Sun Hung Kai Properties Limited

Customer Focus Premium Brand Solid Foundations

ANNUAL REPORT 2018/19

Stock Code: 16

1. ITC in Xuhui, Shanghai
2. Sun Hung Kai Centre in Wan Chai, Hong Kong
3. IFC in Central, Hong Kong
4. ICC in West Kowloon, Hong Kong
5. Victoria Harbour Development in North Point, Hong Kong

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Board of Directors and Committees

Board of Directors

Executive Directors	Kwok Ping-luen, Raymond *(Chairman & Managing 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 Fung Yuk-lun, Allen Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*
Non-Executive Directors	Lee Shau-kee *(Vice Chairman)* Kwan Cheuk-yin, William Kwok Kai-chun, Geoffrey
Independent Non-Executive Directors	Yip Dicky Peter Wong Yue-chim, Richard Li Ka-cheung, Eric Fung Kwok-lun, William Leung Nai-pang, Norman Leung Kui-king, Donald Leung Ko May-yee, Margaret Fan Hung-ling, Henry Wu Xiang-dong

Committees

Executive Committee	Kwok Ping-luen, Raymond Wong Chik-wing, Mike Lui Ting, Victor Kwok Kai-fai, Adam Kwok Kai-wang, Christopher Kwong Chun Tung Chi-ho, Eric Fung Yuk-lun, Allen Chow Kwok-yin, Eric Yung Sheung-tat, Sandy Li Ching-kam, Frederick Fung Sau-yim, Maureen Chan Hong-ki, Robert Lam Ka-keung, Henry
Audit and Risk Management Committee	Li Ka-cheung, Eric* Yip Dicky Peter Leung Kui-king, Donald Leung Nai-pang, Norman
Remuneration Committee	Wong Yue-chim, Richard* Li Ka-cheung, Eric Kwan Cheuk-yin, William Leung Nai-pang, Norman
Nomination Committee	Wong Yue-chim, Richard* Kwan Cheuk-yin, William Yip Dicky Peter Leung Nai-pang, Norman

* *Committee Chairman*

Corporate Information and Information for Shareholders

Corporate Information

Company Secretary
Yung Sheung-tat, Sandy

Auditor
Deloitte Touche Tohmatsu

Registered Office
45th Floor, Sun Hung Kai Centre
30 Harbour Road
Hong Kong

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Facsimile	:	(852) 2827 2862
Website	:	www.shkp.com
E-mail	:	shkp@shkp.com

Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Solicitors
Woo Kwan Lee & Lo
Mayer Brown
Clifford Chance

Principal Bankers
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Mizuho Bank, Ltd.
MUFG Bank, Ltd.
Industrial and Commercial Bank of China (Asia) Limited
Sumitomo Mitsui Banking Corporation
Agricultural Bank of China Limited
Hang Seng Bank Limited
DBS Bank Ltd.
Bank of Communications Co., Ltd.

Information for Shareholders

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

Stock Code

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

Investor Relations Contact

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

Financial Calendar for 2018/19

Interim results announcement	: 27 February 2019
Interim dividend paid	: 21 March 2019
Annual results announcement	: 12 September 2019
Closure of register of members[1]	: 4 to 7 November 2019 (both days inclusive)
Annual general meeting	: 7 November 2019
Ex-dividend date for final dividend	: 11 November 2019
Closure of register of members[2]	: 13 November 2019
Final dividend payable	: 21 November 2019

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

Choice of Language or Means of Receipt of Corporate Communications

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

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

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

Financial Highlights and Land Bank

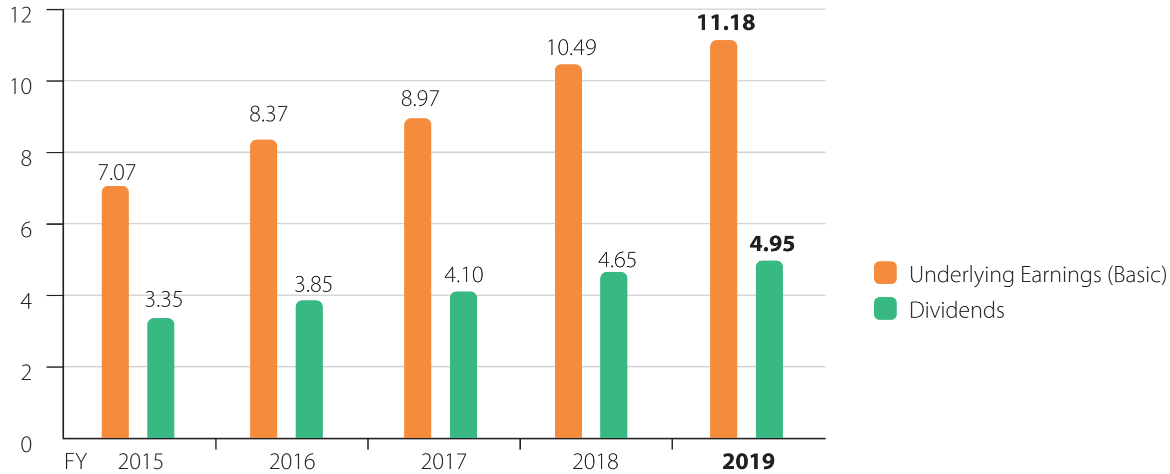
For the year ended 30 June	**2019**[1]	2018	Change (%)
Financial Highlights (HK$ million)			
Revenue	**85,302**	85,644	–0.4
Profit attributable to the Company's shareholders			
– Reported	**44,912**	49,951	–10.1
– Underlying[2]	**32,398**	30,398	+6.6
Gross rental income[3]	**25,077**	23,682	+5.9
Net rental income[3]	**19,678**	18,647	+5.5
Financial Ratios (%)			
Net debt to shareholders' equity	**12.9**	12.1	+0.8[5]
Dividend payout[4]	**44.3**	44.3	–
Financial Information per Share (HK$)			
Basic earnings per share for profit attributable to the Company's shareholders			
– Reported	**15.50**	17.24	–10.1
– Underlying	**11.18**	10.49	+6.6
Dividends			
– Interim dividend	**1.25**	1.20	+4.2
– Final dividend	**3.70**	3.45	+7.2
– Full-year dividend	**4.95**	4.65	+6.5
Shareholders' equity	**195.50**	186.09	+5.1
Land Bank in Hong Kong (gross floor area in million square feet)			
Properties under development	**25.1**[7]	22.7	N/A
Completed properties[6]	**32.9**[7]	33.8	N/A
Total	**58.0**[7]	56.5	N/A
Land Bank on the Mainland (gross floor area in million square feet)			
Properties under development	**50.6**	50.7	–0.2
Completed properties[6]	**14.8**	13.8	+7.2
Total	**65.4**	64.5	+1.4

Notes:

1. *The results for the year ended 30 June 2019 have been impacted by the adoption of new accounting standard HKFRS 15 for revenue recognition, which affected the timing of property sales recognition in Hong Kong, details of which are described in Note 3(b) and 3(c)(ii) to the annual financial statements. The Group has taken transitional provisions and methods not to restate comparative information for prior years. The comparative information continues to be reported under the accounting policies prevailing prior to 1 July 2018*
2. *Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties*
3. *Including contributions from associates and joint ventures*
4. *Dividend payout based upon underlying profit*
5. *Change in percentage points*
6. *The Group has a 50% stake in a premium 950,000-square-foot shopping mall in Singapore in addition to property holdings in Hong Kong and on the mainland*
7. *Completion refers to the stage in which the project is ready for handover starting from the financial year of 2018/2019. Hence, the figures of the financial year 2018/19 cannot be used for direct comparison with historical figures*

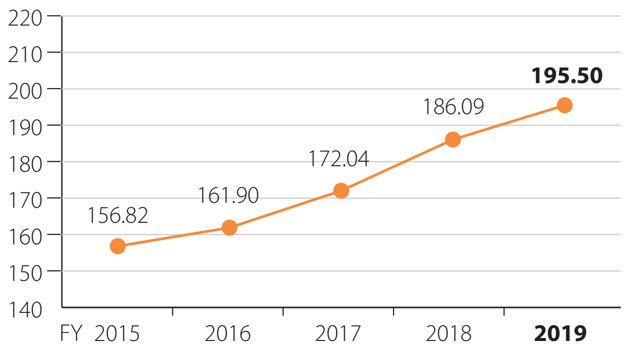
Underlying Earnings and Dividends per Share

HK$



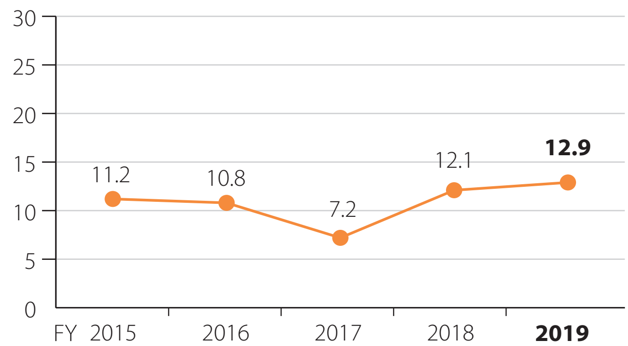
Shareholders' Equity per Share

HK$



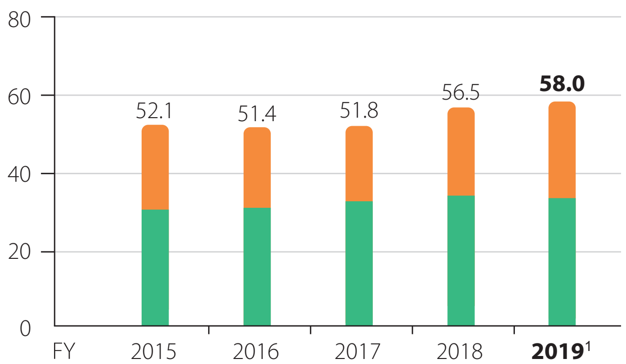
Net Debt to Shareholders' Equity Ratio

%



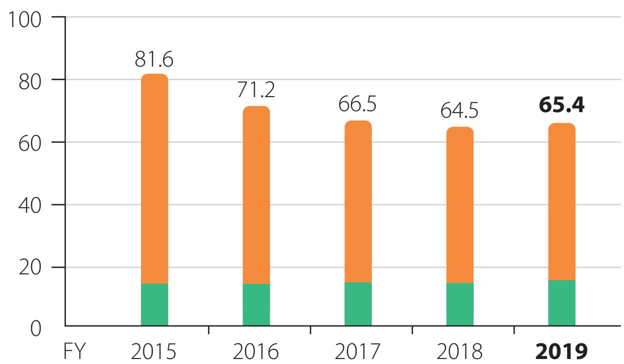
Land Bank in Hong Kong

million square feet



Land Bank on the Mainland

million square feet



Properties Under Development   Completed Properties

1. *Completion refers to the stage in which the project is ready for handover since the financial year of 2018/19. Hence, the figures of the financial year 2018/19 cannot be used for direct comparison with historical figures*

Group Financial Summary

Key Financial Information and Ratios					
Financial year	**2019**[1] **HK$**	2018 HK$	2017 HK$	2016 HK$	2015 HK$
Reported earnings per share (basic)	**15.50**	17.24	14.43	11.31	11.09
Underlying earnings per share (basic)	**11.18**	10.49	8.97	8.37	7.07
Dividends per share	**4.95**	4.65	4.10	3.85	3.35
Shareholders' equity at book value per share	**195.50**	186.09	172.04	161.90	156.82
Net debt/Shareholders' equity (%)	**12.9**	12.1	7.2	10.8	11.2
Interest cover (times)[2]	**14.6**	17.6	14.2	12.5	9.3

Key Consolidated Income Statement Items					
For the year ended 30 June	**2019**[1] **HK$M**	2018 HK$M	2017 HK$M	2016 HK$M	2015 HK$M
Revenue	**85,302**	85,644	78,207	91,184	66,783
Operating profit before changes in fair value of investment properties	**37,858**	35,453	29,526	28,856	22,778
Operating profit after changes in fair value of investment properties	**50,393**	51,225	43,336	37,625	33,765
Profit attributable to the Company's shareholders	**44,912**	49,951	41,782	32,666	31,082
Underlying profit attributable to the Company's shareholders[3]	**32,398**	30,398	25,965	24,170	19,825

Key Consolidated Statement of Financial Position Items					
As at 30 June	**2019**[1] **HK$M**	2018[4] HK$M	2017 HK$M	2016 HK$M	2015 HK$M
Investment properties and property, plant and equipment	**422,474**	404,064	364,957	343,963	334,826
Associates and joint ventures	**73,751**	71,767	63,841	60,807	56,975
Intangible assets	**4,445**	4,976	5,524	3,754	4,090
Financial investments and others	**8,077**	9,555	8,356	4,361	4,030
Net current assets	**176,513**	158,872	145,766	142,559	146,456
Non-current liabilities	**(109,441)**	(100,802)	(81,081)	(80,936)	(89,559)
Net assets	**575,819**	548,432	507,363	474,508	456,818
Share capital	**70,683**	70,612	70,516	70,384	68,451
Reserves	**495,722**	468,486	427,699	398,323	382,575
Shareholders' equity	**566,405**	539,098	498,215	468,707	451,026
Perpetual capital securities	**3,813**	3,887	3,910	–	–
Non-controlling interests	**5,601**	5,447	5,238	5,801	5,792
Total equity	**575,819**	548,432	507,363	474,508	456,818

Notes:

1. *The results for the year ended 30 June 2019 have been impacted by the adoption of new accounting standard HKFRS 15 for revenue recognition, which affected the timing of property sales recognition in Hong Kong, details of which are described in Note 3(b) and 3(c)(ii) to the annual financial statements. The Group has taken transitional provisions and methods not to restate comparative information for prior years. The comparative information continues to be reported under the accounting policies prevailing prior to 1 July 2018*
2. *Interest cover represents operating profit before changes in fair value of investment properties divided by net interest expenses before notional non-cash interest accretion and capitalization*
3. *Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties*
4. *Certain of the 2018 comparative figures have been reclassified to conform with the financial statements presentation adopted in 2019*

Business Structure

Sun Hung Kai Properties

As at 30 June 2019

Hong Kong

Property Development
- 25.1 million sq.ft. under development with a substantial majority for sale

Property Investment
- 32.9 million sq.ft. of completed properties with an overwhelming majority for rent / investment

Property Related Businesses
- Hotels
- Property management
- Construction
- Insurance and mortgage services

Telecommunications & Information Technology
- Mobile telephone services
- Data centres and IT infrastructure

Infrastructure & Other Businesses
- Transport infrastructure operations and management
- Port business
- Air transport and logistics business
- YATA

Mainland China

Property Development
- 50.6 million sq.ft. under development with a majority for sale

Property Investment
- 14.8 million sq.ft. of completed properties with an overwhelming majority for rent / investment

The Group's principal subsidiaries, joint ventures and associates are listed on pages 228 to 236

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 2019, excluding the effect of fair-value changes on investment properties, amounted to HK$32,398 million, compared to HK$30,398 million last year. Underlying earnings per share were HK$11.18, compared to HK$10.49 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK$44,912 million and HK$15.50 respectively, compared to HK$49,951 million and HK$17.24 last year. The reported profit included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK$12,861 million, compared to HK$19,988 million last year.

Dividend

The directors have recommended the payment of a final dividend of HK$3.70 per share for the year ended 30 June 2019. The dividend will be payable on 21 November 2019. Together with the interim dividend of HK$1.25 per share, the dividend for the full year will be HK$4.95 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$41,313 million. Effective from 1 July 2018, the Group has adopted the new accounting standard HKFRS 15 for recognition of property sales. Profit generated from property sales was HK$18,697 million, as compared to HK$16,261 million last year. The Group achieved contracted sales of about HK$65,000 million in attributable terms for the year.

Rental Income

During the year, the Group's gross rental income, including contributions from joint-venture projects, rose 6% year-on-year to HK$25,077 million, and net rental income increased by 6% year-on-year to HK$19,678 million. The growth is attributed to positive rental reversions both in Hong Kong and on the mainland, together with contributions from new properties on the mainland.

Since June this year, however, the business operating environment in Hong Kong has been significantly deteriorating, mainly due to continuous social incidents.

Clubhouse of Victoria Harbour, North Point, Hong Kong

Cullinan West, West Kowloon, Hong Kong

Property Business – Hong Kong

Land Bank

During the year, the Group continued to replenish its land bank through different means, adding seven projects with an aggregate gross floor area of 3.1 million square feet in attributable terms to the Group's development land bank in Hong Kong. Among the additions, two residential sites, one in Kai Tak and another at Pak Shek Kok in Tai Po, were acquired via government tenders, with the retail portion of these two sites to be retained for rental purpose. The remaining new sites for residential use largely came from land use conversions from agricultural land. Details of these sites are shown in the table below.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Tai Po Town Lot No. 244	Residential / Shops	100	917,000
Tseung Kwan O Town Lot No. 131*	Data Centre	74	896,000
New Kowloon Inland Lot No. 6551, Kai Tak	Residential / Shops	100	649,000
Lot 2091 in DD 105, Shek Wu Wai, Yuen Long	Residential	54	265,000
Tuen Mun Town Lot No. 463	Residential	59	205,000
Lot 2579 in DD 92, Kwu Tung, Sheung Shui	Residential	100	162,000
233 Prince Edward Road West, Kowloon City	Residential	58	42,000
Total			**3,136,000**

* *This site was acquired by SUNeVision and will be used for its business expansion*

In addition, the Group reached a lease modification agreement with the government during the year for the redevelopment of an industrial building in Tsuen Wan into a residential project, which will offer a gross floor area of 168,000 square feet.

Chairman's Statement

Clubhouse of Lime Gala, Shau Kei Wan, Hong Kong

As at the end of June 2019, the Group's land bank in Hong Kong amounted to about 58.0 million square feet of attributable gross floor area, including 25.1 million square feet of properties under development for different usages covering residential, office and retail. An overwhelming majority of the remaining portion was comprised of completed properties for investment. As always, the Group will continue to use diversified channels to replenish its land bank, including active land use conversions of its agricultural land.

Property Development

Hong Kong's primary residential market remained relatively resilient in recent months amid social incidents, although the secondary market became quiet following a rebound in the first few months of 2019. For the year under review, the Group achieved contracted sales of about HK$59,700 million in attributable terms in Hong Kong. Major contributors included Cullinan West II in West Kowloon, St Martin in Pak Shek Kok, Ultima in Ho Man Tin, PARK YOHO Milano and Grand YOHO in Yuen Long. Apart from residential projects, the Group's office development W LUXE in Shek Mun was launched late last year with all standard units sold out.

Leveraging its strength in the selection of sites, project planning and quality assurance, the Group is able to deliver premium properties that meet the needs of homebuyers. The Group also continues to provide quality after-sales services that are in line with the aspirations of end users, including a first-three-year warranty for new residential units in Hong Kong.

Six projects in Hong Kong with about 3.3 million square feet of attributable gross floor area were completed for handover during the year, of which about 3.2 million square feet were residential developments. The remainder was retail properties for rental purpose. Project details are shown in the table below.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Cullinan West / Cullinan West II	28 Sham Mong Road, West Kowloon	Residential	JV	1,641,000
St. Barths	9 Yiu Sha Road, Ma On Shan	Residential	100	431,000
PARK YOHO Milano	18 Castle Peak Road, Tam Mi, Yuen Long	Residential	100	345,000
Lime Gala	393 Shau Kei Wan Road, Shau Kei Wan	Residential / Shopping Centre	92	342,000
Victoria Harbour / Harbour North	133 Java Road, North Point	Residential / Shops	100	327,000
Eight Regency	8 Leung Tak Street, Tuen Mun	Residential / Shops	100	167,000
Total				**3,253,000**

Property Investment

Driven mainly by positive rental reversions from its diversified property portfolio in Hong Kong, the Group's recurring rental income rose 6% during the year to HK$19,698 million. The overall occupancy registered at about 94%.

Retail portfolio

Retail sales of the Group's tenants in its 12-million-square-foot diversified quality portfolio continued to achieve growth during the year. This was mainly attributed to the Group's customer-centric marketing strategy, proactive tenant and trade repositioning, as well as ongoing asset enhancements. Along with positive rental reversions, occupancy remained relatively steady during the year. Nevertheless, weakening consumer sentiment and declining tourist spending have posed challenges in the retail market for the recent months.

Representing one of the few flagship malls in the district, V Walk below the Group's Cullinan West residential development at MTR Nam Cheong Station has created a new experience for shoppers in the vicinity since its opening in July 2019. This 300,000-square-foot mall comprising a curated array of local favourites has been almost fully leased. Harbour North, the 145,000-square-foot retail component of the Victoria Harbour development at North Point, is targeted to gradually open by the end of the year, featuring a diverse collection of lifestyle retail and popular eateries.

Upgrading work has consistently been undertaken in terms of mall specifications and tenant mix to enhance the value of properties. Scheduled to be completed towards the end of the year, the second phase of reconfiguration at New Town Plaza III in Sha Tin is set to inspire customers with a brand-new facelift and broader tenant mix. The newly renovated Park Central in Tseung Kwan O is expected to draw more traffic with a new footbridge connecting the neighbourhood. To enrich customer service in a digital era, The Point by SHKP, the second phase of the SHKP Malls App which integrates the loyalty programmes of its 15 major malls, was launched in March 2019, elevating customers' shopping experience. In addition, the Group will enhance The Point by SHKP by devoting more resources into marketing campaigns to drive traffic and tenant sales.

Benefitting from the growing spending of young families and the millennial generation, YOHO Mall in Yuen Long and Metroplaza in Kwai Fong recorded increased sales and achieved healthy rental growth. The Group's other major malls, including IFC Mall in Central, The Sun Arcade in Tsim Sha Tsui, and East Point City in Tseung Kwan O, also performed well during the year.

St. Barths, Ma On Shan, Hong Kong

Chairman's Statement

ICC, West Kowloon, Hong Kong

Office portfolio

Uncertainties in Hong Kong's external and internal environment have posed challenges to the office market for the past few months. By differentiating itself through superior building quality and distinctive management services, the Group's 10-million-square-foot diversified office portfolio continued to experience positive rental reversions with overall occupancy standing above 95% during the year.

Leveraging premium building quality with comprehensive amenities at unique locations, IFC in Central and ICC in West Kowloon remained highly sought-after in the premium office leasing market. Offering one of the best office addresses in Hong Kong, IFC was virtually fully leased with satisfactory spot rents. Bolstered by improved cross border connectivity, ICC continued to attract leading financial institutions to move in and existing tenants have been looking for expansion. During the year, ICC was almost fully let and recorded healthy rental reversions. The Group's quality office space in Wan Chai also performed well.

The Millennium City cluster in Kowloon East continued to achieve overall positive rental reversion, underpinned by effective tenant mix reshuffles and solid demand from a wide range of tenants for large-floor-plate office space. In the pipeline, two Grade-A office towers comprising about 650,000 square feet of the joint-venture project at 98 How Ming Street in Kwun Tong, together with a 500,000-square-foot mall at its

V Walk, West Kowloon, Hong Kong

Qingsheng Project, Nansha, Guangzhou

retail podium, will be completed in the financial year 2022/23. This addition will further scale up the Group's presence in premium office leasing in Kowloon East, one of the largest commercial districts in Hong Kong.

Property Business – Mainland

Land Bank

During the year under review, the Group acquired another site with a gross floor area of 2.8 million square feet in the Nansha Free Trade Zone in Guangzhou. Together with the adjacent site, which the Group acquired in May 2018, the two sites will be jointly developed in phases into a 3.3-million-square-foot integrated complex. Located at one of the strategic spots for technology research and development in the Greater Bay Area, the integrated development will have direct access to the Qingsheng Station of the High Speed Rail and the Guangzhou Metro Line, and is set to become a new landmark for transit-oriented developments.

As at 30 June 2019, the Group's attributable land bank on the mainland stood at 65.4 million square feet. Of this, about 50.6 million square feet were properties under development, 56% of which will be developed into quality residences for sale. The remaining 14.8 million square feet are mostly completed properties for investment purposes. To meet rising demands, the Group will continue to develop integrated projects and premium residences in major cities on the mainland.

Subsequent to the end of the year under review, the Group in August acquired two riverside sites in Hangzhou via government tenders with a respective 45% and 50% stake in the eastern and western sites. Ideally located at the intersection of the Qiantang River and the Beijing-Hangzhou Grand Canal, the two sites will be jointly developed into a landmark integrated project with high-end offices, retail spaces, residences and hotels, providing a total above-ground gross floor area of about nine million square feet.

Property Development

The mainland residential market has been recovering since the fourth quarter of 2018 amid increased market activities. Despite signs of softening of late, city-specific housing policies have effectively stabilized the market and are expected to bring about a positive impact on the long-term development of the mainland residential market.

The Group achieved attributable contracted sales of about RMB4,600 million on the mainland during the year. Major contributions came from the wholly-owned Park Royale in Guangzhou as well as several other joint-venture projects, including Oriental Bund in Foshan, the first batch of Phase 1 at TODTOWN in Shanghai and Forest Hills in Guangzhou.

Chairman's Statement

During the year, a total gross floor area of about 3.0 million square feet was completed on the mainland, about 30% of which were properties for rental purpose. The premium building quality of Two ITC in Shanghai and Nanjing One IFC was highly acclaimed by tenants. Projects completed during the year are shown in the following table.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Oriental Bund Phases 2B, 2C & 2D	Chancheng, Foshan	Residential / Shops	50	1,252,000
Grand Waterfront Phase 2	Shilong, Dongguan	Residential	100	840,000
Nanjing One IFC	Hexi CBD, Nanjing	Office	100	504,000
Two ITC	Gongcheng Road, Xujiahui, Shanghai	Office / Shops	100	364,000
Total				**2,960,000**

Property Investment

For the year under review, gross rental income from the mainland, including contributions from joint-venture projects, rose 10% year-on-year to RMB4,069 million, mainly driven by positive rental reversions and contributions from new rental properties.

Complementing the Group's strong presence in Shanghai, the 7.6-million-square-foot ITC will become another iconic integrated complex in the city. The offices at One ITC and Two ITC boast a combined gross floor area of 490,000 square feet, with occupancy standing at over 90%. The sole tenant of Two ITC, Adidas, moved in as its regional headquarters during the first quarter of 2019. The first two phases of the development will provide around 380,000 square feet of retail space, of which the 340,000-square-foot grand luxury mall at One ITC is virtually fully leased and is expected to impress the market when it opens in the fourth quarter this year. The new mall will include a variety of international flagship stores and highly sought-after eateries to appeal to the millennials. Construction work of the remaining phase, which includes a world-class shopping mall and a 370-metre-tall skyscraper, is progressing smoothly. Upon its full completion by late 2023, ITC is expected to enliven Xujiahui and contribute to a significant increase in the Group's rental income on the mainland.

Nanjing IFC, consisting of about 3.4 million square feet in Hexi CBD, Nanjing, is another of the Group's integrated projects that is gradually coming on stream, attracting growing interest from major multinationals in the two-million-square-foot office space. Nanjing One IFC has recently been completed with some of the tenants already having moved in. Construction work of Nanjing Two IFC is expected to be completed in 2020. Pre-leasing discussions on the one-million-square-foot-plus luxury mall are currently underway with top-notch international brands as well as newcomers to Nanjing.

Two ITC, Shanghai

Shanghai IFC Mall, Shanghai

Among the Group's well-established developments, Shanghai IFC in Pudong and Shanghai ICC in Puxi continued to achieve positive rental reversions. In particular, tenant sales at the Shanghai IFC Mall have been further boosted following renovations on the ground level, which houses a variety of prominent luxury retailers. The 225,000-square-foot New Town Plaza close to South Second Ring Road in Beijing recently opened. The reconfigured mall has recruited international brands making their debuts in the vicinity to attract young family shoppers. It will join hands with Beijing APM through an integrated loyalty programme to strengthen the Group's presence in the capital city. The Group's two joint-venture malls in Guangzhou, IGC and Parc Central, also performed well with latest overall occupancy reaching over 90%.

Other Businesses

Hotels

Hong Kong's hospitality sector remained relatively stable prior to the rapid deterioration of its operating environment since the middle of this year. The Group's hotel portfolio performed relatively steadily during the year under review.

To elevate the experience of guests and to build up its international image, the Group's new upscale Hotel VIC on North Point waterfront has recently been rebranded as Hyatt Centric Victoria Harbour Hong Kong. The Group will continue to expand its hotel portfolio in Hong Kong, with ALVA Hotel by Royal in Sha Tin slated to open in late 2019 and a high-quality project on West Kowloon waterfront under construction.

On the mainland, The Ritz-Carlton Shanghai, Pudong maintained its prestigious position in Shanghai's luxury hotel market with relatively stable room performance during the year, notwithstanding growing competition from new deluxe hotels in the city. Among the Group's hotel projects under construction on the mainland, Four Seasons Hotel Suzhou and Andaz Nanjing are scheduled to open over the next few years.

Telecommunications and Information Technology

SmarTone

The mobile industry continues to be highly competitive, and the outlook is expected to remain challenging. SmarTone's strategy is to distinguish itself from the market with superior service and a world-class network. During the year under review, SmarTone achieved a steady growth in customer numbers. The company's average postpaid churn rate remained at an industry low and postpaid ARPU continued to be in an industry leading position. Amidst keen competition, the company's core service business remained stable with the enterprise solutions business delivering robust growth. To position itself as a leader in the 5G era, SmarTone acquired 5G spectrum in the 26/28GHz band and conducted a live 5G trial in March 2019 to demonstrate 5G capabilities under real-life conditions. The Group remains confident of SmarTone's prospects and will continue to hold the company as a long-term investment.

ALVA Hotel by Royal, Hong Kong

Chairman's Statement

MEGA Plus, SUNeVision's data centre in Tseung Kwan O, Hong Kong

SUNeVision

The data centre sector continues to see solid demand, although there is increased supply in the market as a result of the conversion of industrial buildings through the government's data centre conversion scheme. During the year under review, SUNeVision delivered healthy growth, driven by its core business in data centre operations. Its world-class data centre facilities continued to be a preferred solution by leading enterprises from new-economy industries, such as cloud services, internet technology, online video streaming and e-commerce. A data centre site in Tseung Kwan O with a total gross floor area of over 1.2 million square feet was awarded to the company through government tender during the year. This new data centre is expected to create synergies with the adjacent MEGA Plus flagship facility and strengthen SUNeVision's position in Hong Kong as customers' preferred data centre services provider.

Infrastructure and Other Businesses

The Group's infrastructure and transport businesses continued to see satisfactory performance during the year under review. Wilson Group continued to deliver growth, while Route 3 (CPS) performed steadily. Business at the Hong Kong Business Aviation Centre has benefitted from an improvement in flight slot availability, but the slowdown in mainland-related business activities amidst Sino-US trade tensions has created challenges. Airport Freight Forwarding Centre Company Limited continued to see demand from the logistics industry. The performance of the River Trade Terminal remained steady through operational improvements and business diversification, although throughput dropped amidst challenges in global trade.

YATA expanded its Mong Kok store and has been focusing on extending the application of its new digital initiatives, including self-checkout and the new loyalty programme, in addition to enhancing the offerings and services of its stores.

Corporate Finance

It has always been one of the Group's top priorities to adopt prudent financial management policies, enabling the Group to weather through unforeseen circumstances. This is achieved by maintaining a low net gearing ratio and high liquidity. As at 30 June 2019, the Group's net debt to shareholders' fund ratio stayed at a relatively low level of 12.9% and the interest coverage ratio scored a robust 14.6 times.

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

Given the strong support from banks and fixed-income investors, the Group successfully executed both bond and bank loan financings. During the year, the Group issued HK$600 million 5-year bonds, HK$617 million 7-year bonds, HK$4,256 million 10-year bonds and US$500 million 10-year bonds. The Group also arranged a five-year HK$20,000 million syndicated loan facility. In addition, the Group issued a 2-year Panda Bond of RMB1,200 million on the mainland. These transactions have enabled the Group to refinance some of its maturing debts and to extend its debt maturity profile.

Regarding its funding position on the mainland, the Group continues to deploy internal cash generated from mainland operations and tap Renminbi financing in managing the Group's overall currency exposure. The majority of the Group's borrowings are denominated in Hong Kong dollars and the Group does not have any exposure to derivatives or structured-products for speculative purpose.

Corporate Governance

A commitment to high standards of corporate governance is one of the cornerstones of the long-term growth and sustainability of the Group's businesses.

The Board directs and oversees the Group's strategies with the support of Board committees. The Board has further strengthened its management structure by appointing three additional members to the Executive Committee during the year. The Executive Committee meets regularly and is primarily responsible for formulating business policies and making decisions on key business issues. Chaired by Independent Non-Executive Directors, the Remuneration, the Nomination, and the Audit and Risk Management Committees are all in place to ensure the Group's strategies are properly implemented and business risks duly managed.

Supported by an experienced management team, the Group received widespread acclaim from leading financial publications during the year, including the top honour in Global Best Developers – Overall and 17 other accolades at the 2018 Real Estate Survey by *Euromoney* magazine and Asia's Overall Best Managed Company from *FinanceAsia* magazine.

Sustainable Development

Adhering to the spirit of Building Homes with Heart, the Group has worked relentlessly over the past decades to contribute to Hong Kong with premium property developments and has been growing along with the territory. Regarding responsible corporate citizenship as a core part of its sustainable development strategy, the Group proactively leverages its resources and network to give back to society while seeking to engage its staff and stakeholders in various charitable community and environmental causes, endeavouring to make Hong Kong a better home for everyone.

In parallel with continued promotion of healthy living and reading, as well as caring for the needy in the community, the Group supports the development of young people in Hong Kong and builds positive energy among them through diverse efforts. In addition to establishing the SHKP Cycling Academy that provides professional track cycling training for secondary school students, the Group actively promoted sports for charity among students from tertiary institutions and secondary schools, with major events SHKP Vertical Run for Charity and Sun Hung Kai Properties Hong Kong Cyclothon drawing increasing youth participation during the year. Likewise, the SHKP Reading Club has focused on promoting happy reading among youngsters, launching a new reading platform with lively content, called 'Read For More'. The Group's support of youth technology startups also remained strong, with young entrepreneurs gradually moving into its sponsored INDEX co-working space.

