新鴻基地產發展有限公司
Sun Hung Kai Properties Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 16)

2015 / 16 Annual Results

CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

RESULTS

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2016, excluding the effect of fair-value changes on investment properties, amounted to HK$24,170 million, compared to HK$19,825 million last year. Underlying earnings per share were HK$8.37, compared to HK$7.07 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$32,666 million and HK$11.31 respectively, compared to HK$31,082 million and HK$11.09 last year. The reported profit included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK$8,870 million, compared to HK$12,350 million last year.

DIVIDEND

The directors have recommended the payment of a final dividend of HK$2.80 per share for the year ended 30 June 2016. The dividend will be payable on 24 November 2016. Together with the interim dividend of HK$1.05 per share, the dividend for the full year will be HK$3.85 per share, an increase of 14.9% from last year.

BUSINESS REVIEW

Property Sales and Rental Income

Property Sales

Revenue from property sales for the year under review as recorded in the financial statements, including revenue from joint-venture projects, amounted to HK$43,356 million. Profit generated from property sales was HK$11,701 million, as compared to last financial year's HK$7,332 million. The Group achieved record contracted sales of about HK$40,700 million for the year in attributable terms. Contracted sales since July 2016 have exceeded HK$12,000 million.

Rental Income

The Group's rental income grew steadily during the year. Gross rental income, including contributions from joint-venture projects, rose 7% year-on-year to HK$21,036 million, and net rental income increased 7% year-on-year to HK$16,481 million. This healthy performance was attributable to continuing positive rental reversions and contributions from new investment properties, both in Hong Kong and on the mainland.

Property Business – Hong Kong

Land Bank

The Group continued to explore land acquisition opportunities to replenish its land bank, adding four sites with an aggregate gross floor area of 1.8 million square feet during the year, all of which are situated along existing or upcoming railway stations. A major addition was the site atop MTR Yuen Long Station for a large-scale residential/commercial development. The project will offer residential units of nearly 1.4 million square feet of gross floor area with diverse layouts and about 107,000 square feet of retail space as part of the Group's YOHO Mall. The new acquisitions also consisted of two office sites, including one adjacent to the Group's Kowloon Commerce Centre. After June this year, the Group acquired a site in Sha Tin with a gross floor area of 434,000 square feet for the development of premium residences. Details of the sites acquired during the year are shown in the following table:

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Yuen Long Station Development	Residential/ Shopping Centre	Joint Venture	1,468,000
Sha Tin Town Lot No. 617	Office/Shops	100	174,000
Pak Tai Street / San Shan Road, Ma Tau Kok	Residential/Shops	Joint Venture	105,000
Kwai Chung Town Lot No. 522	Office/Shops	100	58,000
Total			**1,805,000**

As at the end of June 2016, the Group's land bank in Hong Kong amounted to 49.9 million square feet of attributable gross floor area, of which 20.9 million square feet comprised properties under development and 29.0 million square feet were completed investment properties. Following the acquisition of the residential site in Sha Tin in August this year, the Group's land bank in Hong Kong has increased to 50.3 million square feet. In addition, the Group has a total of over 30 million square feet of agricultural land in terms of site area. The sites are located primarily along existing or planned railway lines in the New Territories and are in various stages of land use conversion.

After the financial year, the land use conversion for the site at 98 How Ming Street in Kwun Tong to commercial use was successfully completed with land premium agreed. This joint-venture project covers nearly 1.2 million square feet in terms of gross floor area. It will further strengthen the Group's investment portfolio upon completion.

Property Development

Hong Kong's residential market has improved markedly over the past few months with an increase in transaction volume and growth in homebuyer confidence after a consolidation for about half a year. The primary market has become quite active and new launches were generally well received. The secondary market also recovered with a moderate rebound in prices, although transaction volume remained relatively low by historical standards as a result of the Government's demand-side management measures. Low interest rates and reasonable mortgage-repayment affordability along with other positive fundamentals such as high levels of new marriage and growing household income continued to support overall housing demand.

The Group's development projects are meticulously designed to suit the changing customer needs and receive wide acclaim. With an increasing residential supply in the primary market, homebuyers have become more selective amid a wide range of choices. The Group is well prepared for challenges and continues with its customer-focus strategy, providing homebuyers with quality products complemented by attentive after-sales service. The appeal of the products is further raised by their inherent value due to exceptional quality and the Group's long-established premium brand. Coupled with the support by its professional and competent sales team, the Group was able to achieve impressive sales with satisfactory margins over the past year.

The Group’s contracted sales from Hong Kong properties amounted to about HK$32,000 million during the year, contributed by a wide variety of products ranging from luxury residences such as Ultima in Ho Man Tin to other quality developments in different districts of the territory, including the second phase of Century Link in Tung Chung, Ocean Wings in Tseung Kwan O South, as well as Park YOHO Venezia and Twin Regency in Yuen Long. Apart from residential premises, W668 in Cheung Sha Wan launched in April this year was virtually sold out within a month.

The Group completed four projects with 3.2 million square feet of attributable gross floor area in Hong Kong during the year, of which over three million square feet were residential properties for sale. The remainder is retail premises being kept as long-term investment.

Project	**Location**	**Usage**	**Group’s Interest** (%)	**Attributable Gross Floor Area** (square feet)
Century Link Phases 1 & 2	6 Ying Hong Street, Tung Chung	Residential/ Shops	100	1,394,000
Ultima Phases 1 & 2	23 Fat Kwong Street, Ho Man Tin	Residential	100	869,000
The Wings IIIA	19 Tong Yin Street, Tseung Kwan O	Residential/ Shopping Centre	100	793,000
Imperial Kennedy	68 Belcher’s Street, Kennedy Town	Residential/ Shops	92	144,000
Total				**3,200,000**

Property Investment

The Group’s investment property portfolio has established an extensive foothold in Hong Kong, with about 29 million square feet of quality retail space, office premises and more. During the year, this well-diversified portfolio continued to perform satisfactorily and provide the Group with sizable and steadily growing rental income.

Gross rental income from Hong Kong, including contributions from joint-venture projects, increased by 7% year-on-year to HK$16,800 million, attributable to positive rental reversions, higher rents for new leases and additional contributions from new investment properties. Overall occupancy also sustained at a high level of around 95%.

Retail portfolio

The retail market in Hong Kong was sluggish during the past year or so due mainly to fewer visitor arrivals and lower tourist spending. Nonetheless, the performance of the Group's retail portfolio of over 10 million square feet was relatively resilient, substantiated by its high occupancies and positive rental reversions recorded during the year. Such satisfactory results were built on favourable attributes of the Group's shopping malls, including proper trade-and-tenant mix, well-established brand, attentive customer service and convenient location. Additionally, the malls continued to launch appealing sales and marketing initiatives in collaboration with tenants to drive footfall and sales.

The Group's rental income growth is expected to continue to be supported by new investment properties in the pipeline, with YOHO Mall in Yuen Long being one of the major contributors. The opening of YOHO Mall I in September 2015, together with the recent completion of renovations at YOHO Mall II, has successfully helped shape YOHO Mall into a popular rendezvous for shoppers looking for new enjoyment in the area. The two portions house a wide variety of trendy fashion names and specialty eateries new to northwest New Territories, bringing customers a modern shopping and dining experience. During the year, YOHO Mall I and II recorded high traffic and additional rental income was generated for the Group.

