	2.10	6.11		

The above analysis included three (2012: three) individuals whose emoluments were among the five highest pay in the Group.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

5 Directors' Emoluments and Five Highest Paid Individuals (cont'd)

Details of the emoluments paid to the remaining two (2012: two) individuals are:

	2013	2012
Salaries, allowances and benefits in kind	15.59	14.90
Discretionary bonuses	22.45	18.02
Retirement scheme contributions	1.50	1.42
Share-based payments (Note f)	6.90	15.20
	46.44	49.54

Number of employees whose emoluments fell within:

Emoluments Band		Number of employees	Number of employees
HK\$M	HK\$M		
14.5	– 15.0	1	1
31.5	– 32.0	1	–
34.5	– 35.0	–	1
		2	2

Notes:

- (a) Mr. Lui Ting, Victor was appointed as an Executive Director on 12 April 2012. The emoluments from 1 July 2011 up to the date of appointment as an Executive Director were HK\$14.53 million. He was one of the five highest paid individuals of the Group for the year ended 30 June 2012 with total emoluments of HK\$17.10 million.
- (b) Dr. Leung Nai-pang, Norman and Mr. Leung Kui-king, Donald were appointed as Independent Non-Executive Directors on 1 July 2012.
- (c) Mrs. Leung Ko May-yee, Margaret was appointed as Independent Non-Executive Director on 1 March 2013.
- (d) Madam Kwong Siu-hing and Mr. Lo Chiu-chun, Clement retired from Non-Executive Directors on 8 December 2011.
- (e) Mr. Chan Kai-ming ceased to be an Executive Director on 28 March 2012. His salaries, allowances and benefits included HK\$2.94 million for leave pay and service gratuity.
- (f) Share-based payments are the fair values of share options granted to employees (including directors), which are determined at the date of grant and expensed over the vesting period.

6 Staff Retirement Schemes

The Group operates a number of defined contribution schemes for all qualified employees. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions to these schemes are made by both the employers and employees at rates ranging from 5% to 10% on the employees' salary.

As required by the municipal or provincial social insurance laws and regulations, the Group made contributions to the pension insurance managed by the local municipal governments in mainland China. The rates of contributions in general ranged from 10% to 22% of staff's monthly salary during the relevant period.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

6 Staff Retirement Schemes (cont'd)

With effect from 1 December 2000, the Group sets up an employer sponsored scheme ("MPF Scheme") for other employees. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates. Contributions of the Group to the MPF Scheme are charged to income statement as incurred.

Total contributions to the retirement schemes made by the Group during the year amounted to HK\$279 million (2012: HK\$244 million). Forfeited contributions for the year of HK\$2 million (2012: HK\$2 million) were used to reduce the existing level of contributions.

7 Taxation

	2013	2012
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	2,097	3,313
(Over)/under provision in prior years	(79)	17
	2,018	3,330
Tax outside Hong Kong	233	275
Over provision in prior years	(2)	-
	231	275
	2,249	3,605
Deferred taxation charge		
Change in fair value of investment properties	385	1,156
Other origination and reversal of temporary differences	708	523
	1,093	1,679
	3,342	5,284

- (a) Hong Kong profits tax is provided at the rate of 16.5% (2012: 16.5%) based on the estimated assessable profits for the year. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.
- (b) Reconciliation between tax expenses and accounting profit at applicable tax rate:

	2013	2012
Profit before share of results of associates, jointly controlled entities and taxation	36,600	42,938
Tax at Hong Kong profits tax rate of 16.5% (2012: 16.5%)	6,039	7,085
Effect of different tax rates of subsidiaries operating outside Hong Kong	299	738
Net effect of non-deductible expenses and non-taxable income	(3,058)	(2,588)
Utilization of tax losses not previously recognized	(100)	(36)
Tax losses and other temporary differences not recognized	220	22
(Over)/under provision in prior years	(81)	17
Others	23	46
Tax expenses	3,342	5,284

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

8 Dividends

	2013	2012
Dividends recognized as distribution during the year:		
2012 final dividend of HK\$2.40 per share based on 2,616 million shares (2012: 2011 final dividend of HK\$2.40 per share based on 2,570 million shares)	6,278	6,168
2013 interim dividend of HK\$0.95 per share based on 2,657 million shares (2012: HK\$0.95 per share based on 2,615 million shares)	2,524	2,484
	8,802	8,652
Proposed final dividend of HK\$2.40 per share based on 2,671 million shares (2012: HK\$2.40 per share based on 2,616 million shares)	6,410	6,278

9 Earnings Per Share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK\$40,329 million (2012: HK\$43,080 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,640,075,929 (2012: 2,590,366,413). The diluted earnings per share is based on 2,640,137,063 (2012: 2,590,524,743) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 61,134 (2012: 158,330) shares deemed to be issued at no consideration if all outstanding options 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\$18,619 million (2012: HK\$21,678 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2013	2012
Profit attributable to the Company's shareholders as shown in the consolidated income statement	40,329	43,080
Increase in fair value of investment properties	(19,187)	(19,482)
Effect of corresponding deferred tax charges	385	1,156
Realized fair value gains of investment properties disposed	1,571	674
Share of results of associates and jointly controlled entities		
– fair value gains of investment properties	(4,837)	(3,873)
– effect of corresponding deferred tax charges	316	57
	(21,752)	(21,468)
Non-controlling interests	42	66
Net effect of changes in the valuation of investment properties	(21,710)	(21,402)
Underlying profit attributable to the Company's shareholders	18,619	21,678

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

10 Investment Properties

The Group

(a) Movement during the year

	Completed	Under development	Total
Valuation			
At 1 July 2011	188,703	24,160	212,863
Additions	574	3,602	4,176
Transfer upon completion	8,374	(8,374)	–
Transfer from			
– properties under development	–	264	264
– properties for sale	–	2,026	2,026
– other fixed assets	7	–	7
Disposals	(475)	–	(475)
Transfer to			
– properties for sale	–	(2,055)	(2,055)
– joint venture	–	(3,253)	(3,253)
– other properties	(11)	–	(11)
Exchange difference	593	250	843
Increase in fair value	17,027	2,455	19,482
At 30 June 2012 and 1 July 2012	214,792	19,075	233,867
Acquired on acquisition of a subsidiary	287	–	287
Additions	889	3,721	4,610
Transfer upon completion	3,694	(3,694)	–
Transfer upon redevelopment	(379)	379	–
Redesignate from properties for sale	–	760	760
Disposals	(841)	–	(841)
Transfer to other properties	(143)	–	(143)
Exchange difference	905	217	1,122
Increase in fair value	18,455	732	19,187
At 30 June 2013	237,659	21,190	258,849

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

10 Investment Properties (cont'd)

- (b) Value of properties shown above comprises:

	2013	2012
Properties in Hong Kong held under		
Long lease (not less than 50 years)	31,062	28,744
Medium-term lease (less than 50 years but not less than 10 years)	174,863	156,420
Properties outside Hong Kong held under		
Long lease (not less than 50 years)	1,485	1,417
Medium-term lease (less than 50 years but not less than 10 years)	51,439	47,286
	258,849	233,867

- (c) Investment properties revaluation

The Group's investment properties were valued at 30 June 2013 and 30 June 2012 by Knight Frank Petty Limited, an independent professional valuer, on a market value basis, in accordance with Valuation Standards on Properties issued by Hong Kong Institute of Surveyors. For the completed investment properties, valuation is arrived at on the basis of capitalization of net income with due allowance for the reversionary income potential and by making reference to comparable market sale and purchase transactions for similar properties. For the investment properties under development, valuation is arrived at by making reference to comparable market sale and purchase transactions and valuing the properties as if they were completed, taking into account construction costs already incurred and future construction costs required for completion of the development.