SHKP Vertical Run for Charity – Race to Hong Kong ICC

Chairman's Statement

Advocating continuous learning, the Group encourages its staff to keep pace with the times through a host of seminars and internal sharing on latest trends, including digital technology advancements and applications across businesses. As a responsible employer, the Group extends its care to the families of its employees through undergraduate scholarships, parent-child workshops and related activities.

To upgrade the quality of its products and services, the Group facilitates two-way communication with customers via the SHKP Club through interactive member engagement across multiple online and offline touchpoints. Looking ahead, the Group will continuously enhance its sustainability performance while keeping in line with the Stock Exchange of Hong Kong's latest requirements in the *Environmental, Social and Governance Reporting Guide* and other related regulations.

Prospects

In the coming year, the global economy is expected to be clouded by a number of challenges, including populism and trade protectionism. The downside risks, however, are likely to be mitigated by the low interest rate environment worldwide. Despite the continuous Sino-US trade conflicts, the mainland economy is expected to grow at a reasonable rate on the back of monetary and fiscal stimuli, lending support to the mainland property market.

Confronting unprecedented internal challenges which arise from the proposed amendment of the extradition bill and its subsequent issues, together with a slow global economy, the Hong Kong economy is also likely to remain weak in the short term. By continuing with its property development business, the Group is committed to contributing further to Hong Kong's medium- and long-term economic growth given the ongoing development of the Greater Bay Area and the city's status as an international finance and business centre. Despite weakening market sentiment, the Hong Kong residential market is likely to be supported by relatively low mortgage rates and continuous end-user demand.

The Group has presold about 70% of 3.1 million square feet of gross floor area planned for sale in Hong Kong, which is scheduled for completion in the coming financial year. As always, the Group will continue to put new projects on the market for sale, including the imminent launching of the first batch of units at Cullinan West III in West Kowloon. Over the next nine months, major residential developments offered for sale in Hong Kong will include Phase 1 of Central Peak in Mid-levels East, Phase 1 of a project near Hong Kong Wetland Park in Tin Shui Wai, Phase 1 of Hoi Wing Road project in Tuen Mun and a quality development in Sha Tin. The Group also plans to launch an industrial building in Tsuen Wan for sale. On the mainland, major residential developments to be put on the market include a brand new residence at the 90%-owned Suzhou ICC, a new phase at the wholly-owned Shanghai Arch and new batches at several joint-venture projects, including The Woodland in Zhongshan and Oriental Bund in Foshan.

The uncertainties of late have weighed on the overall leasing activities as well as the performance of the Group's property investment portfolio, while there will be extra contributions to its recurring income from newly opened or future premises. In Hong Kong, following the opening of V Walk atop MTR Nam Cheong Station in July 2019, a new mall, Harbour North, and ALVA Hotel by Royal are planned to commence operations in the second half of this year. On the mainland, the reconfigured New Town Plaza in Beijing held its grand opening with positive response in July 2019, while Nanjing One IFC recently has been gradually handed over to tenants. In late 2019, Shanghai will welcome the opening of the shopping mall in One ITC. The gradual completion of the Group's landmark projects in different cities over the next few years, including an office-cum-retail project at 98 How Ming Street in Kwun Tong, Hong Kong, Nanjing IFC in Nanjing, and the mega ITC in Shanghai, will significantly enlarge the Group's property investment portfolio and underpin its recurrent income growth in the long term.

The Group is committed to focusing its business on Hong Kong and the mainland. Upholding the core belief of Building Homes with Heart and a customer-centric culture, the Group strives to create value for various stakeholders, including customers, shareholders and the community at large, while offering its staff opportunities to thrive. Caring for the society, the Group will contribute to addressing the housing problem in Hong Kong through developing more residential units, including making extra effort to expedite conversion of its agricultural land to residential development projects. With an unwavering faith in Hong Kong, the Group is confident of being able to weather the current tough and challenging environment and move forward, as it has come through the storms and grown with this city over the decades. Convinced of the Hong Kong government's capabilities, the Group firmly believes that Hong Kong will return to normality and continue to be a safe, vibrant and attractive international city. Meanwhile, the Group will consciously learn from experience and drive continuous improvement of its products and services. Building on a solid foundation, the Group will manage to pursue sustainable business development while further contributing to the long-term growth of Hong Kong amidst this challenging time.

Looking forward, the Group's results are likely to be uncertain in future years given the current unprecedented challenging situation in Hong Kong.

Directors and Appreciation

Mr. Wu Xiang-dong was appointed as an Independent Non-Executive Director of the Company with effect from 1 September 2019. His extensive experience in the real estate sector on the mainland and in Hong Kong will be beneficial to the Group's long-term business development.

Sir Po-shing Woo resigned as a Non-Executive Director of the Company with effect from 31 August 2019 after having served on the Board of the Company for over 45 years since the Company was listed in 1972. Mr. Woo Ka-biu, Jackson, who had been acting as the Alternate Director to Sir Po-shing Woo for over 15 years since 2002, also ceased to hold such office on the same date. I thank them for their unfailing support and exemplary service, as well as their invaluable contribution to the success of the Company during their tenure of office.

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, 12 September 2019

Central Peak, Mid-Levels East, Hong Kong

Business Model and Strategic Direction

Executive Committee

Kwok Ping-luen, Raymond

Wong Chik-wing, Mike

Lui Ting, Victor

Kwong Chun

Kwok Kai-fai, Adam

Kwok Kai-wang, Christopher

Tung Chi-ho, Eric

Business Model

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

Property development for sale is one of the two core parts of the Group's business, and the process is vertically integrated from land acquisition, project planning, project management, material sourcing and construction through to sales and marketing and property management. This ensures high standards in every aspect and enables the Group to control the ultimate quality of its developments.

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

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

Core Values

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

- **Building Homes with Heart**

  Producing premium premises and offering quality services for an ideal living environment

- **Speed, Quality, Efficiency**

  Earning the support and trust of all stakeholders with speed, quality and efficiency

- **Customer First**

  Constantly anticipating what customers want and offering quality products and attentive services that exceed expectations

- **Continuous Improvement**

  Keeping up with the market and setting high standards, along with lifelong learning for greater adaptability and constant exploration of new ideas

- **Teamwork**

  Nurturing a pool of talented and high-calibre employees capable of achieving objectives through harnessing the power of teamwork, collective experience and professional knowledge

Strategic Direction

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

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

Fung Yuk-lun, Allen

Chow Kwok-yin, Eric

Yung Sheung-tat, Sandy

Li Ching-kam, Frederick

Fung Sau-yim, Maureen

Chan Hong-ki, Robert

Lam Ka-keung, Henry

Balanced Sources of Income

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

The portfolio of property investment aims to generate a steadily growing income stream for the Group's shareholders. Proactive leasing management, asset enhancement initiatives and trade- and tenant-mix refinements are keys to maintaining the Group's leading position in the leasing market.

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

Hong Kong Focus

The Group has been part of Hong Kong for decades and has built a trusted reputation and premium brand name over the years. The Group is confident of Hong Kong's long-term prospects and its position as an international finance, business and trade centre, and as a gateway to the world for the mainland.

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

Expansion on the Mainland

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

Prudent Financial Management

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

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

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

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

Review of Operations

Victoria Harbour Gateway, Hong Kong

Hong Kong Property Business

Highlights

- **The Group added seven projects to its land bank in Hong Kong during the year, bringing the development land bank to 25.1 million square feet as at 30 June 2019**
- **Completed about 3.3 million square feet of attributable gross floor area, of which around 3.2 million square feet were residential properties**
- **Achieved contracted sales of about HK$59,700 million**
- **Net rental income from the Group's well-diversified quality rental property portfolio increased to HK$15,373 million, up 6% from the previous financial year**

Land Bank

During the year under review, the Group secured seven sites through land use conversions and government tenders, bringing in an additional 3.1 million square feet of gross floor area to its land bank. The new additions included a harbourfront site along the Kai Tak runway and a residential site at Pak Shek Kok in Tai Po. Details of the new sites are shown in the Chairman's Statement on page 9.

As at 30 June 2019, the Group held a total land bank of 58.0 million square feet in Hong Kong, consisting of 32.9 million square feet of completed properties and 25.1 million square feet of properties in the pipeline which will be sufficient to meet the Group's development needs over the medium term. Of the properties under development, about 21 million square feet are residential gross floor area to be developed into a wide range of premises, primarily for sale. These development projects spread over different areas in both urban districts and the New Territories. The remaining four million square feet of properties under development are earmarked for shopping malls, offices and hotels, which will be mainly retained for rental and investment purposes upon completion.

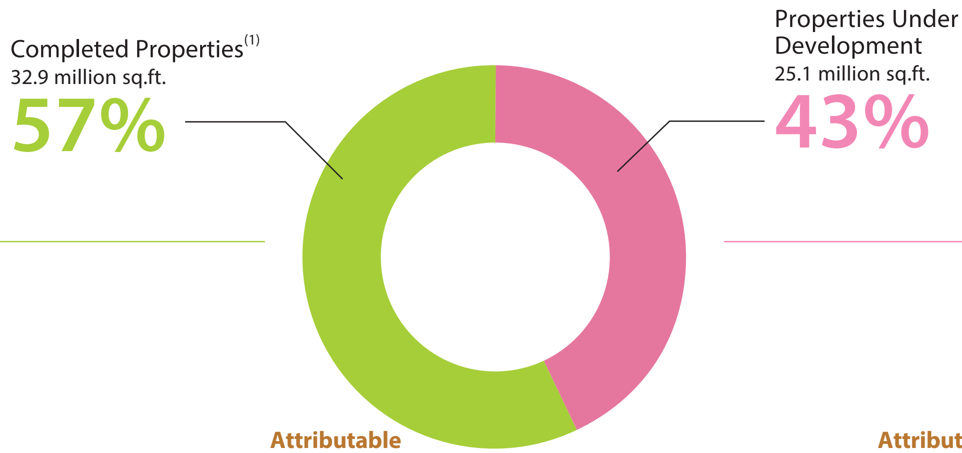
Recognized for its diversified range of completed properties, the Group owns one of the largest portfolios in Hong Kong, providing it with a source of steadily growing recurrent income. Spreading over various locations and constituting different usages, about 36% of this well-diversified portfolio is comprised of premium shopping malls and retail space. Some 31% are office buildings, including world-class landmarks in core Central and West Kowloon, as well as premium workspace in Kowloon East, Wan Chai and other areas. An overwhelming majority of the completed properties are for rental purpose.

The Group has been taking an active part to replenish its development land bank through a number of means, including participation in public tenders and land use conversions when opportunities arise. Despite a challenging operating environment, the Group is committed to making active efforts to convert its agricultural lands into buildable sites.

The Group's land bank in Hong Kong as at 30 June 2019, by attributable gross floor area, was as follows:

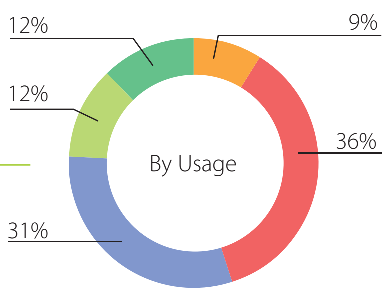
Hong Kong Land Bank Composition

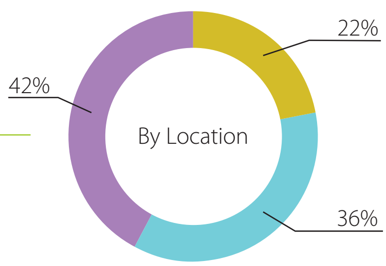
(58.0 million square feet of attributable gross floor area as at 30 June 2019)



Completed Properties

	Attributable Gross Floor Area (million sq.ft.)
Residential	2.8
Shopping Centre/Shops	11.8
Office	10.3
Hotel	3.9
Industrial[2]	4.1

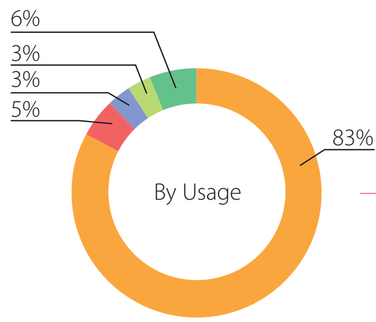


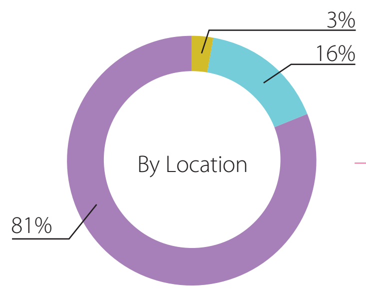


	Attributable Gross Floor Area (million sq.ft.)
Hong Kong Island	7.3
Kowloon	11.9
New Territories	13.7

Properties Under Development

	Attributable Gross Floor Area (million sq.ft.)
Residential	20.8
Shopping Centre/Shops	1.3
Office	0.8
Hotel	0.7
Industrial[2]	1.5





	Attributable Gross Floor Area (million sq.ft.)
Hong Kong Island	0.8
Kowloon	4.0
New Territories	20.3

(1) An overwhelming majority are for rent/investment

(2) Including industrial/office premises, godowns and data centres

Hong Kong Property Business
Property Development

Victoria Harbour, North Point

Property Development

During the year, the Group continued to take a proactive approach to replenish its land bank in Hong Kong. Major acquisitions are shown in the Chairman's Statement on page 9. With these additions, the Group's properties under development in Hong Kong increased to 25.1 million square feet. This sufficient development land bank will further strengthen the Group's property development business and support its relatively high level of production volume over the medium term.

Capitalizing on its strength in design, construction, quality control and after-sales services, the Group continues to deliver residential projects with well thought-out layouts, superior building quality and pleasant living environments, offering the best value to homebuyers. Amid an increasingly challenging operating environment, the Group is well-equipped to meet ever-rising customer aspirations.

Aiming at a high asset turnover, the Group continues to launch new projects to meet homebuyers' needs. During the year under review, the Group's contracted sales in Hong Kong amounted to about HK$59,700 million, arising from solid customer demand and sufficient saleable resources. Major residential projects launched during the year included St Martin in Pak Shek Kok, PARK YOHO Milano and PARK YOHO Napoli in Yuen Long, Downtown 38 in Ma Tau Kok and Mount Regency Phase II in Tuen Mun.

Major Projects under Development

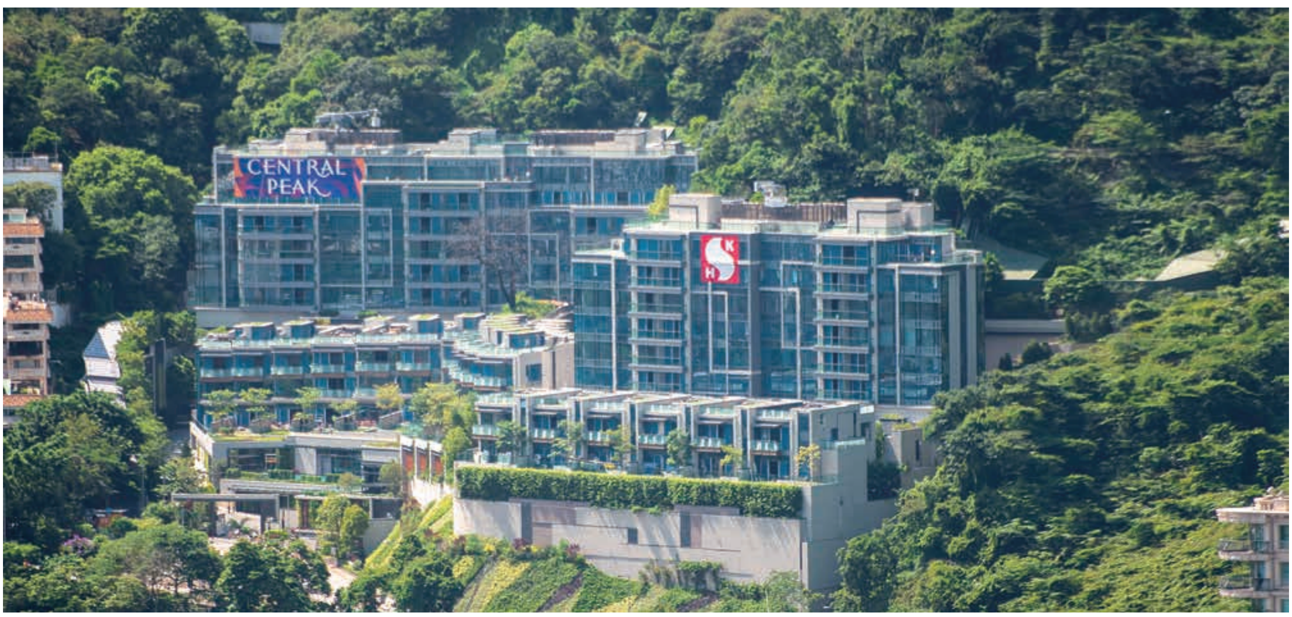
The Group's projects under development spread across a range of districts throughout Hong Kong with a number of sites at prime locations near existing and planned MTR stations. Below are the descriptions of the Group's major projects.

Hong Kong Island

Central Peak Development
Inland Lot No. 8963, Stubbs Road
(100% owned)

Site area	: 158,000 square feet
Gross floor area	: 181,000 square feet (residential)
Approximate number of units	: 72
Expected date of Certificate of Compliance/ Consent to Assign	: from the second half of 2019, in phases

Located on the lush green hillside in Mid-levels East, the luxury residential development with magnificent racecourse views comprises 19 houses and 53 spacious units in five towers. Featuring mainly three- to four-bedroom apartments, Phase 1 with 53 flats is expected to be completed soon while construction for Phase 2 with 19 houses is progressing well.



Central Peak, Mid-Levels East

Victoria Harbour, North Point

Victoria Harbour Development Phase 2
The Remaining Portion of Inland Lot No. 9027, North Point

(100% owned)

Site area	: 252,000 square feet (entire development)
Gross floor area	: 258,000 square feet (residential)
	: 138,000 square feet (retail)
Approximate number of units	: 350
Expected date of Certificate of Compliance/ Consent to Assign	: from second half of 2020, in phases

Situated at North Point harbourfront, the integrated development consists of its residential portion, retail space and a hotel. It is expected to revitalize the vicinity and become a new landmark in North Point. Commanding a comprehensive transport network, the project is adjacent to MTR North Point Station, an interchange station for two existing MTR lines, along with easy access to the Central-Wan Chai Bypass. The project enjoys a panoramic view of the harbour and offers a waterfront promenade for pedestrians to unwind in a relaxing environment.

The luxury residential component Victoria Harbour comprises Phase 1 with 355 units in five towers and Phase 2 with about 350 flats in four towers. About 140 units of Phase 1 have been launched for sale with about 85% already sold. Phase 1 has been completed while construction work of Phase 2 is currently under way.

Hotel VIC, the hotel portion, was opened last year and creates synergy with the whole development. The hotel has recently been rebranded as Hyatt Centric Victoria Harbour Hong Kong in an effort to elevate its market positioning. Please refer to page 77 for more details. As the retail component of this integrated development, Harbour North provides its neighbourhood with a wide range of cuisine and lifestyle offerings. Please refer to page 47 for more details.

Property Development

Kowloon

Cullinan West Development Phase 5
New Kowloon Inland Lot No. 6333
(Joint venture)

Site area	: 497,000 square feet (entire development)
Gross floor area	: 670,000 square feet (residential)
Approximate number of units	: 1,200
Expected date of Certificate of Compliance/ Consent to Assign	: second half of 2020

Cullinan West is a premium integrated project located atop MTR Nam Cheong Station, an interchange station for Tung Chung Line and West Rail Line. Enjoying panoramic harbour views, the entire development comprises 14 residential blocks providing a total of approximately 3,400 apartments with V Walk, a new shopping mall underneath. Please refer to page 43 for more details of V Walk. The first two phases of the residential development have been completed. About 98% of the units have been sold and handed over to buyers starting from the end of 2018.

Construction of the final phase (Phase 5) of the residential development, with a gross floor area of 670,000 square feet providing some 1,200 units, is now in progress. The first batch has been launched for sale since mid September this year.

98 How Ming Street, Kwun Tong
(Kwun Tong Inland Lot No. 240)
(69.2% effective interest[(1)])

Attributable site area	: 66,000 square feet
Attributable gross floor area	: 449,000 square feet (office) 346,000 square feet (retail)
Expected date of Certificate of Compliance/ Consent to Assign	: after 2022

Located next to the Group's Millennium City cluster in the rapidly developing Kowloon East commercial hub, the project will be developed into two grade-A office towers of 650,000 square feet with a 500,000-square-foot retail podium underneath. Foundation work has been completed recently while superstructure will begin soon. Please refer to page 47 for more details of the project.

(1) As at 30 June 2019, the Group has a 50% direct interest in this project plus about 19.2% indirect interest derived from its stakes in Transport International Holdings Limited.

Cullinan West, West Kowloon

New Kowloon Inland Lot No. 6568

(100% owned)

Site area	: 178,000 square feet
Gross floor area	: 1.1 million square feet (residential)
	: 262,000 square feet (retail)
Approximate number of units	: 1,500
Expected date of Certificate of Compliance/ Consent to Assign	: after 2022, in phases

Strategically located next to MTR Kai Tak Station in Kai Tak City Centre, the site is expected to become the Group's landmark development in an emerging core business district in Hong Kong. With the expected inauguration of MTR Kai Tak Station along the Shatin to Central Link in 2020, the project will enjoy excellent connectivity, providing its residents with convenient transportation to the business cores in Kowloon and Central through its weather-proof access linked to the station. Meanwhile, the future Central Kowloon Route will directly connect the development to West Kowloon, another business hub as well as a burgeoning cultural centre of Hong Kong.

The project will be developed in phases, consisting of about 1.1 million square feet of residential gross floor area and a 262,000-square-foot retail space, including an underground shopping street that will connect to the MTR station. Among the tallest in the neighbourhood, the residential towers will consist of around 1,500 luxury units, of which units on higher floors will overlook the harbour views. The retail space and part of the residential units are planned to be retained for rental purposes. This iconic development is expected to mirror the success of the Group's The Cullinan atop MTR Kowloon Station in Hong Kong. Piling work of the project commenced in mid 2019.

New Kowloon Inland Lot No. 6568 , Kai Tak

New Kowloon Inland Lot No. 6551, Kai Tak

New Kowloon Inland Lot No. 6551

(100% owned)

Site area	: 118,000 square feet
Gross floor area	: 625,000 square feet (residential)
	: 24,000 square feet (retail)
Approximate number of units	: 500
Expected date of Certificate of Compliance/ Consent to Assign	: after 2022, in phases

Acquired through a public tender in January 2019, this waterfront site commands panoramic views of both sides of the harbour. Located on the Kai Tak runway, the project will enjoy a relaxing environment with close proximity to the Kai Tak Cruise Terminal and the planned Metro Park.

Covering a total gross floor area of 625,000 square feet of residential and 24,000 square feet of retail space, the project will be developed into another luxury residence in the Kai Tak area, creating synergy with the Group's landmark residential and retail development in Kai Tak City Centre. This project will comprise mainly large-sized units and sufficient parking spaces to accommodate homebuyers' growing demand for better living quality. A harbourfront promenade under planning is expected to bring a vibrant and leisurely cosmopolitan lifestyle to the vicinity as an added value to the development. Construction work will commence as soon as the development plan is finalized.

Property Development

Wings at Sea and Wings at Sea II, Tseung Kwan O

New Territories East

Wings at Sea/Wings at Sea II
Phase IVA & Phase IVB of LOHAS Park, Tseung Kwan O
(Joint venture)

Site area	: 140,000 square feet
Gross floor area	: 1.3 million square feet (residential)
Approximate number of units	: 2,200
Expected date of Certificate of Compliance/ Consent to Assign	: second half of 2019, in phases

Situated on the southern coast of LOHAS Park, the project commands stunning sea views and enjoys convenient transportation, with an MTR station located nearby. With close proximity to the Tseung Kwan O Cross Bay Link under construction, the project's transportation network will be further enhanced with the expected inauguration of the Link in 2022. Spanning over 1.3 million square feet of residential area, the project is being developed in two phases with a total of about 2,200 quality residences. Almost all units at the two phases have been sold out. Buyers are expected to take possession of their flats from late 2019 in phases.

Sha Tin Town Lot No. 609
(100% owned)

Site area	: 145,000 square feet
Gross floor area	: 434,000 square feet (residential)
Approximate number of units	: 340
Expected date of Certificate of Compliance/ Consent to Assign	: first half of 2022

Situated on a small hill in Sha Tin, the luxury residential development with a gross floor area of 434,000 square feet will provide about 340 spacious three- to four-bedroom units in five towers. Surrounded by lush green hills and built on an elevated site, the low-density project with a wide frontage in a refreshing and comfortable environment will enjoy spectacular mountain scenery and clear panoramic views of Sha Tin city centre. Offering sufficient parking spaces for residents, the development enjoys easy access to public transportation with about a five-minute drive to MTR Sha Tin Wai Station and City One Station. Foundation work has just been completed and superstructure work is now progressing smoothly.

St Martin, Tai Po

St Martin
Tai Po Town Lot No. 225
(100% owned)

Site area	: 250,000 square feet
Gross floor area	: 901,000 square feet (residential)
Approximate number of units	: 1,400
Expected date of Certificate of Compliance/ Consent to Assign	: from first half of 2020, in phases

Located near the Pak Shek Kok Promenade and situated in the culture-rich and tech-savvy community brought about by the Science Park, a renowned university and reputed international schools, St Martin consists of 10 towers with about 1,400 flats, offering diverse flat types ranging from studio to three-bedroom units as well as special units. Selected flats enjoy sweeping Tolo Harbour views and refreshing mountain scenery towards Kau To Shan while the waterfront promenade provides residents with a walkway and cycle tracks for recreational and leisure purposes. The project has successively been launched for sale since last year, and over 1,000 flats have been sold. Construction work is advancing well. Phase 1, comprising about 800 flats, and Phase 2, with about 600 flats, are expected to be handed over in 2020 in phases.

Tai Po Town Lot No. 157

Tai Po Town Lot No. 244

(100% owned)

Site area	:	354,000 square feet
Gross floor area	:	882,000 square feet (residential)
	:	35,000 square feet (retail)
Approximate number of units	:	2,000
Expected date of Certificate of Compliance/ Consent to Assign	:	after 2022, in phases

Located near the Science Park and a renowned university, the development enjoys a serene environment with panoramic views of the greenery of the Tai Po Kau Nature Reserve nearby. The large-scale residential development will consist of approximately 2,000 units, mainly small-sized units, while units on higher floors will enjoy sea views of the Tolo Harbour. The street-level shops are expected to energize the streetscape of the neighbourhood, meeting increasing demands for supporting facilities in the Pak Shek Kok area, which in recent years has attracted more young and stylish families to move in. The development plan of the project has been finalized.

Tai Po Town Lot No. 244

Tai Po Town Lot No. 157

(100% owned)

Site area	:	6.7 million square feet
Gross floor area	:	4.7 million square feet (residential)
		100,000 square feet (retail)
Approximate number of units	:	4,900
Expected date of Certificate of Compliance/ Consent to Assign	:	after 2022, in phases

In the second half of 2017, the Group completed the land use conversion of the site. Located near the Ma On Shan Country Park, the project is planned to be developed into a new residential enclave offering a refreshing living environment with ample greenery and a variety of amenities. Upon completion of advanced works such as road widening and associated infrastructural facilities, the connectivity of the development will be significantly enhanced. Covering over four million square feet of residential space and 100,000 square feet of retail area, the development will consist of about 4,900 residential units. Seeking to expand the development scale of the project, the Group obtained planning permission and its corresponding lease modification is under way.

Property Development

New Territories West

Mount Regency
Tuen Mun Town Lot No. 515
(100% owned)

Site area	: 119,000 square feet
Gross floor area	: 476,000 square feet (residential)
Approximate number of units	: 1,000
Expected date of Certificate of Compliance/ Consent to Assign	: from first half of 2020, in phases

Located at the fringe of Tuen Mun Town Centre, the project enjoys a tranquil environment surrounded by refreshing leafy scenery. This serene community is within easy reach of minibuses, cross-district bus routes and the light rail service, which connects residents in the vicinity to the entire MTR network. Specially designed for young families, the project has two residential towers of 29 storeys containing some 1,000 units of small-to-medium size, supported by comprehensive clubhouse facilities. Two phases of the development went onto the market with positive responses in May 2018 and June 2019 respectively. Superstructure work of the project is progressing well and is slated for handover in 2020 in phases.

Tuen Mun Town Lot No. 483
(100% owned)

Site area	: 460,000 square feet
Gross floor area	: 2.2 million square feet (residential)
	: 62,000 square feet (retail)
Approximate number of units	: 4,700
Expected date of Certificate of Compliance/ Consent to Assign	: after 2022, in phases

Situated near a leafy slope of Castle Peak, the tranquil area will be developed into a new residential enclave. In addition to its proximity to MTR Siu Hong Station, this large-scale development will enjoy convenient choices of point-to-point bus transportation to some major areas of the city via planned new bus routes. Comprising over two million square feet of residential space and some 62,000 square feet of retail area, the development will provide some 4,700 units of mainly small- to medium-sized apartments in 14 residential blocks of 22 to 31 storeys.

Yuen Long Town Lot No. 510
(Yuen Long Station Development)
(Joint venture)

Site area	: 418,000 square feet
Gross floor area	: 1.4 million square feet (residential)
	: 107,000 square feet (retail)
Approximate number of units	: 2,000
Expected date of Certificate of Compliance/ Consent to Assign	: from second half of 2022, in phases

Atop MTR Yuen Long Station, the project will provide some 2,000 apartments of various sizes in six residential blocks, including four on the northern site and two on the south. As part of YOHO community which comprises the Group's various landmark integrated projects in Yuen Long, this new development is set to enhance the YOHO cluster as a vibrant living, shopping and entertainment hub. With further improvements of the pedestrian network, the introduction of a landscaped open plaza and ready-made amenities, it is expected to offer greater convenience for residents in the neighbourhood.

Tuen Mun Town Lot No. 483

Yuen Long Town Lot No. 510

Tin Shui Wai Town Lot No. 33 and No. 34

The project will also provide 107,000 square feet of retail space, which will upon completion become part of the over one-million-square-foot YOHO Mall. Please refer to page 44 for further details of YOHO Mall. Piling and related advanced works are scheduled for completion in the second half of 2019.

Tin Shui Wai Town Lot No. 33 and No. 34
(100% owned)

Site area	: 1.5 million square feet
Gross floor area	: 2.2 million square feet (residential)
	: 40,000 square feet (retail)
Approximate number of units	: 3,800
Expected date of Certificate of Compliance/ Consent to Assign	: from first half of 2021, in phases

The two large-scale sites will be developed into a relatively low-density residential enclave with a wide range of amenities, providing residents with a unique living experience in a tranquil community near the Hong Kong Wetland Park. The project enjoys easy access to the public transport network with its close proximity to two Light Rail stations. The project will provide a total of around 3,800 residential units spanning 2.2 million square feet of floor area, including a majority of small- and medium-sized apartments and a number of town houses. The development will also have 40,000 square feet of retail space. Superstructure work of Tin Shui Wai Town Lot No. 34 has been completed while that of Tin Shui Wai Town Lot No. 33 is in good progress.

Tin Shui Wai Town Lot No. 23 (Tin Wing Station Development)
(Joint venture)

Site area	: 196,000 square feet
Gross floor area	: 980,000 square feet (residential)
	: 2,000 square feet (retail)
Approximate number of units	: 2,000
Expected date of Certificate of Compliance/ Consent to Assign	: after 2022

With close proximity to a large leafy park, the project will provide about 2,000 units of mainly small- and medium-sized apartments in three blocks with residential gross floor area of 980,000 square feet. The project will also house some 2,000 square feet of retail space to meet the daily needs of the residents. Sitting atop the Light Rail Tin Wing Station, the development is conveniently located near a bus terminus connected by a footbridge to be built. The project's construction has been temporarily suspended as requested by the authorities due to subsidence at the Light Rail station and will be resumed as soon as remedial work is completed.