YOHO Mall extension with about 450,000 square feet of retail area underneath Grand YOHO is scheduled to open in 2017 and pre-leasing is progressing well. It will further complete YOHO Mall with a range of leisure and entertainment facilities, including 120,000 square feet of outdoor green space as well as one of the largest and most advanced cinemas in Hong Kong. The extension will be well connected to MTR Yuen Long Station by an air-conditioned footbridge, offering exceptional convenience to shoppers and nearby residents. In addition, the Yuen Long Station Development will add another 107,000 square feet of retail space to the mega mall. Upon completion of the remaining parts, YOHO Mall with a total gross floor area of 1.1 million square feet is expected to become a pre-eminent shopping hotspot in northwest New Territories, mirroring the success of New Town Plaza in New Territories East.

PopWalk, a shopping destination comprising retail portions of the Group's residential developments in Tseung Kwan O South, targets at young families. It is well-positioned to capitalize on an expanding community where residential projects under development gradually come to completion. The first phase under The Wings II with a retail space of 66,000 square feet was fully leased and held its grand opening in late August this year. Scheduled for opening in 2017, the retail portions under The Wings IIIA and IIIB will together provide 95,000 square feet of retail area. Response to pre-leasing has been encouraging. The last phase at Ocean Wings with a shopping area of 80,000 square feet will bring the total scale of PopWalk to over 240,000 square feet upon completion. Together with its stake in Park Central and PopCorn, the Group will possess a retail space of over 550,000 square feet in attributable terms in the vicinity, which is set to become a popular shopping hub in the area.

Over the medium term, Harbour North in North Point and the shopping mall atop MTR Nam Cheong Station will be the new growth drivers for the Group's retail portfolio. Harbour North beneath the Group's premium residential project Victoria Harbour is next to MTR North Point Station, which will promise easy accessibility. The 140,000-square-foot mall is close to a waterfront promenade, creating a special shopping and leisure environment for customers including local residents and office workforce in Island East. The premium shopping mall at MTR Nam Cheong Station will provide about 300,000 square feet of retail space and its layout design is currently at the final stage. Situated in a revitalizing district, the mall is poised to become a landmark in the area and a one-stop shopping destination for young locals and professionals.

The Group has been bolstering the competitiveness of its retail portfolio through implementing asset enhancement initiatives at existing shopping malls. MOKO above MTR Mong Kok East Station recorded meaningful growth in rents during the year following the completion of its renovation in August 2015. The floor layout of Metroplaza in Kwai Fong is being reconfigured to strengthen its market position, and the work for this is planned for completion by financial year 2017/18. APM in Kwun Tong is also planning to expand its scale by converting 150,000 square feet of office space in the same tower into retail use. The mall's podium garden with an outdoor greening project will be completed in 2018.

The Group's major malls including IFC Mall, New Town Plaza, East Point City, Tsuen Wan Plaza, Tai Po Mega Mall, Landmark North and V City continued to perform satisfactorily. With a view to enhancing shopping and leisure experience, these malls constantly refine trade mix and launch attractive marketing campaigns to boost traffic and sales. Recently, the latest flagship of a world-famous consumer electronics brand landed in New Town Plaza while more international skincare and health brands have been introduced to Landmark North. A host of innovative or family-friendly themed programmes, including joint marketing activities with tenants, are staged at various malls on a regular basis. As another showcase of its liveliness, APM introduced a promotional event featuring virtual reality technology to bring more fun to shoppers.

Office portfolio

Hong Kong's office leasing market remained stable. Demand from traditional global financial institutions was steady while the need from mainland corporations, insurance companies and business centre operators was on the rise. This, together with a low vacancy rate, continued to support the office leasing market despite a slow local economy.

Spreading across various districts in the territory, the Group's office portfolio of about 10 million square feet continued to command a leading position in the market. The Group's trusted brand and customer-focus property management service have strengthened the competitiveness of its office portfolio, making it the preferred choice for tenants. High occupancy and positive rental reversions were therefore sustained during the year.

International Finance Centre (IFC) took advantage of its prominence in the Central office market with virtually full occupancy and positive rental reversions. IFC has been popular with tenants looking for a prestigious office address marked by superior quality, world-class specifications and state-of-the-art facilities. As a landmark in a prime area, IFC will continue to benefit from tight supply and low vacancy in core Central.

International Commerce Centre (ICC), strategically sitting atop Airport Express Kowloon Station, offers magnificent harbour views and unrivalled connectivity to different modes of public transport. Multinationals have been drawn by its remarkable building quality, top-tier facilities with eco-friendly design as well as attentive management service. The outstanding tower was able to build tenant loyalty among existing quality occupants while attracting other major enterprises to take up space. Strong positive rental reversions with increased occupancy were achieved during the year.

With its strong presence in the energizing Kowloon East and close proximity to MTR stations, the Millennium City continued to perform well and sustain a high level of occupancy with increased rental levels. The office cluster remains popular with multinationals and insurance establishments given its quality ancillary facilities and large floor plates.

Other premium offices such as Sun Hung Kai Centre and Central Plaza in Wan Chai, Grand Century Place in Mong Kok, Grand Central Plaza in Sha Tin and Metroplaza in Kwai Fong continued to do well as a result of persistent demand from both existing and new tenants.

The Group strives to increase the competitiveness of its office portfolio through exacting upkeep and regular renovations. Going forward, it will continue to devote considerable efforts in the delivery of quality premises and services to achieve sustainable growth.

Property Business – Mainland

Land Bank

The Group held an attributable 69.9 million square feet of total land bank on the mainland as at the end of June 2016. About 57.8 million square feet were properties under development, of which over 60% will be developed into quality residences and serviced apartments. In addition, the Group held 12.1 million square feet of completed properties for long-term investment, comprising mainly premium offices and shopping centres at prime locations in Shanghai, Beijing and Guangzhou.

Property Development

The mainland residential market performed well over the year under review amid a benign overall policy environment despite some recent city-specific tightening measures. First-tier cities saw home prices further pick up on the back of solid demand and strong buyer confidence. Lower-tier cities also witnessed meaningful drops in inventory levels and increases in sales volume. Land market sentiment was strong as developers were keen to replenish their land banks, resulting in the frequent emergence of land parcels sold for record-high prices in first-tier and leading second-tier cities.

During the year, the Group achieved encouraging contracted sales of about RMB7,500 million in attributable terms on the mainland. Major contributors included two wholly-owned benchmark projects in Shanghai, namely the luxury serviced apartments and residential units at Shanghai Arch in the Lujiazui Finance and Trade Zone and the exquisite condominiums at Shanghai Cullinan on Middle Huaihai Road in Puxi. The new launches of the 33.3%-owned Top Plaza East Tower in Zhujiang New Town, Guangzhou and the wholly-owned Grand Waterfront in Dongguan were also well received by the market.

