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)

2016 / 17 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 2017, excluding the effect of fair-value changes on investment properties, amounted to HK$25,965 million, compared to HK$24,170 million last year. Underlying earnings per share were HK$8.97, compared to HK$8.37 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$41,782 million and HK$14.43 respectively, compared to HK$32,666 million and HK$11.31 last year. The reported profit included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK$16,851 million, compared to HK$8,870 million last year.

DIVIDEND

The directors have recommended the payment of a final dividend of HK$3.00 per share for the year ended 30 June 2017. The dividend will be payable on 23 November 2017. Together with the interim dividend of HK$1.10 per share, the dividend for the full year will be HK$4.10 per share, an increase of 6.5% 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$38,629 million. Profit generated from property sales was HK$11,917 million, as compared to HK$11,701 million in the last financial year. The Group achieved record contracted sales of about HK$52,400 million for the year in attributable terms.

Rental Income

Gross rental income, including contributions from joint-venture projects, rose 4% year-on-year to HK$21,897 million while net rental income increased by 4% year-on-year to HK$17,142 million. The Group continued to register rent increases for new leases and renewals during the year. Contributions from new investment properties, primarily on the mainland, further boosted the solid rental income.

Property Business – Hong Kong

Land Bank

During the year under review, the Group added two sites to its land bank through government tender and land use conversion, providing a total of 2.8 million square feet of gross floor area. The 434,000-square-foot residential site in Sha Tin acquired through government tender will be developed into stylish and luxury residences with diverse layouts, replete with rich greenery. The Group also completed in May the land use conversion with premium paid for a site in Tuen Mun which is only about a five-minute drive to MTR Siu Hong Station. With a gross floor area of about 2.3 million square feet, this site will be developed into a residential enclave comprising mainly small- to medium-sized units. Details of the sites added during the year are shown in the table below.

Location	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Tuen Mun Town Lot No. 483	Residential / Shopping Centre	100	2,328,000
Sha Tin Town Lot No. 609	Residential	100	434,000
Total			**2,762,000**

These new acquisitions brought the Group's land bank in Hong Kong, inclusive of completed properties pending for sale, to 51.8 million square feet of attributable gross floor area as at the end of June 2017, of which 19.6 million square feet were properties under development and 29.8 million square feet were completed properties for rental purpose. This compared to 51.4 million square feet a year ago using the same basis of calculation.

Despite the increasingly competitive land sales market, the Group continues to replenish its development land bank through various means, including actively participating in public tenders and land use conversions when appropriate opportunities arise. After the financial year end, the premium for converting various agricultural lots in Shap Sz Heung into residential use was settled at a reasonable level. The project will entail substantial additional infrastructure expenditure during the development process and a long development period of over eight years. Nestled in a picturesque suburb away from town centres and the mass transit network, the site with a gross floor area of nearly 4.8 million square feet will be developed into a large residential cluster in phases. The Group will continue to make active efforts to convert its existing agricultural lands of over 28 million square feet in terms of site area, which are in various stages of land use conversion, into buildable lands.

Property Development

Homebuyers' confidence remained solid, buoyed by record land prices, low mortgage rates, healthy economic conditions and relatively positive demographics in the city. Demand for residential properties was mainly driven by end-users. Sales in the primary market have been encouraging with record sales values for the year to date. While the supply of new projects has been increasing, the Government's stringent restrictive measures continued to constrain activities in the residential market, especially in the secondary market.

The Group's dedication to premium quality and customer-oriented services has made its projects the preferred choice for homebuyers. To satisfy the ever-changing market preferences and customer expectations, the Group always takes initiatives to add value to its projects at all stages of the development, from practical layout designs with a proper flat mix to quality finishes and after-sale service. The impressive sales response to new launches has demonstrated customers' recognition of the Group and further strengthened its leading position in the market.

The Group achieved remarkable sales results for Hong Kong properties, with contracted sales in attributable terms amounting to about HK$44,700 million for the year under review. This was mainly contributed by a wide range of high-quality residences spanning various locations of the territory with easy access to public transport, including Cullinan West atop MTR Nam Cheong Station, Grand YOHO and PARK YOHO developments in Yuen Long, the first phase of Ultima in Ho Man Tin, Eight Regency in Tuen Mun, Ocean Wings in Tseung Kwan O South, and Lime Gala in Shau Kei Wan.

During the financial year, the Group completed eight projects with 4.1 million square feet of attributable gross floor area in Hong Kong. Of this, over three million square feet were residential properties for sale, some of which are yet to be put on the market. About 825,000 square feet were non-residential properties retained for long-term investment. Details of the projects are shown in the following table.

Project	**Location**	**Usage**	**Group's Interest** (%)	**Attributable Gross Floor Area** (square feet)
Grand YOHO Phases 1 & 2	9 Long Yat Road, Yuen Long	Residential/ Shopping Centre	100	1,842,000
PARK YOHO Genova & PARK YOHO Phase 2B	18 Castle Peak Road Tam Mi, Yuen Long	Residential	100	1,073,000
MEGA Plus	299 Wan Po Road, Tseung Kwan O	Data Centre	74	351,000
The Wings IIIB	19 Chi Shin Street, Tseung Kwan O	Residential/ Shops	100	257,000
Twin Regency	11 Tak Yip Street, Yuen Long	Residential	100	232,000
St. Moritz	88 Lai Ping Road, Sha Tin	Residential	100	130,000
W668	668-680 Castle Peak Road, Cheung Sha Wan	Industrial	100	95,000
King's Hill	38 Western Street, Sai Ying Pun	Residential/ Shops	92	76,000
Total				**4,056,000**

Property Investment

With over 29 million square feet of completed investment properties, mostly high-quality retail and office space, the Group's rental business in Hong Kong delivered a healthy performance during the year. Gross rental income from Hong Kong, including contributions from joint-venture projects, rose by 4% to HK$17,439 million, primarily attributable to higher rents for new leases and renewals. Overall occupancy also remained high at around 95%. The Group additionally owns over three million square feet of investment properties under development.

Retail portfolio

Hong Kong's retail market showed signs of improvement. The Group's retail rental business continued to perform well during the year with positive rental reversions and sustained high occupancy. This is largely attributable to its consistent and proactive approach in managing its quality retail portfolio totalling over 11 million square feet of gross floor area. The Group also leverages new technologies such as mobile apps to create a more refreshing shopping experience and establish synergies among its malls. This, together with tenant mix refinements and asset enhancement initiatives, will further strengthen the rental value of the Group's portfolio, as well as its brand in the shopping mall industry.