Property Development

Major Projects Under Development in Hong Kong by Year of Completion[1]

Location	Project Name	Group's Interest (%)
Scheduled Completion in FY2019/20		
Phase IVA & Phase IVB of LOHAS Park	Wings at Sea/Wings at Sea II	JV
Lot 1927 in DD 107, Yuen Long Phase 2B	PARK YOHO Napoli	100
Tai Po Town Lot No. 225 Phase 1	St Martin	100
Sha Tin Town Lot No. 248	ALVA Hotel by Royal	100
Tuen Mun Town Lot No. 515 Phase 1	Mount Regency	100
18-20 Caine Road, Mid-Levels West		92
Inland Lot No. 8963, Stubbs Road Phase 1	Central Peak	100
Pak Tai Street/San Shan Road Project	Downtown 38	JV
Tung Chung Town Lot No. 11	Citygate (Extension)/The Silveri Hong Kong – MGallery	20
212-214 Texaco Road, Tsuen Wan	W212	50
Year Total:		
Scheduled Completion in FY2020/21		
Nam Cheong Station Development Phase 5	Cullinan West III	JV
Tin Shui Wai Town Lot No. 34 Phase 1		100
Tai Po Town Lot No. 225 Phase 2	St Martin	100
Tuen Mun Town Lot No. 539		100
252 Texaco Road & 28 Wang Lung Street, Tsuen Wan		65.2
Tuen Mun Town Lot No. 515 Phase 2	Mount Regency	100
Sha Tin Town Lot No. 617	W LUXE	100
Lot 1927 in DD 107, Yuen Long Phase 3		100
Inland Lot No. 9027, North Point Phase 2B-1	Harbour North	100
Inland Lot No. 8963, Stubbs Road Phase 2		100
Kwai Chung Town Lot No. 522		100
Year Total:		
Scheduled for Completion in FY2021/22		
Tin Shui Wai Town Lot No. 33		100
Tin Shui Wai Town Lot No. 34 subsequent phase(s)		100
Sha Tin Town Lot No. 609		100
New Kowloon Inland Lot No. 6550		100
Inland Lot No. 9027, North Point subsequent phase(s) of Phase 2		100
222-228 Wan Chai Road		92
195 Prince Edward Road West, Kowloon City		100
Year Total:		
Major Projects Scheduled for Completion in FY2022/23 or Beyond		
Tai Po Town Lot No. 157		100
Tuen Mun Town Lot No. 483		100
Yuen Long Station Development		JV
New Kowloon Inland Lot No. 6568		100
Tin Wing Station Development		JV
Tai Po Town Lot No. 244		100
Tseung Kwan O Town Lot No. 131		73.9
98 How Ming Street (Kwun Tong Inland Lot No. 240)		69.2[3]
New Kowloon Inland Lot No. 6551		100
The Remaining Portion of Yuen Long Town Lot No. 507 Phase 3		100
Lot 2091 in DD 105, Shek Wu Wai, Yuen Long		54.5
Tuen Mun Town Lot No. 463		59.1
13-23 Wang Wo Tsai Street, Tsuen Wan		100
Lot 2579 in DD 92, Kwu Tung, Sheung Shui		100
Tsuen Wan Town Lot No. 428		73.9
233 Prince Edward Road West, Kowloon City		58
Total for Major Projects to be Completed in FY2022/23 or Beyond:		

(1) Information up to late August 2019; Completion refers to the stage in which the project is ready for handover; Excluding the gross floor area of Government Accommodation
(2) Including data centre
(3) Including a 50% direct interest and an indirect interest of about 19.2% derived from the Group's holdings in Transport International Holdings (TIH)

Attributable Gross Floor Area (square feet)					
Residential	Shopping Centre/Shops	Office	Hotel	Industrial[2]	Total
1,316,000	–	–	–	–	1,316,000
543,000	–	–	–	–	543,000
527,000	–	–	–	–	527,000
–	–	–	344,000	–	344,000
241,000	–	–	–	–	241,000
127,000	–	–	–	–	127,000
122,000	–	–	–	–	122,000
88,000	17,000	–	–	–	105,000
–	68,000	–	26,000	–	94,000
–	–	–	–	71,000	71,000
2,964,000	**85,000**	**–**	**370,000**	**71,000**	**3,490,000**
670,000	–	–	–	–	670,000
423,000	20,000	–	–	–	443,000
374,000	–	–	–	–	374,000
286,000	21,000	–	–	–	307,000
–	–	–	–	248,000	248,000
235,000	–	–	–	–	235,000
–	3,000	171,000	–	–	174,000
94,000	45,000	–	–	–	139,000
–	138,000	–	–	–	138,000
59,000	–	–	–	–	59,000
–	1,000	57,000	–	–	58,000
2,141,000	**228,000**	**228,000**	**–**	**248,000**	**2,845,000**
1,199,000	20,000	–	–	–	1,219,000
597,000	–	–	–	–	597,000
434,000	–	–	–	–	434,000
–	–	–	374,000	–	374,000
258,000	–	–	–	–	258,000
–	–	121,000	–	–	121,000
45,000	–	–	–	–	45,000
2,533,000	**20,000**	**121,000**	**374,000**	**–**	**3,048,000**
4,688,000	100,000	–	–	–	4,788,000
2,266,000	62,000	–	–	–	2,328,000
1,361,000	107,000	–	–	–	1,468,000
1,066,000	262,000	–	–	–	1,328,000
980,000	2,000	–	–	–	982,000
882,000	35,000	–	–	–	917,000
–	–	–	–	896,000	896,000
–	346,000	449,000	–	–	795,000
625,000	24,000	–	–	–	649,000
452,000	29,000	–	–	–	481,000
265,000	–	–	–	–	265,000
205,000	–	–	–	–	205,000
168,000	–	–	–	–	168,000
162,000	–	–	–	–	162,000
–	–	–	–	149,000	149,000
42,000	–	–	–	–	42,000
13,162,000	**967,000**	**449,000**	**–**	**1,045,000**	**15,623,000**

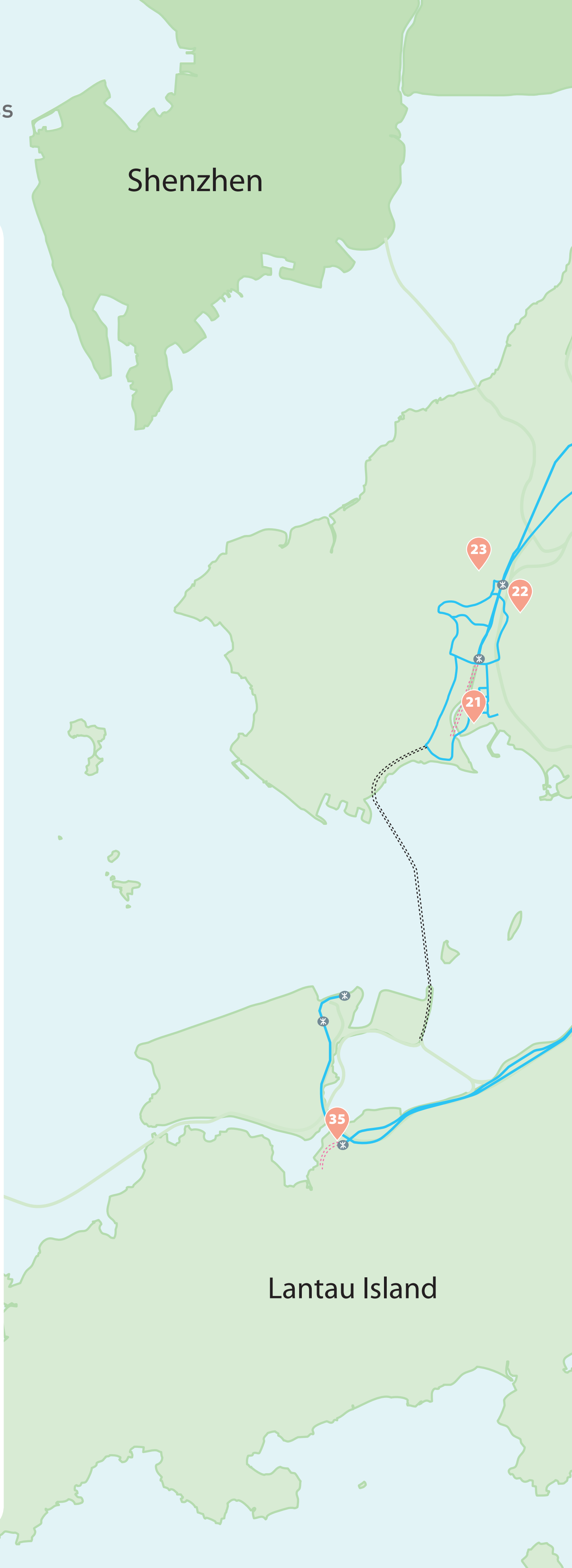
Property Development

Major Properties Under Development in Hong Kong

Residential · Shopping Centre/Shops · Office · Industrial[1] · Hotel

District		Project Name	Usage
Hong Kong Island	1	18-20 Caine Road	Residential
	2	Central Peak Development	Residential
	3	222-228 Wan Chai Road	Office
	4	Victoria Harbour Development	Residential, Shopping Centre/Shops
Kowloon	5	Cullinan West III	Residential
	6	New Kowloon Inland Lot No. 6550	Hotel
	7	195 Prince Edward Road West / 233 Prince Edward Road West	Residential
	8	Downtown 38	Residential, Shopping Centre/Shops
	9	New Kowloon Inland Lot No. 6568	Residential, Shopping Centre/Shops
	10	New Kowloon Inland Lot No. 6551	Residential, Shopping Centre/Shops
	11	98 How Ming Street	Shopping Centre/Shops, Office
New Territories East	12	Wings at Sea	Residential
	13	Tseung Kwan O Town Lot No. 131	Industrial
	14	Sha Tin Town Lot No. 609	Residential
	15	ALVA Hotel by Royal	Hotel
	16	W LUXE	Shopping Centre/Shops, Office
	17	Tai Po Town Lot No. 244	Residential, Shopping Centre/Shops
	18	St Martin	Residential
	19	Tai Po Town Lot No. 157	Residential, Shopping Centre/Shops
New Territories West	20	Tuen Mun Town Lot No. 463	Residential
	21	Tuen Mun Town Lot No. 539	Residential, Shopping Centre/Shops
	22	Mount Regency	Residential
	23	Tuen Mun Town Lot No. 483	Residential, Shopping Centre/Shops
	24	Tin Shui Wai Town Lot Nos. 33 and 34	Residential, Shopping Centre/Shops
	25	Tin Wing Station Development	Residential, Shopping Centre/Shops
	26	Yuen Long Station Development	Residential, Shopping Centre/Shops
	27	Grand YOHO Phase 3	Residential, Shopping Centre/Shops
	28	PARK YOHO Phase 3	Residential, Shopping Centre/Shops
	29	Lot 2091 in DD 105, Shek Wu Wai, Yuen Long	Residential
	30	Lot 2579 in DD 92, Kwu Tung, Sheung Shui	Residential
	31	W212	Industrial
	32	13-23 Wang Wo Tsai Street, Tsuen Wan	Residential
	33	Tsuen Wan Town Lot No. 428	Industrial
	34	Kwai Chung Town Lot No. 522	Shopping Centre/Shops, Office
	35	Citygate (Extension)[2] / The Silveri Hong Kong – MGallery	Shopping Centre/Shops, Hotel

- MTR
- MTR (under construction)
- MTR (potential future projects)
- Cross-Harbour Tunnel
- Major roads (under construction/future projects)



(1) *Including industrial/office premises, godowns and data centres*

(2) *The project has been opened after the end of financial year 2018/19*


New Territories
Kowloon
Hong Kong Island
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Hong Kong Property Business

Property Investment

ICC, West Kowloon


LOUIS VUITTON

Property Investment

Metroplaza, Kwai Fong

For the financial year under review, the Group's property investment portfolio in Hong Kong continued to provide a stable source of recurring income. Gross rental income grew by 6% year-on-year to HK$19,698 million, including contributions from joint-venture projects. Overall occupancy stayed at around 94%.

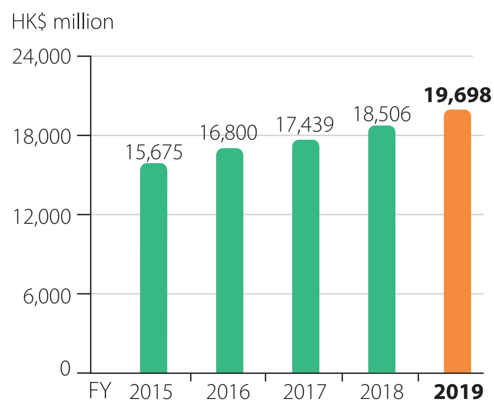
Completed Properties

Shopping Centres

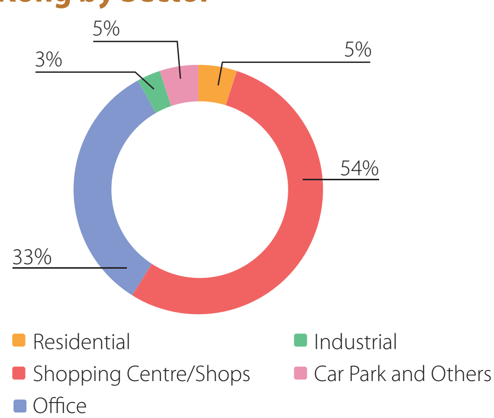
Affected by external threats and local social incidents, Hong Kong's retail sales market has been deteriorating since the middle of 2019. Tenant sales at the Group's sizeable retail portfolio, however, achieved satisfactory performance during the year. This reflected the Group's continued strength in the provision of quality service, effective promotional initiatives and diverse trade mix. SHKP Malls App, the Group's integrated shopping mall mobile app featuring a newly launched membership programme, is well-positioned to ride on digital influence in the retail industry.

During the year under review, the Group achieved a 7% year-on-year increase of gross rental income from its retail portfolio. Occupancy was steady with positive rental reversions. The Group's top 10 malls contributed a gross rental income of about HK$7,100 million.

Gross Rental Income in Hong Kong[1]



Gross Rental Income in Hong Kong by Sector[1]



(1) Including contributions from associates and joint ventures

IFC Mall, Central

V Walk, West Kowloon

The Group's quality retail portfolio mainly consists of conveniently-located regional malls across the territory. V Walk, a premium mall of 300,000 square feet atop MTR Nam Cheong Station, opened in July this year. Currently almost fully let, the mall features over 150 retailers, including a trendy mix of fashion retail, a cinema, and a careful curation of dining options. This cutting-edge retail space is able to fulfill evolving consumer needs from both residents and the working population in the vicinity. It is now running smoothly with performance in line with the Group's expectations.

On Hong Kong Island, the IFC Mall features a wide variety of international brands and choices of eateries and is one of the leading shopping destinations with a diversified customer base of professionals working nearby, affluent locals and tourists. Located in the core of the Central business district, IFC Mall is consistently recognized as a preferred choice for retailers. A renowned global cosmetics chain has recently opened its first Hong Kong brick-and-mortar shop at the mall. This new presence will not only broaden the mall's range of beauty offerings but will also reaffirm the mall's leading position. During the year, the virtually fully let IFC Mall showed satisfactory tenant sales growth with a solid rental income.

The Sun Arcade in Tsim Sha Tsui has earned its reputation for the provision of a rich assortment of international beauty brands and luxury products, attracting more customers, including tourists. This 5-storey shopping arcade also has the first-of-its-kind beauty concierge. Due to its unique positioning, comprehensive promotional campaigns such as exclusive offerings, and effective marketing strategies through various channels, The Sun Arcade achieved promising retail sales growth during the year. However, social incidents in the past few months have significantly affected the mall's performance.

YOHO Mall, Yuen Long

Property Investment

APM, Kwun Tong

East Point City, Tseung Kwan O

The APM mall next to MTR Kwun Tong Station has enlivened the retail experience in the vicinity. It features long opening hours, meeting the demand from the enlarged working population as Kowloon East emerges as another CBD in Hong Kong. To meet heightened customer expectations, with new trends constantly emerging, the trend-setting APM mall periodically enhanced its appeal with the introduction of an interesting array of chic brands. Creative marketing activities, such as digital games, were frequently held to bring novelty to young customers. During the year under review, the rental reversions and occupancy of the mall remained satisfactory.

Some of the Group's footprints are adjacent to its scalable residential developments, providing local consumers with a variety of shopping convenience. In northwest New Territories, the one-million-square-foot YOHO Mall is the Group's flagship mall in the region, inter-connected by footbridges and conveniently accessible by public transport. In addition to a broad range of retailers, the newly opened Foodeli inside the mall also attracted the growing population nearby with the introduction of Hong Kong's popular local delicacies. Various innovative promotional activities were held regularly and were well-received, particularly by young people and families. Robust retail sales growth and rents were achieved during the year, while weakened consumer confidence has recently posed challenges to the mall.

Consumer-focused strategy and ongoing asset enhancement initiatives continue to strengthen the Group's competitiveness in an increasingly competitive market. The completion of the reconfiguration at Metroplaza next to MTR Kwai Fong Station brought additional features, including an al fresco dining area, a seasonal sea of flowers, starlight walkway, urban farm and a fun park. The number of retailers has increased to about 230, providing a broader mix of products for consumers. For the year under review, the healthy rental growth achieved at this virtually fully let mall demonstrated the Group's commitment to enhancing property value through asset enhancement initiatives.

New Town Plaza in Sha Tin is another major mall currently under renovation. The re-opening of some 140,000 square feet of retail space at New Town Plaza III following the completion of its first phase renovation in 2018 provided an enriched experience for shoppers and diners. The second phase of renovation covering the remaining area has started and will be completed by the end of 2019. As one of the largest shopping malls in Hong Kong, the rejuvenated New Town Plaza will embrace an eclectic mix of retailers and dining choices for the vibrant local neighbourhoods in the vicinity. During the year, New Town Plaza I achieved satisfactory occupancy.

Tai Po Mega mall and East Point City in Tseung Kwan O enticed locals as attractive destinations with comprehensive shopping, dining and entertainment amenities. Both recorded occupancies of about 97% with satisfactory rental performance. The strengthened kids' and beauty offerings, together with refined dining options, have made MOKO in Mong Kok both a family-friendly shopping and a tourist destination. Landmark North along the MTR East Rail Line, providing shopping convenience in northern New Territories, continued to record rental growth.

Offices

During the period, the Group's 10-million-square-foot premium office portfolio continued to deliver positive rental reversions with healthy overall occupancies despite an uncertain macroeconomic environment and Sino-US trade tensions. The Group's distinctive and diversified office portfolio is well positioned to capture the potential incremental office demand in the long term brought about by Hong Kong's international financial hub status and Central Government's propelling efforts to foster the growth of the Greater Bay Area. However, leasing inquiries have been slowing in recent months, mainly due to increased trade protectionism and local social incidents.

Building upon its remarkable building quality, comprehensive amenities and professional property management services at a unique location atop the Airport Express Hong Kong Station in Central, IFC has successfully established an office cluster that has gained strong customer support, with a solid tenant base of financial institutions. Offering one of the best office addresses in Hong Kong, IFC was virtually fully let with satisfactory rental reversions.

IFC, Central

ICC continued to bolster its position in the office leasing market through a more cohesive commercial precinct linked by High Speed Rail and the gradual completion of a number of cultural facilities in the West Kowloon district. Synergizing with the retail and dining elements in the neighbourhood, this world-class office building has become firmly established as a premier landmark in the city. ICC, which attracted and housed a vibrant mix of multinational tenants, including mainland financial institutions, was almost fully let with healthy rental reversions.

ICC, West Kowloon

Property Investment


Millennium City cluster, Kwun Tong


Vega Suites, Tseung Kwan O

Located in Kowloon East, another important business hub in the city, the Group's Millennium City office cluster has attracted a broad range of sectors to move in. Its large-floor-plate office space and single ownership appeal to renowned corporations. The scale and operating flexibility allows effective tenant reshuffling within the portfolio, facilitating variability of space requirements from a wide range of tenants. During the year, the rental reversions and occupancy of this office cluster remained satisfactory. The Group's other premium offices, including Sun Hung Kai Centre and Central Plaza in Wan Chai, also delivered stable rental growth.

Residential, Serviced Suites and Others

Specializing in luxury residential leasing, Signature Homes manages about one million square feet of high-end residential units and a quality portfolio of about 700 serviced suites. Providing flexible leasing options and comprehensive housing solutions, the Group's luxury residential units continued to attract and retain overseas and local tenants. During the period, occupancy of the Group's luxury residential portfolio remained at a satisfactory level.

Four Seasons Place in Central, The HarbourView Place in West Kowloon, and Vega Suites in Tseung Kwan O are the Group's luxury serviced suites, offering a wide range of room types with a unique lifestyle and contemporary living. All recorded growth in rental income during the year despite softening occupancy of late. The renovation at Four Seasons Place is slated for completion by the end of 2019.

The Group's other property investment, including industrial buildings, godowns and car parking bays, continued to register steady rental income with satisfactory occupancy during the year.


Four Seasons Place, Central


The HarbourView Place, West Kowloon

Properties under Development

The Group's diversified quality portfolio will play an increasingly prominent role after the completion of new projects in the pipeline, which comprises an attributable four million square feet of new properties for investment under development.

Located at an enlivened neighbourhood, Harbour North is the centre-piece retail outlet of Victoria Harbour, the Group's luxury residential development in North Point. This 145,000-square-foot retail space is located within easy walking distance to MTR North Point Station with a waterfront promenade and green space. To meet the demand for one-stop shopping and entertainment from families living atop and across the area, this chic retail space will feature dazzling lifestyle retail brands and international culinary delights. While the street-level shops have gradually opened, the remaining portion of the retail space is targeted to open by the end of 2019.

The new extension of the 340,000-square-foot Citygate, the Group's 20%-owned mall in Tung Chung, has recently opened. In addition to more dining options with increased eateries outlets, the enlarged 800,000-square-foot shopping mall now features more than 150 international brands and a cinema. To enrich the offering, a first-in-Hong Kong multi-brand travel retail store has been introduced. Located at the gateway of popular attractions on Lantau, this premium shopping complex is set to provide unparalleled experiences to visitors. Please refer to page 79 for the hotel portion.

Complementing the existing Millennium City cluster, the joint-venture project at 98 How Ming Street in Kwun Tong (effective stake of about 69%) will further strengthen the Group's recurring income upon its completion after 2022. The development comprises two state-of-the-art grade-A office towers of 650,000 square feet and a 500,000-square-foot one-stop destination mall with lifestyle retail, dining and entertainment. With convenient access to public transportation, the integrated complex is expected to bring additional vibrancy to its neighbourhood as a centre in Kowloon East. Looking further ahead, the Yuen Long Station Development will provide additional retail space of 107,000 square feet to the existing YOHO Mall portfolio. Upon full completion in 2023, the mega YOHO Mall will further solidify the Group's strong foothold in northwest New Territories.

Harbour North, North Point

Property Investment

Major Completed Properties in Hong Kong

Project	Location
Hong Kong Island	
One IFC	1 Harbour View Street, Central
Two IFC / IFC Mall / Four Seasons Hotel Hong Kong / Four Seasons Place	8 Finance Street, Central
Sun Hung Kai Centre	30 Harbour Road, Wan Chai
Central Plaza	18 Harbour Road, Wan Chai
World Trade Centre / WTC More	280 Gloucester Road, Causeway Bay
Hyatt Centric Victoria Harbour Hong Kong(1)	1 North Point Estate Lane, North Point
Dynasty Court (Blocks 2 & 3)	23 Old Peak Road
Pacific View (Blocks 2 & 3)	38 Tai Tam Road
Chi Fu Landmark	Chi Fu Road, Pok Fu Lam
Kowloon	
ICC / Sky100 Hong Kong Observation Deck / The Ritz-Carlton, Hong Kong / W Hong Kong / The HarbourView Place	1 Austin Road West
Millennium City 1(2)	388 Kwun Tong Road
Millennium City 2	378 Kwun Tong Road
Millennium City 5 / APM	418 Kwun Tong Road
Millennium City 6	392 Kwun Tong Road
Grand Century Place / MOKO / Royal Plaza Hotel	193 Prince Edward Road West, Mong Kok
V Walk	28 Sham Mong Road, West Kowloon
The Royal Garden	69 Mody Road, Tsim Sha Tsui
Kerry Hung Kai Godown	3 Fat Tseung Street, Cheung Sha Wan
APEC Plaza	49 Hoi Yuen Road, Kwun Tong
Mikiki	638 Prince Edward Road East, San Po Kong
The Sun Arcade	28 Canton Road, Tsim Sha Tsui
Peninsula Tower	538 Castle Peak Road, Cheung Sha Wan
Brill Plaza	82-84 To Kwa Wan Road
New Tech Plaza	34 Tai Yau Street, San Po Kong
26 Nathan Road	26 Nathan Road, Tsim Sha Tsui
New Territories	
New Town Plaza I (3)	18 Shatin Centre Street, Sha Tin
New Town Plaza III	2-8 Shatin Centre Street, Sha Tin
New Town Tower	10-18 Pak Hok Ting Street, Sha Tin
Grand Central Plaza / HomeSquare	138 Shatin Rural Committee Road, Sha Tin
Royal Park Hotel	8 Pak Hok Ting Street, Sha Tin
Metroplaza	223 Hing Fong Road, Kwai Chung
YOHO Mall I	9 Yuen Lung Street / 9 Long Yat Road, Yuen Long
YOHO Mall II	8 Long Yat Road, Yuen Long
Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites	3 Tong Tak Street, Tseung Kwan O
PopCorn	9 Tong Yin Street, Tseung Kwan O
Tai Po Mega Mall	9 On Pong Road, Tai Po
Tsuen Wan Plaza	5-21 Pak Tin Par Street, Tsuen Wan
Kowloon Commerce Centre	51 Kwai Cheong Road, Kwai Chung
Life@KCC	72-76 Kwai Cheong Road, Kwai Chung
Landmark North	39 Lung Sum Avenue, Sheung Shui
East Point City	8 Chung Wa Road, Tseung Kwan O
Royal View Hotel	353 Castle Peak Road, Ting Kau
V City	83 Tuen Mun Heung Sze Wui Road, Tuen Mun
PopWalk (Phases 1, 2 & 3) / Ocean PopWalk	12 Tong Chun Street / 19 Tong Yin Street / 19 Chi Shin Street / 28 Tong Chun Street, Tseung Kwan O
Park Central	9 Tong Tak Street, Tseung Kwan O
Citygate / Novotel Citygate Hong Kong Hotel	20 Tat Tung Road / 51 Man Tung Road, Tung Chung
Grand City Plaza	1-17 Sai Lau Kok Road, Tsuen Wan

(1) Formerly named as Hotel VIC
(2) Including the attributable share in areas held by SUNeVision, in which the Group has a 74% interest
(3) Including car parking area

Lease Expiry	Group's Interest (%)	Attributable Gross Floor Area (square feet)					
		Residential	Shopping Centre/Shops	Office	Hotel	Industrial	Total
2047	50	–	–	392,000	–	–	392,000
2047	50	–	320,000	566,000	550,000	–	1,436,000
2127	100	–	53,000	851,000	–	–	904,000
2047	50	–	–	700,000	–	–	700,000
2842	100	–	280,000	232,000	–	–	512,000
2063	100	–	–	–	388,000	–	388,000
2886	100	341,000	–	–	–	–	341,000
2047	100	248,000	–	–	–	–	248,000
2126	100	–	172,000	–	–	–	172,000
2047	100	–	29,000	2,495,000	1,023,000	–	3,547,000
2047	100	–	27,000	872,000	–	–	899,000
2047	50	–	–	133,000	–	–	133,000
2052	100	–	598,000	308,000	–	–	906,000
2047	100	–	32,000	370,000	–	–	402,000
2047	100	–	725,000	475,000	400,000	–	1,600,000
2062	100	–	298,000	–	–	–	298,000
2127	100	–	–	–	295,000	–	295,000
2047	50	–	–	–	–	285,000	285,000
2047	100	–	–	–	–	240,000	240,000
2054	100	–	205,000	–	–	–	205,000
2047	100	–	205,000	–	–	–	205,000
2047	100	–	–	–	–	188,000	188,000
2099	100	–	–	–	–	183,000	183,000
2047	100	–	–	–	–	182,000	182,000
2039	100	–	53,000	124,000	–	–	177,000
2047	100	–	1,300,000	–	–	–	1,300,000
2047	100	–	350,000	–	–	–	350,000
2047	100	–	–	96,000	–	–	96,000
2047	100	–	310,000	431,000	–	–	741,000
2047	100	–	–	–	258,000	–	258,000
2047	100	–	600,000	569,000	–	–	1,169,000
2054/2060	100	–	695,000	–	–	–	695,000
2047	87.5	–	245,000	–	–	–	245,000
2057	100	–	–	–	626,000	–	626,000
2057	50	–	108,000	–	–	–	108,000
2047	100	–	589,000	–	–	–	589,000
2047	100	–	583,000	–	–	–	583,000
2047	100	–	79,000	401,000	–	–	480,000
2047	100	–	100,000	–	–	–	100,000
2047	100	–	182,000	375,000	–	–	557,000
2047	100	–	415,000	–	–	–	415,000
2047	100	–	–	–	310,000	–	310,000
2056	100	–	269,000	–	–	–	269,000
2060/2061/ 2062/2062	100	–	242,000	–	–	–	242,000
2047	57.52/25	–	195,000	–	–	–	195,000
2047	20	–	99,000	32,000	47,000	–	178,000
2047	100	–	35,000	137,000	–	–	172,000

Property Investment

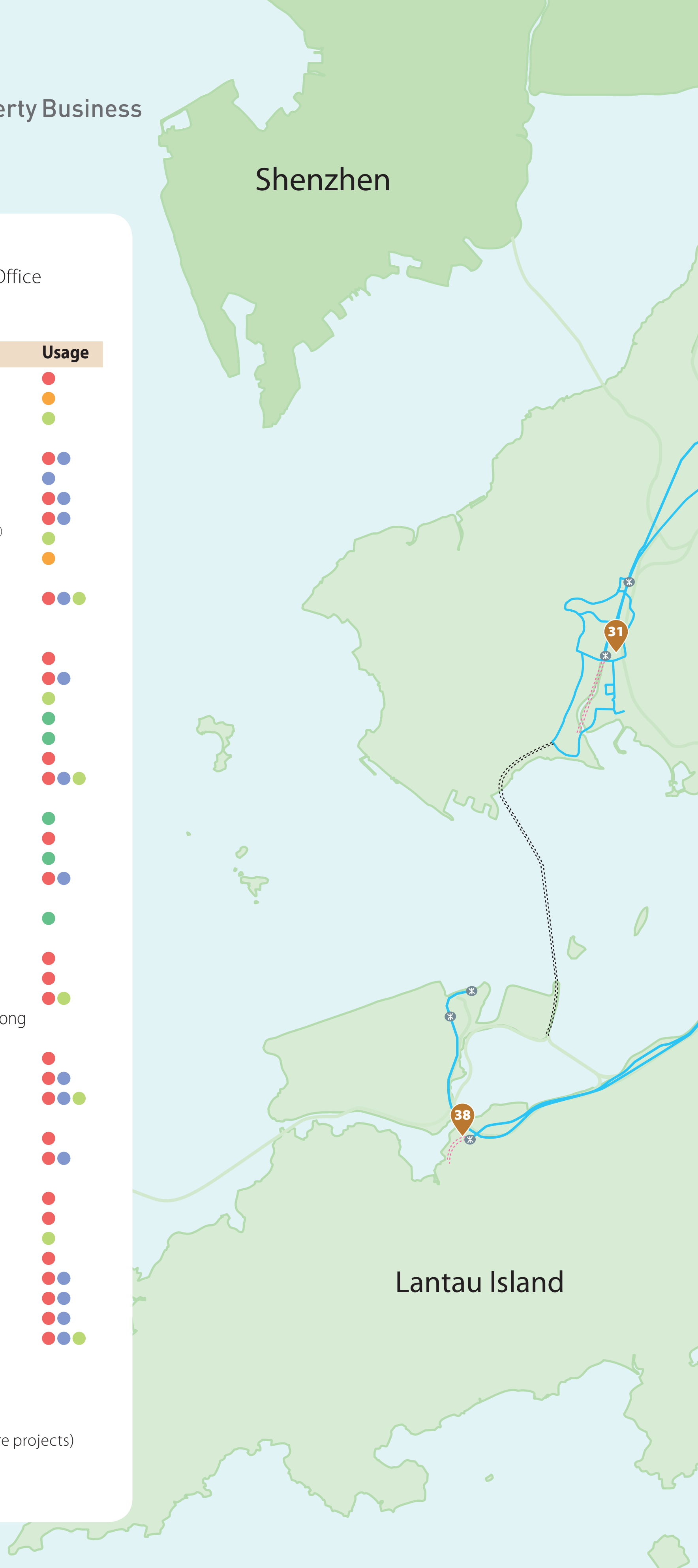
Major Completed Properties in Hong Kong

Residential · Shopping Centre/Shops · Office · Industrial · Hotel

District		Project Name	Usage
Hong Kong Island	1	Chi Fu Landmark	Shopping Centre/Shops
	2	Dynasty Court	Residential
	3	Four Seasons Hotel Hong Kong / Four Seasons Place	Hotel
	4	IFC / IFC Mall	Shopping Centre/Shops, Office
	5	Central Plaza	Office
	6	Sun Hung Kai Centre	Shopping Centre/Shops, Office
	7	World Trade Centre / WTC More	Shopping Centre/Shops, Office
	8	Hyatt Centric Victoria Harbour Hong Kong[(1)]	Hotel
	9	Pacific View	Residential
Kowloon	10	ICC / The Ritz-Carlton, Hong Kong / W Hong Kong / The HarbourView Place / Sky100 Hong Kong Observation Deck	Shopping Centre/Shops, Office, Hotel
	11	The Sun Arcade	Shopping Centre/Shops
	12	26 Nathan Road	Shopping Centre/Shops, Office
	13	The Royal Garden	Hotel
	14	Peninsula Tower	Industrial
	15	Kerry Hung Kai Godown	Industrial
	16	V Walk	Shopping Centre/Shops
	17	Grand Century Place / MOKO / Royal Plaza Hotel	Shopping Centre/Shops, Office, Hotel
	18	Brill Plaza	Industrial
	19	Mikiki	Shopping Centre/Shops
	20	New Tech Plaza	Industrial
	21	Millennium City Phases 1, 2, 5 & 6 / APM	Shopping Centre/Shops, Office
	22	APEC Plaza	Industrial
New Territories East	23	Park Central	Shopping Centre/Shops
	24	PopWalk Phases 1, 2 & 3 / Ocean PopWalk	Shopping Centre/Shops
	25	PopCorn / Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites	Shopping Centre/Shops, Hotel
	26	East Point City	Shopping Centre/Shops
	27	Grand Central Plaza / HomeSquare	Shopping Centre/Shops, Office
	28	New Town Plaza / New Town Tower / Royal Park Hotel	Shopping Centre/Shops, Office, Hotel
	29	Tai Po Mega Mall	Shopping Centre/Shops
	30	Landmark North	Shopping Centre/Shops, Office
New Territories West	31	V City	Shopping Centre/Shops
	32	YOHO Mall	Shopping Centre/Shops
	33	Royal View Hotel	Hotel
	34	Tsuen Wan Plaza	Shopping Centre/Shops
	35	Grand City Plaza	Shopping Centre/Shops, Office
	36	Metroplaza	Shopping Centre/Shops, Office
	37	Kowloon Commerce Centre / Life@KCC	Shopping Centre/Shops, Office
	38	Citygate / Novotel Citygate Hong Kong Hotel	Shopping Centre/Shops, Office, Hotel

MTR · Cross-Harbour Tunnel · MTR (under construction) · Major roads (under construction/future projects) · MTR (potential future projects)

(1) Formerly named as Hotel VIC




New Territories
Kowloon
Hong Kong Island
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Mainland Property Business

Highlights

- **The Group held an attributable 50.6 million square feet of properties under development as at 30 June 2019**
- **Completed an attributable 3.0 million square feet of residential, office and retail space during the year under review**
- **Achieved attributable contracted sales of about RMB4,600 million during the year**
- **Attained a net rental income growth of 11% to RMB3,266 million from an expanding property investment portfolio**
- **Maintained a selective and focused investment strategy, concentrating on major mainland cities**

Land Bank

As at 30 June 2019, the Group held an attributable total land bank of 65.4 million square feet on the mainland, of which about 20% were mainly completed properties strategically located in key cities for investment and rental purpose. The remaining 50.6 million square feet of gross floor area were properties under development, a majority of which will be developed into quality residences for sale.