- (d) Profit on disposal of the Group's investment properties during the year amounted to HK\$535 million (2012: HK\$126 million).
- (e) Gross rental income and direct operating expenses from investment properties during the year amounted to HK\$12,213 million (2012: HK\$10,915 million) and HK\$2,993 million (2012: HK\$2,787 million) respectively.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

11 Fixed Assets

The Group

(a) Movement during the year

	Hotel properties	Properties under development	Other properties	Network equipment	Other fixed assets	Total
Cost						
At 1 July 2011	10,151	1,875	5,198	3,479	3,792	24,495
Additions	242	737	111	728	367	2,185
Transfer upon completion	–	(161)	161	–	–	–
Transfer from completed investment properties	–	–	11	–	–	11
Disposals	–	–	–	(229)	(261)	(490)
Transfer to						
– completed investment properties	–	–	(6)	–	(8)	(14)
– investment properties under development	–	(264)	–	–	–	(264)
Exchange difference	–	–	–	–	7	7
At 30 June 2012 and 1 July 2012	10,393	2,187	5,475	3,978	3,897	25,930
Acquired on acquisition of a subsidiary	–	–	–	–	9	9
Additions	521	3,211	58	1,072	470	5,332
Transfer upon completion	2,100	(2,175)	–	–	75	–
Transfer from completed investment properties	–	–	143	–	–	143
Disposals	–	–	–	(124)	(83)	(207)
Exchange difference	43	11	1	–	8	63
At 30 June 2013	13,057	3,234	5,677	4,926	4,376	31,270
Accumulated depreciation						
At 1 July 2011	1,706	–	1,269	1,580	2,044	6,599
Charge for the year	261	–	110	398	419	1,188
Transfer to completed investment properties	–	–	–	–	(7)	(7)
Disposals	–	–	–	(219)	(226)	(445)
Exchange difference	–	–	–	–	4	4
At 30 June 2012 and 1 July 2012	1,967	–	1,379	1,759	2,234	7,339
Charge for the year	304	–	129	468	421	1,322
Disposals	–	–	–	(105)	(80)	(185)
Exchange difference	2	–	–	–	4	6
At 30 June 2013	2,273	–	1,508	2,122	2,579	8,482
Net book value at 30 June 2013	10,784	3,234	4,169	2,804	1,797	22,788
Net book value at 30 June 2012	8,426	2,187	4,096	2,219	1,663	18,591

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

11 Fixed Assets (cont'd)

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

	2013	2012
Properties in Hong Kong held under		
Long lease (not less than 50 years)		
Hotel properties	1,062	1,039
Other properties	2,399	2,280
	3,461	3,319
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	8,025	5,671
Properties under development	2,737	1,809
Other properties	1,770	1,816
	12,532	9,296
Properties outside Hong Kong held under		
Medium-term lease (less than 50 years but not less than 10 years)		
Hotel properties	1,697	1,716
Properties under development	497	378
	2,194	2,094
	18,187	14,709

12 Subsidiaries

The Company

	2013	2012
Unlisted shares, at cost	30,235	30,213

Particulars regarding principal subsidiaries are set out in the section headed "Principal Subsidiaries" of the Annual Report 2013.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

13 Associates

The Group

	2013	2012
Unlisted shares, at cost less impairment loss	36	36
Hong Kong listed shares, at cost	585	585
Share of post-acquisition reserves	2,661	2,371
	3,282	2,992
Amounts due from associates	609	833
	3,891	3,825
Market value of Hong Kong listed shares	2,139	1,946

Amounts due from associates are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders except for the amounts of HK\$292 million (2012: HK\$578 million) which are interest bearing at market rates.

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

	2013	2012
Non-current assets	3,457	3,212
Current assets	2,223	2,605
Current liabilities	(818)	(892)
Non-current liabilities	(1,580)	(1,933)
Net assets	3,282	2,992
Revenue	3,135	2,448
Fair value change of investment properties net of related deferred tax	117	104
Profit for the year	460	256

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2013.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

14 Jointly Controlled Entities

The Group

	2013	2012
Unlisted shares, at cost less impairment loss	3,000	3,028
Share of post-acquisition reserves	37,827	31,993
	40,827	35,021
Amounts due from jointly controlled entities	8,816	10,669
	49,643	45,690

Amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders except for the amounts of HK\$2,243 million (2012: HK\$4,303 million) which are interest bearing at market rates.

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

	2013	2012
Non-current assets	59,891	54,435
Current assets	16,147	13,747
Current liabilities	(12,609)	(10,916)
Non-current liabilities	(22,602)	(22,245)
Net assets	40,827	35,021
Revenue	7,389	5,213
Fair value change of investment properties net of related deferred tax	4,404	3,712
Profit for the year	7,229	5,899

Particulars regarding principal jointly controlled entities are set out in the section headed "Principal Jointly Controlled Entities" of the Annual Report 2013.

15 Loan Receivables

The Group

	2013	2012
Loan receivables	840	623
Less: Amount due within one year included under current assets	(39)	(36)
	801	587

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

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

15 Loan Receivables (cont'd)

As at 30 June 2013, 2% (2012: 2%) of loan receivables have been overdue but not impaired, of which 100% (2012: 99%) are aged less than three months since the due dates. These relate to a number of independent customers for whom the creditworthiness, collateral and subsequent settlement after reporting date are assessed and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of loan receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loan receivables directly. The balance and movement of the impairment allowance as at 30 June 2013 and 30 June 2012 is not significant.

16 Other Financial Assets

The Group

	2013	2012
Available-for-sale debt securities		
Listed debt securities, overseas	871	817
Listed debt securities, Hong Kong	153	151
Unlisted debt securities	57	58
	1,081	1,026
Available-for-sale equity securities		
Listed equity securities, overseas	894	812
Listed equity securities, Hong Kong	1,101	1,312
Unlisted equity securities	299	372
	2,294	2,496
	3,375	3,522
Market value of listed securities		
Listed overseas	1,765	1,629
Listed in Hong Kong	1,254	1,463
	3,019	3,092

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

17 Intangible Assets

The Group

	Concession assets	Goodwill	Telecommunications licences	Total
Cost				
At 1 July 2011, 30 June 2012 and 1 July 2012	6,930	35	1,852	8,817
Additions	-	-	640	640
At 30 June 2013	6,930	35	2,492	9,457
Accumulated amortization				
At 1 July 2011	3,340	-	428	3,768
Amortization	258	-	92	350
At 30 June 2012 and 1 July 2012	3,598	-	520	4,118
Amortization	258	-	144	402
At 30 June 2013	3,856	-	664	4,520
Net Book Value at 30 June 2013	3,074	35	1,828	4,937
Net Book Value at 30 June 2012	3,332	35	1,332	4,699

Concession assets represent cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructure, which have finite useful lives of 27 years, and are amortized on a straight line basis.

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. At the year end date, an impairment test was performed by comparing the carrying amount of the business with the recoverable amount.

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

18 Properties for Sale

The Group

	2013	2012
Properties pending development for sale	62,071	47,399
Properties under development for sale	56,214	54,325
Stock of completed properties for sale	14,653	15,420
	132,938	117,144

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

19 Debtors, Prepayments and Others

The Group

	Notes	2013	2012
Debtors, deposits and prepayments		14,188	18,546
Deposits for acquisition of properties		3,331	4,590
Amounts due from customers for contract works	19a	79	81
Short-term loans		36	109
Derivative financial instruments	19b	557	833
		18,191	24,159

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\$6,534 million (2012: HK\$12,846 million), of which 88% (2012: 94%) are aged less than 60 days, 1% (2012: 1%) between 61 to 90 days and 11% (2012: 5%) more than 90 days.