Representing one of the Group's latest developments, the 1.1-million-square-foot YOHO Mall comprises YOHO Mall I and II, the 450,000-square-foot extension of YOHO Mall I and future retail space of 107,000 square feet at the Yuen Long Station Development. During the year, YOHO Mall I and II delivered encouraging performance and have seen stronger footfall since the opening of YOHO I Extension in July 2017. With 300-plus outlets of fashion, cosmetics, kids' products, lifestyle superstores and the region's biggest collection of food and beverages complete with an IMAX cinema and an outdoor park, YOHO Mall provides customers with a whole new shopping and leisure experience and has turned the vicinity into a vibrant community. Supported further by its direct connection to a major transportation network, YOHO Mall boasts a large catchment area and has become a leading retail hotspot in northwest New Territories.

The PopWalk retail cluster in Tseung Kwan O South covers about 240,000 square feet of retail space, including the 66,000-square-foot PopWalk already in operation, the newly opened 95,000-square-foot PopWalk 2 and 3 and the 80,000-square-foot Ocean PopWalk currently under development. With diversified tenants and offerings, the retail cluster fulfils daily needs of the people in the neighbourhood. Ocean PopWalk, representing the last phase of PopWalk, is scheduled to open in early 2019 and pre-leasing is under way.

With an approximate area of 145,000 square feet, Harbour North is the retail portion of the Group's development projects on North Point waterfront, providing a wide range of international cuisine, leisure brands and lifestyle offerings. Scheduled to open in late 2018, the first phase of some 7,000-square-foot street-level shops is expected to revitalize the respective portion of Java Road. The second phase will have a gross floor area of about 138,000 square feet. Harbour North will feature an al fresco dining area for shoppers to enjoy a moment of tranquility complemented by spectacular harbour views. The mall is set to synergize with the adjacent Hotel Vic, which will offer around 70,000 square feet of retail space, as well as the Victoria Harbour residences within the integrated development, injecting new energy into Island East.

Sitting atop the only interchange for the Tung Chung Line and West Rail Line, the 300,000-square-foot mall of Nam Cheong Station Development is just one station along West Rail away from the future Express Rail Link (HK section) terminus. Such transport convenience is anticipated to bring in more shoppers from near and far. With its wide selection of shops and premium leisure facilities, the mall is poised to become a new shopping destination in the region upon its scheduled opening in mid 2019. Pre-marketing is under way with positive response.

Positive developments were observed in the Group's major malls during the year under review. The Sun Arcade was fully let and recorded a pickup in retail sales. IFC Mall was also nearly fully let with positive rental reversions. Supported by resilient domestic consumption, the Group's regional malls, including APM, Tsuen Wan Plaza and V City, also continued to perform well.

During the year, several shopping malls of the Group were under phased renovation. The outdoor piazza at Metroplaza in Kwai Fong will introduce new features, which are expected to attract family shoppers and increase traffic upon completion of its renovation. At New Town Plaza in Sha Tin, new layouts will be introduced at Phase III to accommodate a refined tenant mix while a new deluxe cinema with seven houses in Phase I is scheduled to open in the second half of 2018. At APM in Kwun Tong, the conversion of over 150,000 square feet of office area in the same tower into retail space is progressing well.

Office portfolio

Leasing demand for grade-A offices in Hong Kong is supported by the growing momentum of the local economy and its role as a world-class business hub. With its well-recognized brand, the Group's portfolio of about 10 million square feet of premium offices continued to bolster its leading position during the year, delivering promising results with high occupancy and positive rental reversions.

Supported by its premium brand, the iconic International Finance Centre (IFC) maintained its leading position in the market. The virtually fully let office towers recorded a rise in rental income, partly attributable to the scarcity of prime office supply in the core financial district. IFC continued to be the preferred choice for respected financial institutions from around the globe including those from the mainland.

International Commerce Centre (ICC), the Group's another signature project, upheld its commanding position with top quality and excellent specifications. Sitting in a strategic location, which will be reinforced by the targeted completion of the high-speed rail link in the third quarter of 2018 and the emerging West Kowloon Cultural District, ICC is poised to capitalize on the increasing vibrancy of the area. ICC is also a much sought-after address for multinational and mainland corporations. During the year, the office skyscraper was almost fully let and recorded higher rents driven by its robust demand.

Supported by its high specifications with large floor plates and close proximity to MTR stations, the Millennium City cluster continues to attract solid demand from high-quality tenants despite an increasing supply of strata-titled offices in Kowloon East. During the year, the office cluster continued to record high occupancy with positive rental reversions. Millennium City will achieve greater synergy in the area with the inclusion of the 98 How Ming Street development, of which the Group owns an effective stake of about 68%, into the Group's commercial portfolio in Kowloon East. This new commercial project has a gross floor area of about 1.2

million square feet, a majority of which is planned for office usage. The remainder will be developed into a premium shopping mall.

The Group's 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 also performed well. These office developments, marked by diversified and resilient tenant bases, were able to achieve high occupancies and steady rental increases.

Central Plaza will embark on another phase of refurbishment following the completion of the first phase of renovation in late 2016. A revamp for Grand Central Plaza also started and is progressing on track. Looking ahead, the Group's effort in asset enhancement will further strengthen its premium brand as well as rental value through raising premises quality and customer satisfaction.

Property Business – Mainland

Land Bank

As at 30 June 2017, the Group's total land bank on the mainland, inclusive of completed properties pending for sale, totalled 66.5 million square feet of attributable gross floor area, as compared to 71.2 million square feet a year ago using the same basis of calculation. About 12.8 million square feet were completed investment properties retained for rental purpose, which are primarily signature integrated projects in strategic locations in Shanghai, Guangzhou and Beijing. Properties under development added up to 52.6 million square feet, a majority of which has been earmarked for developing quality residences. The Group will maintain a selective and focused approach to exploring investment opportunities in first-tier cities.

Property Development

Following strong growth in both home prices and transaction volumes last year, the mainland residential market has cooled off with prices being reined in and transaction volumes reduced due to effective regulatory measures. Such measures should help sustain a healthy housing market and operating environment over the medium-to-long term. Land market sentiments remained positive, with developers still eager to replenish their land banks.