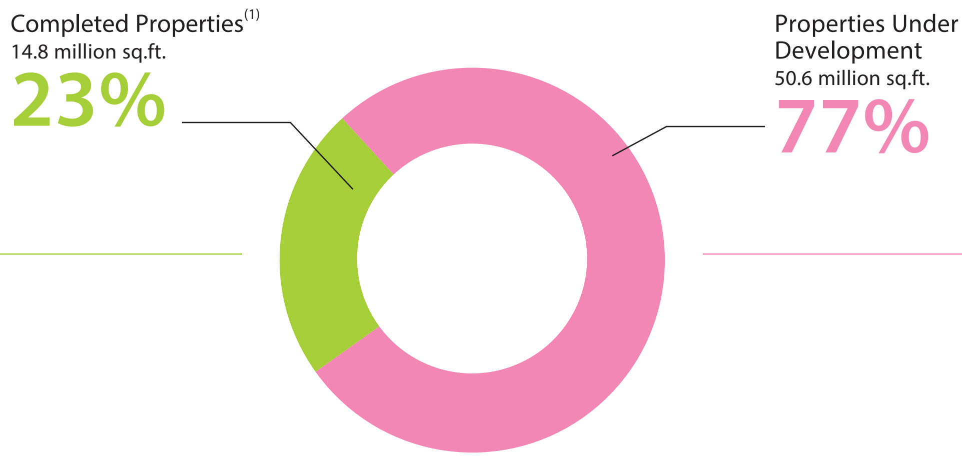
During the year, the Group acquired another site in the Nansha Free Trade Zone of Guangzhou. Inclusive of an adjacent site acquired by the Group earlier, the project at the respective sites is expected to provide a combined gross floor area of 3.3 million square feet with seamless connection to the Qingsheng Station, which is an interchange station of the High Speed Rail and a metro line. The new development is destined to benefit from the Greater Bay Area Initiative. For further information on the project, please refer to page 59.

Subsequent to the end of the financial year, in early August the Group acquired two riverside sites in Qianjiang New City CBD, Hangzhou, through joint-venture vehicles, with respective stakes of 50% and 45% in the western and eastern sites. Lying at the junction of the Qiantang River and the Beijing-Hangzhou Grand Canal, the waterfront sites were adjacent to two metro stations under construction with about a 15-minute drive to the Hangzhou East Railway Station. The two sites will be jointly developed into a landmark integrated project providing premium office, retail, residential and hotel space with about nine million square feet in above-ground gross floor area.

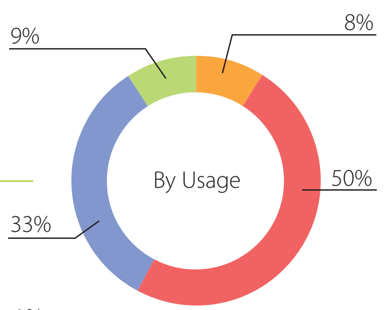
As at 30 June 2019, the Group's land bank on the mainland by attributable gross floor area was as follows:

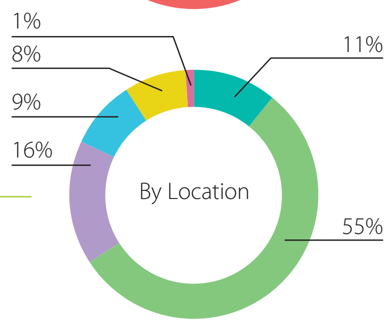
Mainland Land Bank Composition

(65.4 million square feet of attributable gross floor area as at 30 June 2019)



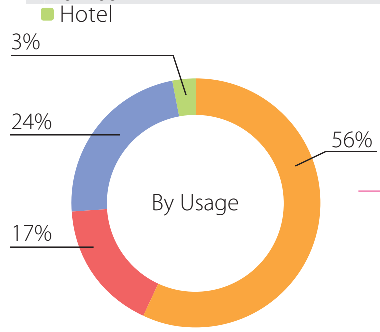
	Attributable Gross Floor Area (million sq.ft.)
Residential	1.2
Shopping Centre/Shops	7.4
Office	4.9
Hotel	1.3

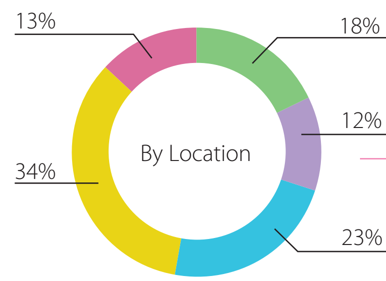




	Attributable Gross Floor Area (million sq.ft.)
Beijing	1.7
Shanghai	8.1
Other Yangtze River Delta Cities	2.3
Guangzhou	1.4
Other Pearl River Delta Cities	1.2
Chengdu	0.1

	Attributable Gross Floor Area (million sq.ft.)
Residential	27.9
Shopping Centre/Shops	8.8
Office	12.3
Hotel	1.6





	Attributable Gross Floor Area (million sq.ft.)
Shanghai	9.3
Other Yangtze River Delta Cities	5.9
Guangzhou	11.5
Other Pearl River Delta Cities	17.1
Chengdu	6.8

(1) An overwhelming majority are for rent/investment

Mainland Property Business
Property Development

Nanjing IFC, Nanjing

ITC, Shanghai

Property Development

During the year under review, the sentiment of the residential market on the mainland improved, resulting in a rebound in transaction volume. Despite signs of softening of late, the effective city-specific housing policies have been conducive to a healthier housing market, supported by end-user demand while speculative activities were contained. The Group remains confident about the medium-to-long-term outlook of the mainland property market, and will adhere to its selective and focused strategy of seeking business opportunities in major mainland cities.

During the year, the Group achieved attributable contracted sales of about RMB4,600 million. These were mainly attributed to robust sales from Oriental Bund in Foshan, TODTOWN in Shanghai, Park Royale and Forest Hills in Guangzhou. The Group will continue to develop integrated projects and quality residences on the mainland.

Major Projects under Development

Shanghai & Yangtze River Delta

ITC
Xuhui, Shanghai
(100% owned)

The 7.6-million-square-foot ITC is a mega integrated development prominently located at the centre of Xujiahui, one of the most vibrant commercial hubs in Shanghai. Bordered by Huashan, Hongqiao, Gongcheng and Guang Yuan Xi Roads, ITC's four-million-square-foot-plus top grade office space, three-million-square-foot-plus prime retail space and a luxury hotel will inevitably benefit from its strategic location as a primary transportation hub adjacent to an interchange station for three existing and two planned metro lines.

ITC, Shanghai


Shanghai Arch, Shanghai

The first two phases of the project, comprising 490,000 square feet of office space and 380,000 square feet of retail space, were completed in 2017 and 2018 respectively. The retail podium of the first phase was fully let and will be opened in late 2019. For leasing performance of the two phases, please refer to page 68 and 70.

With a total floor area of 6.7 million square feet, the final phase of the project will be developed into a mega integrated development, including office space, a world-class shopping mall and a luxury hotel. For more details, please refer to page 71. Construction work is progressing smoothly with the entire project scheduled for completion by late 2023.

Shanghai Arch
Pu Ming Road, Lujiazui, Shanghai
(100% owned)

Shanghai Arch commands a prestigious location adjacent to the Little Lujiazui CBD with efficient and convenient transport. Offering a stunning view of the Huangpu River and the far-famed historic buildings along the Bund, the project will provide 1.7 million square feet of luxury residences.

The some 200 meticulously designed apartments in Phase 1, totalling over 500,000 square feet of gross floor area, were virtually sold out and handed over to buyers before 2016, providing top-notch luxury living and exclusive metropolitan views to residents. Phase 2A consists of over 170 exquisitely furnished apartments spanning over 200,000 square feet of gross floor area.

In line with the Group's development philosophy of pursuing quality and excellence, Phase 2B comprises about 175 luxury residential units in four towers and several detached houses with a total gross floor area of about 450,000 square feet. With interior decoration work going on smoothly, this phase is scheduled for completion in financial year 2019/20. Phase 3 will comprise some 200 exquisite units spreading over four residential towers and a number of detached houses, providing a combined gross floor area of about 470,000 square feet.

TODTOWN
Minhang, Shanghai
(35% owned)

The over four-million-square-foot TODTOWN is a large-scale transit-oriented development project located at the heart of Shanghai's Xinzhuang area. Built over a train station as well as an interchange station of several existing and planned metro lines, the whole development perfectly integrates the transport hub, catering to a wide range of needs in the district.

Being developed in phases, the project consists of some 1.9 million square feet of premium apartments, a 1.4-million-square-foot trend-setting shopping mall, 500,000 square feet of quality office space and a hotel. Incorporating abundant greenery, including a large landscaped roof garden and parks, TODTOWN will become a refreshing community, bringing vibrancy and energy to the people who live and work there.

Phase 1 of the project is comprised of about 360 residential units spreading over three towers and totalling a gross floor area of 600,000 square feet. Expected to be delivered in the second half of 2020, these units were sold out quickly after launching in two batches in 2018 and mid 2019 respectively. Phase 2A of the project will provide apartments of over 800,000 square feet. Construction work of Phase 2A is progressing smoothly with one of the two towers already been topped out.

TODTOWN, Shanghai

Jianghehui Project, Hangzhou

Jianghehui Project
Qianjiang New City CBD, Hangzhou
(50% for western site; 45% for eastern site)

The Jianghehui project in Hangzhou is comprised of two neighbouring riverside sites and will be jointly developed into another landmark in Qianjiang New City CBD. The Group held a 50% stake in the western site and a 45% stake in the eastern site.

Located at the junction of the renowned Qiantang River and the Beijing-Hangzhou Grand Canal, the project boasts splendid river views. Adjacent to two metro stations under construction with about a 15-minute drive to the Hangzhou East Railway Station, the project will benefit from extensive intra- and inter-city transport networks. The Hangzhou Olympic Sports Centre lying on the opposite side of the river, which will be the main venue of the 2022 Asian Games, further enhances the geographical advantage of the Jianghehui project.

The project will offer a total above-ground gross floor area of about nine million square feet, consisting of quality office, retail, residential and hotel spaces that are expected to create a synergy effect with the Group's joint-venture Hangzhou MIXC in the vicinity. The Group is confident of developing the sites into a signature integrated project in the heart of Hangzhou and Zhejiang Province.

Property Development

Suzhou Project
Yuanqu, Suzhou
(90% owned)

Located on the bank of Jinji Lake, the 3.5-milllion-square-foot Suzhou project consists of three developments including Suzhou ICC on the east bank, and Lake Genève and Four Seasons Hotel Suzhou, both on the south bank.

With superstructure work progressing as planned, the approximately two-million-square-foot Suzhou ICC in Yuanqu CBD enjoys convenient transport within walking distance to two metro stations and about 10 minutes' drive to the station of the Shanghai-Suzhou express rail. The whole development will include office areas of about one million square feet, a 340,000-square-foot trendy shopping mall and residential spaces of 590,000 square feet. The residential component of Suzhou ICC will provide about 380 luxury lakeview apartments that are expected to be launched in the market during financial year 2019/20.

The 930,000-square-foot Lake Genève on the south bank of the Jinji Lake is famous for its luxury and low-density living style in town. The 500,000-square-foot Phase 1 of the project has been completed and virtually sold out. The 430,000-square-foot Phase 2 will provide 110 prestigious waterfront detached houses and its construction work is progressing smoothly.

The site next to Lake Genève will be developed into the first Four Seasons Hotel in Jiangsu Province. This urban resort hotel will provide over 200 exclusive guestrooms and banquet facilities, featuring contemporary garden style and tranquil lake views. For further information on the hotel, please refer to page 79.

Suzhou ICC, Suzhou

Nanjing IFC, Nanjing

Nanjing IFC
Hexi CBD, Nanjing
(100% owned)

Sitting atop an interchange station of two existing metro lines and overlooking the central park in the Hexi central business district, the 3.4-million-square-foot integrated Nanjing IFC enjoys both convenient transport and verdant views. The magnificent view of the Yangtze River also adds glamour to the project.

Completed in mid 2019, Nanjing One IFC, the first office tower of the project provides premium office space of about 500,000 square feet, with tenants gradually moving in. For its leasing performance, please refer to page 71. Scheduled to be completed in mid 2020, Nanjing Two IFC, the 1.5-million-square-foot second office tower is undergoing interior decoration work. In addition to the two office towers, this integrated development also includes a luxury boutique hotel Andaz Nanjing and a one-million-square-foot-plus upscale shopping mall. Please refer to page 72, and 79 for further information on the office portion, retail portion and hotel of Nanjing IFC respectively.

Park Royale, Guangzhou

Guangzhou & Pearl River Delta

Park Royale
Huadu, Guangzhou
(100% owned)

Enjoying the picturesque scenery of the Hongxiuquan Reservoir, Park Royale is a premium residential development with over eight million square feet of gross floor area in Huadu, Guangzhou that offers a lush, waterfront living environment to residents.

Phase 1 and Phase 2A were virtually sold out and delivered to buyers before 2018, providing a total gross floor area of about three million square feet. Buyers taking possession of these units were impressed by the splendid landscape and outstanding building quality.

Expected to be completed in the first half of 2020, the 1.2-million-square-foot Phase 2B will provide over 1,000 quality residential units in six towers. About 700 units have been launched onto the market in batches since August 2018 with positive sales response. The remaining some 300 units will be offered for sale in financial year 2019/20.

Qingsheng Project
Nansha, Guangzhou
(100% owned)

The nearly 3.3-million-square-foot Qingsheng Project in Nansha will be another major mixed-use project developed by the Group in Guangzhou. Benefitting from the Greater Bay Area Initiative, the project, now under planning stage, will be built into a transit-oriented development, helping turn the local community into a prosperous business hub over the long term with the completion of its quality office and retail space.

Ideally located in the China (Guangdong) Pilot Free Trade Zone, the project is in close proximity to abundant educational and research resources, including the Guangzhou campus of the Hong Kong University of Science and Technology (HKUST) now under planning. It also enjoys seamless connection to the Qingsheng Station, which is an interchange station of the High Speed Rail and an existing metro line to downtown Guangzhou.

Oriental Bund
Chancheng, Foshan
(50% owned)

The 30-million-square-foot Oriental Bund is a quality integrated development located in Foshan. Standing by the Dongping River, the project benefits from a convenient inter- and intra-city transportation network via the adjacent Guangfo metro station.

Phase 1 and Phase 2 offer a total of over 5,000 units with about 6.3 million square feet of residential space, over 95% of which were sold and delivered before August 2019. Covering a total gross floor area of 1.9 million square feet, Phase 3A and 3B will provide nearly 2,900 units and some shops. Units at these phases have also been well received by the market since their launch in batches in 2018. With superstructure work almost finished, these units are expected to be completed in financial year 2020/21.

Oriental Bund, Foshan

Property Development

The Woodland
Zhongshan 5 Road, Zhongshan
(Joint venture)

The Woodland is a signature residential development in the heart of Zhongshan. The project, with a total gross floor area of over five million square feet, is surrounded by cultural, recreational and sports facilities. It also enjoys a strategic location with convenient access to major cities of the Greater Bay Area through the already-completed Guangzhou-Zhuhai Intercity Railway and Hong Kong-Zhuhai-Macao Bridge, as well as the Shenzhen-Zhongshan Bridge now under construction.

Totalling a gross floor area of about four million square feet, the earlier phases of the project were virtually sold out and handed over to buyers by 2017, winning high praise for their premium quality as well as verdant and refreshing living.

Phase 5A of the project will provide over 460 residential units in 710,000 square feet of residential gross floor area overlooking the Zimaling Park and a number of shops. The Group launched the first batch of this phase in mid 2019 with encouraging sales response. Residential towers at this phase have been topped out and are scheduled to be handed over to buyers in the second half of 2020.

Phase 5B contains over 580 units in five residential towers with about 680,000 square feet of gross floor area and some shops. Development plans have been finalized and the construction work will commence soon.

The Woodland, Zhongshan

Grand Waterfront, Dongguan

Grand Waterfront
Shilong, Dongguan
(100% owned)

The 4.5-million-square-foot Grand Waterfront is a large-scale residential development located in Shilong, Dongguan. The project is likely to benefit from the Greater Bay Area Initiative as well as the spillover effect of the science parks currently under development in Dongguan and Shenzhen. Being developed in phases, the development not only offers wide river views of Dongjiang, but also boasts verdant scenery with an 800-metre-long green belt promenade.

Phase 1 of the project, spanning over one million square feet of gross floor area, was virtually sold out and delivered to buyers by 2016. The 840,000-square-foot Phase 2 has received favourable sales response since its launch in batches in the first half of 2017. The sweeping river view and the stylish design won high acclaim from buyers as they started to take possession of their units in August 2018. Phase 3 will provide about 1.2 million square feet of gross floor area in six residential towers. Its construction work commenced in July 2019.

Other Cities

Jovo Town
Tianfu New Area, Chengdu
(91% owned)

Located in Tianfu New Area, a state-level new area, Jovo Town is a 6.8-million-square-foot residential development providing more than 4,000 quality residential units with some overlooking the ocean park nearby. The project is surrounded by a high-tech zone, as well as resourceful facilities such as an exhibition-and-convention centre. It also enjoys a convenient transport network with close proximity to an interchange station for two existing metro lines and a light rail station under construction.

The first two phases of the project were virtually sold out and handed over to buyers before 2017, providing 4.5 million square feet of gross floor area. They set a new benchmark for modern living in the area with the convenient transport network and mature supporting facilities. Comprising a gross floor area of over 1.3 million square feet, Phase 3A will provide some 900 units in eight residential towers. Superstructure work of the phase is progressing smoothly.

Jovo Town, Chengdu

Chengdu ICC, Chengdu

Chengdu ICC
Jinjiang, Chengdu
(40% owned)

Situated in Jinjiang District, a planned business hub of Chengdu, the 14-million-square-foot Chengdu ICC is a large-scale integrated development sitting atop an interchange station of two metro lines. The project commands a convenient location with close proximity to the Chengdu East Railway Station, the city's main hub of inter-city trains and High Speed Rail, as well as exceptional natural scenery of the adjacent Tazishan Park and Shahe River.

Comprising over seven million square feet of quality residences, about four million square feet of prime office space, close to two million square feet of retail space and a five-star hotel, the project is expected to become a prominent one-stop destination for both work and life.

Phase 1 and Phase 2A of the project, providing a combined gross floor area of about 2.3 million square feet, were virtually sold out and handed over to buyers before mid 2018. Enjoying both a quiet neighbourhood and a riveting city life, the project has provided a multi-dimensional lifestyle and vibrant atmosphere to homebuyers.

The one-million-square-foot Phase 2B, namely The Arch Suites, will provide over 1,100 residential units in twin towers of approximately 150 metres tall, the superstructure of which has already been completed. Phase 2C contains a trendy retail street of 230,000 square feet, together with some 1.2 million square feet of a premium shopping mall under construction in Phase 3, which will offer customers an exclusive one-stop shopping experience. For further information on the shopping mall, please refer to page 73.

Property Development

Major Projects Under Development on the Mainland by Year of Completion

Project	Project Name	City
Scheduled Completion in FY2019/20		
Pu Ming Road Project Phases 2A & 2B	Shanghai Arch	Shanghai
Suzhou Project Phases 2A & 2B	Lake Genève	Suzhou
Hexi CBD Project Phase 1B	Nanjing IFC	Nanjing
Shiling Project Phase 2B	Park Royale	Guangzhou
Year Total:		
Scheduled Completion in FY2020/21		
Minhang Project Phase 1	TODTOWN	Shanghai
Suzhou Project Phases 2C & 3A	Lake Genève/Four Seasons Hotel Suzhou	Suzhou
Hexi CBD Project Phases 2A & 2B	Nanjing IFC	Nanjing
Chancheng Project Phases 3A & 3B	Oriental Bund	Foshan
Zhongshan 5 Road Project Phase 5A	The Woodland	Zhongshan
Dongda Avenue Project Phases 2B, 2C & 3	Chengdu ICC	Chengdu
Year Total:		
Scheduled Completion in FY2021/22		
Xujiahui Centre Project Phase 3A	ITC	Shanghai
Chancheng Project Phases 4A & 4B	Oriental Bund	Foshan
Dongda Avenue Project Phase 4A	Chengdu ICC	Chengdu
Shuangliu County Project Phase 3A	Jovo Town	Chengdu
Year Total:		
Major Projects Scheduled for Completion in FY2022/23 or Beyond		
Pu Ming Road Project remaining phases	Shanghai Arch	Shanghai
Minhang Project remaining phases	TODTOWN	Shanghai
Xujiahui Centre Project remaining phases	ITC	Shanghai
Taihu New City Project remaining phases	Taihu International Community	Wuxi
Suzhou Project remaining phases		Suzhou
Hangzhou Jianghehui Project(2)		Hangzhou
Shiling Project remaining phases	Park Royale	Guangzhou
Dragon Lake Project remaining phases	Lake Dragon	Guangzhou
Nansha Qingsheng Project(2)		Guangzhou
Chancheng Project remaining phases	Oriental Bund	Foshan
Zhongshan 5 Road Project remaining phases	The Woodland	Zhongshan
Shilong Project remaining phases	Grand Waterfront	Dongguan
Shuangliu County Project remaining phases	Jovo Town	Chengdu
Dongda Avenue Project remaining phases	Chengdu ICC	Chengdu
Total for Major Projects to be Completed in FY2022/23 or Beyond:		

(1) Information up to late August 2019; Gross floor area including basement retail area; Residential area including serviced apartments
(2) Gross floor area distribution may change as the development plan has yet to be finalized
(3) The Group has a 45% and 50% interest in the eastern and western sites respectively

	Attributable Gross Floor Area (square feet)[1]				
Group's Interest (%)	**Residential**	**Shopping Centre/Shops**	**Office**	**Hotel**	**Total**
100	654,000	–	–	–	654,000
90	246,000	–	–	–	246,000
100	–	–	1,495,000	–	1,495,000
100	1,223,000	–	–	–	1,223,000
	2,123,000	**–**	**1,495,000**	**–**	**3,618,000**
35	214,000	–	–	–	214,000
90	145,000	–	–	291,000	436,000
100	–	1,083,000	–	344,000	1,427,000
50	929,000	8,000	–	–	937,000
JV	714,000	59,000	–	–	773,000
40	395,000	549,000	–	–	944,000
	2,397,000	**1,699,000**	**–**	**635,000**	**4,731,000**
100	–	–	1,162,000	–	1,162,000
50	1,036,000	13,000	–	–	1,049,000
40	–	–	518,000	–	518,000
91	1,242,000	–	–	–	1,242,000
	2,278,000	**13,000**	**1,680,000**	**–**	**3,971,000**
100	467,000	18,000	–	–	485,000
35	445,000	502,000	189,000	75,000	1,211,000
100	–	2,754,000	2,522,000	269,000	5,545,000
40	–	–	162,000	143,000	305,000
90	530,000	308,000	917,000	200,000	1,955,000
JV[3]	736,000	1,069,000	2,480,000	199,000	4,484,000
100	4,491,000	75,000	–	–	4,566,000
60	2,500,000	–	–	–	2,500,000
100	–	861,000	2,401,000	–	3,262,000
50	6,765,000	1,399,000	1,454,000	109,000	9,727,000
JV	727,000	92,000	–	–	819,000
100	2,645,000	88,000	–	–	2,733,000
91	844,000	80,000	–	–	924,000
40	1,692,000	169,000	1,134,000	165,000	3,160,000
	21,842,000	**7,415,000**	**11,259,000**	**1,160,000**	**41,676,000**

Property Development

Major Mainland Projects[1]

● Residential ● Shopping Centre/Shops
● Office ● Hotel

City		Project Name	Usage
Major Completed Properties			
Beijing	1	Beijing APM / Sun Dong An Office Tower	Shopping Centre/Shops, Office
	2	New Town Plaza	Shopping Centre/Shops
SHANGHAI & YANGTZE RIVER DELTA			
Shanghai	3	Arcadia	Residential, Shopping Centre/Shops
	4	Shanghai IFC / Shanghai IFC Mall / The Ritz-Carlton Shanghai, Pudong / IFC Residence	Shopping Centre/Shops, Office, Hotel
	5	Shanghai ICC / IAPM	Shopping Centre/Shops, Office
	6	Shanghai Central Plaza	Shopping Centre/Shops, Office
	7	One ITC / Two ITC	Shopping Centre/Shops, Office
Nanjing	8	Nanjing One IFC	Office
Hangzhou	9	Hangzhou MIXC / Park Hyatt Hangzhou	Shopping Centre/Shops, Office, Hotel
Wuxi	10	Wuxi MIXC	Shopping Centre/Shops
GUANGZHOU & PEARL RIVER DELTA			
Guangzhou	11	Parc Central	Shopping Centre/Shops
	12	IGC / Conrad Guangzhou	Shopping Centre/Shops, Hotel
Foshan	13	Nanhai Plaza	Shopping Centre/Shops
City		**Project Name**	**Usage**
Major Properties Under Development			
SHANGHAI & YANGTZE RIVER DELTA			
Shanghai	14	Shanghai Arch	Residential, Shopping Centre/Shops
	15	TODTOWN	Residential, Shopping Centre/Shops, Office, Hotel
	16	ITC	Shopping Centre/Shops, Office, Hotel
Suzhou	17	Suzhou Project	Residential, Shopping Centre/Shops, Office, Hotel
Wuxi	18	Taihu International Community	Office, Hotel
Nanjing	19	Nanjing IFC	Shopping Centre/Shops, Office, Hotel
Hangzhou	20	Jianghehui Project	Residential, Shopping Centre/Shops, Office, Hotel
GUANGZHOU & PEARL RIVER DELTA			
Guangzhou	21	Park Royale	Residential, Shopping Centre/Shops
	22	Lake Dragon	Residential
	23	Nansha Qingsheng Project	Shopping Centre/Shops, Office
Foshan	24	Oriental Bund	Residential, Shopping Centre/Shops, Office, Hotel
Dongguan	25	Grand Waterfront	Residential, Shopping Centre/Shops
Zhongshan	26	The Woodland	Residential, Shopping Centre/Shops
OTHER CITIES			
Chengdu	27	Jovo Town	Residential, Shopping Centre/Shops
	28	Chengdu ICC	Residential, Shopping Centre/Shops, Office, Hotel

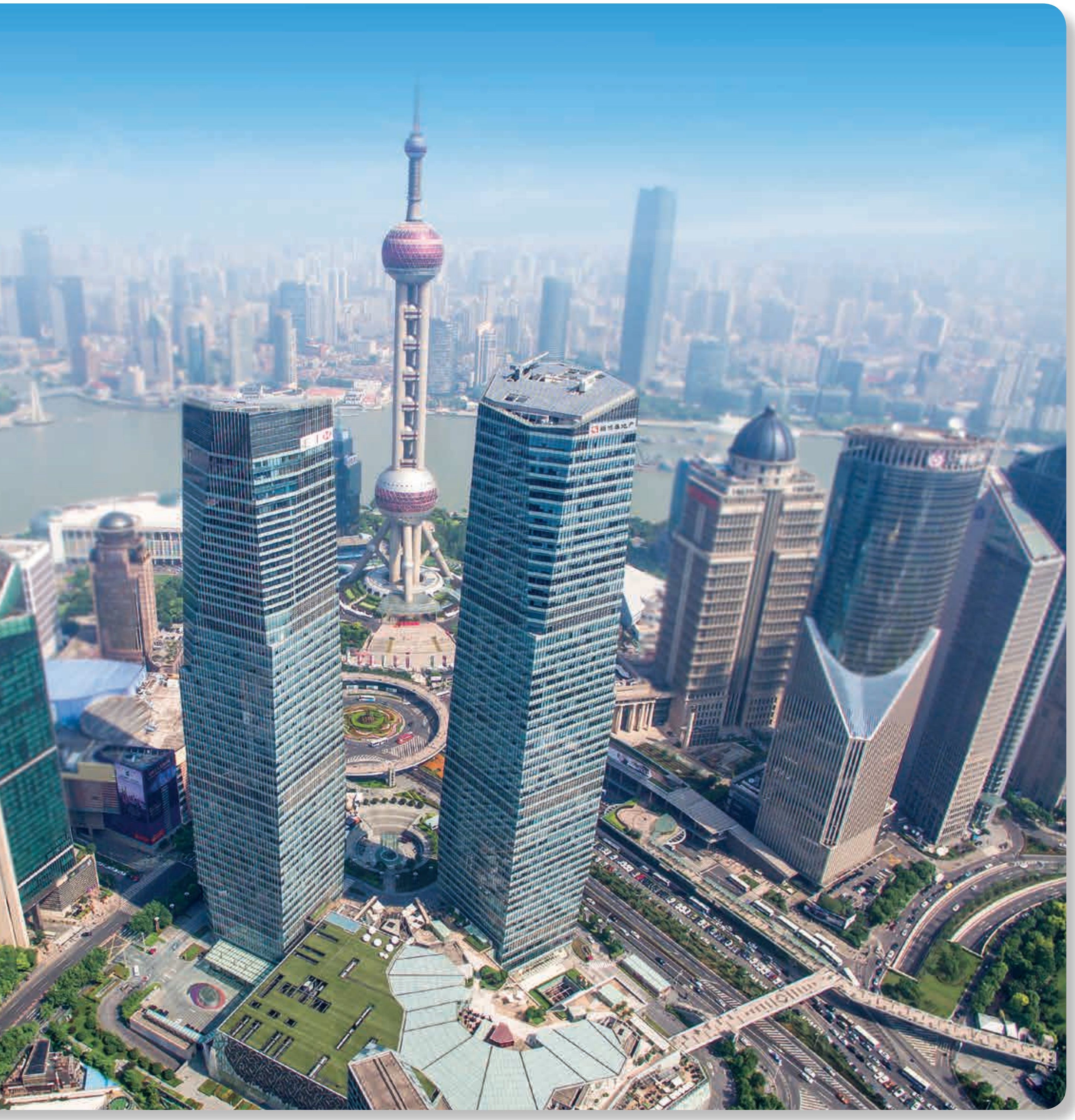
(1) *Information up to late August 2019*


Beijing
1
2
Nanjing
19
8
Wuxi
10
18
17
Suzhou
Shanghai
9
20
Hangzhou
Chengdu
28
27
Guangzhou &
Pearl River Delta
Inner Ring Road
Shanghai
4
6
5
14
3
16
7
Huangpu River
15
21
22
11
Guangzhou
25
13
12
24
Foshan
Dongguan
23
Zhongshan
26
Shenzhen
Hong Kong

Mainland Property Business

Property Investment

Shanghai IFC, Shanghai



Property Investment

Shanghai IFC Mall, Shanghai

The Group continued to build up its property investment portfolio on the mainland with most of its signature integrated projects located in first-tier cities like Shanghai, Beijing and Guangzhou. Rental income grew healthily during the year, with gross rental income rising 10% to RMB4,069 million and net rental income up by 11% to RMB3,266 million, including contributions from joint-venture developments. The increases were mainly due to higher rents for new leases and renewals, and contributions from new developments.

IAPM, Shanghai

Completed Properties

Shopping Centres

Leveraging its extensive experience in developing and managing premium shopping malls in Hong Kong, the Group has successfully built a quality retail network of over seven million square feet in prime cities on the mainland. During the year, the Group's proactive approach in managing its malls has led to respectable performance in both rental income and occupancies.

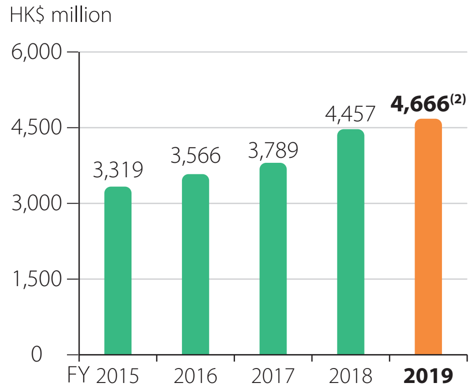
The Group's presence in Shanghai has been further strengthened with the completion of the first two phases of the 7.6-million-square-foot ITC in the heart of Xujiahui. For details of the development mix of ITC, please refer to page 56. These two phases provide a combined retail space of 380,000 square feet. The grand luxury mall at One ITC will cover a gross floor area of about 340,000 square feet across five levels. Targeting millennials, the mall will offer trendy international-brand flagship stores, all-day dining with a variety of cuisines, specialty outdoor dining, entertainment facilities and outdoor green space for leisure. Pre-leasing commitment has been strong with virtually full occupancy. Some of the tenants are newcomers to Shanghai. With its extensive transport network, the mall is expected to draw heavy traffic when it opens in the fourth quarter this year. Please refer to page 70 and page 71 for more details of One ITC and Two ITC offices as well as the remaining phase of ITC respectively.

Shanghai IFC Mall in the Shanghai IFC complex in Little Lujiazui fills its 1.2 million square feet with one of the most comprehensive collections of top-tier luxury flagships and fine-dining restaurants in Shanghai, making it a high-end luxury shopping destination in the city. The almost fully let mall recorded encouraging growth in both footfall and tenant sales following the completion of the renovation on the ground level of the mall. Additional international cosmetics boutiques and new luxury brand duplexes have been opened in the mall to further appeal to high-spending shoppers. Please refer to page 71 for more details of offices at Shanghai IFC.