The Group continued to utilize its expertise and experience to develop upmarket residences and landmark integrated projects on the mainland. A total of over 1.6 million square feet of attributable gross floor area were completed during the year, of which IGC (International Grand City) in Zhujiang New Town, Guangzhou is retained for rental purpose. All in all, the premium quality of the Group's developments is highly appreciated by customers. The major completed projects are shown in the following table:

Project	**Location**	**Usage**	**Group's Interest (%)**	**Attributable Gross Floor Area (square feet)**
Hangzhou MIXC Phase 2C	Qianjiang New City, Hangzhou	Serviced Apartments	40	424,000
IGC	Zhujiang New Town, Guangzhou	Shopping Centre	33.3	332,000
Lake Dragon Phase 3A	Huadu District, Guangzhou	Residential	60	70,000
Oriental Bund Phases 1A & B	Chancheng District, Foshan	Residential/ Shops	50	789,000
Total				**1,615,000**

Property Investment

The Group's mainland investment portfolio has grown significantly over the past few years and has become an important contributor to the Group's total rental income. Gross rental income from the mainland, including contributions from joint-venture projects, rose by 12% year-on-year to RMB2,968 million. The increase was primarily driven by positive rental reversions and additional contributions from new investment properties.

Leveraging its well-established premium brand and the success of Shanghai IFC Mall and Shanghai IAPM, the Group moved forward and introduced two premium shopping malls in prime locations in Guangzhou. Covering a gross floor area of about 900,000 square feet, the 50%-owned Parc Central, located in the prosperous Tianhe district and along Guangzhou's central axis, held its soft opening in March this year. The mall houses various international brands, restaurants, entertainment and leisure attractions, some of which are new to the city, appealing to the mid- to high-end customers. Visitor traffic has been increasing steadily since opening.

The 33.3%-owned IGC at Tianhui Plaza, another of the Group's new malls in Guangzhou, is scheduled to open later this year. With about one million square feet of retail space spreading across eight floors, IGC will become a new one-stop shopping destination in the central business district of Zhujiang New Town to attract executives, business travellers and high-spending residents. The mall will boast unconventional elements such as kid's features and an advanced cinema, offering further entertainment to shoppers. The duplex restaurants at IGC will maximize the glass facade to let in the magnificent views of the Pearl River, culminating in a unique dining environment in the city. The progress of its leasing has been encouraging.

The Group's significant presence in Shanghai will be further bolstered by its wholly-owned Xujiahui Centre project at the core of Xuhui District in Puxi. To be developed in phases, the mega project will cover a gross floor area of about 7.6 million square feet, exceeding the combined total of Shanghai IFC and Shanghai ICC. It will contain about four million square feet of premium offices, three million square feet of high-end retail spaces and a luxury hotel. Construction of Phase 1 on Huashan Road, comprising 180,000-square-foot office towers and a 330,000-square-foot mall, is progressing well. These office towers have received keen interest from various specialized trades, and tenants are expected to move in during the first half of 2017. The mall in the same phase is scheduled to open in 2018 and response to pre-marketing has been encouraging, with many international retailers negotiating for a tenancy agreement. Superstructure work for Phase 2, which consists of 320,000 square feet of offices and about 45,000 square feet of retail space, is in progress.

The Xujiahui Centre project will be connected to the prominent commercial and historic buildings in the vicinity by an extensive network of footbridges and pedestrian tunnels. The 370-metre office skyscraper at one of the remaining phases will feature advanced technology and infrastructure, setting a new standard for premium office in the area. The large-scale upmarket mall facing the prosperous Hongqiao Road will enjoy direct access to Xujiahui metro station, which is the interchange of three lines. It will boast an array of renowned retailers, al fresco restaurants offering culinary delights, appealing indoor and outdoor entertainment facilities complemented by advanced digital technologies, bringing a refreshing difference to retailing in Xuhui District. Upon full completion, the Xujiahui Centre project will become an iconic complex in Shanghai.

Other major investment properties under development include Nanjing IFC in the Hexi business core. Sitting atop an interchange station for two metro lines, Nanjing IFC is positioned as a new landmark integrated development in the city. Construction of the project is progressing smoothly. Pre-marketing for its quality office space of two million square feet has commenced and attracted potential tenants including law firms, renowned banks and insurance companies. The luxury Nanjing IFC mall with over a million square feet of gross floor area has also drawn keen interest from top-tier international brands. The Group’s new integrated development projects, the Xujiahui Centre project in particular, will become significant contributors to its recurring income in the medium-to-long term when they gradually come on stream.

The Group’s widely acclaimed integrated developments on the mainland continued to perform well during the year. The IAPM mall at Shanghai ICC recorded high occupancy. Its trade mix was further enhanced through recruiting a diversity of outlets such as a specialty restaurant and sportswear flagship stores, all of which are newcomers to the mainland. The mall also introduced a user-friendly mobile app that offers easier access to its latest privileges for customers. Traffic flow and tenant sales increased steadily during the year following the recent opening of metro line 12 extension. One ICC office tower has been fully let with notable rental reversions, while Two ICC office tower achieved a better rental level amid solid demand from reputable multinationals of various industries.

As a premium shopping and leisure destination with direct access to Lujiazui metro station, the Shanghai IFC Mall registered encouraging rental reversions with high occupancy during the year. The mall stands out in the city with its wide assortment of international luxury brands and quality dining outlets. This, together with the introduction of a customer loyalty programme that draws high-spending patrons, creates an unconventional shopping experience. To further enhance its distinctive positioning as a magnet for discerning shoppers, the mall has put on fashion and jewellery exhibitions with an art flavour, most of which made their debuts on the mainland. Pedestrian tunnels linking the mall to neighbouring buildings will open soon, bringing added convenience to customers. The Group’s office space at Shanghai IFC complex, mainly occupied by global banks and professional firms, was virtually fully let, generating an impressive overall rental level.

Beijing APM in the traditional Wangfujing shopping area has brought in a variety of stylish retailers and popular restaurants. The mall has also created a cluster of affordable luxury retailers to further appeal to young locals and tourists. Major entrances of the mall will be renovated to elevate its positioning while a new food avenue to optimize its food and beverage mix is under planning. A steady growth in tenant sales and positive rental reversions were recorded during the year under review.

Other Businesses

Hotel

The business environment of Hong Kong's hotel industry was challenging during the year amid falling visitor arrivals. However, the Group's hotel portfolio in Hong Kong managed to achieve a relatively high average occupancy, mainly attributable to its well-respected hotel brands and outstanding service as well as effective marketing and sales strategies despite moderate downward adjustments in room rates.

Supported by their prime locations, superior facilities and prestigious image, the Group's luxury hotels including Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong were able to maintain their leading positions in the deluxe market and achieved relatively stable room rates over the period. The Group's four Royal brand hotels and the two premium hotels in Tseung Kwan O continued to deliver pleasurable customer experience and sustained a high level of occupancy of above 90%. Meanwhile, the Group is developing a waterfront hotel as part of its integrated development in North Point and a premium establishment in Sha Tin as a sister project of the Royal Park Hotel.