The Group achieved attributable contracted sales of about RMB6,800 million on the mainland during the year under review. Major contributors included luxury residential units in the wholly-owned Shanghai Arch, which is set in a prestigious location adjacent to Little Lujiazui in Shanghai, and premium condominiums in Phase 2 of the 70%-owned Forest Hills ideally located in the north Tianhe business hub of Guangzhou. Two office projects situated in the prime business districts of Guangzhou, the 70%-owned GCC and 33.3%-owned Top Plaza East Tower, were also well received by the market.

The Group's brand name has become increasingly respected with the delivery of various premium projects in key cities. During the year, the Group completed 5.2 million square feet of attributable gross floor area, of which about 833,000 square feet were non-residential properties for long-term investment. The superior building quality of these projects and the Group's attentive after-sale service were highly praised by buyers. Projects completed during the year are shown in the following table.

Project	**Location**	**Usage**	**Group's Interest (%)**	**Attributable Gross Floor Area (square feet)**
The Woodland Phase 4D	Zhongshan 5 Road, Zhongshan	Residential	JV	1,062,000
Grand Waterfront Phase 1	Shilong, Dongguan	Residential	100	1,011,000
Jovo Town Phase 2C	Tianfu New Area, Chengdu	Residential	91	990,000
Long King (formerly known as Oriental Bund) Phase 1C	Chancheng, Foshan	Residential	50	608,000
Top Plaza East Tower & Conrad Guangzhou (Tianhui Plaza Phases 2C & 3)	Zhujiang New Town, Guangzhou	Office / Hotel	33.3	604,000
One ITC	Huashan Road, Xujiahui, Shanghai	Office / Shopping Centre	100	508,000
GCC	Tianhe, Guangzhou	Office	70	254,000
Park Hyatt Hangzhou (Hangzhou MIXC Phase 2D)	Qianjiang New City, Hangzhou	Hotel	40	176,000
Total				**5,213,000**

Property Investment

Following years of expansion, the Group's completed investment property portfolio on the mainland reached 12.8 million square feet as at the end of June 2017, contributing to a notable portion of the Group's total rental income. For the year under review, gross rental income from the mainland, including contributions from joint-venture projects, grew by 12% to RMB3,321 million. Such healthy growth was mainly due to positive rental reversions and additional contributions from new investment properties. In addition, the Group will complete about 12 million square feet of investment properties under development in the next five to six years.

The wholly-owned ITC is located at the heart of Xujiahui, which has been upgraded to become a core business district in Shanghai with enormous potential for future growth. With grade-A offices, premium shopping malls and a luxury hotel to fill up its 7.6 million square feet of gross floor area, ITC also takes advantage of its direct access to Xujiahui metro station – the junction of three existing lines and two future lines that underscores its transport convenience. The mega project is being developed into a new landmark in the city, bolstering the Group's strong presence in Shanghai.

One ITC, Phase 1 of the project, was completed during the year with office tenants gradually moving in. Its 170,000-square-foot offices in two towers have attracted keen interest from multinational corporations from different sectors. One ITC will additionally provide an upscale 340,000-square-foot mall, of which the pre-marketing has received encouraging response from international luxury brands and dining outlets. The second phase of ITC, comprising 320,000 square feet of offices and 43,000 square feet of retail space, is scheduled for completion in the second half of 2018. Pre-leasing for its offices has drawn positive response. Construction of the remaining phases is under way, one of which comprising a 2.5-million-square-foot mall, two office towers including a 370-metre-skyscraper plus a five-star hotel will represent the most striking part of ITC. The mega development is planned for full completion by late 2023.

The integrated Nanjing IFC project located in the Hexi CBD is also under development. With a gross floor area of 3.4 million square feet, the complex will benefit from its direct connection to a metro station sitting along two lines. The project is targeted for full completion in 2020. Pre-marketing for its two-million-square-foot offices in two towers and a one-million-square-foot mall is under way. The positioning of the upmarket mall will resemble the Shanghai IFC Mall. Upon completion, ITC in Shanghai and Nanjing IFC are expected to significantly drive the Group's future rental income growth.

The Group's premium brand and reputation have been increasingly recognized on the mainland following the successful presence of Shanghai IFC and Shanghai ICC. The fully let Shanghai IFC Mall in Little Lujiazui recorded notable growth in tenant sales and rental reversions. It has become even more accessible after two pedestrian tunnels connecting to nearby buildings opened during the year. The Group's office space at Shanghai IFC was almost fully let with positive rental reversions.

Shanghai ICC in the Puxi commercial area represents another landmark of the Group in the city. IAPM continues to avail itself of new technologies and promotional events to increase shoppers' engagement. Visitor traffic has been driven by the opening of its podium garden on Nanchang Road in early 2017. The two office towers atop IAPM continued to draw demand from diverse tenants. During the year, One ICC was virtually fully occupied with decent rental reversions. Two ICC is now 90% leased and its occupancy is expected to go up.

With the opening of IGC and Parc Central in Guangzhou last year, the Group has expanded its retail network to another first-tier city on the mainland. Both of the malls saw traffic and tenant sales ramping up steadily. A direct connection between the one-million-square-foot IGC, of which the Group has a 33.3% interest, and Liede metro station in Zhujiang New Town was opened this year, ensuring easy accessibility. Located in the Tianhe commercial hub, the 50%-owned 900,000-square-foot Parc Central has attracted considerable attention through its cutting-edge design and distinctive shopping concept in an urban park.

Situated at the core of Wangfujing, Beijing APM recorded healthy growth in tenant sales and positive rental reversions during the year. Targeting middle-class families, the mall brought in affordable luxury brands to boost its allure. As part of its plan to enhance the internal layout and shopper experience, the mall will introduce a new sports zone in the second half of 2017.

Other Businesses

Hotels

The operating environment of Hong Kong's hospitality industry has shown some signs of improvement. During the year under review, the Group's hotels in Hong Kong achieved satisfactory results with modest earnings growth. Room revenue slightly increased while the food and beverage business also fared well, supported mainly by the hotels' renowned restaurants and solid consumer spending.

The Group's deluxe hotels delivered satisfactory performance and maintained their status as market leaders in the luxury sector. Occupancies of Four Seasons Hotel Hong Kong, The Ritz-Carlton, Hong Kong and W Hong Kong increased moderately, attributed primarily to their proper sales tactics. The Crowne Plaza Hong Kong Kowloon East and the Holiday Inn Express Hong Kong Kowloon East recorded respectable revenue growth, driven not only by their reputation as one of the top picks for MICE events, but also by an increasing number of repeat guests and business travellers. Meanwhile, occupancy of the Group's four Royal brand hotels reached over 95%.