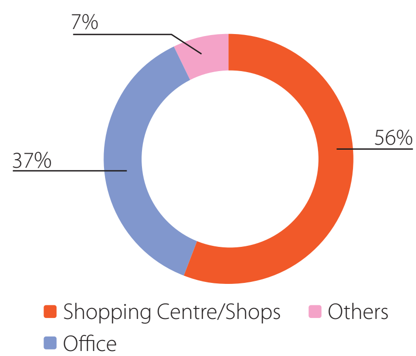
In the traditional commercial district of Puxi, the 1.3-million-square-foot IAPM shopping mall, part of the Shanghai ICC integrated development, is another of the Group's flagship malls in the city. The mall located above an interchange station of three metro lines has further enriched its brand mix with more top-notch and trendy brands, including a few uniquely designed pop-up stores for luxury retailers. IAPM also deploys multiple technologies to bolster promotional campaigns that offer appealing and interactive experiences to customers. Retail sales growth and positive rental reversions with high occupancy were recorded during the year. Please refer to page 71 for more details of offices at Shanghai ICC.

The 225,000-square-foot New Town Plaza near South Second Ring Road in Beijing was recently opened in July 2019 to give a fresh impetus to the neighbourhood. The reconfigured mall has been fully leased with over 100 trendy international brands and a diverse choice of cuisine to attract family shoppers, some of whom are newcomers to the neighbourhood. Footfall has increased steadily since its opening. Located in the prime Wangfujing shopping area and focusing on serving young locals, Beijing APM mall registered satisfactory performance in both occupancy and rental reversions during the year. New top-tier cosmetic brands and digital promotions were introduced to further upgrade the mall's brand variety and attractiveness. These two malls will share an integrated loyalty programme, offering a smart and convenient shopping environment for customers. Please refer to page 71 for more details of the Sun Dong An office tower atop Beijing APM.

Gross Rental Income on the Mainland[1]



Gross Rental Income on the Mainland by Sector[1]



(1) *Including contributions from associates and joint ventures*
(2) *Gross rental income in terms of RMB amounted to RMB4,069 million*

Beijing APM, Beijing

Property Investment

New Town Plaza, Beijing

The two joint-venture malls in Guangzhou performed well during the year, achieving the latest overall occupancies of over 90%. The 900,000-square-foot Parc Central in the core of Tianhe commercial district has ample outdoor green space, resembling an urban oasis. The mall houses various renowned retailers, including some of the first global flagship stores, as well as a number of retailers and food-and-beverage outlets that have attracted frequent check-in on social media. Spanning some one million square feet, IGC is a trendy, one-stop shopping centre in Tianhui Plaza in Zhujiang New Town, with a direct connection to Liede metro station. The shopping and leisure destination is popular with high-spending consumers, with a number of trendy labels making their first appearance in southern China. The shopping complex also boasts a riverside, sky duplex for dining, with an unrivalled view of the Zhujiang River on its top floor.

Offices

The Group's premium offices of around five million square feet on the mainland continued to perform well during the year with positive rental reversions. The portfolio remained an attraction to multinationals and mainland companies seeking business addresses with quality specifications, attentive service and good connectivity. In addition, this expanding office portfolio offers flexibility in meeting the relocation and expansion needs of the Group's existing tenants.

The offices at One ITC on Huashan Road and the newly completed Two ITC on Gongcheng Road, being part of the ITC mega integrated development in Shanghai, achieved an average occupancy of over 90%. The outstanding quality of the 170,000-square-foot office towers at One ITC has attracted quality tenants, including notable multinational corporations, one of which is a reputed hospitality company. The 320,000-square-foot premium offices at Two ITC have all been leased by a renowned sports brand, Adidas, serving as its regional headquarters. The tenant relocated from Shanghai ICC for business expansion during the first quarter of 2019. Please refer to page 68 and 71 for more details of the retail space at the first two phases and the remaining phase of ITC respectively.

Parc Central, Guangzhou

Leasing at the newly completed 500,000-square-foot Nanjing One IFC, the first office tower of Nanjing IFC integrated development, has been progressing satisfactorily, with the first batch of tenants moving in during the past few months. Major tenants include a US co-working space operator, a renowned bank, and leading multinationals ranging from logistics to oil and gas industries. With its prime location and high-quality property management services, Nanjing IFC is expected to become a premium office address in the city, comparable to the Shanghai IFC complex. Please refer to page 58 for details of its development mix and page 72 for its remaining phases.

The Group's well-established premium developments on the mainland also registered satisfactory performance during the year. Shanghai IFC in the core of the city's Lujiazui Finance and Trade Zone encompasses twin premium grade-A office towers plus the Shanghai IFC Mall, IFC Residence serviced apartments and The Ritz-Carlton Shanghai, Pudong. The Group's attributable office space achieved an average occupancy of over 95% with impressive rents. Synergizing with the development's retail and hotel portions, the two state-of-the-art office towers have continued to draw many reputable financial institutions, banks and professional firms as tenants who benefit from comprehensive shopping and leisure amenities. Please refer to page 69 for more details of Shanghai IFC Mall.

Shanghai ICC, Shanghai

One ITC, Shanghai

Another large-scale integrated project in the Group's Shanghai property investment portfolio is Shanghai ICC at the heart of Puxi. This comprises two premium office towers, One ICC and Two ICC, and the IAPM mall. Totalling around 1.3 million square feet, the two grade-A office towers are home to renowned multinationals of different industries and domestic corporations. The overall occupancy has been temporarily affected as one of its major tenants has relocated to Two ITC for business expansion. The Group has been actively negotiating with potential tenants for leases. Please refer to page 69 for more details of Shanghai IAPM.

The occupancy of Sun Dong An Office Tower in Beijing's prime commercial district remained satisfactory during the year. Detailed design plans for the renovation are nearing the final stage. Please refer to page 69 for more details of Beijing APM.

Properties under Development

The Group is developing a number of integrated projects located in prime areas of major mainland cities. Upon completion of these projects, the Group's property investment portfolio is expected to grow further, serving as growth drivers for the Group's rental income on the mainland.

ITC, the Group's mega integrated project in the core of the Xujiahui commercial hub, Shanghai, is a shining star among the Group's developments and has been drawing much attention, thanks to its outstanding design, sizeable development scale, prime location and convenient transportation network. The construction work at the final phase on Hongqiao Road and Guang Yuan Xi Road is progressing well. This will also be the

Property Investment

Major Completed Property Investment on the Mainland

Project	Location	Lease Expiry	Group's Interest (%)
Beijing			
Beijing APM / Sun Dong An Office Tower	138 Wangfujing Dajie	2043	JV
New Town Plaza	Building 18, Fangguyuan Zone 1, Fangzhuang	2033	100
Shanghai & Yangtze River Delta			
Shanghai IFC / Shanghai IFC Mall / The Ritz-Carlton Shanghai, Pudong / IFC Residence	8 Century Avenue, Lujiazui, Shanghai	2054	100
Shanghai ICC / IAPM	999 Middle Huaihai Road, Shanghai	2056	100
One ITC	1901 Huashan Road, Shanghai	2054	100
Two ITC	160 Gongcheng Road, Shanghai	2054/2064	100
Shanghai Central Plaza	381 Middle Huaihai Road, Shanghai	2044	80
Arcadia	88 Guang Yuan Xi Road, Shanghai	2064	100
Nanjing One IFC	347 Jiangdong Middle Road, Nanjing	2048	100
Hangzhou MIXC / Park Hyatt Hangzhou	Qianjiang New City, Hangzhou	2046	40
Wuxi MIXC	Taihu New City, Wuxi	2045	40
Guangzhou & Pearl River Delta			
Parc Central	218 Tianhe Road, Guangzhou	2050	50
IGC / Conrad Guangzhou	222 Xingmin Road, Guangzhou	2051	33.3
Nanhai Plaza	Nanhai Avenue, Foshan	2045	100

largest phase of the development, which will include a 2.5-million-square-foot mall, a luxury hotel and grade-A office towers of 3.7 million square feet, including a 370-metre skyscraper which is likely to become the tallest building in Puxi. The upmarket mall with direct access to Xujiahui metro station, which is the interchange of three lines and two planned metro lines, will boast an array of renowned retailers and al fresco restaurants as well as indoor and outdoor entertainment facilities, bringing a refreshing difference to the retail landscape in the area. Upon its full completion by late 2023, Shanghai ITC is expected to become one of the most sought-after landmarks in Puxi, fuelling business activities nearby and further strengthening Xujiahui as one of the core business districts in the city. Please refer to page 68 and 70 for more details of the retail and office portion of the first two phases at ITC respectively.

Other integrated projects under development include Nanjing IFC in the Hexi central business district in Nanjing. Nanjing Two IFC, now under construction, comprises about 1.5 million square feet of office space. Its pre-leasing activities have started with positive response from potential tenants, ranging from local enterprises to noted multinationals. The tower has been topped out with completion set for 2020. Echoing the success of the Shanghai IFC Mall, the luxury Nanjing IFC mall will create a brand new one-stop shopping, entertainment and leisure destination in Nanjing featuring a wide assortment of top-notch international brands as well as newcomers to Nanjing. The podium roof will contain various landscaped zones for appealing promotional events and al fresco dining, bringing new enjoyments to the thriving business district. Upon its full completion, Nanjing IFC is poised to be a landmark integrated development in the city. Please refer to page 71 for more details of Nanjing One IFC office tower.

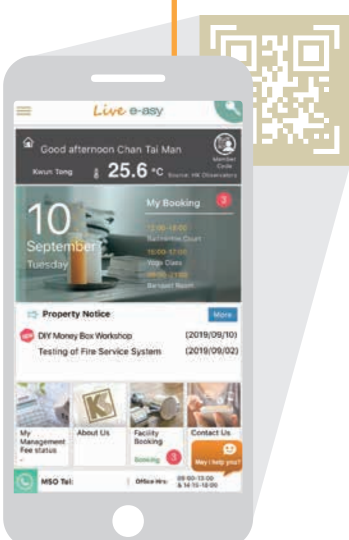
Attributable Gross Floor Area (square feet)				
Residential	Shopping Centre/Shops	Office	Hotel	Total
–	1,036,000	458,000	–	1,494,000
–	225,000	–	–	225,000
–	1,220,000	1,572,000	940,000	3,732,000
–	1,307,000	1,296,000	–	2,603,000
–	338,000	170,000	–	508,000
–	43,000	321,000	–	364,000
–	106,000	366,000	–	472,000
304,000	27,000	–	–	331,000
–	–	504,000	–	504,000
–	744,000	205,000	176,000	1,125,000
–	631,000	–	–	631,000
–	431,000	–	–	431,000
–	332,000	–	149,000	481,000
–	640,000	–	–	640,000

The Group also has a 40% interest in the integrated project Chengdu ICC which is located at the planned new financial district in the city. For details of the development mix of Chengdu ICC, please refer to page 61. Construction of the 1.2-million-square-foot mall is currently under way and preliminary marketing has started with positive responses from popular brands and restaurants. Well-served by an extensive transport network and populous residential establishments in the neighbourhood, the premium mall is poised to become a one-stop shopping destination for executives and local families when it opens in the first half of 2021.

The Qingsheng project in Nansha is another of the Group's strategic investment in the Greater Bay Area. Located near the Qingsheng Station in the Nansha Free Trade Zone in Nansha, which is the only sub-centre of Guangzhou, the two commercial sites, comprising a combined gross floor area of about 3.3 million square feet, will be developed into quality office and retail space in phases. The project is currently under its planning stage. The integrated development will enjoy direct access to the High Speed Rail and metro station, providing easy access to Hong Kong and other parts of the mainland. Given the Group's proven track record in developing major integrated developments in both Hong Kong and the mainland, the Qingsheng integrated complex in Nansha is destined to become another landmark development of the Group's property investment portfolio in the long term.

Qingsheng Project, Nansha, Guangzhou

Property Related Businesses



ALVA Hotel by Royal, Hong Kong

Professional, caring property management services

Property Related Businesses

The Ritz-Carlton, Hong Kong

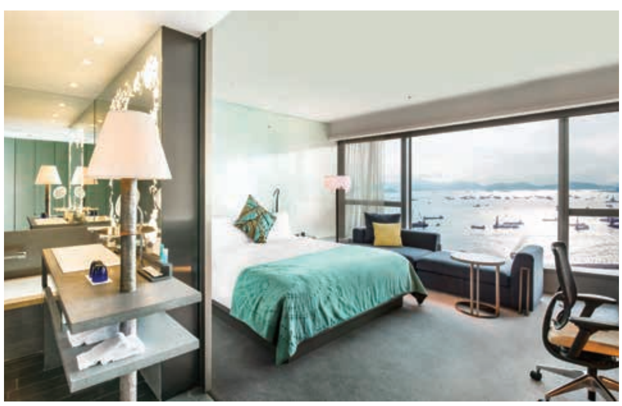
Hotels

While Hong Kong's hotel sector saw a rising number of overnight visitors during the year, the operating environment has been deteriorating sharply in recent months. During the year, the Group further broadened the customer base of its hotels by strengthening its marketing initiatives and pledged to maintain its quality hospitality service. Despite keen competition, the year saw the Group's hotels in Hong Kong achieve an average overall occupancy of about 90% while average room rates remained relatively steady.

The Ritz-Carlton, Hong Kong affords customers unrivalled views of the city with its prestigious location, sitting atop Airport Express Kowloon Station and next to the already opened West Kowloon Station of High Speed Rail. While the average room rate of the hotel saw an increase and occupancy remained high during the year, its performance is expected to be affected by the deteriorating environment lately. The hotel has maintained its position as one of the top venues for gourmet dining with its Chinese restaurant Tin Lung Heen and Italian restaurant Tosca obtaining their Michelin star ratings for their fine cuisine.

Continuing to strengthen its position as a top destination for hip, modern and chic hospitality style, W Hong Kong hotel is unleashing a slew of extraordinary surprises, from an awesome room package with brand crossovers to thrilling new takes on tradition. The hotel's themed events of the year bolstered its distinctive positioning as the go-to place for the young, fun and tony. During the year, the hotel's revenue per available room remained relatively stable.

Four Seasons Hotel Hong Kong remained a leader in revenue per available room among luxury hotels in the city. However, there has been mounting pressure on room rates since the second quarter of 2019 because of worsening global economic conditions and recent social incidents. The hotel, its spa and two of its restaurants are once again the recipients of a quadruple Forbes Five Star rating, placing it among the world's most elite hotels to be recognized with this distinction. In addition to three Michelin stars awarded to its Chinese restaurant Lung King Heen and French restaurant Caprice, the hotel's Japanese eatery Sushi Saito was also awarded two Michelin stars within less than a year of its operation.



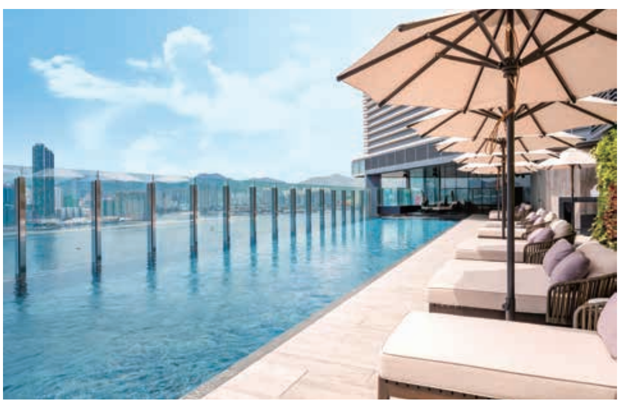
W Hong Kong

Four Seasons Hotel Hong Kong

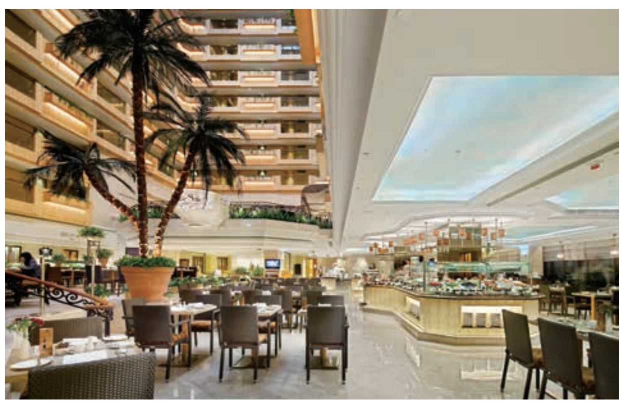
Consisting of 665 guestrooms and suites with magnificent harbour views, Hotel VIC on North Point waterfront in Hong Kong has been operating smoothly during the year. The hotel was recently rebranded as Hyatt Centric Victoria Harbour Hong Kong and continued to be positioned as a top hotel on Island East, lending prestige hospitality and offering synergies to the Group's luxury residential development within the same complex, Victoria Harbour, as well as the premium shopping mall, Harbour North. Following the rebranding, the hotel will serve a wider customer base while its catering offerings will be further elevated.

The reporting year saw the four Royal brand hotels achieving an overall occupancy of over 95% and solid increases in average room rates. During the year, The Royal Garden performed well, riding on its strong reputation as one of the high-end hotels in Hong Kong that houses some of the most famous restaurants in town, including Dong Lai Shun, Sabatini Ristorante Italiano and Shikigiku Japanese Restaurants. The hotel earned the *Forbes Travel Guide* Recommended Award for the second consecutive year.

Capitalizing on rising demand from family travellers, Royal Plaza Hotel with a guest-centric approach has made a new room type available to guests, Plaza Premier Family Plus, which provides a spacious, comfortable and family-friendly environment. During the year, the hotel registered an increase in average room rates and room revenue. In addition, a variety of awards were received, including the Customer Excellence Award 2018 from British Airways Holidays, which recognized the hotel's superior hospitality services.



Hyatt Centric Victoria Harbour Hong Kong (former Hotel VIC)



The Royal Garden, Hong Kong

Property Related Businesses

Royal Plaza Hotel, Hong Kong

Royal Park Hotel, Hong Kong

Royal Park Hotel continued to exhibit steady business performance during the year. Officially designated for the Boccia International Sports Federation in May this year, the hotel provides cozy and convenient accommodation to elite athletes. The newly furnished hotel banquet venue 'Park Galleria' offers guests a magnificent and elegant ambience with comprehensive facilities and catering.

Royal View Hotel achieved satisfactory performance during the year. Overlooking Tsing Ma Bridge, the hotel offers a variety of room types with warm and comfortable designs to meet increased demands from long-stay guests. Recognized by clients for its home-feel experience, the hotel also offers an array of special family-themed rooms, providing guests with an extraordinary parent-child ambience.

Situated atop MTR Tseung Kwan O Station, the Group's two hotels, Crowne Plaza Hong Kong Kowloon East and Holiday Inn Express Hong Kong Kowloon East, complement each other in tapping the demand in corporate, MICE and sports markets with its proximity to sporting events venues. The two hotels have secured hospitality contracts for several major events and recorded modest increases in revenue per available room as well as in gross revenue during the year. The magnificent wedding garden and the 25,000-square-foot pillar-free grand ballroom at The Crowne Plaza is one of the best hotel wedding banquet destinations in town.

The Ritz-Carlton Shanghai, Pudong maintained its leading position in luxury accommodation and buttressed its reputation as a highly sought-after dining destination in the city. Despite the opening of a number of new luxury hotels, The Ritz-Carlton Shanghai, Pudong recorded steady performance during the year. As a testament to the hotel's efforts in offering first-rate service and amenities, the hotel and its spa gained a *Forbes Travel Guide* five-star rating while the Chinese restaurant Jin Xuan earned a four-star rating in 2019. The Group's two joint-venture hotels on the mainland, Park Hyatt Hangzhou and Conrad Guangzhou, were operating smoothly and continued to grow in revenue during the year.

Royal View Hotel, Hong Kong

Crowne Plaza Hong Kong Kowloon East

ALVA Hotel by Royal, Hong Kong

Holiday Inn Express Hong Kong Kowloon East

In addition, several of the Group's hotels are scheduled to be opened in the next few years. On the Hong Kong front, ALVA Hotel by Royal, a fresh, smart and dynamic brand in Sha Tin, is scheduled to open in late 2019. As part of the Royal Hotel collection, the hotel will offer a discovery and well-being hospitality concept with about 620 guestrooms and a wide range of facilities. Apart from offering diverse dining options and a revitalizing accommodation experience, the hotel will offer travellers an opportunity to explore Hong Kong's cultural richness. Being a part of the Citygate extension, a new five-star hotel next to MTR Tung Chung Station, The Silveri Hong Kong – MGallery, is planned to open in late 2019. Fitting-out work for the hotel, which comprises some 200 rooms and suites, is in progress. The Group has a 20% interest in the development. Apart from this, the Group acquired a prime hotel site along West Kowloon waterfront in late 2017. The foundation stage of the development is close to completion.

On the mainland, Four Seasons Hotel Suzhou at the southern shore of Jinji Lake, with 210 guestrooms, suites and villas, is poised upon its completion to become a luxury lakeside urban oasis for tourists from around the world as well as business travellers. Fitting-out work is progressing as planned and the hotel is slated for opening in 2021. Andaz Nanjing, a premium boutique hotel at Nanjing IFC complex in Hexi CBD, Nanjing, will offer its signature hospitality experience and attentive service with about 360 guestrooms. The hotel is scheduled to open in 2021. The Group is also developing premium hotels within integrated developments in several major cities to strengthen the synergies with other components within the same complexes.

The Ritz-Carlton Shanghai, Pudong, Shanghai

Property Related Businesses

Attentive day-to-day care for residents

Property Management

To foster an ideal living, shopping and working environment, the Group has firmly adhered to a people-oriented approach, offering professional, caring property management services for customers of its premium developments over the years. Through its subsidiaries – Hong Yip Service Company Limited and Kai Shing Management Services Limited, the Group has spared no effort in enhancing management service quality that meets the diverse needs of customers while raising overall management efficiency. During the year, both subsidiaries made great strides in the areas of smart living, facility management, environmental protection and staff development.

As at 30 June 2019, the total residential and non-residential floor area under the management of Kai Shing and Hong Yip in Hong Kong and on the mainland reached over 260 million square feet. New properties under their stewardships during the year included Victoria Harbour Phase I, Victoria Harbour Residence, Harbour North, The Kennedy on Belcher's, Eight Regency, Lime Gala, Babington Hill, PARK YOHO Milano and Life@KCC in Hong Kong, along with Two ITC in Shanghai.

Inheriting the Group's spirit for continuous improvement, Hong Yip and Kai Shing have constantly developed innovative ideas to cater for the ever-changing lifestyles of their residents. Blending technology with a touch of thoughtfulness, both companies enable residents at newly completed properties to access video-based usage demonstration of home appliances by simply scanning the appliances with mobile phones, making their lives easier and safer. Serviced apartments also feature an intelligent home system, offering residents the modern convenience to remotely control air-conditioning, lighting and TV, both at home or when away. To provide an ultimate smart living experience, Kai Shing and Hong Yip consistently upgrade their self-developed mobile apps with user-friendly features, including food ordering and deliveries from clubhouses as well as a range of property management and facility booking services.

In parallel, Hong Yip and Kai Shing continued to enhance their property and facility management services at commercial developments to elevate operational efficiency and customer satisfaction. Kai Shing launched a tailor-made integrated mobile app for office buildings in Hong Kong, allowing tenants to use interactive self-service whenever and wherever in need, such as visitor registrations, as well as booking and payment for events. Separately, Hong Yip regularly carries out improvement works at properties completed in earlier years to ensure a safe and comfortable environment for occupants, including the enhancement of building facilities, fire safety and security measures. Exemplifying their remarkable facility management and service excellence, Hong Yip was recognized at the Hong Kong Management Association's 2018 HKMA Quality Awards with the top Grand Award, while Kai Shing won two Grand Awards at the Excellence in Facility Management Awards 2018, organized by the Hong Kong Institute of Facility Management.

Championing the Group's cause of environmental conservation, Kai Shing and Hong Yip practise green property management while actively promoting eco-friendly awareness among stakeholders. In enhancing energy efficiency and overall environmental performance, operational optimization of energy consuming systems has been applied in existing buildings while a number of projects have adopted solar energy photovoltaic panels to embrace renewable energy options.

Brainstorming workshops to ignite team creativity

Clubhouses provide food ordering and delivery services

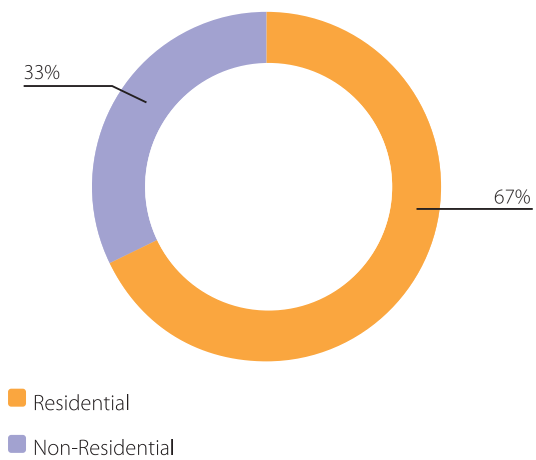
In addition, the two companies strive to create a green environment for both commercial and residential communities through a wide range of initiatives. Shopping malls have been installed with reverse vending machines to encourage plastic bottle recycling, while e-directories and tablets are available at customer service counters to reduce paper use. An array of waste reduction and environmental education programmes are also regularly held, including household food waste reduction, energy and waste inspections, and recycling schemes for umbrella bags.

A number of properties managed by Hong Yip and Kai Shing were acclaimed at the 2018 Hong Kong Awards for Environmental Excellence, organized by the Environmental Campaign Committee along with the Environmental Protection Department and major chambers of commerce. This serves as the latest industry recognition toward the Group's green management efforts and promotion of low-carbon living. The two subsidiaries together also earned close to 30 honours at the 2018 Best Landscape Award for Private Property Development, organized by the Leisure and Cultural Services Department. Among the awards, residential projects Grand YOHO, Peak One and Shouson Peak achieved top gold in the Large-Scale, Medium-Scale and Small-Scale Domestic Property categories respectively, demonstrating their exceptional landscape design and horticultural maintenance.

Kai Shing and Hong Yip place great emphasis on staff development to promote and pass on their spirit of service excellence. Kai Shing established the Service Excellence Academy this year to provide well-structured training to nurture service experts. To further facilitate knowledge transfer among colleagues, Hong Yip has designed a new feature in its mobile app 'WeCom' to empower knowledge exchange anytime, anywhere, including video demonstrations. Adopting a bottom-up approach, the two companies foster an open-minded, creative culture while encouraging staff to put forward innovative proposals to drive the company's continuous improvement through award schemes and brainstorming camps. During the year, the two subsidiaries were recognized again for their unswerving commitment to talent cultivation and employee care, with Kai Shing being presented with the Employer of Choice Award and Appreciation Culture Award by JobMarket, and Hong Yip receiving their ninth consecutive ERB Excellence Award for Employers from the Employees Retraining Board.

Reverse vending machines at shopping malls for plastic bottle recycling

Floor Area Management by Hong Yip and Kai Shing by Usage



Property Related Businesses

Work progress inspection at construction sites using drones

Construction

The Group's construction division plays an active role in the delivery of quality properties to its customers and in the maintenance of the Group's brand image and customer loyalty. In addition to sharpening attention to details and improving work procedures, extra teams are deployed to conduct final checks and touch-ups prior to the handover of properties.

In conjunction with a variety of teams within the in-house supply chain, the Group has implemented Virtual Design and Construction models, including the use of digital tools, to gather all information, from the initial design stage through construction and property management on a single platform. This enables the process of design and construction to be carried out in a virtual world before actual work is implemented on site, while enhancing the accuracy of design and construction work as well as improving the quality of communication and co-ordination.

During the year, the construction division completed four residential development projects, including Victoria Harbour, Lime Gala, Eight Regency and St. Barths. Major residential developments in progress included Central Peak, 18 Caine Road, Cullinan West III, Downtown 38, Wings At Sea, St Martin, Mount Regency, and projects at Hoi Wing Road in Tuen Mun, Tuen Mun Town Lot No. 483, Tin Shui Wai Town Lot No. 33 and No. 34, and Yuen Long Station Development. Major non-residential developments in progress included ALVA Hotel by Royal in Sha Tin, three office developments, W LUXE in Sha Tin, Kwai Chung Town Lot No. 522, and 98 How Ming Street in Kwun Tong, as well as two industrial projects in Tsuen Wan, W212 and a site adjoining 252 Texaco Road and 28 Wang Lung Street. A variety of asset-enhancement work is also in progress, with major projects including Park Central and New Town Plaza. The construction division also takes part in construction management of the Group's mainland development projects.

Comprising Sanfield (Management) Limited and its wholly-owned subsidiaries and fellow subsidiaries, the construction division operates in construction-related businesses and other services for the Group and third parties, including landscaping, electrical and fire prevention systems as well as leasing of construction plant and machinery. The division also supplies wet concrete and precast concrete components to the Group and external parties.

Insurance and Mortgage Services

The Group's wholly-owned subsidiary, Sun Hung Kai Properties Insurance Ltd., continued to generate a satisfactory result in the reporting year and recorded double-digit growth, both from premium and operating profits. However, due to a volatile investment environment, the company's overall profit decreased during the year.

The Insurance Authority continued to bring in more regulatory controls over the corporate governance mechanism in Hong Kong with a view to further protecting the interests of policyholders and shareholders of insurance companies. The forthcoming change in the accounting reporting system in the insurance sector will further enhance the transparency and accountability of the insurance companies at large. Whilst these changes would inevitably increase operating costs in the short term, the company is confident of consolidating and strengthening its capital base, striving for healthy development in the years to come.

During the year under review, the financial services division recorded satisfactory profits. Comprising Hung Kai Finance Company Limited and Honour Finance Company Limited, the division will continue to focus on mortgages, mortgage referrals and other services that support the Group's sales business and property development.

Telecommunications and Information Technology

Telecommunications

During the year under review, the mobile market remained intensely competitive. Notwithstanding this challenging environment, SmarTone's customer numbers increased 7% through growth in both postpaid and prepaid customers, while postpaid churn rate remained at an industry low.

The company's focus on segmentation strategy, premium customer experience and excellent network performance continued to make SmarTone a leading mobile operator in Hong Kong. The enterprise solutions business also achieved robust revenue growth by meeting the increasing demand for digital transformation solutions from corporates. In March this year, SmarTone unveiled its cybersecurity solutions practice of world standard to meet enterprises' evolving needs. During the year, SmarTone's continuing digitalization drive enhanced the company's operational efficiency and customer experience.

As one of the leading mobile operators in Hong Kong, SmarTone has been investing in preparation for the coming 5G era. In March 2019, the company pioneered Hong Kong's first simultaneous 5G live trial in the 3.5GHz and 28GHz bands, which provided essential data for creating a robust and comprehensive 5G network. In addition to the 26/28GHz spectrum acquired in April, SmarTone will progressively invest to embrace new business opportunities from 5G in the coming months.

The market conditions remain challenging in the short term. SmarTone will utilize its strong balance sheet to invest in 5G, new businesses and digitalization, capturing new opportunities brought by the development of Smart City in Hong Kong over the long term. The Group is confident in SmarTone's prospects and will continue to hold its stake in the company as a long-term investment.

SmarTone

SUNeVision

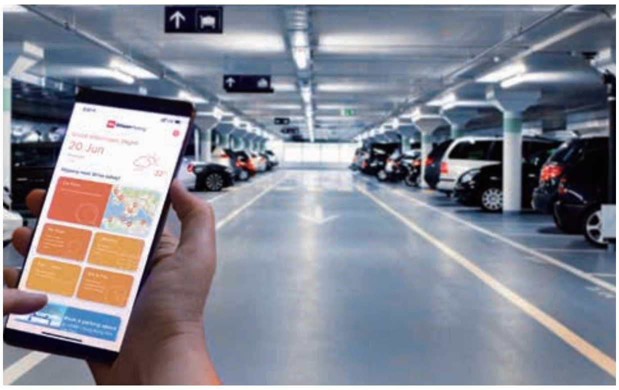
Information Technology

With healthy growth in revenue, EBITDA and underlying profit, SUNeVision achieved solid results during the year under review. Securing new contracts from new and existing customers, the company's core data-centre business, iAdvantage, continued to perform well. Super e-Technology and Super e-Network remained focused on a range of quality value-added services covering design, build, and maintenance of communications systems and infrastructure.

The company's premium data-centre facilities continued to attract leading enterprises from rapidly growing industries. With a diversified customer base, SUNeVision has further expanded with a wide range of high-growth companies, including major global cloud services providers, regional internet conglomerates, international e-commerce players and multi-market video streaming operators. New and existing customers entrusted their business operations to SUNeVision for its world-class data-centre campus, unparalleled connectivity advantage as well as committed services and support.

In line with its commitment to further expand its data-centre portfolio, SUNeVision acquired a new site in Tseung Kwan O during the year. The capacity upgrade work at MEGA-i facility in Chai Wan is in progress. Upon completion of its new Tsuen Wan and Tseung Kwan O data-centre projects, the company's data-centre portfolio is expected to double to approximately 2.8 million square feet of gross floor area, bolstering its market-leading position as the largest data-centre operator in Hong Kong.

Infrastructure and Other Businesses



Wilson Parking, Hong Kong

Transport Infrastructure Operations and Management

Through its wholly-owned subsidiary, Wilson Group, as well as joint ventures and associated companies, the Group continues to be a major player in the operation and management of Hong Kong's transport infrastructure facilities.

With widespread recognition in Hong Kong's transport infrastructure industry, Wilson Group has established a long-term presence in the management of car parks, tunnels, bridges and toll roads. During the year, the company continued to be the leader in the local car-park market, with some 400 car parks and over 100,000 parking bays under management, while being awarded a number of public and private parking contracts, including the management and operation of car parks at Hong Kong International Airport and Hong Kong-Zhuhai-Macao Bridge Hong Kong Port. Demonstrating its unswerving commitment to quality, Wilson Parking is Hong Kong's first and only car-park operator to have won the top Platinum honour in the *Reader's Digest* Trusted Brand Awards for seven consecutive years, as well as other awards, including the title of Q-Mark Elite Brand, awarded by the Hong Kong Q-Mark Council for three consecutive years.