The Ritz-Carlton Shanghai, Pudong as part of the Shanghai IFC integrated development recorded solid revenue growth on the back of a steady increase in tourist arrivals to Shanghai during the period under review. Encouraging performance was achieved in both accommodation and food and beverage businesses. The hotel continued to benefit from its synergy with the office towers within the same complex, which provided a stable source of high-spending corporate customers.

Telecommunications and Information Technology

SmarTone

For the year under review, SmarTone's net profit was below last year as profits from popular handset trading for the previous year were much higher. Core revenue from local mobile service improved during the year, laying a good foundation for future growth. SmarTone has also invested in initiatives to further enhance user experience and brand loyalty. The Group remains confident of SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision recorded healthy growth in revenue and underlying profit during the year. The company achieved notable growth from traditional clients including financial institutions as well as new customer segments such as cloud service providers. Its vision is to further enhance its premier data center business in terms of infrastructure, service and connectivity. In addition to the MEGA-i centre in Chai Wan, SUNeVision will have another major facility after the transformation of the entire MEGA Two in Sha Tin into a top-tier data centre. The transformation is nearing its the final stage. Construction of MEGA Plus, the new state-of-the-art data centre in Tseung Kwan O, is on track and due for completion in 2017. These facilities will ensure that SUNeVision can achieve scale and offer customers a range of choices in locating their IT infrastructure.

<u>Infrastructure and Other Businesses</u>

The Group's infrastructure and transport businesses performed satisfactorily during the year. The Wilson Group achieved satisfactory results, while traffic on the Route 3 (Country Park Section) remained relatively stable throughout the year. The Airport Freight Forwarding Centre maintained positive rental income growth in the face of soft air-freight demand. Business at Hong Kong Business Aviation Centre benefitted from continued healthy demand for business travel, but competition for landing slots at the Hong Kong International Airport has started to create challenges. Increased demand for refrigerated and break-bulk cargoes drove healthy growth in business at the River Trade Terminal, although the sea-freight market remained sluggish in general due to the macro-economic environment. The wholly-owned YATA, a major operator of department stores and supermarkets in Hong Kong, performed well with positive growth despite a challenging retail environment.

Corporate Finance

Prudent financial management has always underpinned the Group's long-term success. The Group's endeavours to maintain this pivotal fundamental principle are well reflected by its low gearing and healthy interest coverage ratio. As at 30 June 2016, the Group's net debt to shareholders' funds recorded a low 10.8% and its interest coverage achieved a high 12.5 times.

Given its strong financial position, the Group continues to attain the best credit ratings among property companies in Hong Kong, with A1 rating affirmed by Moody's and A+ by Standard & Poor's, both of which carry a stable outlook.

In March 2016, a 15-year RMB14,500 million syndicated banking facility was arranged on the mainland to fund the gradual construction of the Xujiahui Centre project in Shanghai. Attractive pricing was achieved for the loan, which is one of the elements for the success of such a mega project. The Group also self-arranged a five-year HK$15,000 million syndicated facility to further enhance its abundant committed standby banking facilities. The reception of the two loans was overwhelming, demonstrating the strong and continued support from the banking community both in Hong Kong and on the mainland. In addition, the Group also issued HK$1,240 million 10-year fixed rate notes under its Medium Term Note Programme for the purpose of extending debt maturities as well as expanding funding bases during the year under review. After June this year, the Group issued another 10-year fixed rate notes worth HK$963 million with attractive pricing.

Apart from ample liquidity from banks and the debt capital market, the two-year bonus warrant scheme ended in late April 2016 has helped raise about HK$16,400 million of cash, providing the Group with additional capital. The Group is now in a very liquid position to pursue business development opportunities in the future.

Under the Group's conservative financial policies, the majority of its borrowings are denominated in Hong Kong dollars with the remainder mostly in US dollars and Renminbi. As in the past, the Group has not entered into any speculative transactions involving derivatives and structured products. The Group makes use of internal cash generated from mainland operations and onshore bank loans to fund construction costs on the mainland in an effort to manage Renminbi exchange rate risk.

Corporate Governance

The Group has a robust corporate governance framework which forms a solid foundation for its sustainable business. The framework distinguishes itself by an effective Board of Directors, sound and effective risk management and internal control systems, timely disclosure of information and proactive investor-relations programme.

The Board comprises 18 members, seven of whom are Independent Non-Executive Directors (INEDs). The Board directs and oversees the Group's strategies and has delegated specific roles and responsibilities to Board Committees. The Executive Committee meets regularly to set business policies and make key business decisions. To reflect its role in risk management, the Audit Committee has been renamed Audit and Risk Management Committee to assist the Board in maintaining and assessing the effectiveness of the Company's risk management and internal control systems, and regulatory compliance. As in the case of the Nomination and Remuneration Committees, the Audit and Risk Management Committee is chaired by an INED to ensure proper implementation of the Group's strategies. These well-established Board Committees provide sufficient checks and balances that safeguard the interests of shareholders and the Group.

The Group is committed to maintaining interactive communications with stakeholders including investors, analysts, credit rating agencies and the media, and provides them with information and disclosures relating to its corporate strategies and latest business developments. Corporate information is disseminated on a timely basis to ensure transparency. To further enhance communication with investors around the globe, the Group participates in large-scale investor conferences and presentations, in addition to frequent meetings and conference calls.

The Group's efforts in rigorous corporate governance and transparent communication have been recognized by the investment community, being awarded, among others, the title of Asia's Best Real Estate Company and Best Managed Company in Hong Kong in *FinanceAsia's* Platinum Awards. The Group was named the Best Managed Company in the Real Estate/Property Sector in Asia and the Best Office/Business Developer in Asia by *Euromoney* magazine. It won a Platinum Award that acknowledges outstanding performance in the areas of corporate governance, CSR and investor relations from *The Asset* magazine. The Group also received recognitions for Asia's Best CSR and Hong Kong's Best Investor Relations Company, Best Environmental Responsibility and Best Investor Relations Professional from *Corporate Governance Asia* magazine.

Sustainable Development

The Group is committed to advancing the sustainability of its business and the community to create long-term value for stakeholders. It sets ever-higher benchmarks in quality, contributing to its premium brand, delivery of superior customer experience and generation of better return for shareholders. At community level, the Group undertakes socially responsible activities to enhance the general well-being of individuals and infuse positive energy to society, aspiring to make Hong Kong a better home for all.

Customer focus has always been the Group's core business tenet in keeping with its belief in Building Homes with Heart. The Group values customer experience and listens to them closely to achieve quality excellence. Its quality pledge was underpinned years ago by the vertical integration of its property development process led by a seasoned management team, which has promised outstanding quality of its premises. In late 2013, this commitment was reinforced following the launch of the SHKP Quality Campaign with the territory's first three-year guarantee on newly sold residential units in Hong Kong to boost homebuyer confidence. Its engagement with customers is also strengthened by the SHKP Club, which celebrated its 20th anniversary during the year. With a membership of over 350,000, the Club is an effective platform for the Group's two-way communication with customers and the public.

The Group's integrated projects epitomize its effort to meet the diverse needs of customers and benefit the wider community. In the process of project planning, it takes into account the development needs of the area in order to enhance the community benefits of the respective neighbourhoods. Notable among recent successes includes the YOHO developments that introduced a new urban lifestyle to Yuen Long and transformed the area into a vibrant community. The next exemplar is expected to be the twin North Point waterfront projects currently under construction. The retail portion of the project will feature a facade spanning 270 metres on Java Road, turning it into an enchanting shopping boulevard to enliven the environment.