As at 30 June 2013, 22% (2012: 11%) of trade debtors are past due but not impaired, of which 77% (2012: 78%) are aged less than three month since the due dates. These relate to a number of independent customers for whom there is no recent history of default and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The balance and movement of the impairment allowance as at 30 June 2013 and 30 June 2012 is not significant.

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

The Group

	Notes	2013	2012
Contract costs incurred plus recognized profits			
less recognized losses		1,209	646
Less: Progress billings		(1,137)	(585)
		72	61
Represented by:			
Due from customers included in current assets	19	79	81
Due to customers included in current liabilities	24	(7)	(20)
		72	61

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

19 Debtors, Prepayments and Others (cont'd)

19b. Derivative financial instruments

	Notes	2013		2012	
		Assets	Liabilities	Assets	Liabilities
Fair value hedges	19 & 24				
– interest rate swaps		472	–	689	–
– currency swaps		85	87	144	–
		557	87	833	–

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

	Notional principal amount	
	2013	2012
Fixed-to-floating interest rate swaps maturing		
Within one year	–	150
After one year, but within five years	2,200	2,200
After five years	1,923	1,923
	4,123	4,273
Currency swaps maturing		
Within one year	–	140
After one year, but within five years	490	490
After five years	6,208	3,880
	6,698	4,510

The fixed-to-floating interest rate swaps converted the fixed rates to floating rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a weighted average margin of 0.48% (2012: 0.48%) per annum. The currency swaps converted the foreign currency interest rates to Hong Kong dollars fixed and floating rates at effective rate of 4% (2012: 4.11%) and HIBOR plus weighted average margin of 1.65% (2012: 1.65%) respectively. The swaps are measured at fair value at the year end date and the decrease in fair value during the year in the amount of HK\$363 million (2012: the increase of HK\$273 million) along with the corresponding decrease in fair value of the hedged borrowings attributable to the hedged risk of the same amount has been recognized in income statement.

20 Amounts due from Subsidiaries

The Company

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

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

21 Other Financial Assets

The Group

	2013	2012
Financial assets at fair value through profit or loss		
Listed equity securities, overseas	10	30
Listed equity securities, Hong Kong	576	558
	586	588
Available-for-sale debt securities maturing within one year		
Listed debt securities, overseas	119	24
Listed debt securities, Hong Kong	–	20
	119	44
Held-to-maturity debt securities maturing within one year		
Listed debt securities, overseas (Market value of 2012: HK\$78 million)	–	79
	705	711

22 Bank Deposits and Cash

Deposits with banks are interest bearing at prevailing market rates. About 57% (2012: 35%) of the Group's bank deposits and cash are denominated in Hong Kong dollars, 32% (2012: 20%) in Renminbi, 10% (2012: 44%) in United States dollars, and 1% (2012: 1%) in other currencies.

23 Bank and Other Borrowings

The Group

	Note	2013	2012
Unsecured bank overdrafts		83	86
Long-term bank and other borrowings due within one year	25	7,977	9,715
		8,060	9,801

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

24 Trade and Other Payables

	Notes	2013		2012	
		The Group	The Company	The Group	The Company
Creditors and accrued expenses		19,917	47	20,206	40
Amounts due to customers for contract works	19a	7	-	20	-
Amounts due to non-controlling interests		2,742	-	2,030	-
Derivative financial instruments	19b	87	-	-	-
		22,753	47	22,256	40

Included in trade and other payables of the Group are trade creditors of HK\$2,108 million (2012: HK\$2,283 million), of which 72% (2012: 72%) are aged less than 60 days, 3% (2012: 2%) between 61 to 90 days and 25% (2012: 26%) more than 90 days.

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

25 Bank and Other Borrowings

The Group

	2013	2012
Unsecured bank overdrafts	83	86
Long-term bank and other loans	64,547	71,180
	64,630	71,266

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

	Note	2013	2012
Secured bank loans repayable			
Within one year		220	5,119
After one year, but within two years		1,111	57
After two years, but within five years		290	725
After five years		51	56
		1,672	5,957
Unsecured bank loans repayable			
Within one year		7,257	1,453
After one year, but within two years		7,547	8,742
After two years, but within five years		12,030	24,828
After five years		1,764	-
		28,598	35,023
Other unsecured loans repayable			
Within one year		-	2,643
After one year, but within two years		611	-
After two years, but within five years		11,445	11,940
After five years		21,721	15,117
		33,777	29,700
Amount due to a related company repayable			
Within one year		500	500
		64,547	71,180
Less : Amount due within one year included under current liabilities	23	(7,977)	(9,715)
		56,570	61,465

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

25 Bank and Other Borrowings (cont'd)

The fair values of the long-term borrowings as estimated by discounting their future cash flows at the prevailing market borrowing rates at the year end date for similar borrowings are as follows:

	Carrying amount		Fair value	
	2013	2012	2013	2012
Secured bank loans	1,451	838	1,451	838
Unsecured bank loans	21,341	33,570	21,371	33,570
Other unsecured loans	33,778	27,057	34,371	28,565
	56,570	61,465	57,193	62,973

- (a) As at 30 June 2013, the Group had entered into fixed-to-floating interest rate swaps in the aggregate notional amount of HK\$4,123 million (2012: HK\$4,273 million) to hedge the fair value interest rate risk of certain fixed interest rate borrowings and currency swaps in the aggregate notional amount of HK\$6,698 million (2012: HK\$4,510 million) to hedge principal repayment of foreign currency debt (see note 19b). The carrying amount of these borrowings comprises of items measured at amortized cost and an element of changes in fair value attributable to the hedged risks.
- (b) Secured bank loans related to bank borrowings of the Group's subsidiaries which are secured by way of legal charges over certain of its assets and business undertakings.
- (c) The above bank loans and other loans are repayable on various dates up to May 2027 (2012: May 2027) and carry interest, after hedging where appropriate, at effective rate per annum of 3.25% (2012: 3.02%) at the year end date.
- (d) The carrying amount of the gross borrowings by currency (after currency swaps) is as follows:

	2013	2012
Hong Kong dollars	35,609	44,672
United States dollars	17,612	13,989
Renminbi	11,409	12,529
Other currency	–	76
	64,630	71,266

- (e) The amount due to a related company is unsecured, bears interest at effective rate per annum of 0.46% (2012: 0.48%) by reference to HIBOR plus a margin and has fixed term of repayment. The related company is a company controlled by certain discretionary trusts where certain directors of the Company are the beneficiaries of those trusts.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

26 Deferred Taxation

The Group

The components of the carrying amount of deferred tax balances and the movements during the year are as follows:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Others	Total
At 1 July 2011	3,193	8,030	(632)	19	10,610
Charged to income statement	380	1,156	132	11	1,679
Exchange difference	9	153	(1)	1	162
At 30 June 2012 and 1 July 2012	3,582	9,339	(501)	31	12,451
On acquisition of a subsidiary	31	–	(7)	–	24
Charged to income statement	600	385	75	33	1,093
Exchange difference	17	223	(6)	1	235
At 30 June 2013	4,230	9,947	(439)	65	13,803

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK\$4,008 million (2012: HK\$3,421 million), of which HK\$8 million (2012: HK\$7 million) of tax losses will expire at various dates up to 2018 (2012: 2017). Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

27 Other Long-Term Liabilities

The Group

	2013	2012
Asset retirement and other obligations	62	61
Contractual obligations for telecommunications licences	615	707
	677	768

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

28 Share Capital

	2013		2012	
	Number of shares in million	Amount	Number of shares in million	Amount
Authorized :				
Ordinary shares of HK\$0.50 each				
At beginning and end of year	2,900	1,450	2,900	1,450
Issued and fully paid :				
Ordinary shares of HK\$0.50 each				
At beginning of year	2,616	1,308	2,570	1,285
Issue of shares	55	27	46	23
At end of year	2,671	1,335	2,616	1,308

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

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

160,000 shares were issued on exercise of share options during the year ended 30 June 2013.