As part of the Group's integrated development on North Point waterfront, Hotel Vic is scheduled to open in the first half of 2018. Preparation work for its inauguration is progressing smoothly. With its seasoned management team, modern and trendy facilities along with a spectacular view of Victoria Harbour, the hotel is expected to provide a luxury living experience at reasonable prices. Another new quality hotel in Sha Tin, a sister project of Royal Park Hotel, is targeted to open in the first half of 2019. The new hotels will further expand the Group's hospitality network and help boost its recurrent income over time.

The Ritz-Carlton Shanghai, Pudong upheld its leading position in Shanghai's luxury hotel market. During the year, the hotel registered steady growth in both occupancy and room rates while its food and beverage business also performed well. With its prestigious location, excellent service and well-recognized brand, the hotel is well positioned to capture growth opportunities arising from Shanghai's position as a major business hub and travel destination.

The Group's two joint-venture hotel projects on the mainland, namely Park Hyatt Hangzhou and Conrad Guangzhou, have been operating smoothly since their recent openings. The construction of Four Seasons Hotel in Suzhou is under way.

Telecommunications and Information Technology

SmarTone

During the year under review, SmarTone has maintained a stable net local mobile service revenue and achieved an increase in the number of customers in spite of greater competition in the industry. Nonetheless, structural changes in the roaming and handset trading businesses, as well as rising spectrum costs have contributed to a decline in net profit. The external market is likely to remain difficult. Despite such challenges, the company will continue to improve its customer propositions by targeting different market segments with tailored services and offerings. Combined with its continued focus on delivering excellent customer experience and extending technological leadership, SmarTone is well placed to weather challenges and capitalize on future opportunities. The Group remains confident in SmarTone's prospects and will continue to hold the company as a long-term investment.

SUNeVision

SUNeVision recorded healthy growth for the year under review. The company's core business in data centre iAdvantage continued to deliver promising results. The MEGA-i data centre in Chai Wan remains a prominent connectivity hub in Hong Kong. In view of a surge in data usage driven by continued growth in digitization and cloud computing, the company has invested in new facilities and optimized existing infrastructure to meet growing customer needs. The company's latest development in Tseung Kwan O, MEGA Plus, is the first facility in Hong Kong built on dedicated land for data centre usage. The development was already completed and is now ready for service. MEGA TWO in Sha Tin is also in the final stage of transforming itself into a fully dedicated data centre facility. The company is committed to providing superior infrastructure and service to its customers, and achieving sustained profitability.

Infrastructure and Other Businesses

The Group's infrastructure and transport businesses continued to see satisfactory performance during the year. Traffic on Route 3 (Country Park Section) remained steady while the Wilson Group continued to deliver stable performance. Business at the Hong Kong Business Aviation Centre was supported by good demand, but the keen competition for flight slots has posed challenges to its operations. The Airport Freight Forwarding Centre continued to perform well on the back of a pickup in the air cargo shipment market and sustained demand for modern warehouse space. Performance of the River Trade Terminal also continued to improve, resulting from its efforts to enhance operational efficiency and renew business models. In addition to expanding its network in the territory, YATA enhanced its performance by offering a better shopping experience at existing stores to keep up with changing customer needs.

Corporate Finance

The Group continues to adopt a prudent financial management approach which has been part and parcel of its success over the years. For the year under review, the Group has consistently maintained a low gearing and high liquidity. As at 30 June 2017, the Group's net debt to shareholders' funds recorded a low 7.2% while its interest coverage reached a high of 14.2 times. This strong financial position enables the Group to weather unanticipated challenges in an ever-changing environment.

During the year, the Group has been affirmed ratings of A1 by Moody's and A+ by Standard & Poor's with stable outlook from both, reflecting again its strong financial position. Such ratings continued to be the highest among real estate companies in Hong Kong.

With strong support from the banking community, the Group arranged a HK$22,000 million 5-year syndicated loan at competitive terms in March 2017. The financing arrangement was in line with the Group's policy of extending debt maturity and procuring abundant undrawn committed banking facilities for its business development. On the mainland, a RMB3,700 million 5-year syndicated loan was arranged for the Group's Shanghai IFC project in January 2017 for refinancing purpose.

Apart from plentiful liquidity from banks, the Group leverages capital markets to diversify its funding sources with various financial instruments. In May 2017, the Group issued US$500 million Perpetual Capital Securities with a Fixed-for-life coupon rate of 4.45%, drawing overwhelming subscription response. The Group additionally issued a total of HK$1,935 million 10-year bond under its Medium Term Note Programme during the year under review, followed by another HK$950 million 7-year bond and HK$1,043 million 10-year bond issued after the end of the financial year. The US$775 million 3.5% 5-year bond and US$264.3 million 5.375% 10-year bond were redeemed in full upon maturity in November 2016 and March 2017 respectively.

The majority of the Group's borrowings are denominated in Hong Kong dollars with the remainder mostly in US dollars and Renminbi, and the exposure to foreign exchange risk is therefore small. To fund the construction expenditures of mainland projects, the Group continues to utilize internal cash generated from mainland operations as well as onshore bank loans. As in years past, the Group has not been exposed to any derivatives or structured products for speculative purpose.

Corporate Governance

The Group has upheld its high standards of corporate governance with an effective Board of Directors, well-developed risk management and internal control system, as well as a proactive investor relations programme.

The Board directs and approves the Group's overall strategies with the support of Board Committees. The 11-member Executive Committee meets regularly to formulate policies and make key business decisions. The Remuneration, the Nomination, and the Audit and Risk Management Committees are all chaired by Independent Non-Executive Directors to ensure proper implementation of the Group's strategies. The Board also maintains and consistently assesses the effectiveness of the risk management and internal control system by evaluating reviews performed by the Audit and Risk Management Committee, the management and both internal and external auditors. These sound systems and rigorous internal controls are aimed at safeguarding the Group's assets and the interests of its shareholders.

The Group places great importance on interactive communications with its multiple stakeholders and provides them with corporate information on a timely basis through various channels to maintain a high level of transparency. In addition to frequent meetings, other initiatives to keep stakeholders abreast of the Group's strategies and businesses include participating in large-scale conferences and staging non-deal overseas roadshows.