Recognizing that employees are one of its most valuable assets, the Group promotes life-long learning and offers a wide range of courses through the SHKP Quality Academy. The group-wide learning platform not only fosters the delivery of its quality pledge, but also broadens staff's horizons for personal and career development. Other staff motivation initiatives include two ideation programmes, namely Quality Raising Suggestion Scheme and Work Safety Suggestion Scheme.

While the Group strives to ensure business continuity, it remains committed to contributing to society through promoting sports for charity, reading and holistic development, and care for the underprivileged.

During the year, the Group stepped up its efforts in promoting sports for charity by taking on the title and charity sponsorships of the first-ever Sun Hung Kai Properties Hong Kong Cyclothon organized by the Hong Kong Tourism Board, which attracted thousands of local and international cyclists. The fourth SHKP Vertical Run for Charity – Race to Hong Kong ICC in 2015 drew a record-breaking 1,600 runners including amputees. The two signature annual corporate events raised substantial donations to support child and youth services.

To care for the intellectual well-being of the community, the SHKP Reading Club continues to promote happy reading with a primary focus on young people. During the year, the Club introduced a Read and Share programme to bring engaging, inspiring sharing sessions for students in nearly 60 local primary schools. The Group additionally helps nurture young talents for society through multifaceted initiatives. This undertaking was bolstered recently through its sponsorship of office and co-working space for the Hong Kong X-Tech Startup Platform, an initiative to help the city's young people start an innovative business with a lower cost.

The Group's resolve to benefit the youth and the community at large is also manifested in its recent agreement to donate a site in Yuen Long to Hong Kong Sheng Kung Hui Welfare Council for the construction of the city's first purpose-built integrated service tower. Comprising a youth hostel, a special childcare centre and an elderly home, the tower is meant to meet the housing needs of young people and promote social and inter-generational harmony. Overall, the Group's achievements in sustainability earn wide acclaim, including its inclusion in the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland and HK) Corporate Sustainability Index.

PROSPECTS

Challenges including Brexit and geopolitical tensions in many parts of the world are likely to continue weighing on the global economy and lead to volatility in the financial markets. However, the downside for the world economy is likely to be mitigated by policy actions, including the more accommodative monetary policies of most major central banks and positive fiscal measures in selected economies.

The Group is confident about the medium- to long-term outlook of the mainland economy and its property market. Economic momentum will be underpinned by the anticipated expansionary monetary and fiscal initiatives in the short term. Moreover, the ongoing structural economic reforms will continue to proceed, lifting the overall productivity over time. These, together with continuous urbanization, will benefit property markets in key cities despite respective property control measures implemented in selected cities.

Healthy labour market conditions and an improved residential market should underpin the Hong Kong economy amid a number of challenges in the year ahead, including sluggish external demand. The Central Government's supportive initiatives for Hong Kong, such as the recent approval of the Shenzhen-Hong Kong Stock Connect, will further strengthen the city's long-term prospects as an international hub for finance, wealth management, business, trade and logistics. In the meantime, low interest rates, growing household income and the relatively high levels of new marriage and birth will continue to drive end-user demand for Hong Kong residential properties.

With a land bank sufficient for development needs of over five years, the Group will have more than three million square feet of residential gross floor area, mostly small- to medium-sized units, to be completed annually in Hong Kong over the next three financial years. Given its recognized brand coupled with an experienced sales and marketing team, the Group is confident of its upcoming sales performance. Grand YOHO in Yuen Long and Lime Gala in Island East being marketed have achieved encouraging sales responses. A number of major new residential projects will be launched in Hong Kong over the next nine months. In the fourth quarter, Babington Hill in Mid-levels, St. Moritz at the peak of Kau To and Eight Regency in Tuen Mun will go on the market. Projects that will be offered for sale in the first half of next year include Phase 1 of Nam Cheong Station Development, Phase 1 of Victoria Harbour in North Point and Phase 2 of Park YOHO in Yuen Long. On the mainland, major projects offered for sale will include premium serviced apartments and prestigious townhouses in Phase 2 of Shanghai Arch in Lujiazui, the final batch of the luxury Forest Hills in a prime area of Tianhe, Guangzhou, as well as residential units in Phase 2 of the riverside project, Grand Waterfront in Dongguan. The Group will also launch quality offices at GCC (Guangzhou Commerce Centre) in downtown Tianhe District, Guangzhou.

As for rental business, the Group will continue to bolster the competitiveness of its investment property portfolio. It will achieve this objective not only through implementing asset enhancement initiatives such as regular refurbishment, but also carrying out trade- and tenant-mix refinement to strengthen its premium brand. Being the preferred choice for tenants, the Group's investment properties that consist primarily of shopping malls and office space are likely to perform satisfactorily over the coming year.

The Group's investment properties coming on stream will further strengthen its total rental income over the next one to two years. In Hong Kong, major upcoming investment properties include YOHO Mall extension in Yuen Long, remaining phases of PopWalk in Tseung Kwan O South, Harbour North on the North Point harbourfront and a premium shopping mall at MTR Nam Cheong Station. On the mainland, subsequent to the recent opening of Parc Central in downtown Guangzhou, IGC in Zhujiang New Town, Guangzhou is expected to open by the end of 2016. Office space and the shopping mall at Phase 1 of the mega Xujiahui Centre project in Shanghai are expected to be completed in 2017. Over the medium to long term, the gradual launch of the remaining phases of the Xujiahui Centre project and the phased completion of Nanjing IFC will strengthen the Group's recurrent rental income base significantly.

Looking ahead, the Group will strive to bolster its leading market position and achieve sustainable growth through brand differentiation with an emphasis on elevating the quality of its products and services. The Group will continue to pursue opportunities to acquire quality land with great potential and reasonable development margins. On the mainland, the Group will adhere to its selective approach for business development with a focus on first-tier cities, and attach greater importance to investment properties to achieve steadily growing recurrent income. With sizable rental income and property sales, coupled with its vision and a strong balance sheet, the Group is well positioned to seize opportunities and grow over time.

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

DIRECTORS AND APPRECIATION

Mr. Kwok Kai-wang, Christopher was appointed as an Executive Director of the Company with effect from 26 April 2016.