During the year ended 30 June 2012, new shares were issued as follows:

On 19 January 2012, the Company issued and allotted 45,146,171 new fully paid shares of HK\$0.50 each in the Company at HK\$95.02 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2011 final dividends pursuant to the scrip dividend schemes announced by the Company on 19 December 2011. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

On 27 April 2012, the Company issued and allotted 550,692 new fully paid shares of HK\$0.50 each in the Company at HK\$117.10 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2012 interim dividends pursuant to the scrip dividend schemes announced by the Company on 19 March 2012. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

29 Share Option Schemes

The Company has a share option scheme which was adopted on 15 November 2012 ("the New Scheme") to replace a former scheme previously adopted on 5 December 2002 ("the Old Scheme"), whereby the directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Details of share option schemes granted by the Company and the assessment of fair value of the share options granted during the year are set out in the Directors' Report of the Annual Report 2013.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

29 Share Option Schemes (cont'd)

The Old Scheme

During the year, 1,474,000 share options were granted at HK\$1.00 per lot to a number of directors and employees of the Company and its subsidiaries to subscribe for 1,474,000 ordinary shares in the Company and subsequently 1,408,000 share options were accepted by the grantees. Upon the termination of the Old Scheme, no further share options could be granted but the outstanding share options granted shall continue to be valid and exercisable in accordance with its provisions.

- (i) Movements in share options to subscribe for ordinary shares in the Company under the Old Scheme during the year are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				At 30 June 2013
			At 1 July 2012	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	4,480,000	-	(134,000)	(314,000)	4,032,000
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	2,866,000	-	(26,000)	(484,000)	2,356,000
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	-	1,408,000	-	(32,000)	1,376,000
			7,346,000	1,408,000	(160,000)	(830,000)	7,764,000
Weighted average exercise prices (HK\$)			113.55	96.15	112.29	114.02	110.37

Date of grant	Exercise price	Exercisable period	Number of share options				At 30 June 2012
			At 1 July 2011	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	
12 July 2010	HK\$111.40	12.7.2011 to 11.7.2015	4,704,000	-	-	(224,000)	4,480,000
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	-	2,982,000	-	(116,000)	2,866,000
			4,704,000	2,982,000	-	(340,000)	7,346,000
Weighted average exercise prices (HK\$)			111.40	116.90	-	113.28	113.55

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

29 Share Option Schemes (cont'd)

The Old Scheme (cont'd)

(ii) Details of share options exercised during the year 30 June 2013 are as follows:

Exercise Date	Exercise price	Market value per share at Exercise Date	Number of share option	Proceeds received
3 January 2013	HK\$111.40	HK\$117.70	14,000	1
18 January 2013	HK\$116.90	HK\$127.90	7,000	1
21 January 2013	HK\$116.90	HK\$129.40	13,000	1
22 January 2013	HK\$111.40	HK\$129.60	60,000	7
23 January 2013	HK\$111.40	HK\$128.50	8,000	1
24 January 2013	HK\$116.90	HK\$130.50	6,000	1
25 January 2013	HK\$111.40	HK\$129.90	7,000	1
28 January 2013	HK\$111.40	HK\$129.30	24,000	3
31 January 2013	HK\$111.40	HK\$127.30	14,000	1
26 February 2013	HK\$111.40	HK\$117.30	7,000	1
			160,000	18

No share options were exercised during the year ended 30 June 2012.

The New Scheme

During the year ended 30 June 2013, no share options were granted under the New Scheme.

30 Share Premium and Reserves

The Company

	Share premium	Capital reserve	Retained profits	Total
At 1 July 2011	36,451	5,355	77,522	119,328
Profit for the year	-	-	14,566	14,566
Final dividend paid for the year ended 30 June 2011	4,267	-	(6,168)	(1,901)
Interim dividend paid for the year	64	-	(2,484)	(2,420)
Recognition of equity-settled share-based payments	-	65	-	65
At 30 June 2012 and 1 July 2012	40,782	5,420	83,436	129,638
Shares issued on exercise of share options	22	(4)	-	18
Profit for the year	-	-	16,093	16,093
Final dividend paid for the year ended 30 June 2012	4,577	-	(6,278)	(1,701)
Interim dividend paid for the year	1,499	-	(2,524)	(1,025)
Recognition of equity-settled share-based payments	-	32	-	32
At 30 June 2013	46,880	5,448	90,727	143,055

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2013 amounted to HK\$90,727 million (2012: HK\$83,436 million).

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

31 Notes to Consolidated Statement of Cash Flows

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

	2013	2012
Operating profit before change in fair value of investment properties	19,300	24,988
Depreciation and amortization	1,724	1,538
Impairment of assets	4	23
Profit on disposal of investment properties	(535)	(126)
Profit on disposal of fixed assets	(7)	(17)
Profit on disposal of available-for-sale investments	(117)	(65)
Dividend income from investments	(117)	(132)
Interest income	(169)	(139)
Share-based payments	52	114
Exchange difference	(116)	46
Operating profit before changes in working capital	20,019	26,230
Decrease in properties for sale	263	11,276
Additions to properties pending development for sale	(14,471)	(29,090)
Decrease in inventories	130	42
Decrease/(increase) in debtors, prepayments and others	4,147	(293)
Decrease in financial assets at fair value through profit or loss	2	56
(Decrease)/increase in trade and other payables	(327)	2,347
Increase/(decrease) in deposits received on sales of properties	11,911	(405)
Cash generated from operations	21,674	10,163

(b) Analysis of the net cash outflow in respect of the acquisition of a subsidiary – acquisition of assets

In April 2013, the Group acquired an additional 60% equity interest in Beijing New Town Plaza Real Estate Co., Ltd. raising its total interest to 100% , which owned an investment property in Beijing.

The amounts of identifiable assets acquired and liabilities recognized at the date of acquisition are as follows:

Investment properties	287
Fixed assets	9
Bank deposits and cash	1
Trade and other payables	(2)
Deferred taxation	(24)
Total identifiable net assets	271
Less: Interests in jointly controlled entities	(88)
	183
Net cash outflow in respect of the acquisition of a subsidiary:	
Cash consideration paid	183
Bank deposits and cash acquired	(1)
	182

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

31 Notes to Consolidated Statement of Cash Flows (cont'd)

(c) Analysis of the balance of cash and cash equivalents at end of year

	2013	2012
Bank deposits and cash	16,471	14,338
Bank overdrafts	(83)	(86)
	16,388	14,252
Less: Bank deposits maturing after more than three months	(2,392)	–
Less: Pledged bank deposits	(7)	(9)
	13,989	14,243

32 Jointly Controlled Assets

The Group

At the year end date, the aggregate amounts of assets and liabilities recognized in the consolidated financial statements relating to the Group's interests in jointly controlled assets are as follows :

	2013	2012
Investment properties	13,108	12,233
Properties pending development for sale	83	–
Stocks of completed properties for sale	142	142
	13,333	12,375
Trade and other payables	225	289
Taxation	47	43
Deferred taxation	111	93
	383	425
Revenue	666	646
Expenses	182	198

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

33 Related Party Transactions

During the year, the Group undertook various transactions with related parties. The following is a summary of significant transactions, in addition to those disclosed elsewhere in the financial statements, between the Group and related parties, which were carried out in the normal course of the Group's business at similar terms to other customers or suppliers and at market prices:

	Notes	Associates		Jointly controlled entities	
		2013	2012	2013	2012
Interest income	(a)	4	3	99	60
Rental income	(b)	–	–	1	1
Rental expenses	(b)	1	1	41	37
Other revenue from services rendered	(c)	91	103	37	144
Purchase of goods and services	(c)	–	–	346	319

- (a) The outstanding balances with associates and jointly controlled entities at the year end date are disclosed in notes 13 and 14 respectively.
- (b) The Group has, in the normal course of its business, entered into lease agreements to lease premises to and from related parties. The leases were entered into on normal commercial terms.
- (c) Purchase of goods from and rendering of services to related parties were conducted in the normal course of business at prices and on terms comparable to those contracted with other suppliers/customers of the Group.
- (d) A related company has provided a loan of HK\$500 million to the Group. The outstanding balance and terms of the loan are disclosed in note 25(e). Interest expense for the year is HK\$2.37 million (2012: HK\$14,991). This loan is a connected transaction which fulfils certain requirements contained in Rule 14A.65(4) of the Listing Rules. It is exempt from any disclosure or other obligations under Chapter 14A of the Listing Rules.