Investment in digitization continues to reinforce the company's delivery of exceptional experience for motorists while enhancing operational efficiency with such initiatives as the pioneering of online ticketing services via its website and mobile apps introduced during the year. Apart from offering smart car-park management solutions to the Group, notably the contactless parking system and redemption functions for the SHKP Malls App, the company's technology division was awarded contracts for the West Kowloon Cultural District's car-park management system, among other system replacement projects under the Transport Department.

On the mainland, Wilson Parking manages a total of 36 car parks and 31,000 parking bays. Bringing total convenience to its customers, the company implemented electronic payment options and contactless parking systems at the majority of its car parks.

Wilson Group and its 50%-owned subsidiary, Autotoll, maintained their leading position in the electronic toll collection market, serving over 355,000 vehicle users. Further contributing to Hong Kong's smart city development, the company successfully conducted a trial installation and evaluation of the soon-to-be-introduced Multi-lane Free-flow Tolling System, and continues to install Traffic Detectors for selected strategic routes.

This year saw the successful commissioning of the company's operation and maintenance of the Scenic Hill Tunnel and the Airport Tunnel, which form part of the road network of the Hong Kong-Zhuhai-Macao Bridge. This is a new addition to the Tsing Ma Control Area, Route 3 (CPS) and the Aberdeen Tunnel, which has already been operated and maintained by Wilson Group.

The Group owns a 70% interest in Route 3 (CPS) Company Limited, which was granted a 30-year build-operate-transfer franchise in 1995 on the dual three-lane expressway between Yuen Long and Ting Kau. The 3.8-kilometre Tai Lam Tunnel and 6.3-kilometre Tsing Long Highway provide a direct route from the mainland and northwest New Territories to urban areas. The expressway provides an alternative route to Tuen Mun Road and Tolo Highway, offering a reliable, faster and safer route for commuters. The toll road performed satisfactorily with steady revenue during the year.

Route 3 (CPS), Hong Kong

Airport Freight Forwarding Centre, Hong Kong

The Group has a 38.3% stake in the publicly listed Transport International Holdings Limited (TIH). Two franchised bus companies under TIH recorded continuous growth in ridership during the year despite a decrease in operating profits caused mainly by increased international fuel prices and staff costs. Amid the unstable global economy and recent social situation, various challenges have been brought to the company's operations. The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited continued to strategically leverage the commissioning of the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link to introduce new bus routes along with strengthened services, catering for the increase in passenger flow from the Greater Bay Area and beyond. In addition to investments in enhancing driving safety, passenger experience and skills training, TIH will continue to explore opportunities to ensure sustainable growth while providing safe and quality service.

Port Business

The Group's wholly-owned Hoi Kong Container Services Company Limited provides mid-stream and other container-handling services, with the operation of four berths and 3.3 hectares of container yard at a strategic location in Kwai Tsing. During the year, significant mid-stream throughput has migrated to the Kwai Tsing Container Terminals because of shrinking demand and severe competition within the Hong Kong container market. Driven by a strong focus on reviewing the operational efficiency of the company and subsequent adjustment of business models, a positive growth in financial performance was achieved during the year.

The River Trade Terminal, in which the Group has a 50% interest, remained steady during the year through operational improvements and business diversification, although throughput dropped amidst challenges in global trade. Ideally positioned to serve as a logistics hub for the Pearl River Delta, the 65-hectare terminal located in Tuen Mun operates 3,000 metres of quay with 49 berths. It provides container-handling and consolidation services as well as container freight services, break-bulk and refrigerated cargo handling and storage.

Air Transport and Logistics Business

The Group's wholly-owned Airport Freight Forwarding Centre Company Limited operates a premium logistics facility at the Hong Kong International Airport with over 1.5 million square feet of warehouse and office space. Despite lingering trade tensions, robust demand from the logistics industry brought about business expansion for the company during the year. Considerable efforts will be made to further adapt to the industry's dynamic changes through taking full advantage of its strategic location and integrating with the airport as well as various surrounding functions in outlining the vision of 'Airport City'.

Hong Kong Business Aviation Centre (HKBAC) has since 1997 been a franchised Fixed-Base Operator at the Hong Kong International Airport, providing premium ground-handling services for general aviation aircraft, including business jets, diplomatic and emergency flights. Situated at the most convenient arrival and departure point in Asia, HKBAC offers connectivity, flexibility and convenience to the business community all over the world. It also provides a full range of aircraft technical-support services as well as passenger and crew support for business and general aviation aircraft. Business at HKBAC has benefitted from an improvement in flight slot availability during the year but the slowdown in mainland-related business activities amidst Sino-US trade tensions has created challenges. The Group has a 35% interest in the company and is committed to further investing in the company for its future business development.

Hong Kong Business Aviation Centre

Infrastructure and Other Businesses

Waste Management

In addition to its eco-friendly principles for business operations, the Group contributes to environmental protection through its 20% ownership of Green Valley Landfill Limited. Recording steady business performance during the year, the company oversees both the daily operation and long-term aftercare of the South East New Territories Landfill in Tseung Kwan O. The site covers 113 hectares and has the capacity to handle about 50 million cubic metres of waste. Landfill gas produced is turned into synthetic natural gas and integrated into the gas supply network.

YATA Limited

YATA Limited is a wholly-owned subsidiary of the Group, operating 11 modern Japanese lifestyle department stores and supermarkets throughout the territory. Through working closely with Japanese prefectural partners and organizing promotional events to feature their unique products, YATA continues to reinforce its distinctive positioning in the market. During the year, the company has been committed to enhancing the offerings and services of its stores while introducing digital initiatives such as self-checkouts and a new loyalty app.

In addition to the reopening of its Sha Tin flagship store and the expansion of its Mong Kok store, completed during the year, YATA is planning to expand its presence on Hong Kong Island with the opening of a second location scheduled before the end of the year. The new store at the mall Harbour North in North Point will highlight a food street featuring over 10 ready-to-eat outlets which, together with its merchandise offerings, will deliver an enhanced shop-and-eat experience to its valued customers.

YATA

Sky100 Hong Kong Observation Deck

Sky100 Hong Kong Observation Deck

Located on the 100th floor of ICC, the tallest skyscraper in Hong Kong, the Sky100 Hong Kong Observation Deck is the only indoor viewing platform in the city featuring a 360-degree view of the territory. During the year, Sky100 recorded double-digit growth in the number of visitors, along with a satisfactory increase in revenue from both Sky100 Events and Sky100 Weddings. However, a recent decrease in tourist numbers has posed challenges to the observation deck.

Capitalizing on opportunities arising from the opening of the High Speed Rail and the Hong Kong-Zhuhai-Macao Bridge in 2018, Sky100 played an active part in a number of joint promotions with the Hong Kong Tourism Board and travel-trade partners from major mainland cities along the High Speed Rail to attract mainland and overseas visitors to Hong Kong.

To enhance visitor experience, Sky100 has implemented innovative technology, including the launching of a brand new 3D light show, blending projection technology and musical effects. Sky100 offered visitors an unprecedented visual treat against Victoria Harbour's world-famous nightscape and further enabled them to create personalized messages for their loved ones on festive occasions.

The deck continues to receive glowing reviews by visitors from all over the world, and has been awarded the prestigious Certificate of Excellence from TripAdvisor for five consecutive years. It is currently Hong Kong's only member of the World Federation of Great Towers, further affirming its exclusive status, which is comparable to the Empire State Building, Eiffel Tower and other iconic towers around the globe. Looking forward, Sky100 will continue to contribute towards the development of Hong Kong's tourism industry as the city's landmark observation deck.

Corporate Finance

Syndicated loan signing ceremony

The Group adheres to a prudent financial management approach with low leverage and abundant liquidity, which enable it to weather through unforeseeable circumstances. As at 30 June 2019, the Group's net debt to shareholders funds ratio remained relatively low at 12.9%, and interest coverage ratio was high at 14.6 times.

This robust financial position together with its leading position in the real-estate business have earned the Group A1 and A+ credit ratings with stable outlooks from Moody's and Standard & Poor's respectively. The Group continues to retain its status as one of the best-rated Hong Kong property companies by the two agencies.

Given its solid credit ratings, strong financial position and excellent long-established relationship with banks, the Group has been able to raise ample liquidity from the loan and debt capital markets. In February 2019, the Group issued a US$500 million 3.75% 10-year bond to early redeem in full its US$400 million 3.375% 10-year non-call 5-year bond. In March 2019, the Group arranged a HK$20,000 million 5-year syndicated loan to extend its debt maturity and put in place substantial standby committed facilities for its future development. During the year, the Group also issued HK$600 million 5-year bonds, HK$617 million 7-year bonds and HK$4,256 million 10-year bonds to diversify its funding base under its Medium Term Note Programme.

With a view to better manage overall currency exposure, the Group continues to utilize its onshore operating cash flow on the mainland and raise financing in Renminbi for funding its mainland operations. In November 2018, the Group first issued a RMB1,200 million 2-year Panda Bond on the mainland on competitive terms, which received an overwhelming response.

The majority of the Group's borrowings are denominated in Hong Kong dollars with the remainder predominantly in US dollars and Renminbi with limited exposure to foreign-exchange risk. Moreover, the Group has not engaged in any speculative positions on derivatives and structured products.

Financial Review

Review of Operating Results

Underlying profit attributable to the Company's shareholders for the year ended 30 June 2019, which excluded revaluation gains on investment properties, increased by HK$2,000 million or 6.6% to HK$32,398 million compared to HK$30,398 million for the previous year. The increase was mainly driven by higher profit contributions from property sales and rental income.

Profit attributable to the Company's shareholders for the year decreased by 10.1% to HK$44,912 million (2018: HK$49,951 million) after including the net effects of revaluation gains on investment properties. Revaluation gains on investment properties (net of deferred tax and non-controlling interests) for the year were HK$12,861 million (2018: HK$19,988 million).

Underlying profit for the year has reflected the effects of applying the new accounting policy on revenue recognition for sales of properties upon the adoption of HKFRS 15 effective from 1 July 2018. Under the new accounting standard, the Group recognizes revenue from property sales when it satisfies its performance obligations by transferring the control over the ownership or physical possession of the completed property to the buyer whereas in previous years, revenue from property sales is recognized when significant risks and rewards of ownership of the completed property are transferred to the buyer. This change in accounting policy has resulted in revenue from property sales in Hong Kong being recognized later than it would have been under the previous accounting policy. As disclosed in Note 3(b) and 3(c)(ii) to the audited financial statements, recognition of revenue of HK$15,168 million and operating profit of HK$7,223 million from property sales in Hong Kong has been deferred to the next financial year as a result of applying the new accounting policy. Had the previous accounting policy continued to apply, the Group would have reported an underlying profit attributable to the Company's shareholders of HK$38,412 million for the year ended 30 June 2019, representing an increase of 26.4% over the previous year.

Profit from property sales for the year, including share of joint ventures, increased by HK$2,436 million or 15% to HK$18,697 million compared to HK$16,261 million for the previous year. Property sales in Hong Kong recorded a profit of HK$16,395 million (2018: HK$13,936 million), an increase of HK$2,459 million or 17.6% over the last year, with contributions attributed mostly to sales of residential units in Cullinan West II, Lima Gala, St. Barths, PARK YOHO Milano and Victoria Harbour. As for the Mainland, profit from property sales was HK$2,302 million (2018: HK$2,314 million) and was mainly derived from sales of residential units in Grand Waterfront Phase 2, Shanghai Arch and Forest Hills. As of 30 June 2019, property sales contracted (including share of joint ventures) attributable to the Group but not yet recognized as revenue were HK$51.9 billion, of which HK$47.2 billion was derived mostly from the pre-sale of Hong Kong development projects including Wings at Sea, Wings at Sea II, PARK YOHO Napoli, St. Martin and Mount Regency and HK$4.7 billion from pre-sale of development projects on the Mainland.

Net rental income for the year, including share of joint ventures and associates, increased by HK$1,031 million or 5.5% to HK$19,678 million (2018: HK$18,647 million), primarily driven by a combination of positive rental reversions and contributions from new investment properties. Net rental income from the Group's Hong Kong and Mainland rental portfolios amounted to HK$15,373 million (2018: HK$14,549 million) and HK$3,746 million (2018: HK$3,534 million) respectively, which correspond to a year-on-year increase of 5.7% and 6%.

Hotel operating profit for the year (including share of joint ventures) decreased by 2.5% to HK$1,433 million (2018: HK$1,470 million), reflecting the impact of the start-up costs for Hotel VIC as well as softening of market conditions in the second half of the financial year.

SmarTone reported an operating profit of HK$823 million (2018: HK$847 million), decreased by 2.8% over the previous year resulting from lower service and handset revenues amid intense market competition.

Operating profit from transport infrastructure and logistics businesses (including share of joint ventures and associates) was down modestly by 2.1% to HK$1,750 million (2018: HK$1,788 million), due mainly to increased operating costs.

SUNeVision delivered an operating profit of HK$765 million (2018: HK$668 million), an increase of 14.5% over the previous year, driven by solid performance at MEGA-i and improved occupancy at MEGA Plus.

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management and department store operations, performed satisfactorily with operating profit increased by 4.8% to HK$1,242 million (2018: HK$1,185 million).

Financial Resources and Liquidity

(a) Capital management, net debt and gearing

The Group has always maintained a strong capital base and sufficient financial resources to support business development and growth. The Group regularly reviews and manages its capital structure to ensure that it remains financially sound, so that the Group can continue to provide returns to shareholders while keeping financial leverage at a prudent level.

The Group's balance sheet further strengthened, with total shareholders' equity increased over the financial year by HK$27,307 million to HK$566,405 million or HK$195.5 per share as at 30 June 2019. The increase represented mainly the total comprehensive income for the year attributable to the Company's shareholders, as reduced by dividends paid.

The Group's strong financial strength 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 2019, calculated on the basis of net debt to shareholders' equity of the Company, was 12.9% compared to 12.1% a year ago. Interest coverage was 14.6 times, measured by the ratio of operating profit to total net interest expenses including those capitalized for the current year.

As at 30 June 2019, the Group's gross borrowings totalled HK$95,006 million. Net debt, after deducting bank deposits and cash of HK$22,038 million, amounted to HK$72,968 million, representing an increase of HK$7,629 million since 30 June 2018. The maturity profile of the Group's gross borrowings is set out as follows:

	30 June 2019 HK$ Million	30 June 2018 HK$ Million
Repayable:		
Within one year	**9,168**	12,646
After one year but within two years	**14,070**	9,716
After two years but within five years	**53,803**	60,081
After five years	**17,965**	8,991
Total bank and other borrowings	**95,006**	91,434
Bank deposits and cash	**22,038**	26,095
Net debt	**72,968**	65,339

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 available financial resources are sufficient to cover its financing 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 2019, about 81% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 19% 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 cross currency interest rate swaps to hedge the currency risks associated with these borrowings. As at 30 June 2019, about 78% of the Group's total borrowings were denominated in Hong Kong dollars (after cross currency interest rate swaps) and 9% in US dollars, which were raised for financing the Group's business operations in Hong Kong while the remaining 13% were mostly 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, which are mostly in Mainland China. Land acquisition costs for the Mainland projects are principally financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through internal resources and borrowings 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 2019, 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$4 billion in the exchange reserve recorded under shareholders' equity.

The Group has insignificant currency risk exposure associated with certain monetary assets and liabilities denominated in foreign currencies. Where feasible and cost effective, the Group may enter into 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 2019, about 62% 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 38% were on fixed rate basis.

As at 30 June 2019, the Group has entered into certain interest rate swaps, cross currency interest rate swaps and forward foreign exchange contracts in the aggregate notional amount of HK$18,312 million to manage its interest rate risk and currency risk exposures. 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 2019, about 37% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 48% in Renminbi, and 15% 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 2019, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$5 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$1,681 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 2019, the Group had contingent liabilities in respect of guarantees for bank borrowings of certain joint ventures and other guarantees in the aggregate amount of HK$2,106 million (30 June 2018: HK$1,317 million).

Investor Relations

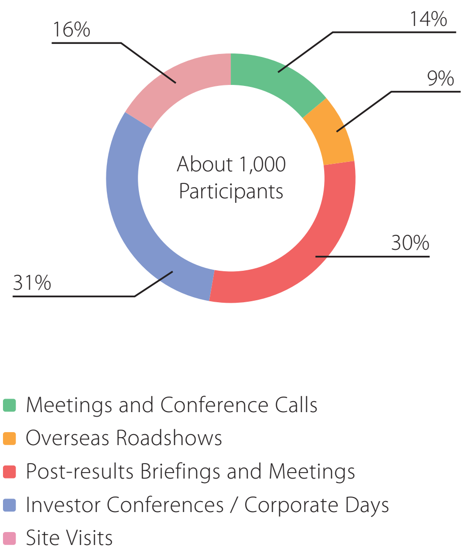
The Group is committed to ensuring a high standard of transparency to provide stakeholders from around the globe with clear, comprehensive and timely information. To this end, corporate information, including annual and interim reports, press releases and formal announcements, is duly disseminated and promptly uploaded onto the Group's website. In addition, the Group convenes post-result press conferences and analyst briefings which are presided over by senior management.

Since the implementation of new regulations in the European Union last year, the Group has stepped up its efforts to proactively engage in direct contacts with various stakeholders, including investors, analysts and credit rating agencies. In addition to more frequent self-arranged meetings and conference calls as well as site visits, the Group also participates in large conferences.

Reaching out to overseas equity and fixed income investors through non-deal road shows, the Group has fostered closer dialogues with different parties. All these activities have kept the investment community abreast of the Group's strategy, business updates and sustainability initiatives as well as the latest developments in the Hong Kong and mainland property markets. Reflecting its commitment to two-way communication, the Group will also listen to feedback and suggestions from various stakeholders, which will help formulate long-term sustainable business development strategies.

The Group's seasoned management team and its dedication to maintaining sound corporate governance and effective investor communications have earned for it various awards from leading financial publications.

Communications with the Investment Community in Financial Year 2018/19



Post-results-announcement analyst briefing

Major Investor Relations Events in Financial Year 2018/19

Quarter	Event
2018	
3rd Quarter	• 2017/18 annual results announcement – Press conference – Analysts briefing – Post-results meetings with fund managers • Investors forum in Hong Kong
4th Quarter	• Roadshows in Beijing and Shanghai • Investor conferences in Hong Kong • Investor conference in Singapore
2019	
1st Quarter	• 2018/19 interim results announcement – Press conference – Analysts briefing – Post-results meetings with fund managers • Investor conference in Hong Kong • Investor corporate day in Hong Kong
2nd Quarter	• Non-deal roadshows in the UK and US • Investor conferences in Hong Kong

Awards

Financial Year 2018/19

Euromoney magazine

- Best Overall Developers in Global, Asia and Hong Kong categories
- Best Mixed Developers in Global, Asia and Hong Kong categories
- Best Residential Developers in Global and Hong Kong categories
- Best Retail Developers in Global, Asia and Hong Kong categories
- Best Office/Business Developers in Global, Asia and Hong Kong categories
- Best Leisure/Hotel Developers in Global, Asia and Hong Kong categories
- Best Industrial/Warehouse in Global category

Asiamoney magazine

- Overall Most Outstanding Company in Hong Kong
- Most Outstanding Company in Hong Kong – Real Estate Sector

FinanceAsia magazine

- Asia's Overall Best Managed Company
- Asia's Best Real Estate Company
- Hong Kong's Best Managed Company
- Best Investor Relations
- Best Growth Strategy
- Best ESG

The Asset magazine

- Corporate Awards in Platinum

Corporate Governance Asia magazine

- Best Investor Relations Company
- Best Environmental Responsibility
- Best Corporate Communications
- Best Investor Relations Professional

Hong Kong Investor Relations Association

- Best IR Company (Large Cap)
- Best Annual Report (Large Cap)
- 3 Years IR Awards Winning Company

The Group has earned numerous awards in the investment community from leading financial publications

SHKP Vertical Run for Charity – Race to Hong Kong ICC

Sun Hung Kai Properties Hong Kong Cyclothon

Sustainable Development

Attentive handover service

The Group is committed to a sustainability journey that not only facilitates business growth, but also creates maximum value for customers, the wider public and other stakeholders over the long term. Guided by the Building Homes with Heart spirit, the Group actively gives back to society by making strategic use of resources while engaging its staff in a wide range of community and environmental initiatives for the betterment of Hong Kong. As a testament to its achievements in sustainable development, the Group remained a constituent member of the renowned FTSE4Good Index of London, and was named one of the top three performers among all industries in the Hang Seng Corporate Sustainability Index during the year.

Since 2010, the Group has published an annual stand-alone *Sustainability Report* to make its sustainability policies, performance and vision more transparent to stakeholders and the community at large. The Group will continue to enhance its overall sustainability standard while aligning with the Stock Exchange of Hong Kong's proposed requirements in the *Environmental, Social and Governance Reporting Guide* and other related regulations.

Commitment to Quality Products and Services

The Group firmly believes in putting customers first, and adheres to a commitment of quality in providing products and services that serve the needs of customers and the community. To this end, the Group vertically integrates the overall development process from planning, design and sourcing all the way to construction, landscaping and property management in order to maintain strict quality standards. It was also the first local developer to offer a three-year warranty on new Hong Kong residential units that underpins the trust of homebuyers. Manifesting its leading industry position, for nine straight years the Group has been named one of the top ten developers in Hong Kong at the BCI Asia Awards, which recognizes the best developers across Southeast Asia for their excellence in construction and sustainability.

Leveraging rapid developments in the latest technologies, the Group proactively applies technological innovations to improve customers' quality of life. To make life easier for homebuyers, the property handover and quality assurance process has been enhanced through the use of mobile apps and digital devices, offering owners a streamlined and hassle-free experience while giving them peace of mind when they take possession. As part of the initiatives to usher in smart living in everyday life, dedicated mobile apps of the Group's residential projects were upgraded with innovative features, including a virtual key function for residents to access different parts of the estate, and using QR codes for visitors' entry, providing greater ease and security.

Thoughtful customer service

SHKP Club's 'Legacy of Loving Home' mall events incorporated with AR and e-sports elements

The Point by SHKP, the SHKP Malls integrated loyalty programme

The Group's digital platforms have been expanded and reinforced to carve a new modern recreational lifestyle for everyone. During the year, the Group launched The Point by SHKP – the second phase of the SHKP Malls App – to integrate individual membership programmes of its 15 major malls into one, elevating customers' overall shopping experience to a new level. Through the one-stop platform, customers can lead an enriched leisure life with shopping and entertainment delights all at their fingertips, while enjoying a great deal of convenience with Hong Kong's first-ever hourly contactless parking service via the mobile app, which allows members to access car parks without tapping an Octopus or credit card.

With great emphasis on continuous improvement, the Group has set up initiatives on different fronts to consistently raise its product and service standards for greater customer satisfaction. Recognizing outstanding mall service staff, the 11th SHKP Malls 'Serving with Heart' Customer Care Ambassador Election was held with encouraging public support. It aims to promote the spirit of professional and caring service, which goes beyond meeting the basic needs of tenants and shoppers by creating a quality working environment and comfortable recreational space with a distinctively personal touch. Internally, the Group encourages its staff to raise innovative yet feasible suggestions for improving work efficiency and product quality through staging the annual Quality Raising Suggestion Scheme. In addition, the Group launched its brand new corporate website in May 2019 to create a more user-friendly, dynamic and interactive browsing experience for customers and visitors in keeping with the latest online communication environment.

SHKP Quality Academy organizes seminars in diverse disciplines for staff

The Group values open and regular dialogues with its stakeholders in building close and lasting relationships. The SHKP Club, the first and largest developer-loyalty club in Hong Kong, continued its role as an effective two-way communication vehicle for the Group to acquire a more comprehensive understanding of customer needs and preferences from multiple online and offline channels, including surveys, website and social media platforms. By organizing a wide range of experiential workshops and interactive parent-child initiatives, the SHKP Club actively engages and fosters loyalty with its cross-generational members, now totalling over 410,000. It also provides them with shopping, dining and property-related offerings as well as exclusive experiences in the Group's developments.

Continuous Staff Development

Committed to creating a happy and rewarding workplace to attract, retain and develop talents, the Group employs about 38,000 staff members and treats them as its most valuable asset. Considerable support and investments have been made for the professional and personal growth of its staff through the offering of attractive career prospects, extensive learning opportunities and competitive remuneration. As a caring company, the Group also has a comprehensive welfare system to cater for the well-being of its staff.

The Group has been nurturing the younger generation not only for its business growth, but also for the development of the industry and society at large. To build a quality talent pipeline, the Group's Management Trainee, Graduate Surveyor and Graduate Engineer programmes underwent continuous enhancements to attract and retain high-calibre graduates from leading local, mainland and overseas universities. In particular, management trainees are given wide exposure in the Group covering multiple business sectors as well as systematic training for all-round development under the supervision of veteran mentors. In addition, well-structured summer internship programmes are organized to give university students an opportunity to explore their career interests while equipping them with a variety of essential skills.

Recruiting young talent as summer interns


Organizing work-life balance activities for staff

With continuous learning ingrained in the corporate culture, the Group is dedicated to fostering continuous growth in employees and driving long-term organizational and societal development through staff training. On top of enhancing individual professional competence, the Group attaches great importance to team spirit and strives to build greater team synergies by holding tailored team-building programmes. Providing a comprehensive training platform for staff via the SHKP Quality Academy, the Group organized over a thousand classes in diverse disciplines during the year. Valuing new recruits as well as staff at all levels, a broad spectrum of programmes and curriculums have been devised to cater for their distinct training and advancement needs, ranging from adaptation, corporate culture reinforcement and customer service to communication skills and leadership development. Staff are also encouraged to broaden their career horizons via different self-learning channels, including a training library, e-learning programmes and reference materials on the intranet. Staff are sponsored to attend external job-related courses, ranging from short seminars to degree programmes up to Master's level.

All-round training programmes for management trainees

A new series of seminars and workshops has been arranged to keep staff abreast with the development of the times. Apart from tailor-made technology training, external experts were invited to lecture on the future trends of a sharing economy and social media marketing. Meanwhile, the Group initiated internal knowledge-exchange sessions to share case studies of technological applications in business operations that have boosted overall efficiency and customer experience, allowing staff to understand how to work efficiently with smart use of technologies. Combining professional knowledge and practical experience, this training helps strengthen employee's competitiveness and flexibility to adapt to the changing environment while embracing future challenges and opportunities.

Along with a pursuit of excellence and lifelong learning, the Group encourages a good work-life balance and promotes the physical and mental well-being of its employees through a host of initiatives. Each year, the Group organizes an array of leisure activities, such as fitness programmes, floral design and cooking workshops, among other caring measures including complimentary healthy lunches and a 24-hour counselling and emotional support hotline for staff. A lineup of special-interest classes, sports competitions and outdoor activities also allows staff to enjoy quality time with their family members. Demonstrating its caring spirit towards employees' children, the Group continued to support youths of eligible staff to pursue a university education with financial assistance through the SHKP Group Undergraduate Scholarships, and subsidized employees' children to join overseas exchange programmes through the SHKP-AFS Intercultural Exchanges Scholarships.

Commitment to the Environment

In keeping with sustainable development principles, the Group integrates environmental considerations across daily management and operations to ensure the viability and growth of its business in the long term. It has also been active in educating and mobilizing its staff, business partners and the public to jointly build a low-carbon, climate-resilient community.

The Group is committed to incorporating the latest standards of eco-friendly design and operational practices into its developments. During the year, the office zones of the International Commerce Centre were awarded the BEAM Plus Existing Buildings V2.0 Platinum Certificate under its Comprehensive Scheme, while Sun Hung Kai Centre achieved an Excellent rating under the Selective Scheme, demonstrating the Group's relentless efforts to enhance the environmental performance of its commercial buildings.

As an advocate of green property management, the Group has leveraged its extensive network to embark on a range of eco-friendly initiatives. While energy-saving measures are implemented at developments to encourage green living, residents are provided with free energy and waste inspections, as well as small bins to collect household food waste, which is then converted into fertilizer using an on-site food waste composter.

In a similar vein, recycling and electricity savings are promoted in the Group's commercial projects. Through incorporating the Internet of Things technology, the Group has upgraded Tsuen Wan Plaza's facility management system to automatically respond to environmental changes in real time, thus enhancing energy efficiency and the indoor environment. At the 2018 Hong Kong Awards for Environmental Excellence, The Leighton Hill and Tsuen Wan Plaza won the gold and silver awards respectively in the residential as well as commercial and industrial categories, reflecting the Group's outstanding performance in green management.

Adopting solar energy panels to generate renewable power

School tours visiting eco-friendly facilities at an SHKP mall

Demonstrating its determination to increase energy efficiency and minimize carbon footprints, a Group-wide energy reduction target has been formulated to reduce electricity consumption intensity by 10% by fiscal year 2019/20, using 2014/15 as the base line. Along with full support from all subsidiaries, most of the Group's residential estates, shopping malls, office buildings and hotels have established their respective energy-saving targets, and progress towards reaching those targets has been encouraging. The Group also leads by example in striking a balance between project development and nature conservation, with PARK YOHO 'Fairyland' earning the Group a Certificate of Merit at the Hong Kong Institute of Planners Awards 2018 as the city's first successful integration of wetland conservation into a large-scale residential development.

To create a sustainable future for the next generation, environmental protection concepts are disseminated among customers, tenants, contractors and other stakeholders through a wide range of initiatives and programmes. Apart from promoting conservation concepts by means of ecology talks, reward schemes and guided tours, the Group's property management subsidiaries actively raise the awareness of tenants and residents regarding the government's proposed Municipal Solid Waste Charging Scheme through creative activities, workshops and exhibitions. In a wider context, the Group has been running the SHKP Love Nature Campaign since 2011 to engage its staff and the public in nature conservation activities. The cause was furthered with Hong Kong's first free countryside and beach clean-up mobile app Nature Rescue, empowering the community, especially the youth, to make contributions in a more interactive way. Around 50 clean-up actions have been initiated by the public using the app since its launch.

Sustainable Development

Poon Choi luncheons with seniors to celebrate Lunar New Year

Corporate Social Responsibility

As a company that grows with Hong Kong, the Group endeavours to extend its influence beyond business operations and make positive, lasting contributions to the city through responsible corporate citizenship. To achieve this, the Group proactively engages and invests in the wider community through multifaceted programmes that encourage healthy and sustainable living, promote reading among the youth and caring for the underprivileged, all aiming to build a better Hong Kong for all.

To inject positive energy into the community, the Group actively promotes sports for charity, with a particular focus on young people in Hong Kong. During the year, the Group staged the seventh SHKP Vertical Run for Charity – Race to Hong Kong ICC, and the fourth Sun Hung Kai Properties Hong Kong Cyclothon, both of which received an enthusiastic response from youths, with the former drawing a record-breaking 75 student relay teams. Along with the Group's top-up donations, proceeds from the events went to support a number of community projects that benefit underprivileged local children and youth.

Sponsoring students to visit the Book Fair

In addition, the Group set up the SHKP Cycling Academy with the Cycling Association of Hong Kong, China last year, to bolster secondary school students' willpower and sportsmanship through professional track cycling training, while nurturing high-potential youngsters into elite athletes for Hong Kong. Members of staff also gain full support from the Group to join charitable sporting events in corporate teams, including Hong Chi Climbathon, Hike for Hospice, and the Community Chest Corporate Challenge.

Committed to sowing the seeds of happy reading in society, the SHKP Reading Club has bolstered its lineup with a new approach to engage the younger generation. One of the key initiatives was the launch of the revamped online reading platform called 'Read For More', which produces inspiring lifestyle content that arouses the interest of teenagers and fresh graduates. A variety of complementary offline activities were also staged, allowing young readers to interact with renowned authors and celebrities and learn from their life-enriching experiences. Additionally, the SHKP Reading Club continued to go deep into the community by sponsoring Book Fair visits for disadvantaged children, providing book allowances in the Read to Dream event, as well as spreading the joy of reading to local primary and secondary schools through the Read & Share programme, which has engaged over 40,000 students and teachers thus far.

SHKP Vertical Run for Charity

Another important aspect of the Group's community investment is reflected in its support for the development of youngsters with different needs. To broaden the future of academic underperformers, the Group runs the Modern Apprenticeship Programme with Breakthrough, providing apprentices with comprehensive personal growth training and work placement at the Group's businesses under the guidance of staff mentors, which help youngsters identify aspirations for better life planning. Separately, through the SHKP-Kwoks' Foundation, the Group has been committed to supporting promising students with limited financial means to participate in undergraduate studies. More than 20 provinces on the mainland have benefitted from over 30 training and educational schemes sponsored by the Foundation.

SHKP Volunteer Team organizes a farming activity at PARK YOHO

The Group also encourages and empowers young people to pursue their dreams in technological innovation and entrepreneurship. Following earlier support for the Hong Kong X-Tech Startup Platform, the Group's sponsored youth-sharing and co-working space, INDEX, opened in September last year and has been operating smoothly with young entrepreneurs gradually moving in. A series of pitching activities related to innovation and technology have been held at INDEX to line up youngsters from different sectors for ideas exchange.

Spreading love and compassion to different segments of society has been an ongoing mission of the Group over the years. The Building Homes with Heart Caring Initiative organizes regular visits to disadvantaged families and seniors, along with home renovations, Poon Choi luncheons and gift distribution during festive seasons. Marking its 15th anniversary, the SHKP Volunteer Team actively engaged in a series of community activities with volunteer bodies to create a caring and inclusive society. The Group also furthered its cause in promoting social and intergenerational harmony by leveraging innovative technologies. Among an array of activities featured in SHKP Club's annual themed campaign, a roving exhibition was held at the Group's malls to let the public experience the 'Legacy of Loving Home' spirit with the use of augmented reality technology.