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

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 8 September 2016

ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following audited consolidated figures for the Group for the year ended 30 June 2016 with comparative figures for 2015:-

Consolidated Income Statement
For the year ended 30 June 2016
(Expressed in millions of Hong Kong dollars)

	Notes	2016	2015
Revenue	**2(a)**	**91,184**	66,783
Cost of sales		**(56,445)**	(38,989)
Gross profit		**34,739**	27,794
Other net income		**763**	594
Selling and marketing expenses		**(4,250)**	(3,269)
Administrative expenses		**(2,396)**	(2,341)
Operating profit before changes in fair value of investment properties	**2(a)**	**28,856**	22,778
Increase in fair value of investment properties		**8,769**	10,987
Operating profit after changes in fair value of investment properties		**37,625**	33,765
Finance costs		**(2,289)**	(2,445)
Finance income		**234**	265
Net finance costs	**3**	**(2,055)**	(2,180)
Share of results (including increase in fair value of investment properties net of deferred tax of HK$1,163 million (2015: HK$2,174 million)) of:			
Associates		**602**	493
Joint ventures		**3,614**	5,057
	2(a) & 6(b)	**4,216**	5,550
Profit before taxation	**4**	**39,786**	37,135
Taxation	**5**	**(6,390)**	(4,771)
Profit for the year	**2(a)**	**33,396**	32,364
Attributable to :			
Company’s shareholders		**32,666**	31,082
Non-controlling interests		**730**	1,282
		33,396	32,364

(Expressed in Hong Kong dollars)

Earnings per share based on profit attributable to the Company’s shareholders (reported earnings per share)	**6(a)**		
Basic		**$11.31**	$11.09
Diluted		**$11.30**	$10.98
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	**6(b)**		
Basic		**$8.37**	$7.07
Diluted		**$8.36**	$7.01

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016
(Expressed in millions of Hong Kong dollars)

	2016	2015
Profit for the year	**33,396**	32,364
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translating financial statements of foreign operations		
- exchange difference arising during the year	**(5,914)**	(49)
- exchange gains released on disposal of foreign operation	**(112)**	-
	(6,026)	(49)
Cash flow hedge		
- fair value losses recognized during the year	**(1)**	(3)
- fair value losses transferred to consolidated income statement	**2**	-
	1	(3)
Available-for-sale investments		
- fair value (losses)/gains recognized during the year	**(203)**	117
- fair value gains transferred to consolidated income statement on disposal	**(83)**	-
	(286)	117
Share of other comprehensive loss of associates and joint ventures	**(794)**	(358)
Item that will not be reclassified to profit or loss:		
Share of other comprehensive loss of an associate	**(55)**	(19)
Other comprehensive loss for the year	**(7,160)**	(312)
Total comprehensive income for the year	**26,236**	32,052
Total comprehensive income for the year attributable to:		
Company's shareholders	**25,703**	30,772
Non-controlling interests	**533**	1,280
	26,236	32,052

Consolidated Statement of Financial Position
As at 30 June 2016
(Expressed in millions of Hong Kong dollars)

	Notes	2016	2015
Non-current assets			
Investment properties		**318,517**	309,205
Fixed assets		**25,446**	25,621
Associates		**4,576**	4,018
Joint ventures		**56,231**	52,957
Loan receivables		**1,035**	820
Other financial assets		**3,326**	3,210
Intangible assets		**3,754**	4,090
		412,885	399,921
Current assets			
Properties for sale		**144,844**	149,750
Inventories		**596**	294
Debtors, prepayments and others	**7**	**25,024**	20,690
Other financial assets		**1,118**	894
Bank deposits and cash		**30,048**	32,561
		201,630	204,189
Current liabilities			
Bank and other borrowings		**(17,486)**	(10,816)
Trade and other payables	**8**	**(27,493)**	(25,690)
Deposits received on sales of properties		**(6,976)**	(13,904)
Taxation		**(7,116)**	(7,323)
		(59,071)	(57,733)
Net current assets		**142,559**	146,456
Total assets less current liabilities		**555,444**	546,377
Non-current liabilities			
Bank and other borrowings		**(63,275)**	(72,316)
Deferred taxation		**(17,410)**	(16,824)
Other long-term liabilities		**(251)**	(419)
		(80,936)	(89,559)
NET ASSETS		**474,508**	456,818
CAPITAL AND RESERVES			
Share capital		**70,384**	68,451
Reserves		**398,323**	382,575
Shareholders' funds		**468,707**	451,026
Non-controlling interests		**5,801**	5,792
TOTAL EQUITY		**474,508**	456,818

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation and Principal Accounting Policies

(a) Basis of preparation

The financial information relating to the years ended 30 June 2016 and 2015 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2015 to the Registrar of Companies and will deliver the consolidated financial statements for the year ended 30 June 2016 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards and Interpretations (collectively, "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance (Cap. 622) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The consolidated financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value.

(b) Changes in accounting policies

In the current year, the Group adopted accounting policies in the consolidated financial statements that are consistent with those set out in the consolidated financial statements for the year ended 30 June 2015.

Up to the date of approval for the issuance of the consolidated financial statements, the HKICPA has issued a number of new and revised standards and amendments which are not yet effective for the year. These include the following which may be relevant to the Group.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 7	Disclosure initiative[2]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization[1]
Amendments to HKAS 27	Equity method in separate financial statements[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception[1]
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations[1]
Amendments to HKFRS 15	Classification to HKFRS 15 Revenue from contracts with customers[4]
HKFRS 9	Financial instruments[4]
HKFRS 15	Revenue from contracts with customers[4]
HKFRS 16	Leases[5]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2018
[5] Effective for annual periods beginning on or after 1 January 2019

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

2. Segment Information

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

(a) Segment revenue and results

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

For the year ended 30 June 2016

	The Company and its subsidiaries		Associates and joint ventures			
	Revenue	Results	Share of revenue	Share of results	Combined revenue	Consolidated results
Property sales						
Hong Kong	36,432	9,659	14	12	36,446	9,671
Mainland China	4,358	1,429	2,505	579	6,863	2,008
Singapore	-	-	47	22	47	22
	40,790	11,088	2,566	613	43,356	11,701
Property rental						
Hong Kong	13,954	10,854	2,846	2,379	16,800	13,233
Mainland China	3,286	2,575	280	162	3,566	2,737
Singapore	-	-	670	511	670	511
	17,240	13,429	3,796	3,052	21,036	16,481
Hotel operation	4,031	1,018	680	241	4,711	1,259
Telecommunications	18,356	1,104	-	-	18,356	1,104
Transport infrastructure and logistics	3,781	1,195	3,106	358	6,887	1,553
Other businesses	6,986	1,579	414	63	7,400	1,642
	91,184	29,413	10,562	4,327	101,746	33,740
Other net income		763		-		763
Unallocated administrative expenses		(1,320)		-		(1,320)
Operating profit before changes in fair value of investment properties		28,856		4,327		33,183
Increase in fair value of investment properties		8,769		1,229		9,998
Operating profit after changes in fair value of investment properties		37,625		5,556		43,181
Net finance costs		(2,055)		(363)		(2,418)
Profit before taxation		35,570		5,193		40,763
Taxation						
- Group		(6,390)		-		(6,390)
- Associates		-		(61)		(61)
- Joint ventures		-		(916)		(916)
Profit for the year		29,180		4,216		33,396

For the year ended 30 June 2015

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

Results from property sales include selling and marketing expenses of HK$531 million (2015: HK$593 million) and HK$62 million (2015: HK$44 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively. The corresponding property sales revenue is recognized in subsequent financial years upon completion.

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

Other net income includes mainly profit on disposal of subsidiaries, net gain on disposal of investment properties and net investment income from other financial assets.