Emoluments to directors (being the key management personnel compensation) are disclosed in note 5.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

34 Contingent Liabilities and Commitments

The Group

At the year end date, the Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

	2013	2012
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	1,204	2,424
Authorized but not contracted for	1,978	1,725
(b) The Group's share of capital commitments of jointly controlled entities		
Contracted but not provided for	694	866
(c) Guarantees given to banks and financial institutions for the borrowings of jointly controlled entities of HK\$ 1,100 million (2012: HK\$1,235 million) and other guarantees of HK\$4 million (2012: HK\$4 million).		

The Company

At the year end date, the Company had contingent liabilities, not included in the Company's financial statements, in respect of guarantees for bank and other borrowings drawn by:

	2013	2012
Subsidiaries	59,331	65,148
Jointly controlled entities	808	808
	60,139	65,956

35 Operating Lease

At the year end date, the future aggregate minimum lease income receivable by the Group under non-cancellable operating leases for land and buildings is analysed as follows:

	2013	2012
Not later than one year	11,217	9,814
Later than one year but not later than five years	14,993	12,683
Later than five years	2,429	1,948
	28,639	24,445

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

35 Operating Lease (cont'd)

At the year end date, the future aggregate minimum lease charges payable by the Group under non-cancellable operating leases for land and buildings, assets, transmission sites and leased lines is analysed as follows:

	2013	2012
Not later than one year	981	903
Later than one year but not later than five years	1,344	1,066
Later than five years	1,202	789
	3,527	2,758

36 Charges of Assets

At the year end date, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$7 million (2012: HK\$9 million) have been pledged for securing guarantees issued by the banks.

At the year end date, certain assets of the Group's subsidiaries with an aggregate carrying value of approximately HK\$8,845 million (including bank deposits and cash of HK\$167 million) (2012: HK\$22,362 million (including bank deposits and cash of HK\$9 million)) have been charged to secure its bank borrowings.

37 Critical Accounting Judgements and Estimations

In the application of the Group's accounting policies, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions used in preparing the financial statements are continually evaluated based on historical experience and other factors that are considered relevant, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Fair value of investment properties

At each year end date, the Group's investment properties are stated at fair value based on the valuation carried out by an independent qualified professional valuer. In determining the fair value, the valuer has based on market value basis which takes into account, inter-alia, certain estimates, including open market rents, appropriate capitalization rates, reversionary income potential, redevelopment potential and comparable market transactions. The management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable.

(b) Impairment of assets

Assets including goodwill and intangible assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. Estimating the value in use of an asset involves estimating the future cash flows expected to arise from its continuing use and from its disposal at the end of its useful life and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

37 Critical Accounting Judgements and Estimations (cont'd)

(c) *Income taxes*

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(d) *Recognition of deferred tax assets*

The amount of the deferred tax assets included in the financial statement of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgements, based on assessment regarding future financial performance, about the amount of future taxable profits and the timing of when these will be realized.

(e) *Assessment of useful economic lives*

Fixed assets and intangibles (other than goodwill) are depreciated or amortized over their useful economic lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying value.

(f) *Fair value of financial instruments*

Financial instruments such as available-for-sale securities and derivative financial instruments are measured in the financial statements at fair values. The management uses its judgement in selecting the appropriate valuation technique for financial instruments that are not quoted in an active market. For derivative financial instruments such as interest rate swaps and currency swaps, assumptions are made based on inputs supported by observable market prices or rates.

38 Financial Risk Management

The Group's major financial instruments include investments, amounts due from associates and jointly controlled entities, loans receivables, trade debtors, bank deposits and cash, trade creditors, bank and other borrowings and other long-term liabilities. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments are managed by the Group's financial management policies and practices described below:

(a) *Foreign currency risk*

Foreign currency exposure does not pose a significant risk for the Group as most of the Group's assets, operational cash flows and borrowings are mainly denominated in Hong Kong dollars. The Group aims to minimize its currency risk using forward contracts where feasible and cost effective. The Group's primary foreign currency exposures arise mainly from the property development and investment activities in Mainland China and Singapore, whose net assets are exposed to foreign currency translation risk. Where appropriate, the Group seeks to finance these investments through borrowings denominated in the relevant foreign currencies. Exchange differences arising from the translation of the net investment in these Mainland China and Singapore subsidiaries, associates and jointly controlled entities have been dealt with as an equity movement.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(a) Foreign currency risk (cont'd)

The Group is also exposed to foreign currency risk in respect of its foreign currency borrowings, mainly denominated in United States dollars and foreign currency bank deposits and cash, mainly denominated in Renminbi. Where appropriate, the Group may enter into currency swaps to hedge the currency risks associated with its borrowings. Foreign currency exposure of the Group's other monetary assets/liabilities is minimal.

At 30 June 2013, it is estimated that a 10% increase/decrease in exchange rate of Hong Kong dollars against all other currencies, with all other variables held constant, would increase/decrease the profit before taxation for the year by approximately HK\$1,168 million (2012: HK\$510 million). The equity would be decreased/increased by HK\$104 million (2012: HK\$102 million).

(b) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly, at times of interest rate uncertainty, through the use of interest rate swaps.

The Group's interest rate risks arise principally from borrowings. Borrowings raised at floating rates expose the Group to cash flow interest rate risk. Interest rate risk is managed by the Group's senior management through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to the Group's businesses and investments.

The Group's borrowings are principally arranged on a floating rate basis. When appropriate, interest rate swaps are used to hedge and manage its long-term interest rate exposure. Speculative derivative transactions are strictly prohibited.

As at 30 June 2013, it is estimated that an increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the profit before taxation for the year by approximately HK\$160 million (2012: HK\$254 million).

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the year end date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for financial year 2012.

(c) Price risk

The Group is exposed to price risk through the Group's certain available-for-sale investments and other financial assets that are measured at fair value at each year end date with reference to the quoted market prices. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

As at 30 June 2013, it is estimated that an increase/decrease of 10% in equity prices, with all other variables held constant, would increase/decrease the profit before taxation for the year and total equity by approximately HK\$57 million and HK\$319 million, respectively (2012: HK\$55 million and HK\$319 million, respectively).

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(d) Credit risk

The Group's credit risk is primarily attributable to trade debtors, derivative financial instruments and deposits with banks and financial institutions and held-to-maturity debt securities.

The Group's trade debtors mainly arise from sale of properties developed by the Group and rent receivables from tenants. Occasionally, long term loans are provided to purchasers of the Group's properties and carry interest at rates with reference to banks' lending rates. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each year end date to ensure that adequate impairment loss is made for irrecoverable amounts.

Counterparty exposure from derivatives is managed, together with that from deposits and bank account balances, with credit limit that reflect published credit ratings and monitored on a regular basis to ensure there is no significant risk to any individual counterparty. Investments in held-to-maturity debt securities are generally limited to issuers of sound credit and rating.