Corporate Governance Report

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

Corporate Governance Practices

Rigorous standards of corporate governance enhance the Group's accountability and transparency, earning the confidence of its shareholders and the public. The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30 June 2019, except that there is no separation of the roles of chairman and chief executive.

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

Board of Directors

Board Composition

The Board currently has 20 Directors comprising eight Executive Directors, three Non-Executive Directors and nine Independent Non-Executive Directors. Further details of the current composition of the Board are set out on page 2.

During the year ended 30 June 2019 and up to the date of this annual report, the changes to the composition of the Board were as follows:

– Mr. Kwok Kai-chun, Geoffrey was appointed as a Non-Executive Director of the Company with effect from 21 December 2018;

– Sir Po-shing Woo resigned as a Non-Executive Director of the Company and Mr. Woo Ka-biu, Jackson ceased to be his alternate, both with effect from 31 August 2019; and

– Mr. Wu Xiang-dong was appointed as an Independent Non-Executive Director of the Company with effect from 1 September 2019.

An updated list of Directors identifying their roles and functions (the "Directors List") is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEX"). Independent Non-Executive Directors are identified as such in the Directors List and all other corporate communications containing the names of the Directors.

Mr. Kwok Ping-luen, Raymond is a nephew of Mr. Kwong Chun and an uncle of Mr. Kwok Kai-fai, Adam and Mr. Kwok Kai-chun, Geoffrey. He is also the father of Mr. Kwok Kai-wang, Christopher and Mr. Kwok Ho-lai, Edward. Mr. Kwok Kai-wang, Christopher is a cousin of Mr. Kwok Kai-fai, Adam and Mr. Kwok Kai-chun, Geoffrey, and the younger brother of Mr. Kwok Ho-lai, Edward. In addition, Sir Po-shing Woo is the father of Mr. Woo Ka-biu, Jackson. Save as disclosed above, there are no family or other material relationships among the members of the Board.

Board Diversity

Prior to the implementation of the code provision in the Code on board diversity in September 2013, the Company adopted a board diversity policy (the "Diversity Policy") setting out the approach to achieve diversity of the Board members in June 2013. The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company sees diversity as a wide concept and believes that diversity of Board members can be achieved through consideration of a number of factors, including but not limited to background, age, gender, culture, industry experience, skills and knowledge, educational background and other qualities. The Company takes into account these factors based on its own business model and specific needs from time to time as well as the availability of suitable candidates in the market. The Nomination Committee monitors the implementation of the Diversity Policy and reviews the same as appropriate.

The Board consists of a diverse mix of Board members in terms of age, gender and tenure of office. Besides, the members of the Board come from a variety of different backgrounds and have a diverse range of business, financial services and professional experience. The Company requests the Directors to disclose annually to the Company the number and nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved. The Directors' biographical information is set out on pages 143 to 153 and is also available on the website of the Company.

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

The Company currently has nine Independent Non-Executive Directors, representing more than one-third of the Board, and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from all Independent Non-Executive Directors their confirmation of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules (the "Independence Guidelines") and considers that they are independent. The re-election of the Independent Non-Executive Directors at the forthcoming annual general meeting of the Company (the "AGM") has been reviewed by the Nomination Committee and further details are set out in the section headed "Nomination Committee and Appointment of Directors" below.

Board Meetings

The Board meets at least four times a year, and a tentative schedule for regular Board meetings for each year is provided to the Directors prior to the beginning of each calendar year. In addition, at least 14 days' notice of all regular Board meetings together with the meeting agenda is given to all Directors such that all Directors are given the opportunity to include matters for discussion in the agenda. Meeting agenda and accompanying meeting papers are sent to all relevant Directors at least three days in advance of every regular Board meeting and committee meeting. Directors may participate in meetings in person, by phone or by other communication means. Between regularly scheduled Board meetings, Directors may approve various matters by way of passing written resolutions. Additional Board meetings may be convened, if necessary.

The Company Secretary assists the Chairman in preparing the agenda for the Board meetings and ensures that all applicable rules and regulations regarding the proceedings of the Board meetings are followed. Draft and final versions of minutes of each Board meeting are sent to all Directors for their comments and records respectively within a reasonable time. The Company also keeps detailed minutes of each Board meeting, which are available for inspection by all Directors.

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group during the year ended 30 June 2019. During the year, the Board discussed the overall strategies of the Group, monitored its financial and operational performance, and approved the annual and interim results of the Group. It also approved the amendments to the terms of reference of the Audit and Risk Management Committee, the appointment of a Non-Executive Director and three new members of the Executive Committee, and the announcements with respect to the issuance and redemption of debt instruments by a wholly-owned subsidiary of the Company and the change in information of a Director of the Company. In August 2019, the Board also approved the appointment of an Independent Non-Executive Director and an announcement regarding such appointment as well as the resignation of a Non-Executive Director and the cessation of his alternate.

The Board held four regular meetings during the year ended 30 June 2019, and the attendance records of the Directors at the Board meetings are set out below:

Directors	Meetings attended/held
Executive Directors	
Kwok Ping-luen, Raymond	4/4
Wong Chik-wing, Mike	4/4
Lui Ting, Victor	4/4
Kwok Kai-fai, Adam	4/4
Kwok Kai-wang, Christopher	4/4
Kwong Chun	2/4
Tung Chi-ho, Eric	4/4
Fung Yuk-lun, Allen	4/4
Non-Executive Directors	
Lee Shau-kee	1/4
Woo Po-shing	#4/4
Kwan Cheuk-yin, William	4/4
Kwok Kai-chung, Geoffrey[1]	2/2
Independent Non-Executive Directors	
Yip Dicky Peter	4/4
Wong Yue-chim, Richard	3/4
Li Ka-cheung, Eric	4/4
Fung Kwok-lun, William	4/4
Leung Nai-pang, Norman	4/4
Leung Kui-king, Donald	4/4
Leung Ko May-yee, Margaret	4/4
Fan Hung-ling, Henry	4/4

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

1 *Mr. Kwok Kai-chun, Geoffrey was appointed as a Director with effect from 21 December 2018*

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

Directors are required to declare their interests (if any) in the matters to be considered at the Board meetings in accordance with the articles of association of the Company (the "Articles of Association"). Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be dealt with by a physical meeting rather than by written resolution. Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues. Pursuant to the Articles of Association, a Director who is considered to be materially interested in the matter shall abstain from voting on the resolution approving such matter.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors. In addition, each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Articles of Association.

Chairman

Mr. Kwok Ping-luen, Raymond is the Chairman and Managing Director of the Company. This is at variance with code provision A.2.1 of the Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

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

During the year ended 30 June 2019, the Chairman held a meeting with the Independent Non-Executive Directors without the presence of the other Directors.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or Alternate Director would be provided an induction package containing an overview of the Group's businesses and the applicable statutory and regulatory obligations of a director of a listed company, and would receive briefing on the responsibilities under the declaration and undertaking with regard to directors from an external lawyer of the Company.

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

During the year ended 30 June 2019, a presentation on the consultation conclusions on review of the Code and related Listing Rules published by The Stock Exchange of Hong Kong Limited, and a study tour at Tsinghua University for understanding the development and the prospects in technology, economy and social development in Mainland China were organized by the Company for the Executive Directors and senior executives of the Company. The Directors also participated in the following trainings:

	Types of training	
Directors	**Attending or giving talks at seminars and/or conferences and/or forums and/or briefings**	**Reading materials on various topics***
Executive Directors		
Kwok Ping-luen, Raymond	✓	✓
Wong Chik-wing, Mike	✓	✓
Lui Ting, Victor	✓	✓
Kwok Kai-fai, Adam	✓	✓
Kwok Kai-wang, Christopher	✓	✓
Kwong Chun	✓	✓
Tung Chi-ho, Eric	✓	✓
Fung Yuk-lun, Allen	✓	✓
Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*	✓	✓
Non-Executive Directors		
Lee Shau-kee		✓
Woo Po-shing		✓
Kwan Cheuk-yin, William	✓	✓
Kwok Kai-chun, Geoffrey	✓	✓
Woo Ka-biu, Jackson *(Alternate Director to Woo Po-shing)*	✓	✓
Independent Non-Executive Directors		
Yip Dicky Peter	✓	✓
Wong Yue-chim, Richard	✓	✓
Li Ka-cheung, Eric	✓	✓
Fung Kwok-lun, William	✓	✓
Leung Nai-pang, Norman	✓	✓
Leung Kui-king, Donald	✓	✓
Leung Ko May-yee, Margaret	✓	✓
Fan Hung-ling, Henry		✓

* *Topics include the Company's business, corporate governance matters, and directors' duties and responsibilities*

Compliance with Model Code

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

Before the Group's interim and annual results are announced, notifications will be sent to the Directors and the Relevant Employees to remind them not to deal in the securities of the Company during the blackout periods. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the year ended 30 June 2019.

Delegation by the Board

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

The Board has delegated specific roles and responsibilities to the Executive, Remuneration, Nomination, and Audit and Risk Management Committees. These Committees have specific terms of reference clearly defining their powers and responsibilities, and they are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any action. Meetings of the Committees are convened as often as necessary and some decisions of the Committees are made by way of passing written resolutions.

Executive Committee

The Executive Committee was established in 1977 and now consists of all eight Executive Directors and six full time senior executives of the Group as its members, including three full time senior executives of the Company who were appointed by the Board as new members of the Committee in August 2018, November 2018 and May 2019 respectively. A list of the current members of the Committee and their biographical information are set out on page 2 and pages 143 to 155 respectively. In addition, four senior executives of the Company holding major positions in the Group have been invited by the Committee to attend its meetings regularly as associate members, and to contribute their experience and expertise to assist the Committee in its decision-making process. A list of the current associate members of the Committee is set out on page 155.

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

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

During the year ended 30 June 2019, the Executive Committee oversaw the daily business operations of the Group and made key business decisions. In addition, the Committee reviewed the Company's compliance with the Code and the applicable statutory and regulatory requirements, and the disclosure in the corporate governance report. It also adopted a policy for the nomination of Directors (the "Nomination Policy"), which had been reviewed by the Nomination Committee. The attendance records of the members at the Committee meetings held during the year are set out below:

Committee members	**Meetings attended/held**
Kwok Ping-luen, Raymond	42/42
Wong Chik-wing, Mike	39/42
Lui Ting, Victor	42/42
Kwok Kai-fai, Adam	38/42
Kwok Kai-wang, Christopher	38/42
Kwong Chun	20/42
Tung Chi-ho, Eric	38/42
Fung Yuk-lun, Allen	34/42
Chow Kwok-yin, Eric	40/42
Yung Sheung-tat, Sandy	40/42
Li Ching-kam, Frederick	41/42
Fung Sau-yim, Maureen[1]	32/35
Chan Hong-ki, Robert[2]	22/24
Lam Ka-keung, Henry[3]	7/7

[1] *Ms. Fung Sau-yim, Maureen was appointed as a member with effect from 23 August 2018*

[2] *Mr. Chan Hong-ki, Robert was appointed as a member with effect from 9 November 2018*

[3] *Mr. Lam Ka-keung, Henry was appointed as a member with effect from 1 May 2019*

Remuneration Committee

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

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

During the year ended 30 June 2019, the Remuneration Committee reviewed the Directors' fees and the emoluments of the Executive Directors. Particulars of the Directors' emoluments are set out in note 10 to the consolidated financial statements. The Committee held a meeting during the year and the attendance records of the members at the meeting are set out below:

Committee members	Meeting attended/held
Wong Yue-chim, Richard	1/1
Li Ka-cheung, Eric	1/1
Kwan Cheuk-yin, William	1/1
Leung Nai-pang, Norman	1/1

Nomination Committee and Appointment of Directors

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

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on the appointment and re-appointment of Directors, and Board succession. The Nomination Policy was adopted by the Company during the year for formalising the current nomination practice of the Company. It sets out the criteria and procedures for the selection, appointment and re-appointment of the Directors. Under the policy, the Committee will evaluate potential candidates by considering various factors, including their professional expertise, industry and business experience, time commitments, potential contribution to board diversity, and material conflict of interest with the Group (if any). The Committee will also consider the independence of candidates with reference to the Independence Guidelines if they will be appointed as Independent Non-Executive Directors. The Committee will then make recommendation of suitable candidates to the Board for consideration of appointment. In case of re-appointment of existing Directors who will retire at AGMs or general meetings of the Company, the Committee will review the rotation and retirement of Directors and make recommendations to the Board accordingly.

The Nomination Committee also reviews the size, structure and composition of the Board. Sufficient resources are provided to the Committee to enable it to perform its duties, and it can seek independent professional advice at the Company's expense if necessary. The Committee's specific terms of reference are available on the websites of the Company and HKEX.

During the year ended 30 June 2019, the Nomination Committee recommended the appointment of a Non-Executive Director to the Board for approval and also reviewed the structure, size and composition of the Board. In addition, it reviewed the Nomination Policy for adoption by the Company and the retirement and re-election of Directors at the forthcoming AGM, including the re-election of two Independent Non-Executive Directors. The Committee also recommended the appointment of an Independent Non-Executive Director to the Board for approval in August 2019 and reviewed his retirement and re-election at the forthcoming AGM in early September 2019.

The Nomination Committee reviewed the biographies of those Independent Non-Executive Directors who will be subject to retirement and re-election at the forthcoming AGM (the "Retiring INEDs"), and taking into consideration their knowledge, experience, capability and various diversity aspects as set out in the Diversity Policy, the Committee is of the view that the Retiring INEDs will continue to contribute to the Board with their respective perspectives, skills and experience.

In addition, Dr. Li Ka-cheung, Eric (being one of the Retiring INEDs) has served the Company for more than nine years, and the Nomination Committee considered that his long service will not affect his exercise of independent judgment and was satisfied that he has the required integrity and experience to continue fulfilling the role of an Independent Non-Executive Director.

The Nomination Committee held a meeting during the year ended 30 June 2019 and the attendance records of the members at the meeting are set out below:

Committee members	Meeting attended/held
Wong Yue-chim, Richard	1/1
Kwan Cheuk-yin, William	1/1
Yip Dicky Peter	1/1
Leung Nai-pang, Norman	1/1

All Directors have formal letters of appointment setting out the key terms of their appointments. In accordance with the Articles of Association, new Director appointed by the Board shall hold office until the next following AGM or general meeting of the Company and shall then be eligible for re-election. In addition, one-third of the Directors are required to retire from office by rotation and are eligible for re-election at each AGM and each Director should be subject to retirement by rotation at least once every three years. Non-Executive Directors (including Independent Non-Executive Directors) will be subject to a term of approximately two years commencing from the date of the AGM at which they are re-elected and expiring at the AGM to be held two years thereafter, and they shall be eligible for re-election at that AGM for a like term upon the expiry of their term of office. In addition, when an Independent Non-Executive Director proposed for re-election has served the Company for more than nine years, his or her re-election will be subject to a separate resolution to be approved at the AGM.

Audit and Accountability

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

Audit and Risk Management Committee

The Audit Committee was established in 1999 and was renamed as the Audit and Risk Management Committee in June 2016 to reflect its role in risk management. The Committee is chaired by Dr. Li Ka-cheung, Eric, and other members of the Committee are Mr. Yip Dicky Peter, Mr. Leung Kui-king, Donald and Dr. Leung Nai-pang, Norman. All members of the Committee are Independent Non-Executive Directors.

No former partner of the Company's existing auditing firm acted as a member of the Audit and Risk Management Committee within two years from the date of his ceasing to be a partner or to have any financial interest in the auditing firm.

The duties of the Audit and Risk Management Committee include:

– reviewing the Group's financial statements and annual reports and accounts, and interim reports before submitting them to the Board;

– reviewing the Group's financial controls, and its risk management and internal control systems;

- ensuring that management has fulfilled its duty to establish and maintain an effective risk management and internal control systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- considering major investigation findings on risk management and internal control matters;

- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective;

- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditor's management letter and questions raised by the external auditor to management, and management's response to such questions;

- reporting to the Board on matters in the code provision under C.3 of the Code;

- meeting with the external auditor to discuss issues regarding audit at least once a year in the absence of management; and

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

The Audit and Risk Management Committee is provided with sufficient resources enabling it to perform its duties. The specific terms of reference of the Committee are available on the websites of the Company and HKEX.

The Audit and Risk Management Committee held three meetings during the year ended 30 June 2019. It had reviewed the interim and annual results of the Group, and discussed and approved the relevant financial reports; reviewed the Group's risk management and internal control systems, risk assessment result and internal audit activities; and discussed the audit plan for the financial year 2018/19. Two private sessions between the members of the Committee and the external auditor without the presence of management had been arranged in two of the aforesaid meetings. The attendance records of the members at the Committee meetings are set out below:

Committee members	**Meetings attended/held**
Li Ka-cheung, Eric	3/3
Yip Dicky Peter	3/3
Leung Kui-king, Donald	3/3
Leung Nai-pang, Norman	3/3

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

The Audit and Risk Management Committee monitors the audit and non-audit services rendered to the Group by the external auditor and ensures that the engagement of the external auditor in other non-audit services will not impair its audit independence or objectivity. An independence confirmation has been obtained from the external auditor which confirmed that during the course of its audit on the Group's consolidated financial statements for the year ended 30 June 2019 and thereafter to the date of the annual report, it is independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the external auditor for the year ended 30 June 2019 amounted to approximately HK$18 million and HK$7 million respectively. The non-audit services mainly consist of consultancy, taxation, review and other reporting services.

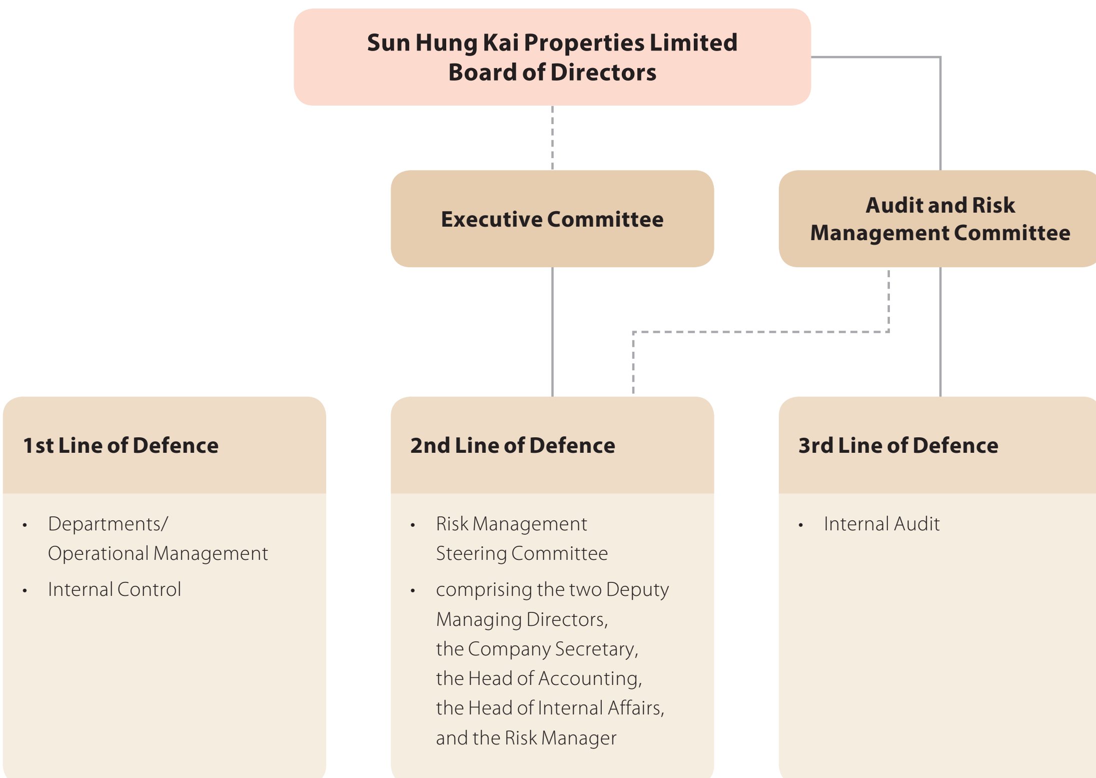
Corporate Governance Report

Risk Management and Internal Control

The Group has diverse business activities in Hong Kong, Mainland China and Singapore and is exposed to different risks in a dynamic environment. Effective risk management is therefore essential for the long-term growth and sustainability of the businesses of the Group. The Board is responsible for the overall strategy and development of the Group's businesses; for setting its corporate goals and risk appetite; for establishing and maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and stakeholders' interests; and for reviewing the effectiveness of the systems. The Board assesses the effectiveness of the risk management and internal control systems through the reviews performed by the Audit and Risk Management Committee, executive management and both internal and external auditors. It should be acknowledged that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

The Group's risk governance structure is guided by the "Three Lines of Defence" model as shown below:



First Line of Defence

Each department has the duty to manage its own risks in the course of its daily operations, including:

(i) establishing its own risk management measures for identifying, measuring, mitigating and monitoring its own risks;

(ii) completing a risk assessment template and submitting its assessment results to the Risk Management Steering Committee at least twice a year;

(iii) operating in a manner that is in line with the risk appetite of the Group; and

(iv) implementing any risk action plans as advised by the Risk Management Steering Committee and/or the Internal Audit Department and/or the Audit and Risk Management Committee to address any significant risk that may affect its operation.

Second Line of Defence

The Risk Management Steering Committee is under the direct supervision of the Executive Committee and also accountable to the Audit and Risk Management Committee. Members of this Committee comprise the two Deputy Managing Directors, the Company Secretary, the Head of Accounting, the Head of Internal Affairs, and the Risk Manager. The Risk Management Steering Committee is primarily responsible for:

(i) providing assistance to the Board and the Audit and Risk Management Committee in overseeing and monitoring the operation of the risk management and internal control systems;

(ii) reviewing the risk assessment results submitted by each department and providing support and guidance to them;

(iii) reporting its work done to the Audit and Risk Management Committee at least twice a year; and

(iv) proposing any enhancement to the risk management and internal control systems for consideration by the Audit and Risk Management Committee and/or the individual department concerned.

Third Line of Defence

The Internal Audit Department is primarily responsible for:

(i) performing audits to evaluate the proper functioning of the risk management and internal control systems;

(ii) reporting its findings to the Audit and Risk Management Committee and providing the Committee with an independent and objective assurance on the effectiveness of the risk management and internal control systems of the Group; and

(iii) proposing any enhancement to the risk management and internal control systems for consideration by the Audit and Risk Management Committee and/or the Risk Management Steering Committee and/or the individual department concerned.

Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in overseeing the risk management and internal control systems of the Group, including:

(i) reviewing, at least annually, the risk management and internal control systems of the Group with the Internal Audit Department to ascertain whether management has fulfilled its responsibilities in establishing and maintaining effective systems;

(ii) reviewing the risk assessment results, including changes in the nature and extent of significant risks since the last review and the Group's ability to respond to changes in its business and the external environment;

(iii) discussing with management on the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions to ensure that these are adequate;

(iv) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(v) identifying any significant risks that should be drawn to the attention of the Board; and

(vi) reviewing and considering any enhancement to the risk management and internal control systems as proposed by the Risk Management Steering Committee and/or the Internal Audit Department.

Board of Directors

The Board has the overall responsibility for establishing and maintaining sound and effective risk management and internal control systems, including:

(i) setting the Group's strategies and corporate goals;

(ii) evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic and business objectives;

(iii) overseeing management in the design, implementation and monitoring of the risk management and internal control systems;

(iv) overseeing the risk management and internal control systems on an ongoing basis, and ensuring that a review of the systems is conducted at least annually to ensure their effectiveness;

(v) reviewing the changes in the nature and extent of significant risks since the last review and the Group's ability to respond to changes in its business and the external environment;

(vi) considering the scope and quality of management's ongoing monitoring of risks and of the internal control systems;

(vii) considering the extent and frequency of communication of monitoring results to the Board; and

(viii) considering any significant control failings or weaknesses that have been identified during the period.

Internal Control

Risk management is integrated with the Group's internal control system which was developed based on the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) principles as follows:

(i) Control Environment

- demonstrates a commitment to integrity and ethical values
- the Board demonstrates independence from management and exercises oversight of the development and performance of internal control
- management establishes, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives
- demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives
- holds individuals accountable for their internal control responsibilities in the pursuit of objectives

(ii) Risk Assessment

- specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives
- identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed
- considers the potential for fraud in assessing risks to the achievement of objectives
- identifies and assesses changes that could significantly impact the system of internal control

(iii) Control Activities

- selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels
- selects and develops general control activities over technology to support the achievement of objectives
- deploys control activities through policies that establish what is expected and procedures that put policies into place

(iv) Information and Communication

- obtains or generates and uses relevant, quality information to support the functioning of internal control
- internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control
- communicates with external parties regarding matters affecting the functioning of internal control

(v) Monitoring

- selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning
- evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate

The internal control system aims at safeguarding assets from inappropriate use, maintaining proper accounts, ensuring compliance with laws and regulations, and enabling timely identification and management of key risks that may have impact on the Group. Management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems. The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. Policies and procedures are laid down for its key business processes and business units covering project development, tendering, sales and leasing, financial reporting, human resources and computer systems.

The Group's Code of Conduct, freely accessible on the Group's intranet, is maintained and communicated to all employees for compliance. In addition, a whistleblowing policy was established for our employees to raise concerns in confidence about suspected misconducts, malpractices or fraudulent activities relating to the Group. The identity of the whistleblower will be treated with the strictest confidence.

The Company has a policy on inside information in place setting out the principles and procedures for handling and disclosing inside information of the Group in compliance with the relevant requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules, and such policy has been communicated to the relevant senior executives of the Group. The policy contains provisions for establishing an internal committee to ascertain whether certain information constitutes inside information of the Group, and (where necessary) for escalating the matter to the senior management of the Group for final determination. To prevent inadvertent disclosure of inside information, the policy also prescribes certain measures in place, including restricting access to inside information to employees on a need-to-know basis, requiring documents and files containing inside information to be kept in a safe place, and requiring that confidentiality agreements be made with external parties in appropriate cases.

Key Risk Factors

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below:

Risks Pertaining to the Property Market in Hong Kong

A substantial part of the Group's property portfolio is located in Hong Kong, and a substantial part of the Group's revenue is derived in Hong Kong. As a result, general state of the economy and the property market, legislative and regulatory changes, government policies and political conditions, interest rate changes, labour market conditions, and availability of financing in Hong Kong have a significant impact on the Group's operating results and financial conditions. For instance, profitability of property development business may be affected due to deteriorating economic conditions or intense competition from other developers and property owners. The government may introduce property cooling measures from time to time, which may have a significant bearing on the property market and adversely affect the Group's property sales performance, and financial condition. Further growth of the Group's property development business may also be impacted by the supply and price levels of land in Hong Kong.

Rental levels in Hong Kong are subject to competition arising from supply in the primary sector. In addition to the economic and market conditions mentioned above, other domestic and external economic and political factors including but not limited to supply and demand conditions, and stock market performance may affect the Group's property investment business.

Risks Pertaining to the Property Market in Mainland China

The Group has material interests in residential and commercial property development and property investment in Mainland China and is therefore subject to the risks associated with China's property market. The Group's operations in Mainland China may also be exposed to the risks of policy changes, currency fluctuation, interest rate changes, demand-supply imbalance, changes in the overall economic conditions, competition in the labour market, and availability of financing, which may pose an adverse impact on the Group's business, financial condition or results of operations.

Operational Risks

The Group's operation is subject to a number of risk factors distinctive to property development, property investment, and property related businesses. Default on the part of our buyers, tenants and strategic business partners, inadequacies or failures of internal processes, people and systems, leakage of sensitive information by hacking or accidents, inadequate responses to negative events which may have adverse impact on reputation, or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation.

Mitigating Principal Risks Faced by the Group

The risk management and internal control systems have been designed to operate proactively to ensure that principal risks are not only identified, measured and monitored but also mitigated. Under such systems, management staff of various departments would identify suitable internal controls and countermeasures to mitigate principal risks faced by the Group. When formulating mitigating measures, important factors such as regulatory requirements, risk appetite, adequacy and effectiveness of mitigating actions proposed, risk owners in place to implement and availability to transfer risks to third parties were taken into consideration. The objective of these risk mitigating plans is to ensure that principal risks are well managed and governed effectively.

Past Performance and Forward-Looking Statements

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (i) any obligations to correct or update the forward-looking statements or opinions contained in this annual report; and (ii) any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

Effectiveness of Risk Management and Internal Control Systems

During the year ended 30 June 2019, the Risk Management Steering Committee has worked with each department and senior management to enhance the risk management and internal control systems. Activities included updating the risk assessment templates to include matters such as key risk indicators and threshold for monitoring risk performance, adding new risk categories particularly emerging risks and providing risk training to and maintaining ongoing interactive dialogues with the departments. It has also reviewed the major risks for operations in Hong Kong and Mainland China.

The Group's Internal Audit Department, which has been established for more than 25 years, performs independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The department has direct access to the Audit and Risk Management Committee and has rights to access all records, assets and personnel as stipulated in the Internal Audit Charter. The department follows a risk-based approach to formulate the audit plan that focuses on the top risks identified. The risks for departments and business units are assessed using the pre-determined risk criteria. The assessment results are consolidated and ranked from an enterprise-wide perspective. The Audit and Risk Management Committee reviews and approves annually the audit plan, which is formulated based on the risk assessment result. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit and Risk Management Committee. The department monitors the follow-up actions agreed upon in response to recommendations.

The Board through the Audit and Risk Management Committee reviewed the risk assessment results, and the risk management and internal control systems of the Group for the year ended 30 June 2019, including financial, operational and compliance controls. The review includes considering the internal control evaluations conducted by executive management and the internal and external auditors as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. Based on the result of the review, the Board considered that for the year ended 30 June 2019, the risk management and internal control systems of the Group were effective and adequate.

Shareholder Relations

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

The Company has also adopted a dividend policy which aims to provide shareholders of the Company with a sustainable dividend and to pay out 40% to 50% of the underlying net profit of the Group. In determining the dividend amount, the Board will take into account a number of factors such as the Group's financial performance, future capital expenditures and financial position as well as the general economic and business conditions. The policy will be reviewed from time to time so as to keep in line with the future prospects and capital requirements of the Group and the changes in market conditions.

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

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

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

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

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

The 2018 AGM was held on 8 November 2018 at the Company's headquarters with a strong participation by the shareholders. Businesses transacted at the 2018 AGM included the adoption of audited consolidated financial statements, the approval of final dividend, the re-election of Directors and fixing of the Directors' fees, the re-appointment of auditor, and the renewal of general mandates with respect to the buy-back of shares and the issue of shares.

The attendance records of the Directors at the 2018 AGM are set out below:

Directors	AGM attended
Executive Directors	
Kwok Ping-luen, Raymond	✓
Wong Chik-wing, Mike	✓
Lui Ting, Victor	✓
Kwok Kai-fai, Adam	✓
Kwok Kai-wang, Christopher	✓
Kwong Chun	✓
Tung Chi-ho, Eric	✓
Fung Yuk-lun, Allen	✓
Non-Executive Directors	
Lee Shau-kee	×
Woo Po-shing	×
Kwan Cheuk-yin, William	✓
Independent Non-Executive Directors	
Yip Dicky Peter	✓
Wong Yue-chim, Richard	✓
Li Ka-cheung, Eric	✓
Fung Kwok-lun, William	✓
Leung Nai-pang, Norman	✓
Leung Kui-king, Donald	✓
Leung Ko May-yee, Margaret	✓
Fan Hung-ling, Henry	✓

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can send a request to the Company to convene a general meeting pursuant to Section 566 of the Companies Ordinance. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form.

Besides, Section 615 of the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company who have a right to vote on the resolution at the AGM; or (ii) at least 50 shareholders who have a right to vote on the resolution at the AGM may request the Company to circulate a notice of a resolution for consideration at the AGM. Such request must identify the resolution to be moved at the AGM and must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form not later than six weeks before the relevant AGM or if later, the time when the notice of the AGM is despatched.

During the year ended 30 June 2019, no amendment was made to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Company and HKEX.

Directors' Report

The Directors are pleased to present their report together with the consolidated financial statements of the Group for the year ended 30 June 2019.

Principal Activities

The principal activity of the Company is investment holdings.

The principal activities of the Group are the development of and investment in properties for sale and rent, hotel operations, telecommunications, transport infrastructure and logistics, and data centre operations. Other ancillary and supporting businesses, which are described under principal subsidiaries, joint ventures and associates on pages 228 to 236, are integrated with the main business of the Group. An analysis of the Group's performance for the year by reportable and operating segments in business operation and geographical area is set out in note 6 to the consolidated financial statements.

Business Review

A fair review of the Group's business, an indication of its likely future development and an analysis of it using financial key performance indicators as well as particulars of important events affecting the Group that have occurred since the end of the year ended 30 June 2019 (if any) are discussed in the "Financial Highlights and Land Bank", "Group Financial Summary", "Chairman's Statement", "Business Model and Strategic Direction", "Review of Operations" and "Financial Review" sections on pages 4 to 91. A description of the principal risks and uncertainties facing the Group is set out in the "Corporate Governance Report" on pages 116 and 117. An account of the Group's key relationships with its stakeholders and a discussion on the Group's environmental policies and performance are included in the "Investor Relations" and "Sustainable Development" sections on pages 92 to 101 and the standalone Sustainability Report. The above discussions form part of this report.

The Residential Properties (First-hand Sales) Ordinance regulates the sales of first-hand uncompleted and completed residential properties in Hong Kong, with a view to enhancing the transparency, fairness and consumer protection of the sales of first-hand residential properties. The Group takes particular care to comply with the requirements of the Ordinance in relation to sales brochures, price lists, show flats, disclosure of transaction information, advertisements, sales arrangements, and mandatory provisions for preliminary agreement for sale and purchase and agreement for sale and purchase for the sales of first-hand residential properties, not only through established internal procedures, but also by engaging external professional advisors including architects, surveyors and solicitors in checking the accuracy of the information contained in the relevant documents made available to the public in connection with such sales.