(b) Geographical information

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

	2016	2015
Hong Kong	**82,262**	55,645
Mainland China	**8,197**	10,280
Others	**725**	858
	91,184	66,783

3. Net Finance Costs

	2016	2015
Interest expenses	**2,543**	2,717
Notional non-cash interest accretion	**52**	67
Less : Amount capitalized	**(306)**	(339)
	2,289	2,445
Interest income on bank deposits	**(234)**	(265)
	2,055	2,180

4. Profit before Taxation

	2016	2015
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**26,992**	9,836
Cost of inventories sold	**13,828**	13,719
Depreciation and amortization	**1,502**	1,523
Amortization of intangible assets (included in cost of sales)	**448**	449
Impairment of intangible assets	**4**	-
Operating lease rentals for land and buildings, transmission sites and leased lines	**1,538**	1,447
Staff costs (including directors' emoluments and retirement schemes contributions)	**6,948**	6,626
Share-based payments	**6**	12
Auditors' remuneration	**23**	22
Loss on disposal of financial assets at fair value through profit or loss	**-**	9
Impairment loss of available-for-sale investments	**-**	5
Fair value losses on financial assets at fair value through profit or loss	**173**	-
Loss on disposal of fixed assets	**12**	23
and crediting:		
Dividend income from listed and unlisted investments	**120**	113
Interest income from listed debt securities	**102**	62
Profit on disposal of available-for-sale investments	**52**	60
Profit on disposal of financial assets at fair value through profit or loss	**1**	-
Fair value gains on financial assets at fair value through profit or loss	**-**	91

5. Taxation

	2016	2015
Current taxation		
Hong Kong profits tax	**3,618**	2,952
Under provision in prior years	**17**	5
	3,635	2,957
Tax outside Hong Kong	**1,241**	746
Over provision in prior years	**(6)**	-
	1,235	746
	4,870	3,703
Deferred taxation charge		
Changes in fair value of investment properties	**1,042**	754
Other origination and reversal of temporary differences	**478**	314
	1,520	1,068
	6,390	4,771

Hong Kong profits tax is provided at the rate of 16.5% (2015: 16.5%) based on the estimated assessable profits for the year. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

6. Earnings per Share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK$32,666 million (2015: HK$31,082 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,887,319,897 (2015: 2,803,709,401). The diluted earnings per share is based on 2,889,821,657 (2015: 2,829,858,793) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 2,501,760 (2015: 26,149,392) shares deemed to be issued at no consideration if all outstanding options and warrants had been exercised.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$24,170 million (2015: HK$19,825 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2016	2015
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**32,666**	31,082
Increase in fair value of investment properties	**(8,769)**	(10,987)
Effect of corresponding deferred tax charges	**1,042**	754
Fair value gains realized on disposal of investment properties net of deferred tax		
- Subsidiaries	**374**	982
- Associates and joint ventures	**-**	111
Share of results of associates and joint ventures		
- fair value gains of investment properties	**(1,229)**	(2,290)
- effect of corresponding deferred tax charges	**66**	116
	(8,516)	(11,314)
Non-controlling interests	**20**	57
Net effect of changes in the valuation of investment properties	**(8,496)**	(11,257)
Underlying profit attributable to the Company's shareholders	**24,170**	19,825

7. Debtors, Prepayments and Others

Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leased properties are payable in advance by the tenants. Other trade debtors settle their accounts according to the payment terms as stated in the respective contracts.

Included in debtors, prepayments and others of the Group are trade debtors of HK$14,969 million (2015: HK$8,748 million), of which 94% (2015: 87%) are aged less than 60 days, 1% (2015: 1%) between 61 to 90 days and 5% (2015: 12%) more than 90 days.

8. Trade and Other Payables

Included in trade and other payables of the Group are trade creditors of HK$2,303 million (2015: HK$2,385 million), of which 75% (2015: 79%) are aged less than 60 days, 2% (2015: 2%) between 61 to 90 days and 23% (2015: 19%) more than 90 days.

FINANCIAL REVIEW

Review of Operating Results

Profit attributable to the Company's shareholders for the year ended 30 June 2016 was HK$32,666 million, representing an increase of HK$1,584 million or 5.1% when compared to HK$31,082 million of the previous year. The improvements in reported profit are primarily attributable to better performance in property sales and increase in rental income. The Group has recognized in the consolidated income statement an increase in fair value of its investment properties (before related deferred taxation and non-controlling interests) of HK$8,769 million (2015: HK$10,987 million) and a share of an increase of HK$1,229 million (2015: HK$2,290 million) in fair value of investment properties held by its joint ventures and associates.

Underlying profit, which excludes the net effect of changes in fair value of investment properties, attributable to the Company's shareholders for the year ended 30 June 2016 was HK$24,170 million and increased by HK$4,345 million or 21.9% when compared to HK$19,825 million for the previous year.

Profit from property sales for the year, including share of joint ventures and associates, amounted to HK$11,701 million, increased by HK$4,369 million or 59.6% compared to HK$7,332 million for the last year. Profit from property sales in Hong Kong amounted to HK$9,671 million, it is the key impetus to the overall increase in profit from property sales in the current financial year and represents contributions mostly by residential units sold in Ultima Phases 1 & 2, Century Link I & II, The Wings IIIA, Imperial Kennedy and Park Vista. Property sales in the Mainland delivered a profit of HK$2,008 million mainly from the sales of residential units in Shanghai Arch Phase 1, Shanghai Cullinan, Hangzhou MIXC Phase 2C and Forest Hills Phases 1A & B. At the year end date, the Group had contracted property sales of HK$19.4 billion not yet recognized, of which HK$12.7 billion was derived from the presale of residential and office units for Hong Kong development projects including Ocean Wings, The Wings IIIB, Twin Regency, King's Hill, Park YOHO Venezia and W668.

Net rental income for the year from the Group's diverse rental portfolio, including contributions of joint ventures and associates, increased by HK$1,129 million or 7.4% to HK$16,481 million, primarily driven by positive rental reversions. Net income from the Group's rental portfolios in Hong Kong and the Mainland amounted to HK$13,233 million and HK$2,737 million respectively, which correspond to year-on-year increases of 7.6% and 8.6%.

The Group's hotel operations (including share of joint ventures) recorded an operating profit of HK$1,259 million for the year. This is mildly lower than the result of last year by HK$34 million or 2.6%, and reflects the impacts of declining tourist arrivals in Hong Kong and increasingly competitive environment in the local hotel industry.

SmarTone reported an operating profit of HK$1,104 million for the year, a decrease of HK$147 million or 11.8% when compared to a year ago, largely as a result of lower profits from its handset business which had overshadowed the solid improvements from the growth in its core mobile service operations.

The Group's transport infrastructure and logistics businesses (including share of joint ventures and associates) continued to improve and had an operating profit of HK$1,553 million for the year, translating into year-on-year increase of HK$108 million or 7.5%.

Other businesses of the Group (including share of joint ventures and associates), mainly comprising property management, data center business of SUNeVision, and department store operation, have been growing steadily with operating profit increased by HK$69 million to HK$1,642 million.

Financial Resources and Liquidity

(a) Capital management, net debt and gearing

The Group has continually maintained a strong capital base with adequate financial resources to support business development and growth. The Group regularly reviews and manages its capital structure to ensure its financial position remains sound, so that the Group can continue to provide returns to shareholders while maintaining a prudent level of financial leverage.