The Group has no significant concentration of credit risk. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the financial statement after deducting any impairment loss. Except for the financial guarantees given by the Company as set out in note 34, the Group does not provide any other guarantee which would expose the Group to material credit risk.

(e) Liquidity risk

The Group's financial and treasury activities are centrally managed and controlled at the corporate level. The Group takes liquidity risk into consideration when deciding its sources of finances and their respective tenors. The Group aims to diversify its funding sources and minimize its refinancing risk by preventing substantial refinancing in any one period. The Group also maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following tables detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

As at 30 June 2013	Notes	Total contractual					
		Carrying amount	undiscounted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	24	19,917	19,923	15,081	1,526	3,134	182
Amounts due to non-controlling interests	24	2,742	2,742	2,204	-	538	-
Bank and other borrowings	23 & 25	64,630	75,808	10,100	11,033	27,708	26,967
Other long-term liabilities	27	677	897	-	193	479	225
Derivative financial instruments	19b	87	101	6	8	11	76
		88,053	99,471	27,391	12,760	31,870	27,450

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(e) Liquidity risk (cont'd)

As at 30 June 2012	Notes	Carrying amount	Total contractual undiscouted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	24	20,206	20,212	14,865	1,588	3,556	203
Amounts due to non-controlling interests	24	2,030	2,030	1,492	–	538	–
Bank and other borrowings	23 & 25	71,266	81,049	11,836	10,459	40,823	17,931
Other long-term liabilities	27	768	1,081	–	183	610	288
Derivative financial instruments	19b	–	–	–	–	–	–
		94,270	104,372	28,193	12,230	45,527	18,422

(f) Fair values

Listed investments are stated at quoted market prices. Unlisted equity investments for which fair values cannot be reliably measured are stated at cost less impairment losses.

The fair values of trade receivables, bank deposits, trade payables, accruals and short-term borrowings approximate to their carrying amounts due to the short-term maturities of these assets and liabilities.

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

The fair values of currency swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The carrying amounts of mortgage loan receivables, which carry variable interest rates and reprice with reference to market changes, approximate their fair values.

The carrying amounts of other financial assets and liabilities in the financial statements are not materially different from their fair values.

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(f) Fair values (cont'd)

The following tables present the carrying value of financial instruments that are measured at fair value at end of reporting date, categorised across the levels of fair value hierarchy defined as follows:

Level 1 Fair values measured at quoted prices (unadjusted) in active markets.

Level 2 Fair values measured using inputs other than quoted prices where those inputs are based on observable market data.

As at 30 June 2013

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities			
Listed debt securities, overseas	990	–	990
Listed debt securities, Hong Kong	153	–	153
Unlisted debt securities	57	–	57
Available-for-sale equity securities			
Listed equity securities, overseas	894	–	894
Listed equity securities, Hong Kong	1,101	–	1,101
Unlisted equity securities	–	147	147
Financial assets at fair value through profit or loss			
Listed equity securities, overseas	10	–	10
Listed equity securities, Hong Kong	576	–	576
Derivative financial instruments			
Interest rate swaps	–	472	472
Currency swaps	–	85	85
	3,781	704	4,485
Financial liabilities			
Derivative financial instruments			
Currency swaps	–	87	87

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

38 Financial Risk Management (cont'd)

(f) Fair values (cont'd)

As at 30 June 2012

	Level 1	Level 2	Total
Financial assets			
Available-for-sale debt securities			
Listed debt securities, overseas	841	–	841
Listed debt securities, Hong Kong	171	–	171
Unlisted debt securities	58	–	58
Available-for-sale equity securities			
Listed equity securities, overseas	812	–	812
Listed equity securities, Hong Kong	1,312	–	1,312
Unlisted equity securities	–	212	212
Financial assets at fair value through profit or loss			
Listed equity securities, overseas	30	–	30
Listed equity securities, Hong Kong	558	–	558
Derivative financial instruments			
Interest rate swaps	–	689	689
Currency swaps	–	144	144
	3,782	1,045	4,827
Financial liabilities			
Derivative financial instruments			
Currency swaps	–	–	–

Notes to the Financial Statements

(Expressed in millions of Hong Kong dollars)

39 Capital Management

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business and to continue to provide returns for shareholders while maintaining a prudent level of financial leverage.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net debt-to-shareholders' funds ratio. For this purpose the Group defines net debt as total borrowings less bank deposits and cash. Shareholders' funds comprise share capital, share premium and reserves attributable to the Company's shareholders as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt-to-shareholders' funds ratios at the year end were as follows:

	2013	2012
Secured bank loans	1,672	5,957
Unsecured bank and other loans	62,958	65,309
Total borrowings	64,630	71,266
Less: Bank deposits and cash	(16,471)	(14,338)
Net debt	48,159	56,928
Shareholders' funds	385,912	346,559
Net debt-to-shareholders' funds ratio	12.5%	16.4%

40 Comparative Figures

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

41 Approval of Financial Statements

The financial statements set out on pages 107 to 168 were approved by the board of directors on 12 September 2013.

Principal Subsidiaries

The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 30 June 2013 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal subsidiaries were incorporated and are operating in Hong Kong, unlisted and are indirectly held by the Company.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
SUNeVision Holdings Ltd. (Listed in Hong Kong)	2	74.04	Provision of data centre, facilities management, web applications and value added services and installation and maintenance services	232,234,003
SmarTone Telecommunications Holdings Limited (Listed in Hong Kong)	3	66.44	Mobile telephone system operation	103,794,124
Sun Hung Kai Real Estate Agency Limited	6	100	General management & agency	1,000,000
New Town (N.T.) Properties Limited	7	100	Investment holding	2,287,658,338
Hung Kai Finance Company, Limited	9	100	Registered deposit-taking company	100,000,200
Fidelity Finance Company, Limited	6	100	Finance	200
Honour Finance Company, Limited	6	100	Finance	500,000
Sun Hung Kai Properties (Financial Services) Limited	6	100	Finance	100,000
Sun Hung Kai Properties Insurance Limited	6	100	General insurance	75,000,000
Sun Hung Kai Architects and Engineers Limited	6	100	Architectural & engineering	350,000
Sanfield Building Contractors Limited		100	Building construction	40,000,000
Sanfield (Management) Limited		100	Building construction & project management	2
Everlight Engineering Company, Limited		100	Fire prevention & mechanical engineering	50,000
Aegis Engineering Company, Limited		100	Plant and machine hire	100,000
Hong Yip Service Company Limited		100	Property & facility management	100,000
Kai Shing Management Services Limited	6	100	Property & facility management	10,000
Mantegna Investment Company Limited	1	100	Property investment	2
		100		(Note 10) 9,999,998
Royaltelle International Limited		100	Hotel management	2
Able Smart Assets Limited	1	100	Property investment	US\$1
Ace Peace Limited		100	Property investment	1
Additech Ltd.	1	100	Property investment	US\$1
Advance Vision Enterprises Limited		100	Property investment	2
Airport Freight Forwarding Centre Company Limited		100	Freight forwarding centre	100
Annadale Development Limited		100	Property development and investment	2
Antanpark Limited	1	100	Property investment	US\$1
Antinio Investments Limited	1	100	Property investment	US\$1
Artsland Properties Investment Limited	1	100	Property investment	US\$1
Assured Outcome Limited	1	100	Property investment	US\$1