The Group received various major awards from leading financial publications for its ongoing effort in corporate governance during the year, including Best Mixed Developer in the Global, Asia, China and Hong Kong categories as well as Hong Kong's Best Overall Developer from *Euromoney* magazine. The Group also earned the title of Asia's Best Real Estate Company and Hong Kong's Best Managed Company from *FinanceAsia* magazine. Other accolades included Hong Kong's Best Investor Relations Company and Best Corporate Communications from *Corporate Governance Asia* magazine.

Sustainable Development

Creating long-term value for stakeholders including customers, employees, shareholders and the community remains a primary focus of the Group's strategy for sustainable development. This people-oriented principle echoes the Group's long-standing belief in Building Homes with Heart, which underlines its commitment to quality and reinforces its premium brand over the years.

With a constant customer focus, the Group is able to exceed people's expectations for living, work and leisure with premium projects and thoughtful service. The pioneering first three-year warranty on newly sold residential units continues to underpin homebuyers' confidence in the Group's quality assurance. As the Group's effective vehicle for two-way communication, the

SHKP Club keeps the Group informed of needs for continuous enhancements. Management also leads by example through making home visits to hear homebuyers' feedback on quality.

The Group encourages its most valuable asset, its employees, to move with the times and grow with the Group through continuous learning and training. As a caring employer, the Group adopts a five-day work week for office staff in general to enhance work-life balance for employees.

The Group's quality commitment does not stop at its buildings, but takes on a strategic holistic approach to benefit the wider community. At PARK YOHO for example, great effort was spent on restoring a barren marsh into a vibrant wetland which is now home to over 180 living species including one listed as 'near-threatened'.

Community well-being is another important focus on sustainable development. Highlights include the annual SHKP Vertical Run for Charity, and the Group's title and charity sponsorship of the Sun Hung Kai Properties Hong Kong Cyclothon. Both sporting-for-charity events raise substantial donations to support child and youth services. Taking the Group's reading promotion effort to a new stage, the SHKP Reading Club rolled out in July 2017 a free new multimedia online reading platform, 'linepaper', which uses the latest online and social channels to stimulate happy reading among the young generations.

The Group sponsored the Hong Kong X-Tech Startup Platform with fitted offices in Kwun Tong as the headquarters of its operation in Hong Kong, along with co-working spaces to support young people in pursuit of technological innovation and entrepreneurship. In a similar vein, the Group donated during the year a site in Yuen Long for the development of Hong Kong's first purpose-built integrated social service facility that will include a youth hostel, elderly home and special-need childcare centre, seeking to promote intergenerational interaction and social harmony.

PROSPECTS

The global economy is expanding steadily with a broadening base. With price and wage inflation anticipated to be well under control, nominal interest rates should maintain at a relatively low level. Nonetheless, uncertainties over normalization of monetary policies in most of the developed countries coupled with continuous geopolitical tensions in certain areas may pose downside risks to global growth and affect the stability of the financial market.

Supported by growing exports, solid consumer demand and continuous expenditures on infrastructure, the mainland economy is expected to grow at a reasonable pace. The performance of the residential market is anticipated to vary from city to city, largely affected by the nature of city-specific land and housing policies. Stringent restrictive measures implemented in first-tier and most of the second-tier cities should constrain local market activities in the short term. With effective regulatory initiatives and deleveraging policies, the property market as a whole will be able to operate in a healthy and sustainable environment. Together with continuous economic growth and ongoing urbanization, the Group is positive about the long-term prospects of the mainland property market.

In Hong Kong, with solid local consumer spending, improving external demand and continuous investment in infrastructural developments, the economy is likely to pick up its momentum modestly in the year ahead. The gradual completion of key cross-border infrastructure projects and Central Government's initiatives such as Bond Connect and the Greater Bay Area development plans are expected to underpin the city's long-term economic prospects. This, together with a healthy job market, low interest rates and relatively positive demographics will be conducive to the demand for residential properties. Market activities, particularly in the secondary market, will however continue to be constrained by restrictive housing measures.

Amid the prevailing competitive operating environment, the Group will continue to strengthen its property development business. Over the next three years, the average annual residential space scheduled for completion in Hong Kong will be more than three million square feet. To sustain a high residential production volume, the Group will continue to seek opportunities to acquire new sites with reasonable development margins, particularly in Hong Kong, through different means such as the conversion of agricultural land and public tenders.

The Group is adopting a proactive approach to launch its projects on the back of its abundant saleable resources, offering a profusion of products with a diverse flat mix that ranges from units for mass market to high-end residences. Over the next nine months, major residential developments offered for sale in Hong Kong will include Wings at Sea in LOHAS Park, Tseung Kwan O; Victoria Harbour in North Point; Cullinan West II at MTR Nam Cheong Station; Babington Hill in Mid-levels; St. Barths in Ma On Shan; St. Moritz in Kau To; and first phases of two premium residential projects located in Pak Shek Kok, Tai Po and Tuen Mun respectively. On the mainland, major residential developments to be put on the market will include joint-venture projects, Phase 1 of TODTOWN in Shanghai and The Arch Suites at Chengdu ICC, as well as new batches of the wholly-owned Grand Waterfront in Dongguan. With its well-recognized brand and seasoned sales team, the Group is confident of the sales performance of its upcoming launches.

With the opening of new shopping malls, as well as anticipated high occupancy and positive rental reversions from its existing rental portfolio, the Group's rental income is expected to perform well in the coming year. Over the next five to six years, there will be several major investment projects coming on stream. In Hong Kong, Harbour North on North Point waterfront and a premium shopping mall at MTR Nam Cheong Station are planned to open gradually from late 2018 onwards. On the mainland, ITC in Shanghai is earmarked for full completion in stages by 2023. The Group's rental portfolio will be further strengthened by the Nanjing IFC, which is scheduled for completion in 2020, along with the Four Seasons Hotel in Suzhou. These new developments in Hong Kong and on the mainland amount to an aggregate gross floor area of about 15 million square feet in attributable terms, of which around 12 million square feet are projects on the mainland that will almost double its existing mainland portfolio upon completion, further elevating the Group's rental income and leading position in the market.