The Group's financial position remains strong, with total shareholders' equity increased over the financial year by HK$17,681 million to HK$468,707 million or HK$161.9 per share as at 30 June 2016. The increase was mainly attributable to the increase in the Group's underlying retained earnings, revaluation gains from investment properties as well as a HK$1.8 billion increase in the Company's share capital from warrants exercised. The effects of these increases were partially offset by a HK$6.6 billion decrease in exchange reserve mostly arising from translation of the financial statements of subsidiaries and joint ventures in Mainland China with functional currency of Renminbi into the Group's presentation currency at the year-end exchange rate, due to the strengthening of Hong Kong dollar. As at 30 June 2016, about 20% of the Group's net assets were denominated in Renminbi. All exchange differences resulting from the translation of foreign operations were recorded in the exchange reserve under shareholders' equity, and there was no impact on the Group's earnings.

The Group's strong balance sheet allows it to continue raising long-term financing at competitive rates, thus reducing the overall cost of capital. The Group's financial position remains sound with a low debt leverage and high interest cover. Gearing ratio as at 30 June 2016, calculated on the basis of net debt to shareholders' funds of the Company, was 10.8% compared to 11.2% a year ago. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 12.5 times compared to 9.3 times for the previous year.

As at 30 June 2016, the Group's gross borrowings totalled HK$80,761 million. Net debt, after deducting bank deposits and cash of HK$30,048 million, amounted to HK$50,713 million, representing an increase of HK$142 million since 30 June 2015. The maturity profile of the Group's gross borrowings is set out as follows:

	30 June 2016	30 June 2015
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	**17,486**	10,816
After one year but within two years	**3,642**	17,415
After two years but within five years	**39,452**	29,563
After five years	**20,181**	25,338
Total bank and other borrowings	**80,761**	83,132
Bank deposits and cash	**30,048**	32,561
Net debt	**50,713**	50,571

The Group has also procured substantial undrawn committed banking facilities, most of which are arranged on a medium to long term basis, to help minimize refinancing risk and strengthen the Group's financing flexibility. The Group regularly reviews its liquidity and financing requirements to ensure that sufficient financial resources are maintained to cover the funding needs.

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 and is well positioned to take advantage of investment opportunities when they arise.

(b) Treasury policies

The Group adopts a prudent policy in cash and debt management. The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2016, about 80% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 20% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollars. As at 30 June 2016, about 62% of the Group's total borrowings were denominated in Hong Kong dollars and 24% in US dollars, these were raised for financing the Group's business operations in Hong Kong while the remaining 14% were in Renminbi and for financing the construction cost of property projects on the Mainland. All land acquisition costs for the Mainland projects are financed by capital injection funded by the Group's equity and internally generated funds. The Group is financing the Mainland China's business operations through borrowings denominated in Renminbi to minimize currency risk exposure.

The Group maintained an appropriate mix of fixed and floating rate borrowings to mitigate interest rate risk. As at 30 June 2016, about 58% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps, and 42% were on fixed rate basis. The use of derivative instruments is strictly controlled and solely for managing 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 2016, the Group had outstanding fair value hedges in respect of fixed-to-floating interest rate swaps in the aggregate notional principal amount of HK$2,223 million, cash flow hedge in respect of a floating-to-fixed interest rate swap in notional principal amount of HK$158 million, and currency swaps (to hedge principal repayment of foreign currency borrowings) in the aggregate notional principal amount of HK$9,451 million.

As at 30 June 2016, about 73% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 25% in Renminbi, and 2% in US dollars. The Renminbi deposits were held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

Charges of Assets

As at 30 June 2016, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$7 million were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$2,407 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

Contingent Liabilities

As at 30 June 2016, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK$1,112 million (30 June 2015: HK$702 million).

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 30 June 2016, the Group employed close to 37,000 employees. The related employees' costs before reimbursements for the year amounted to approximately HK$9,759 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. A share option scheme is in place to provide appropriate long-term incentive to the key staff of the Group. Details of the old and new share option schemes of the Company are set out in the section headed "Share Option Schemes" of the Annual Report.

BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

The same remuneration philosophy also applies to the Directors of the Company. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the Executive Directors, including the share option scheme, which is the same as that offered to other employees of the Group.

DIVIDEND

The Board of Directors of the Company (the "Board") has decided to recommend the payment of a final dividend of HK$2.80 per share (2015: HK$2.40 per share) for the year ended 30 June 2016. Including the interim dividend of HK$1.05 per share paid on 22 March 2016, the total dividend for the year ended 30 June 2016 amounts to HK$3.85 per share (2015: HK$3.35 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2016 Annual General Meeting"), will be payable on Thursday, 24 November 2016 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on Wednesday, 16 November 2016. Shares of the Company will be traded ex-dividend as from Monday, 14 November 2016.

ANNUAL GENERAL MEETING

The 2016 Annual General Meeting will be held on Wednesday, 9 November 2016 and the Notice of the 2016 Annual General Meeting will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(1) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2016 Annual General Meeting, the Register of Members will be closed from Monday, 7 November 2016 to Wednesday, 9 November 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 Annual General Meeting, Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the "Share Transfer Documents") for registration not later than 4:30 p.m. on Friday, 4 November 2016.

(2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed on Wednesday, 16 November 2016, during which no transfer of shares will be registered. In order to establish entitlements to the proposed final dividend, Shareholders must lodge the Share Transfer Documents for registration not later than 4:30 p.m. on Tuesday, 15 November 2016.

(3) The Share Transfer Documents shall be lodged for registration with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2016.

AUDIT AND RISK MANAGEMENT COMMITTEE

The annual results for the year ended 30 June 2016 have been reviewed by the Audit and Risk Management Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, and it has issued an unmodified opinion.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 30 June 2016, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that there is no separation of the roles of chairman and chief executive as required under Code Provision A.2.1. However, the powers and authorities have not been concentrated as 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 three 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.

ANNUAL REPORT

The 2015/16 annual report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.shkp.com, and printed copies will be sent to the Shareholders before the end of October 2016.

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

Hong Kong, 8 September 2016

As at the date hereof, the Board comprises eight Executive Directors, being KWOK Ping-luen, Raymond (Chairman and Managing Director)(KWOK Ho-lai, Edward being his Alternate Director), WONG Chik-wing, Mike (Deputy Managing Director), LUI Ting, Victor (Deputy Managing Director), KWOK Kai-fai, Adam, KWOK Kai-wang, Christopher, KWONG Chun, TUNG Chi-ho, Eric and FUNG Yuk-lun, Allen; three Non-Executive Directors, being LEE Shau-kee (Vice Chairman), WOO Po-shing (WOO Ka-biu, Jackson being his Alternate Director) and KWAN Cheuk-yin, William; and seven Independent Non-Executive Directors, being YIP Dicky Peter, WONG Yue-chim, Richard, LI Ka-cheung, Eric, FUNG Kwok-lun, William, LEUNG Nai-pang, Norman, LEUNG Kui-king, Donald and LEUNG KO May-yee, Margaret.