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
Barnard Enterprises Limited	1	75	Property investment	US\$100
Beauty Marble Investment Limited		100	Property investment	2
Beijing New Town Plaza Real Estate Co., Ltd.	5c	100	Property investment	US\$9,000,000*
Beijing Sun Dong An Co., Ltd.	5a	100	Property investment	US\$129,000,000*
Best Winners Limited	1	100	Property investment	US\$1
Biliboss Ltd.	1	100	Property investment	US\$1
Billion Great Investment Limited		100	Property development	2
Branhall Investments Limited	1	100	Property investment	2
		100		(Note 10) 39,999,998
Buratto Limited	1	100	Property investment	US\$1
Charmford Holdings Limited		100	Property development	1
Cheerlord Investment Ltd.	1	100	Property investment	US\$1
成都忠捷置業有限公司	5b	91	Property development	RMB213,000,000*
Choice Win (H.K.) Limited		100	Property development and investment	1
City Lion Investment Limited	1	100	Property investment	US\$1
City Success Limited		100	Property development and investment	2
Connick Limited	1	100	Property investment	US\$1
Cranejoy Limited		100	Property development	350,000,000
Crown World Investment Limited		100	Property development and investment	1
Dictado Company Limited		100	Property investment	200
Dipende Limited	1	100	Property investment	US\$1
Ease Gold Development Limited		100	Property development and investment	2
Easywise Limited		64.3	Property development	1
Entero Company Limited	8	100	Property investment	200
Even Decade Limited	1	100	Property investment	US\$1
Ever Channel Limited		100	Property investment	2
Ever Crystal Limited		100	Property investment	1
Ever Fast Limited		100	Property development and investment	2
Evermax Development Limited		100	Property development and investment	2
Excel Elite Assets Limited	1	100	Property investment	US\$1
Excellent Chance Limited	1	100	Property investment	US\$1
First Gain Assets Limited	1	100	Property investment	US\$1
Firstmax Limited		100	Property investment	2
Fit Sharp Limited	1	100	Property investment	US\$1
Forever Glory Investments Limited	1	100	Property investment	US\$1
Fortin International Limited	1	100	Property development and investment	US\$1
Fortune Honor Limited		100	Property investment	2
Fortune Yield Investment Limited		100	Property investment	2
佛山市新普房地產開發有限公司	5c	100	Property development and investment	US\$34,000,000*
佛山市新升房地產開發有限公司	5c	80	Property development	US\$70,000,000*
佛山市新鋒房地產開發有限公司	5c	80	Property development	US\$194,000,000*

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
佛山市新晉房地產開發有限公司	5c	80	Property development	US\$70,000,000*
佛山市新駿房地產開發有限公司	5c	80	Property development	US\$77,000,000*
佛山市新昊房地產開發有限公司	5c	80	Property development	US\$98,000,000*
佛山市新匯房地產開發有限公司	5c	80	Property development	US\$98,000,000*
佛山市新景房地產開發有限公司	5c	80	Property development	US\$77,000,000*
東莞創紀房地產開發有限公司	5c	100	Property development	US\$121,000,000*
Full Market Limited		100	Property investment	2
Garudia Limited		100	Property investment	2
General Winner Limited		100	Property development	1
Gleamland Limited	1	100	Property investment	US\$1
Golden Square Properties Enterprises Limited	1	100	Property investment	2
		100		(Note 10) 999,998
Goodwick Limited		100	Property development and investment	1
Group Allied Limited		100	Property development and investment	1
Guangzhou Dragon Lake Real Estate Ltd.	5c	60	Property development	604,965,400*
廣州新天房地產發展有限公司	5b	70	Property development	RMB798,000,000*
廣州市匯信房地產開發有限公司	5a	95	Property development	RMB82,000,000*
廣州市佳俊房地產開發有限公司	5c	100	Property development	RMB210,000,000*
Harbour Vantage Limited		100	Property development	2
Headmaster Assets Limited	1	100	Property investment	US\$1
Hero Town Limited	1	100	Property investment	US\$86,500,001
Herowell Limited		100	Property investment	1
Hinwood Investment Limited		100	Property development and investment	1
Hoi Kong Container Services Company Limited		100	Mid stream operator	40,000,000
Honenberg Limited		100	Property investment	2
Hong Kong Business Aviation Centre Limited		35	Business Aviation Centre	1,000,000
Hung Kai Finance Investment Holding Limited		100	Property investment	200
Jayan Company Limited		100	Property investment and investment holding	2
Jetcrown Properties Limited	1	100	Property development	US\$1
Joinyield Limited		100	Property development and investment	1
Jugada Company Limited		100	Property investment	2
Kamchatka Company Limited		100	Property investment	200
Kamsford Hong Kong Limited		100	Property investment	16,500,000
Kartasun Limited		100	Property investment	2
Kimrose Investments Ltd.	1	100	Property investment	US\$1
King Park Investment Limited		100	Property development	2
Kintech Investment Limited		100	Property development	1
Laboster Company Limited	6	100	Property investment	2
Lanecove Enterprise Limited	1	100	Property investment	US\$1
Lansmart Limited		100	Property development and investment	2

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
Large City Investments Limited	1	100	Property investment	US\$1
Lee Bit Kai Investment Company Limited	6	100	Property investment	1,000
Levenson Limited	1, 6	100	Property investment and hotel management	US\$1
Long Kinetic Limited		100	Property investment	1
Long Tesak Company Limited		100	Property investment	100,000
Lonsale Company Limited		100	Property investment	2
Lorient Holdings Ltd.	1	100	Property investment	US\$1
Lunalite Company Limited		100	Property investment	2
Manceton Limited		100	Property investment	2
Masston Limited		100	Property investment	1
Maxwear Limited	1	100	Property investment	US\$1
Mighty Choice Assets Limited	1	100	Property investment	US\$1
Mindano Limited		100	Property investment	10,000
Moscova Company Limited	6	100	Property investment	200
Nixon Cleaning Company Limited		100	Cleaning service	100,000
Obvio Yip Company Limited	6	100	Property development and investment	15,000,000,000
Open Step Limited		60	Property investment	10
Oriental Way Limited		100	Hotel development	1
Pacotilla Company Limited		100	Property investment	200
Partner Sino Assets Limited	1	100	Property investment	US\$1
Pawling Limited	1	100	Property investment	US\$1
Polarland Limited		100	Property development	1
Pontamell Limited	1	100	Property investment	US\$1
Potential Area Limited	1	100	Property investment	US\$1
Profit Richness Ltd.	1	100	Property investment	US\$1
Protasan Limited		100	Property investment	100
Rinnovare Limited	1	100	Property investment	US\$1
Route 3 (CPS) Company Limited		70	Toll road operation	10,000
Senmark Limited		100	Hotel development	2
Shanghai Central Plaza Property Co., Ltd.	5a	80	Property investment	US\$42,000,000*
Shanghai International Commerce Centre Co., Ltd.	5c	100	Property investment	US\$290,500,000*
Shanghai SHK International Commerce Centre Co., Ltd.	5c	100	Property investment	US\$90,000,000*
Shanghai Xin Zhong Hui Property Co., Ltd.	5c	100	Property investment	US\$35,000,000*
Sharp Act Investments Limited	1	100	Property investment	US\$1
Shubbery Company Limited		100	Property investment	200
Shunyue Investments Limited	1	100	Property investment	US\$1
Smart Globe Limited		100	Property development	1
Smithtown Investments Limited	1	100	Property investment	US\$1
Solar Kingdom Limited		100	Property investment	2
Speed Wise Limited	6	100	Property investment	2