The Group is keen to foster its competence in a bid to stay ahead of the market. In addition to upholding its commitment to quality products and attentive service to underscore its premium brand, the Group will continue to make greater use of digital platforms to better understand the behaviour of shoppers and homebuyers as well as the marketing landscape. The Group also places high emphasis on developing human capital, which is essential to its long-term development and growth. Going forward, underpinned by its growing property portfolios in Hong Kong and on the mainland, the Group's earnings quality and visibility will be further enhanced. With a strong financial position, a reputable brand and a professional management team, the Group will uphold and continue to optimize its strategy of creating long-term value for stakeholders and sustain business growth in a fast-moving digital era.

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

APPRECIATION

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

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 14 September 2017

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 2017 with comparative figures for 2016:-

Consolidated Income Statement
For the year ended 30 June 2017
(Expressed in millions of Hong Kong dollars)

	Notes	2017	2016
Revenue	**2(a)**	**78,207**	91,184
Cost of sales		**(42,433)**	(56,445)
Gross profit		**35,774**	34,739
Other net income		**927**	763
Selling and marketing expenses		**(4,708)**	(4,250)
Administrative expenses		**(2,467)**	(2,396)
Operating profit before changes in fair value of investment properties	**2(a)**	**29,526**	28,856
Increase in fair value of investment properties		**13,810**	8,769
Operating profit after changes in fair value of investment properties		**43,336**	37,625
Finance costs		**(1,987)**	(2,289)
Finance income		**278**	234
Net finance costs	**3**	**(1,709)**	(2,055)
Share of results (including increase in fair value of investment properties net of deferred tax of HK$4,238 million (2016: HK$1,163 million)) of:			
Associates		**428**	602
Joint ventures		**7,170**	3,614
	2(a) & 6(b)	**7,598**	4,216
Profit before taxation	**4**	**49,225**	39,786
Taxation	**5**	**(6,750)**	(6,390)
Profit for the year	**2(a)**	**42,475**	33,396
Attributable to:			
Company’s shareholders		**41,782**	32,666
Perpetual capital securities holders		**18**	-
Non-controlling interests		**675**	730
		42,475	33,396
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company’s shareholders (reported earnings per share)	**6(a)**		
Basic		**$14.43**	$11.31
Diluted		**$14.43**	$11.30
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		**$8.97**	$8.37
Diluted		**$8.97**	$8.36

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2017
(Expressed in millions of Hong Kong dollars)

	2017	2016
Profit for the year	**42,475**	33,396
Items that may be reclassified subsequently to profit or loss:		
Translation difference on foreign operations		
- exchange difference arising during the year	**(926)**	(5,914)
- exchange gains released on disposal of foreign operation	**-**	(112)
	(926)	(6,026)
Cash flow hedge		
- fair value losses recognized during the year	**-**	(1)
- fair value losses transferred to consolidated income statement	**2**	2
	2	1
Available-for-sale investments		
- fair value gains/(losses) recognized during the year	**227**	(203)
- fair value gains transferred to consolidated income statement on disposal	**(35)**	(83)
	192	(286)
Share of other comprehensive loss of associates and joint ventures	**(274)**	(794)
Item that will not be reclassified to profit or loss:		
Share of other comprehensive income/(loss) of an associate	**43**	(55)
Other comprehensive loss for the year	**(963)**	(7,160)
Total comprehensive income for the year	**41,512**	26,236
Total comprehensive income for the year attributable to:		
Company's shareholders	**40,854**	25,703
Perpetual capital securities holders	**18**	-
Non-controlling interests	**640**	533
	41,512	26,236

Consolidated Statement of Financial Position
As at 30 June 2017
(Expressed in millions of Hong Kong dollars)

	Notes	2017	2016
Non-current assets			
Investment properties		**337,980**	318,517
Fixed assets		**26,977**	25,446
Associates		**4,724**	4,576
Joint ventures		**59,117**	56,231
Loan receivables		**4,981**	1,035
Other financial assets		**3,375**	3,326
Intangible assets		**5,524**	3,754
		442,678	412,885
Current assets			
Properties for sale		**146,409**	144,844
Inventories		**444**	596
Debtors, prepayments and others	**7**	**17,813**	25,024
Other financial assets		**798**	1,118
Bank deposits and cash		**31,274**	30,048
		196,738	201,630
Current liabilities			
Bank and other borrowings		**(5,390)**	(17,486)
Trade and other payables	**8**	**(26,908)**	(27,493)
Deposits received on sales of properties		**(10,458)**	(6,976)
Taxation		**(8,216)**	(7,116)
		(50,972)	(59,071)
Net current assets		**145,766**	142,559
Total assets less current liabilities		**588,444**	555,444
Non-current liabilities			
Bank and other borrowings		**(61,936)**	(63,275)
Deferred taxation		**(18,930)**	(17,410)
Other long-term liabilities		**(215)**	(251)
		(81,081)	(80,936)
NET ASSETS		**507,363**	474,508
CAPITAL AND RESERVES			
Share capital		**70,516**	70,384
Reserves		**427,699**	398,323
Shareholders' funds		**498,215**	468,707
Perpetual capital securities		**3,910**	-
Non-controlling interests		**5,238**	5,801
TOTAL EQUITY		**507,363**	474,508

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 2017 and 2016 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 2016 to the Registrar of Companies and will deliver the consolidated financial statements for the year ended 30 June 2017 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 has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (collectively, "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 July 2016.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

The adoption of the above new HKFRSs has had no significant impact on the Group's result and financial position.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle[4]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses[1]
Amendments to HKAS 40	Transfers of investment property[3]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[3]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts [3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
HKFRS 9	Financial instruments[3]
HKFRS 15	Revenue from contracts with customers and the related amendments[3]
HKFRS 16	Leases[5]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[3]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[5]

[1] *Effective for annual periods beginning on or after 1 January 2017*

[2] *Effective for annual periods beginning on or after a date to be determined*

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

[4] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate*

[5] *Effective for annual periods beginning on or after 1 January 2019*

The Group is in the process of assessing the impact of these new and revised standards and amendments 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 2017