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
Speedway Assets Limited	1	100	Property investment	US\$1
Springwide Investments Limited	1	100	Property development	US\$1
Standard Top Limited		100	Property investment	2
Startrack Company Limited		100	Property investment	200
Sun Carol Company Limited		100	Property investment	200
Sun Hung Kai Development (China) Limited		100	Investment holding	20,000,000
Sun Hung Kai Development (Lujiazui I) Ltd.	5c	100	Property investment	US\$214,482,000*
Sun Hung Kai Development (Lujiazui II) Ltd.	5c	100	Property investment	US\$121,355,000*
Sun Hung Kai Development (Zhang Yang) Ltd.	5c	100	Property development and investment	US\$165,000,000*
Sun Hung Kai ICC (Nanjing) Co., Ltd.	5c	100	Property development and investment	RMB721,914,400*
Sun Hung Kai ICC (Suzhou) Co., Ltd.	5b	90	Property development and investment	RMB1,800,000,000*
Sun Hung Kai Properties (Capital Market) Limited	2	100	Finance	US\$10
Sun Hung Kai Properties Investment (Guangzhou) Limited	5c	100	Investment holding	US\$90,000,000*
Sun Hung Kai Secretarial Services Limited	6	100	Secretarial services	200
Sun Yuen Long Centre Management Company Limited		100 75	Property investment and management	(Note 11) 25,000 (Note 12) 25,000
Sunfez Company Limited		100	Property investment	200
Sunrit Enterprises Limited		100	Property investment	4,000,000
Tainam Holdings Limited	1	100	Property investment	US\$1
Talcon Limited	1	100	Property development	US\$1
Ten Choice Development Limited		100	Property investment	2
Tenuta Limited	1	100	Property investment	US\$1
Tipro Development Limited		100	Property investment	1,000,000
Tonthai Investment Enterprises Limited	1	100	Property investment	US\$1
Town Descant Company Limited		100	Property investment	200
Transport Infrastructure Management Limited		100	Road management	70,000,000
Tsi Mai Company Limited		100	Property investment	200
Uniland Investment Enterprises Limited	1	100	Property investment	US\$1
United Way Investments Limited	4, 6	100	Owner of trade mark	US\$1
		100		(Note 10) US\$83,400
Upper Hill Company Limited	1	100	Property investment	US\$1
Vast Earn Property Corp.	1	100	Property investment	US\$2
Wai Hung Development Company Limited	6	100	Investment holding and property investment	70,000
Warrior Company Limited		100	Property investment	300
Well Famous Enterprise Limited		100	Property investment	1
Well Logic Properties Investment Limited	1	100	Property investment	US\$1
Wellden Limited		100	Property investment	2
Wetland Park Management Service Limited		100	Property development and investment	2
Willmax Limited		100	Property investment	2
Wilson Parking (Holdings) Limited		100	Investment holding and carpark operation	1,000

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Nominal Value of Issued Ordinary Share Capital/ Registered Capital* (HK\$)
Winner Land Enterprises Limited		100	Property investment	2
Wisecity Development Limited		100	Property development	2
Wiseland Enterprises Limited	1	100	Property development	US\$1
Wonder Charm Assets Limited	1	100	Property investment	US\$1
WTC (Club) Limited		100	Club management	200
YATA Limited		100	Department store operation	30,000,000
Zarabanda Company Limited		100	Property investment	2
Zhongshan SHKP Taoyuan Real Estate Development Co. Ltd.	5a	75	Property development	40,000,000*

- Notes:
1. Incorporated in the British Virgin Islands and operating in Hong Kong.
 2. Incorporated in the Cayman Islands and operating in Hong Kong.
 3. Incorporated in Bermuda and operating in Hong Kong.
 4. Incorporated in the British Virgin Islands.
 5. Incorporated and operating in the People's Republic of China:
 - a. Co-operative joint venture enterprise
 - b. Equity joint venture enterprise
 - c. Wholly foreign owned enterprise
 6. Directly held by the Company.
 7. 11.89% directly and 88.11% indirectly held by the Company.
 8. 50% directly and 50% indirectly held by the Company.
 9. 99.9998% directly and 0.0002% indirectly held by the Company.
 10. Redeemable share.
 11. "A" share.
 12. "B" share.

Principal Jointly Controlled Entities

The directors are of the opinion that a complete list of the particulars of all jointly controlled entities will be of excessive length and therefore the following list contains only the particulars of jointly controlled entities as at 30 June 2013 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal jointly controlled entities were incorporated and are operating in Hong Kong and unlisted.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share/ Registered capital
⁺ Altomatic Limited		50	Property investment	Ordinary
[#] China Resources Sun Hung Kai Properties (Hangzhou) Limited	5	40	Property development and investment	Registered capital
[#] China Resources Sun Hung Kai Properties (Wuxi) Limited	5	40	Property development	Registered capital
[#] Cheerjoy Development Limited		35	Property development	Ordinary
[#] Dragon Beauty International Limited		50	Property development	Ordinary
First Star Development Limited		50	Property development	Ordinary
⁺ Glorious Concrete (BVI) Limited	4	50	Manufacturer of precast	Ordinary
⁺ Glorious Concrete (H.K.) Limited		50	Manufacturer of ready mixed concrete	Ordinary
[#] Green Valley Landfill, Limited		20	Landfill waste disposal facility	Ordinary
[#] Guangzhou Fujing Properties Development Co., Ltd.	3	33.3	Property development	Registered capital
[#] 廣州宏城廣場房地產開發有限公司	6	50	Property investment	Registered capital
[#] Hangzhou Runhong Properties Limited	5	40	Property development	Registered capital
IFC Development Limited	1	50	Property investment	Ordinary
Jade Land Resources Limited		25	Property development and investment	Ordinary
[#] Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited		50	Godown operation	Ordinary
⁺ Newfoundland Investment Holdings Limited	1	20	Investment holding	Ordinary
[#] Orchard Turn Holdings Pte. Ltd.	2	50	Investment holding	Ordinary
⁺ Ranny Limited		50	Property investment	Ordinary
[#] River Trade Terminal Co. Ltd.	1	50	River trade terminal	Ordinary
[#] Senica International Limited	4	22.5	Investment holding	Ordinary
[#] Shanghai Xintian Real Estate Co., Ltd.	3	35	Property development and investment	Registered capital
Special Concept Development Limited		25	Property development and investment	Ordinary
⁺ Splendid Shing Limited		50	Property investment	Ordinary
[#] Star Play Development Limited		33.3	Property investment	Ordinary
[#] 祥寶投資(成都)有限公司	5	40	Property development and investment	Registered capital
Teamfield Property Limited		57.52	Property investment	Ordinary
⁺ Tinyau Company Limited		50	Property investment	Ordinary
⁺ Topcycle Development Limited		50	Property development	Ordinary
[#] Wolver Hollow Company Limited		50	Property investment	Ordinary
⁺ Xipho Development Company Limited		33.3	Property development	Ordinary

⁺ The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu.

[#] Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.

- Notes:
1. Incorporated in the British Virgin Islands and operating in Hong Kong.
 2. Incorporated and operating in the Republic of Singapore.
 3. Incorporated and operating in the People's Republic of China as equity joint venture enterprise.
 4. Incorporated in the British Virgin Islands.
 5. Incorporated and operating in the People's Republic of China as wholly foreign owned enterprise.
 6. Incorporated and operating in the People's Republic of China as co-operative joint venture enterprise.

Principal Associates

The directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of associates as at 30 June 2013 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal associates were incorporated and are operating in Hong Kong and unlisted.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share
^{#+} Transport International Holdings Limited (Listed in Hong Kong)	1	33.28	Public transportation	Ordinary
^{#+} Ranex Investments Limited		29	Property development and investment	Ordinary
^{#+} The Hong Kong School of Motoring Limited		30	Driving School	Ordinary
^{#+} Onluck Finance Limited		35.44	Finance	Ordinary
^{#+} Treasure Peninsula Limited		29	Finance	Ordinary

⁺ *The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu.*

[#] *Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.*

Note: 1. *Incorporated in Bermuda and operating in Hong Kong.*