	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	**30,224**	**9,909**	**37**	**27**	**30,261**	**9,936**
Mainland China	**5,738**	**1,177**	**2,566**	**773**	**8,304**	**1,950**
Singapore	**-**	**-**	**64**	**31**	**64**	**31**
	35,962	**11,086**	**2,667**	**831**	**38,629**	**11,917**
Property rental						
Hong Kong	**14,555**	**11,264**	**2,884**	**2,413**	**17,439**	**13,677**
Mainland China	**3,415**	**2,756**	**374**	**196**	**3,789**	**2,952**
Singapore	**-**	**-**	**669**	**513**	**669**	**513**
	17,970	**14,020**	**3,927**	**3,122**	**21,897**	**17,142**
Hotel operation	**4,166**	**1,108**	**730**	**217**	**4,896**	**1,325**
Telecommunications	**8,715**	**928**	**-**	**-**	**8,715**	**928**
Transport infrastructure and logistics	**3,860**	**1,230**	**3,191**	**424**	**7,051**	**1,654**
Other businesses	**7,534**	**1,629**	**418**	**95**	**7,952**	**1,724**
	78,207	**30,001**	**10,933**	**4,689**	**89,140**	**34,690**
Other net income		**927**		**-**		**927**
Unallocated administrative expenses		**(1,402)**		**-**		**(1,402)**
Operating profit before changes in fair value of investment properties		**29,526**		**4,689**		**34,215**
Increase in fair value of investment properties		**13,810**		**4,395**		**18,205**
Operating profit after changes in fair value of investment properties		**43,336**		**9,084**		**52,420**
Net finance costs		**(1,709)**		**(387)**		**(2,096)**
Profit before taxation		**41,627**		**8,697**		**50,324**
Taxation						
- Group		**(6,750)**		**-**		**(6,750)**
- Associates		**-**		**(62)**		**(62)**
- Joint ventures		**-**		**(1,037)**		**(1,037)**
Profit for the year		**34,877**		**7,598**		**42,475**

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

Results from property sales include selling and marketing expenses of HK$735 million (2016: HK$531 million) and HK$48 million (2016: HK$62 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:

	2017	2016
Hong Kong	**68,060**	82,262
Mainland China	**9,747**	8,197
Others	**400**	725
	78,207	91,184

3. Net Finance Costs

	2017	2016
Interest expenses	**2,352**	2,543
Notional non-cash interest accretion	**32**	52
Less : Amount capitalized	**(397)**	(306)
	1,987	2,289
Interest income on bank deposits	**(278)**	(234)
	1,709	2,055

4. Profit before Taxation

	2017	2016
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**21,756**	26,992
Cost of inventories sold	**4,531**	13,828
Depreciation and amortization	**1,425**	1,502
Amortization of intangible assets (included in cost of sales)	**514**	448
Impairment of intangible assets	**3**	4
Operating lease rentals for land and buildings, transmission sites and leased lines	**1,615**	1,538
Staff costs (including directors’ emoluments and retirement schemes contributions)	**7,455**	6,948
Share-based payments	**8**	6
Auditors’ remuneration	**22**	23
Fair value losses on financial assets at fair value through profit or loss	**53**	173
Loss on disposal of fixed assets	**5**	12
and crediting:		
Dividend income from listed and unlisted investments	**131**	120
Interest income from debt securities	**94**	102
Profit on disposal of available-for-sale investments	**82**	52
Profit on disposal of financial assets at fair value through profit or loss	**22**	1

5. Taxation

	2017	2016
Current taxation		
Hong Kong profits tax	**3,728**	3,618
Under provision in prior years	**19**	17
	3,747	3,635
Tax outside Hong Kong	**1,344**	1,241
Under/(over) provision in prior years	**9**	(6)
	1,353	1,235
	5,100	4,870
Deferred taxation charge		
Changes in fair value of investment properties	**1,134**	1,042
Other origination and reversal of temporary differences	**516**	478
	1,650	1,520
	6,750	6,390

Hong Kong profits tax is provided at the rate of 16.5% (2016: 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$41,782 million (2016: HK$32,666 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,895,499,978 (2016: 2,887,319,897). The diluted earnings per share is based on 2,895,669,589 (2016: 2,889,821,657) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 169,611 (2016: 2,501,760) 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$25,965 million (2016: HK$24,170 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2017	2016
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**41,782**	32,666
Increase in fair value of investment properties		
Subsidiaries	**(13,810)**	(8,769)
Associates	**(22)**	(291)
Joint ventures	**(4,373)**	(938)
Effect of corresponding deferred tax charges		
Subsidiaries	**1,134**	1,042
Joint ventures	**157**	66
Non-controlling interests	**63**	20
Unrealized fair value gains of investment properties net of deferred tax	**(16,851)**	(8,870)
Fair value gains realized on disposal of investment properties net of deferred tax	**1,034**	374
Net effect of changes in fair value of investment properties	**(15,817)**	(8,496)
Underlying profit attributable to the Company's shareholders	**25,965**	24,170

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$9,376 million (2016: HK$14,969 million), of which 88% (2016: 94%) are aged less than 60 days, 2% (2016: 1%) between 61 to 90 days and 10% (2016: 5%) more than 90 days.

8. Trade and Other Payables

Included in trade and other payables of the Group are trade creditors of HK$2,320 million (2016: HK$2,303 million), of which 67% (2016: 75%) are aged less than 60 days, 5% (2016: 2%) between 61 to 90 days and 28% (2016: 23%) more than 90 days.

FINANCIAL REVIEW

Review of Operating Results

Underlying profit attributable to the Company's shareholders for the year ended 30 June 2017, which has excluded the net effects of changes in fair value of investment properties, was HK$25,965 million, an increase of HK$1,795 million or 7.4% when compared to HK$24,170 million for the previous year. The increase was largely due to higher contributions from property sales and rental income, as well as realization of valuation surpluses upon disposals of certain non-core investment properties.

Including the revaluation gains on investment properties, profit attributable to the Company's shareholders for the year ended 30 June 2017 increased by HK$9,116 million or 27.9% to HK$41,782 million when compared to HK$32,666 million for the previous year. 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$13,810 million (2016: HK$8,769 million) and shared an increase of HK$4,395 million (2016: HK$1,229 million) in fair value of investment properties held by its joint ventures and associates.

Profit from property sales for the year, including share of joint ventures and associates, was HK$11,917 million, increased by HK$216 million when compared to HK$11,701 million for the last year. Property sales in Hong Kong achieved better margins for the year despite lower revenue recognized, and delivered a profit of HK$9,936 million with contributions mostly from sales of residential units in Grand YOHO Phases 1 & 2, Park YOHO Venezia and Sicilia, Park Vista, The Wings IIIB, Twin Regency and King's Hill. Profit from property sales in the Mainland was HK$1,950 million, which was mainly derived from residential units sold in Shanghai Cullinan, Shanghai Arch Phase 1, The Woodland Phase 4D, Jovo Town Phase 2C, and office units sold in Top Plaza East Tower and Guangzhou Commerce Centre. At the year end date, the Group had contracted property sales of HK$30.9 billion not yet recognized, of which HK$24.3 billion was from the presale of residential units for Hong Kong development projects including Cullinan West, Ocean Wings, Eight Regency and Lime Gala.

Net rental income for the year, including share of joint ventures and associates, increased by HK$661 million or 4.0% to HK$17,142 million, primarily driven by positive rental reversions. Net rental income from the Group's Hong Kong and Mainland rental portfolios amounted to HK$13,677 million and HK$2,952 million respectively, which correspond to year-on-year increases of 3.4% and 7.9%.

Hotel operations of the Group (including share of joint ventures) recorded an operating profit of HK$1,325 million for the year, an increase of HK$66 million or 5.2% over the last year, reflecting materialization of the benefits from the new rooftop floors in The Royal Garden and better contributions from The Ritz-Carlton Shanghai, Pudong.

SmarTone reported an operating profit of HK$928 million for the year, dropped by HK$176 million or 15.9% over the previous year due to rising spectrum costs, declining voice roaming revenues and lower contribution from handset trading business amid severe market competition.

The Group's transport infrastructure and logistics businesses (including share of joint ventures and associates) have been growing steadily, contributing a total of HK$1,654 million in operating profit for the year, representing an increase of HK$101 million or 6.5% over the previous year.

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management, data center business of SUNeVision, and department store operation, continued to perform satisfactorily with operating profit for the year increased by HK$82 million or 5.0% to HK$1,724 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 that 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$29,508 million to HK$498,215 million or HK$172.0 per share as at 30 June 2017. The increase was mainly contributed by the Group's underlying results for the year and revaluation gains from investment properties.

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 2017, calculated on the basis of net debt to shareholders' funds of the Company, was 7.2% compared to 10.8% a year ago. Interest cover, measured by the ratio of operating profit to total net interest expenses including those capitalized, was 14.2 times compared to 12.5 times for the previous year.

As at 30 June 2017, the Group's gross borrowings totalled HK$67,326 million. Net debt, after deducting bank deposits and cash of HK$31,274 million, amounted to HK$36,052 million, representing a decrease of HK$14,661 million since 30 June 2016. The maturity profile of the Group's gross borrowings is set out as follows:

	30 June 2017	30 June 2016
	HK$ Million	*HK$ Million*
Repayable:		
Within one year	**5,390**	17,486
After one year but within two years	**10,311**	3,642
After two years but within five years	**39,040**	39,452
After five years	**12,585**	20,181
Total bank and other borrowings	**67,326**	80,761
Bank deposits and cash	**31,274**	30,048
Net debt	**36,052**	50,713

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. In May 2017, the Group issued senior guaranteed perpetual capital securities in the amount of US$500 million with distributions at 4.45% per annum which can be deferred at the discretion of the Group. Redeemable at the Group's option on or after 23 May 2020, the perpetual capital securities have no maturity date and are accounted for as equity in the financial statements. The issuance enables the Group to expand its sources of long-term funding and strengthen its capital structure.

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 as 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 2017, about 76% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 24% 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, which is the Group's presentation currency. The Group may borrow in foreign currencies to finance its operations in Hong Kong, which exposes the Group to currency risk. When appropriate, the Group may enter into currency swaps to hedge the currency risks associated with these borrowings. As at 30 June 2017, about 67% of the Group's total borrowings were denominated in Hong Kong dollars (after currency swaps) and 17% in US dollars, these were raised for financing the Group's business operations in Hong Kong while the remaining 16% were in Renminbi and for financing the construction cost of property projects in the Mainland. The Group is exposed to currency translation risk arising from translating the financial statements of foreign subsidiaries and joint ventures, mostly in Mainland China. All land acquisition costs for the Mainland projects are financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through borrowings by the Mainland subsidiaries in Renminbi as natural hedges to minimize the Group's exposure to exchange rate risk. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in Mainland China. As at 30 June 2017, approximately 19% of the Group's net assets were denominated in Renminbi. During the year, the translation of foreign operations into the Group's presentation currency has resulted in a decrease of HK$1.2 billion in the exchange reserve recorded under shareholders' equity.

The Group has insignificant currency risk exposure associated with certain monetary assets and liabilities that are denominated in foreign currencies. Where feasible and cost effective, the Group may enter into forward foreign exchange contracts to reduce the currency risk.

The Group maintained an appropriate combination of fixed and floating rate borrowings to mitigate interest rate risk. As at 30 June 2017, about 60% 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 40% were on fixed rate basis.

To manage its interest rate risk and currency risk exposures, the Group has entered into certain interest rate swaps, currency swaps and forward foreign exchange contracts. As at 30 June 2017, the aggregate notional amount of these derivative financial instruments amounted to HK$15,224 million. 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 2017, about 61% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 32% in Renminbi, and 7% 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 2017, 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$2,144 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 2017, the Group had contingent liabilities in respect of guarantees for bank borrowings of joint ventures and other guarantees in the aggregate amount of HK$1,504 million (30 June 2016: HK$1,112 million).

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 30 June 2017, the Group employed close to 37,000 employees. The related employees' costs before reimbursements for the year amounted to approximately HK$10,316 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$3.00 per share (2016: HK$2.80 per share) for the year ended 30 June 2017. Including the interim dividend of HK$1.10 per share paid on 23 March 2017, the total dividend for the year ended 30 June 2017 amounts to HK$4.10 per share (2016: HK$3.85 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company (the "2017 Annual General Meeting"), will be payable on Thursday, 23 November 2017 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 15 November 2017. Shares of the Company will be traded ex-dividend as from Monday, 13 November 2017.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting will be held on Thursday, 9 November 2017 and the Notice of the 2017 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 2017 Annual General Meeting, the register of members of the Company will be closed from Monday, 6 November 2017 to Thursday, 9 November 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 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, 3 November 2017.

(2) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed on Wednesday, 15 November 2017, 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, 14 November 2017.

(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 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE

The annual results for the year ended 30 June 2017 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 2017, 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 2016/17 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 2017.

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

Hong Kong, 14 September 2017

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.