In relation to human resources, the Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees, customers, tenants and purchasers of its properties, members of the SHKP Club and owners of properties under its management.

On the corporate level, the Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (the "SFO") for, among other things, the disclosure of information and corporate governance matters, and the Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Group Profits

Profit after taxation for the year ended 30 June 2019, including share of results from joint ventures and associates, amounted to HK$46,009 million (2018: HK$50,954 million). After taking perpetual capital securities holders' interests and non-controlling interests into account, profit attributable to the Company's shareholders was HK$44,912 million (2018: HK$49,951 million).

Dividends

An interim dividend of HK$1.25 per share (2018: HK$1.20 per share) was paid on 21 March 2019. The Board of Directors of the Company (the "Board") has recommended a final dividend of HK$3.70 per share (2018: HK$3.45 per share), making a total dividend of HK$4.95 per share for the full year ended 30 June 2019 (2018: HK$4.65 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Thursday, 7 November 2019 (the "2019 Annual General Meeting"), will be payable in cash on Thursday, 21 November 2019 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 13 November 2019. Shares of the Company will be traded ex-dividend as from Monday, 11 November 2019.

Shares Issued

During the year, 609,500 shares (2018: 825,000 shares) of the Company were issued and allotted as fully paid shares for a total consideration of HK$64 million (2018: HK$85 million) as a result of the exercise of share options under the share option scheme of the Company.

Details of the shares issued by the Company during the year are shown in note 32 to the consolidated financial statements and on page 166 respectively.

Debentures Issued

During the year, two-year medium-term notes of RMB1,200 million with coupon rate of 3.94% per annum were issued by the Company in the interbank bond market in Mainland China for financing a project of the Group in Mainland China.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2019.

Reserves

Movements in the reserves of the Company and the Group during the year are shown in note 35 to the consolidated financial statements and on page 166 respectively.

Investment Properties, and Property, Plant and Equipment

Movements in investment properties, and in property, plant and equipment during the year are shown in notes 15 and 16 to the consolidated financial statements respectively.

Directors' Report

Group Financial Summary

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

Development and Investment Properties

Particulars of major development and investment properties in Hong Kong held by the Group are set out on pages 36 and 37, and pages 48 and 49 respectively; and particulars of major development and investment properties in Mainland China held by the Group are set out on pages 62 and 63, and pages 72 and 73 respectively.

Directors

The list of Directors and their biographical information are set out on page 2, and pages 143 to 153 respectively.

During the year ended 30 June 2019 and up to the date of this report, Mr. Kwok Kai-chun, Geoffrey was appointed as a Non-Executive Director of the Company with effect from 21 December 2018. Sir Po-shing Woo resigned as a Non-Executive Director of the Company and Mr. Woo Ka-biu, Jackson ceased to be his alternate, both with effect from 31 August 2019. Mr. Wu Xiang-dong was appointed as an Independent Non-Executive Director of the Company with effect from 1 September 2019. All other Directors held office for the whole year.

In accordance with Article 93 of the Company's articles of association (the "Articles of Association"), Messrs. Kwok Kai-chun, Geoffrey and Wu Xiang-dong, who were appointed as Directors of the Company by the Board after the annual general meeting of the Company held on 8 November 2018, will hold office until the 2019 Annual General Meeting and, being eligible, have offered themselves for re-election.

In addition, in accordance with Article 103(A) of the Articles of Association, Mr. Kwok Ping-luen, Raymond, Mr. Wong Chik-wing, Mike, Dr. Li Ka-cheung, Eric, Mrs. Leung Ko May-yee, Margaret, Mr. Kwok Kai-wang, Christopher and Mr. Tung Chi-ho, Eric will retire from office and, being eligible, have offered themselves for re-election at the 2019 Annual General Meeting. Dr. Li Ka-cheung, Eric, an Independent Non-Executive Director, has served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Listing Rules, his re-election will be subject to a separate resolution to be approved at the 2019 Annual General Meeting.

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

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

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is kept at the registered office of the Company and available for inspection by the Shareholders during office hours.

Directors' and Chief Executives' Interests

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

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

	Number of shares held							
Name of Director	**Personal interests (held as beneficial owner)**	**Family interests (interests of spouse or child under 18)**	**Corporate interests (interests of controlled corporation)**	**Other interests**	**Sub-total**	**Number of underlying shares held under equity derivatives**	**Total**	**% of issued voting shares as at 30.06.2019**
Kwok Ping-luen, Raymond	188,743	70,000[1]	–	524,284,686[2&8]	524,543,429	–	524,543,429	18.10
Lee Shau-kee	526,868	–	61,533,000[3]	–	62,059,868	–	62,059,868	2.14
Wong Chik-wing, Mike	497,695	–	–	–	497,695	–	497,695	0.02
Lui Ting, Victor	160,000	–	–	–	160,000	–	160,000	0.01
Wong Yue-chim, Richard	5,000	1,000[1]	–	–	6,000	–	6,000	0.00
Li Ka-cheung, Eric	–	4,028[1]	–	–	4,028	–	4,028	0.00
Fung Kwok-lun, William	220,000	9,739[1]	–	–	229,739	–	229,739	0.01
Leung Nai-pang, Norman	–	10,833[1]	–	–	10,833	–	10,833	0.00
Leung Kui-king, Donald	–	2,000[1]	–	–	2,000	–	2,000	0.00
Leung Ko May-yee, Margaret	15,372	–	–	–	15,372	–	15,372	0.00
Kwok Kai-chun, Geoffrey	–	–	–	645,836,872[5,6,8&9]	645,836,872	–	645,836,872	22.29
Kwok Kai-fai, Adam	–	–	32,000[4]	651,144,247[7,8&9]	651,176,247	–	651,176,247	22.47
Kwok Kai-wang, Christopher	110,000[10]	60,000[1]	–	651,238,101[2,8&9]	651,408,101	–	651,408,101	22.48
Kwong Chun	762,722	339,358[1]	–	–	1,102,080	–	1,102,080	0.04
Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*	32,000	–	–	651,238,101[2,8&9]	651,270,101	–	651,270,101	22.48
Woo Ka-biu, Jackson *(Alternate Director to Woo Po-shing)*	–	1,000[1]	–	–	1,000	–	1,000	0.00

Notes:

1. *These shares in the Company were held by the spouse of the Director concerned.*

2. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 524,284,686 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

3. *Dr. Lee Shau-kee was deemed to be interested in 61,533,000 shares in the Company held by Kinnox Investment Limited ("Kinnox"). Kinnox was wholly-owned by Financial Enterprise Investments Limited which was wholly-owned by Shau Kee Financial Enterprises Limited ("SK Financial"). Lee Financial (Cayman) Limited ("Lee Financial") as trustee of a unit trust owned all the issued shares of SK Financial. Leeworld (Cayman) Limited ("Leeworld") and Leesons (Cayman) Limited ("Leesons") as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Lee Financial, Leeworld and Leesons were owned by Dr. Lee Shau-kee. He was taken to be interested in 61,533,000 shares in the Company held by Kinnox for the purpose of Part XV of the SFO.*

4. *These shares in the Company were held by a corporation wholly-owned and controlled by Mr. Kwok Kai-fai, Adam.*

5. *Mr. Kwok Kai-chun, Geoffrey was deemed to be interested in 211,173,896 shares in the Company by virtue of him being a beneficiary of certain trusts for the purpose of Part XV of the SFO.*

6. *Mr. Kwok Kai-chun, Geoffrey was also deemed to be interested in 307,709,561 shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.*

7. *Mr. Kwok Kai-fai, Adam was deemed to be interested in 524,190,832 shares in the Company by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.*

8. *Of the said 524,284,686 shares, 307,709,561 shares and 524,190,832 shares in the Company as stated in Notes 2, 6 and 7 above respectively, Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 76,526,723 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

9. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were also deemed to be interested in 126,953,415 shares in the Company by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

10. *These shares in the Company were held jointly with the spouse of Mr. Kwok Kai-wang, Christopher.*

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

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

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests	Sub-total	Number of underlying shares held under equity derivatives[1]	Total	% of issued voting shares as at 30.06.2019
Kwok Ping-luen, Raymond	–	–	3,485,000[2&3]	3,485,000	–	3,485,000	0.15
Wong Chik-wing, Mike	218,000	–	–	218,000	–	218,000	0.01
Lui Ting, Victor	356	–	–	356	–	356	0.00
Leung Nai-pang, Norman	41,000	142[4]	–	41,142	–	41,142	0.00
Leung Ko May-yee, Margaret	1,000	2,000[4]	–	3,000	–	3,000	0.00
Kwok Kai-chun, Geoffrey	–	–	11,927,658[2&5]	11,927,658	–	11,927,658	0.51
Kwok Kai-fai, Adam	–	–	11,927,658[2&5]	11,927,658	–	11,927,658	0.51
Kwok Kai-wang, Christopher	–	–	13,272,658[2,3&5]	13,272,658	–	13,272,658	0.57
Kwong Chun	600,000	–	–	600,000	–	600,000	0.03
Fung Yuk-lun, Allen	–	–	–	–	8,000,000	8,000,000	0.34
Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*	–	–	13,272,658[2,3&5]	13,272,658	–	13,272,658	0.57

Notes:

1. *These underlying shares held under equity derivatives represented the share options granted by SUNeVision (being regarded for the time being as unlisted physically settled equity derivatives). Details of the share options are set out in the section headed "Share Option Schemes" below.*

2. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 2,140,000 shares in SUNeVision by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

3. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were also deemed to be interested in 1,345,000 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

4. *These shares in SUNeVision were held by the spouse of the Director concerned.*

5. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were also deemed to be interested in 9,787,658 shares in SUNeVision by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

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

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 30.06.2019
Kwok Ping-luen, Raymond	–	–	5,162,337[1]	5,162,337	–	5,162,337	0.46
Lee Shau-kee	–	546,000[2]	–	546,000	–	546,000	0.05
Kwok Kai-chun, Geoffrey	–	–	6,849,161[3]	6,849,161	–	6,849,161	0.61
Kwok Kai-fai, Adam	–	–	6,849,161[3]	6,849,161	–	6,849,161	0.61
Kwok Kai-wang, Christopher	–	–	12,011,498[1&3]	12,011,498	–	12,011,498	1.07
Fung Yuk-lun, Allen	437,359	–	–	437,359	–	437,359	0.04
Kwok Ho-lai, Edward *(Alternate Director to Kwok Ping-luen, Raymond)*	–	–	12,011,498[1&3]	12,011,498	–	12,011,498	1.07

Notes:

1. *Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 5,162,337 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

2. *Dr. Lee Shau-kee was deemed to be interested in 546,000 shares in SmarTone held by Good Treasure Limited ("Good Treasure"). Good Treasure was wholly-owned by Financial Enterprise Group Limited, which was a wholly-owned subsidiary of Furnline Limited. Furnline Limited was wholly-owned by Jetwin International Limited ("Jetwin"). Triton (Cayman) Limited ("Triton") as trustee of a unit trust owned all the issued shares of Jetwin. Victory (Cayman) Limited ("Victory") and Triumph (Cayman) Limited ("Triumph") as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Triton, Victory and Triumph were owned by Dr. Lee Shau-kee. He was taken to be interested in 546,000 shares in SmarTone held by Good Treasure for the purpose of Part XV of the SFO.*

3. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward were deemed to be interested in 6,849,161 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.*

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

	Number of shares held				
Name of Director	**Personal interests (held as beneficial owner)**	**Sub-total**	**Number of underlying shares held under equity derivatives**	**Total**	**% of issued voting shares as at 30.06.2019**
Kwok Ping-luen, Raymond	479,644[1]	479,644	–	479,644	0.11
Lui Ting, Victor	300,000	300,000	–	300,000	0.07

Note:

1. *Of these shares in Transport International, 475,836 shares were held jointly with the spouse of Mr. Kwok Ping-luen, Raymond.*

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

Name of associated corporation	Attributable shares held through corporation	Attributable % of issued voting shares held through corporation as at 30.06.2019	Actual shares held through corporation	Actual % of interests in issued voting shares as at 30.06.2019
Splendid Kai Limited	2,500	25.00	1,500[1]	15.00
Hung Carom Company Limited	25	25.00	15[1]	15.00
Tinyau Company Limited	1	50.00	1[1]	50.00
Open Step Limited	8	80.00	4[1]	40.00

Note:

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

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

Name of associated corporation	Total number of shares held	% of issued voting shares as at 30.06.2019
Anbok Limited	2[1]	50.00
Billion Ventures Limited	1[2]	50.00
Central Waterfront Property Holdings Limited	100[3]	100.00
Central Waterfront Property Investment Holdings Limited	50[4]	50.00
CWP Limited	1[5]	50.00
Daily Win Development Limited	100[6]	25.00
E Man-Sanfield JV Construction Company Limited	1[7]	50.00
Everise (H.K.) Limited	1[8]	50.00
Fullwise Finance Limited	2[1]	50.00
Gold Sky Limited	1[9]	50.00
Jade Land Resources Limited	1[10]	25.00
Karnold Way Limited	2,459[11]	24.59
Maxfine Development Limited	3,050[12]	33.33
Metro Trade International Limited	16[6]	26.67
Royal Peninsula Management Service Company Limited	1[13]	50.00
Special Concept Development Limited	1[10]	25.00
Star Play Development Limited	1[14]	33.33
System Link Development Limited	2[15]	50.00
Tartar Investments Limited	300[16]	30.00
Teamfield Property Limited	4,918[17]	49.18
Topcycle Development Limited	1[18]	50.00
World Space Investment Limited	4,918[17]	49.18

Notes:

1. *Dr. Lee Shau-kee was deemed to be interested in two shares held by Everise (H.K.) Limited which was 50% held by Masterland Limited ("Masterland").*

2. *Dr. Lee Shau-kee was deemed to be interested in one share held by Chico Investment Limited ("Chico").*

3. *Dr. Lee Shau-kee was deemed to be interested in 100 shares held by Central Waterfront Property Investment Holdings Limited which was 34.21% held by Starland International Limited ("Starland").*

4. *Dr. Lee Shau-kee was deemed to be interested in a total of 50 shares of which 34.21 shares were held by Starland and 15.79 shares were held by Prominence Properties Limited ("Prominence Properties") which was wholly-owned by The Hong Kong and China Gas Company Limited ("HK China Gas"). HK China Gas was 41.53% held by Henderson Land Development Company Limited ("Henderson Land"), which in turn was taken to be 72.44% held by Henderson Development Limited ("Henderson Development"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust owned all the issued ordinary shares of Henderson Development. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau-kee. He was taken to be interested in a total of 50 shares held by Starland and Prominence Properties for the purpose of Part XV of the SFO.*

5. *Dr. Lee Shau-kee was deemed to be interested in one share held by Starland.*

6. *Dr. Lee Shau-kee was deemed to be interested in 100 shares in Daily Win Development Limited and 16 shares in Metro Trade International Limited respectively held by Citiright Development Limited ("Citiright").*

7. *Dr. Lee Shau-kee was deemed to be interested in one share held by E Man Construction Company Limited.*

8. *Dr. Lee Shau-kee was deemed to be interested in one share held by Masterland.*

9. *Dr. Lee Shau-kee was deemed to be interested in one share held by Atex Resources Limited which was wholly-owned by Mightymark Investment Limited.*

10. *Dr. Lee Shau-kee was deemed to be interested in one share held by Citiplus Limited.*

11. *Dr. Lee Shau-kee was deemed to be interested in 2,459 shares held by Chico.*

12. *Dr. Lee Shau-kee was deemed to be interested in 3,050 shares held by Quickcentre Properties Limited, a wholly-owned subsidiary of Henderson (China) Investment Company Limited which in turn was wholly-owned by Andcoe Limited. Andcoe Limited was a wholly-owned subsidiary of Henderson China Holdings Limited which was wholly-owned by Brightland Enterprises Limited.*

13. *Dr. Lee Shau-kee was deemed to be interested in one share held by Well Born Real Estate Management Limited.*

14. *Dr. Lee Shau-kee was deemed to be interested in one share held by Benewick Limited which was wholly-owned by Dorway Investment Limited.*

15. *Dr. Lee Shau-kee was deemed to be interested in two shares held by Mightymark Investment Limited.*

16. *Dr. Lee Shau-kee was deemed to be interested in 300 shares held by Kenforce Investment Limited which was wholly-owned by Henderson China Properties Limited.*

17. *Dr. Lee Shau-kee was deemed to be interested in 4,918 shares held by Billion Ventures Limited which was 50% held by Chico.*

18. *Dr. Lee Shau-kee was deemed to be interested in one share held by Dandy Investments Limited.*

19. *Masterland, Chico, Starland, Citiright and companies mentioned in Notes 7, 9, 10, 12 to 16 and 18 above were wholly-owned subsidiaries of Henderson Land. Dr. Lee Shau-kee was taken to be interested in Henderson Land as set out in Note 4 above.*

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executives of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations that were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or that were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Schemes

1. Share option scheme of the Company

At the annual general meeting of the Company held on 15 November 2012, the Shareholders passed an ordinary resolution to approve the adoption of a share option scheme (the "Scheme").

During the year ended 30 June 2019, no share options were granted under the Scheme. Particulars of the outstanding share options granted under the Scheme and their movements during the year ended 30 June 2019 were as follows:

Grantees	Date of grant	Exercise price per share (HK$)	Exercise period[1]	Number of share options: Balance as at 01.07.2018	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2019	Closing price per share (HK$)
(i) Director									
Tung Chi-ho, Eric	11.07.2014	106.80	11.07.2015 to 10.07.2019	100,000	–	(100,000)	–	–	133.00[2]
(ii) Other employees	12.07.2013	102.30	12.07.2014 to 11.07.2018	141,000	–	(141,000)	–	–	119.66[3]
	11.07.2014	106.80	11.07.2015 to 10.07.2019	533,000	–	(368,500)	–	164,500	132.25[3]
Total				774,000	–	(609,500)	–	164,500	

Notes:

1. *The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.*

2. *This represented the closing price of the shares of the Company immediately before the date on which the share options were exercised.*

3. *This represented the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised.*

4. *The accounting policy adopted for the share options is set out in note 5(w) to the consolidated financial statements.*

Save as disclosed above, there were no outstanding share options granted under the Scheme during the year ended 30 June 2019.

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

1. The purpose of the Scheme is to attract and retain the best quality personnel for the development of the Company's businesses, to provide additional incentives to the employees of the Company or any of its subsidiaries, and to promote the long term financial success of the Company by aligning the interests of the grantees to the Shareholders.

2. The participants of the Scheme are the employees of the Company or any of its subsidiaries (including any Executive Directors of the Company or any of its subsidiaries) as the Board may in its absolute discretion select.

3. The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption of the Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders.

   The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. As at 12 September 2019, the number of shares of the Company available for issue in respect thereof was 252,464,604 shares, representing approximately 8.71% of the issued shares of the Company.

4. The total number of shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) granted under the Scheme in any 12-month period to each grantee must not exceed 1% of the shares of the Company in issue.

5. The exercise period of any share option granted under the Scheme shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.

6. The Scheme do not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

7. The acceptance of an offer of the grant of share options must be made within 28 days from the date of offer with a non-refundable payment of HK$1.00 from each grantee.

8. The exercise price of a share option to subscribe for shares of the Company shall not be less than the following prices, whichever is higher:

   - the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

   - the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

9. The Scheme shall be valid and effective for a period of ten years commencing on the adoption of the Scheme on 15 November 2012.

2. *Share option schemes of the subsidiaries*

(I) SUNeVision

On 1 November 2012, SUNeVision adopted a share option scheme which became effective on 15 November 2012 following the passing of an ordinary resolution approving the same by the Shareholders at the annual general meeting of the Company held on 15 November 2012 (the "SUNeVision Scheme").

During the year ended 30 June 2019, SUNeVision granted 11,590,000 share options under the SUNeVision Scheme on 22 May 2019. Particulars of the outstanding share options granted under the SUNeVision Scheme and their movements during the year ended 30 June 2019 were as follows:

				Number of share options					
Grantees	**Date of grant**	**Exercise price per share (HK$)**	**Exercise period[1]**	**Balance as at 01.07.2018**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Balance as at 30.06.2019**	**Closing price per share (HK$)**
(i) Directors of SUNeVision									
Fung Yuk-lun, Allen	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	–	–	–	4,000,000	N/A
	22.05.2019	6.688	22.05.2020 to 21.05.2024	N/A	4,000,000	–	–	4,000,000	6.61[2]
Other director of SUNeVision	19.06.2018	5.048	19.06.2019 to 18.06.2023	4,000,000	–	–	–	4,000,000	N/A
(ii) Other employees of SUNeVision	08.03.2016	2.45	08.03.2017 to 07.03.2021	5,610,000	–	(1,125,000)	–	4,485,000	6.15[3]
	19.06.2018	5.048	19.06.2019 to 18.06.2023	4,350,000	–	(45,000)	(1,500,000)	2,805,000	6.84[3]
	22.05.2019	6.688	22.05.2020 to 21.05.2024	N/A	6,190,000	–	(350,000)	5,840,000	6.61[2]
(iii) Other participants of SUNeVision	19.06.2018	5.048	19.06.2019 to 18.06.2023	3,000,000	–	–	(1,500,000)	1,500,000	N/A
	22.05.2019	6.688	22.05.2020 to 21.05.2024	N/A	1,400,000	–	–	1,400,000	6.61[2]
Total				20,960,000	11,590,000	(1,170,000)	(3,350,000)	28,030,000	

Notes:

1. *The share options can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.*

2. *This represented the closing price of the shares of SUNeVision immediately before the date on which the share options were granted.*

3. *This represented the weighted average closing price of the shares of SUNeVision immediately before the dates on which the share options were exercised.*

Save as disclosed above, there were no outstanding share options granted under the SUNeVision Scheme during the year ended 30 June 2019.

The fair values of the share options granted by SUNeVision were determined by using the Black-Scholes model which is one of the models to estimate the fair value of a share option. The total value of the share options granted during the year ended 30 June 2019 under the SUNeVision Scheme amounting to approximately HK$19,390,997 was estimated based on the following variables and assumptions:

Risk-free interest rate	1.56%[1]
Expected volatility	32.68%[2]
Expected dividend yield	2.27%[3]
Expected life of the share options	5 years[4]

Notes:

1. *This represented the approximate yield of 5-year Exchange Fund Note traded on 22 May 2019.*

2. *This represented the annualized volatility of the closing price of the shares of SUNeVision in the year preceding the date of grant.*

3. *This represented the yield of the expected dividend, being the historical dividend of the shares of SUNeVision in the year preceding the date of grant.*

4. *This was based on the assumption that there was no material difference between the expected volatility over the whole life of the share options and the historical volatility of the shares of SUNeVision in the year preceding the date of grant.*

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

The major terms of the SUNeVision Scheme are as follows:

1. The purpose of the SUNeVision Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the SUNeVision group and to provide SUNeVision with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as the board of SUNeVision may approve from time to time.

2. The participants of the SUNeVision Scheme include (i) any executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the SUNeVision group; (ii) any consultants, professional and other advisers to each member of the SUNeVision group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of SUNeVision; (iv) any associates of a director, chief executive or substantial shareholder of SUNeVision; and (v) any employees of the substantial shareholder of SUNeVision, provided that the board of SUNeVision shall have absolute discretion to determine whether or not one falls within the above categories.

3. The total number of shares of SUNeVision which may be issued upon exercise of all share options to be granted under the SUNeVision Scheme and any other share option schemes of SUNeVision shall not in aggregate exceed 10% of the total number of shares of SUNeVision in issue as at the date of approval of the SUNeVision Scheme by the shareholders of SUNeVision. The 10% limit may be refreshed with the approval of the shareholders of SUNeVision in general meeting. The maximum number of shares of SUNeVision which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SUNeVision Scheme and any other share option schemes of SUNeVision must not exceed 30% of the total number of shares of SUNeVision in issue from time to time (or such higher percentage as may be allowed under the Listing Rules). As at 12 September 2019, the number of shares of SUNeVision available for issue under the SUNeVision Scheme was 227,266,953 shares, representing approximately 9.77% of the issued shares of SUNeVision.

4. The total number of shares of SUNeVision issued and to be issued upon exercise of the share options granted under the SUNeVision Scheme and any other share option schemes of SUNeVision to each participant (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the total number of shares of SUNeVision in issue.

5. A share option granted under the SUNeVision Scheme may be exercised at any time during the option period after the share option has been granted by the board of SUNeVision. A share option period is a period to be determined by the board of SUNeVision at its absolute discretion and notified by the board of SUNeVision to each grantee as being the period during which a share option may be exercised, such period shall not be longer than ten years from the date of grant of the share option.

6. Unless otherwise determined by the board of SUNeVision and specified in the offer letter at the time of the offer, there is neither any performance target that needs to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised.

7. The acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

8. The exercise price of a share option to subscribe for shares of SUNeVision shall be at least the highest of:

   - the closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;

   - the average closing price of the shares of SUNeVision as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made to a participant; and

   - the nominal value of the shares of SUNeVision.

9. The SUNeVision Scheme shall be valid and effective for a period of ten years commencing on the day on which the SUNeVision Scheme takes effect.

(II) SmarTone

On 2 November 2011, SmarTone adopted a share option scheme which became effective on 8 December 2011 (the "SmarTone Scheme"). Pursuant to the terms of the SmarTone Scheme, SmarTone granted or may grant share options to the participants, including directors and employees of the SmarTone group, to subscribe for the shares of SmarTone.

During the year ended 30 June 2019, no share options were granted under the SmarTone Scheme. Particulars of the outstanding share options granted under the SmarTone Scheme and their movements during the year ended 30 June 2019 were as follows:

Grantee	Date of grant	Exercise price per share (HK$)	Exercise period[1]	Number of share options: Balance as at 01.07.2018	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2019
Director of SmarTone	25.07.2016	14.28	25.07.2017 to 24.07.2021	3,000,000	–	–	–	3,000,000
Total				3,000,000	–	–	–	3,000,000

Note:

1. *The share options can be exercised up to one-third of the grant from the first anniversary of the date of grant, up to two-thirds of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.*

Save as disclosed above, there were no outstanding share options granted under the SmarTone Scheme during the year ended 30 June 2019.

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

1. The purpose of the SmarTone Scheme is to reward participants who have made a valuable contribution to the growth of the SmarTone group and to enable the SmarTone group to recruit and/or to retain employees who are regarded as valuable to the SmarTone group or are expected to be able to contribute to the business development of the SmarTone group.

2. Any employee, agent, consultant or representative of SmarTone or any of its subsidiaries, including any director of SmarTone or any of its subsidiaries, who has made valuable contribution to the growth of the SmarTone group based on his work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the SmarTone Scheme at the invitation of the directors of SmarTone.

3. SmarTone can issue share options so that the total number of shares of SmarTone that may be issued upon exercise of all share options to be granted under the SmarTone Scheme and any other share option schemes of SmarTone does not in aggregate exceed 10% of the shares of SmarTone in issue as at the date of adoption of the SmarTone Scheme. SmarTone may renew this limit at any time, subject to its shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding share options of SmarTone granted and yet to be exercised under all the share option schemes of SmarTone does not exceed 30% of the shares of SmarTone in issue from time to time. As at 12 September 2019, the number of shares of SmarTone available for issue in respect thereof was 102,761,185 shares which represented approximately 9.15% of the issued shares of SmarTone.

4. The maximum entitlement for any participant is that the total number of shares of SmarTone issued and to be issued upon exercise of share options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the relevant class of shares of SmarTone in issue.

5. The exercise period of any share option granted under the SmarTone Scheme shall be determined by the board of SmarTone but such period must not exceed ten years from the date of grant of the relevant share option.

6. The SmarTone Scheme does not specify any minimum holding period before the share option can be exercised but the board of SmarTone has the authority to determine the minimum holding period when the share options are granted.

7. Acceptance of offer to grant a share option shall be sent in writing together with a remittance in favour of SmarTone of HK$1.00 by way of consideration for the grant and must be received by the company secretary of SmarTone within 28 days from the date of the making of such offer.

8. The option price per share of SmarTone payable upon the exercise of any share option will be determined by the directors of SmarTone upon the grant of such share option. It shall be at least the highest of:

    - the average closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the day of offer of such share option;

    - the closing price of the shares of SmarTone as stated in the Stock Exchange's daily quotations sheet on the day of offer of such share option, which must be a business day; and

    - the nominal value of a share of SmarTone.

9. The SmarTone Scheme shall be valid and effective for a period of ten years commencing from the adoption of the SmarTone Scheme on 2 November 2011.

Arrangement to Purchase Shares or Debentures

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

Equity-linked Agreements

Other than the share option scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Interests of Substantial Shareholders and Other Persons

As at 30 June 2019, substantial shareholders of the Company and other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company, were as follows:

	Number of shares held				
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Total	% of issued voting shares as at 30.06.2019
(i) Substantial shareholders					
HSBC Trustee (C.I.) Limited	–	–	986,556,508[1,2&3]	986,556,508	34.05
Kwong Siu-hing	25,024	–	770,075,237[1&3]	770,100,261	26.58
Adolfa Limited ("Adolfa")	231,182,838	76,526,723	–	307,709,561[3&4]	10.62
Bertana Limited ("Bertana")	231,182,838	76,526,723	–	307,709,561[3&5]	10.62
Cyric Limited ("Cyric")	231,182,838	76,526,723	–	307,709,561[3&6]	10.62
(ii) Other persons					
Credit Suisse Trust Limited	–	–	216,631,593[7&8]	216,631,593	7.48
Genesis Trust & Corporate Services Ltd.	–	–	211,173,896[9]	211,173,896	7.29
Kwok Kai-ho, Jonathan	–	–	211,173,896[9]	211,173,896	7.29
Thriving Talent Limited	192,775,595[2]	–	–	192,775,595	6.65
Thriving Talent Holdings Limited	–	192,775,595[2]	–	192,775,595	6.65
Rosy Result Limited	189,149,595[7]	–	–	189,149,595	6.53
Asporto Limited	187,357,707[9]	–	–	187,357,707	6.47

Notes:

1. *Madam Kwong Siu-hing was deemed to be interested in 770,075,237 shares in the Company by virtue of her being a founder and a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO. These shares formed part of the shares in the Company in which HSBC Trustee (C.I.) Limited was deemed to be interested by virtue of it being the trustee of certain discretionary trusts and were therefore duplicated between these two substantial shareholders.*

2. *In addition to the deemed interests as stated in Note 1 above, HSBC Trustee (C.I.) Limited was deemed to be interested in 216,481,271 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 192,775,595 shares represented the same interests held by Thriving Talent Limited (which was a wholly-owned subsidiary of Thriving Talent Holdings Limited) and were therefore duplicated amongst them.*

   The 216,481,271 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.

3. *Of the respective shares in the Company held by Adolfa, Bertana and Cyric, 76,526,723 shares were held through corporations of which each of Adolfa, Bertana and Cyric was interested in one-third of the entire issued share capital. These 76,526,723 shares represented the same interests and were therefore duplicated amongst these companies. Further, the respective shares held by Adolfa, Bertana and Cyric formed part of the shares in the Company in which each of Madam Kwong Siu-hing and HSBC Trustee (C.I.) Limited was deemed to be interested.*

4. *These shares were the same shares in the Company included in "other interests" of Mr. Kwok Kai-chun, Geoffrey as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.*

5. *These shares were the same shares in the Company included in "other interests" of Mr. Kwok Kai-fai, Adam as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated between them.*

6. *These shares were the same shares in the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.*

7. *Credit Suisse Trust Limited was deemed to be interested in 216,575,125 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 189,149,595 shares represented the same interests held by Rosy Result Limited and were therefore duplicated between them.*

   The 216,575,125 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.

8. *In addition to the deemed interests as stated in Note 7 above, Credit Suisse Trust Limited was deemed to be interested in 56,468 shares in the Company by virtue of it being the trustee of certain trusts for the purpose of Part XV of the SFO.*

9. *Genesis Trust & Corporate Services Ltd. was deemed to be interested in 211,173,896 shares in the Company by virtue of it being the trustee of certain trusts for the purpose of Part XV of the SFO. These shares represented the same interests in which Mr. Kwok Kai-ho, Jonathan was deemed to be interested by virtue of him being a beneficiary of certain trusts for the purpose of Part XV of the SFO and were therefore duplicated between them. Of these shares, 187,357,707 shares represented the same interests held by Asporto Limited and were therefore duplicated amongst them.*

   The 211,173,896 shares in the Company as disclosed in the above paragraph were the same shares in the Company included in "other interests" of Mr. Kwok Kai-chun, Geoffrey as disclosed in the table under the section headed "Directors' and Chief Executives' Interests" above, and were therefore duplicated amongst them.

Save as disclosed above, as at 30 June 2019, there were no other persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which were notified to the Company.

Emolument Policy and Long-term Incentive Schemes of the Group

As at 30 June 2019, the Group employed more than 37,500 employees. The related employees' costs before reimbursements for the year amounted to approximately HK$11,968 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 share option scheme of the Company are set out in the section headed "Share Option Schemes".

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.

Permitted Indemnity

The Articles of Association provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Bank and Other Borrowings

Details of bank and other borrowings as at 30 June 2019 are set out in notes 26 and 29 to the consolidated financial statements.

Interest Capitalized

Interest capitalized during the year amounted to HK$553 million (2018: HK$421 million).

Charitable Donations

HK$85 million (2018: HK$84 million) was donated by the Group during the year.

Directors’ Interests in Competing Businesses

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

The businesses of the Group principally consist of (i) property developments and investments in Hong Kong, Mainland China and Singapore, and (ii) hotel operations in Hong Kong and Mainland China. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward (the Alternate Director to Mr. Kwok Ping-luen, Raymond) (collectively the “Kwok Family”) maintain certain interests in businesses which consist of property developments and investments in Hong Kong and Singapore, and hotel operations in Hong Kong. As such, they are regarded as being interested in such competing businesses with the Group (the “Excluded Businesses”). However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. The Kwok Family does not have property development and investment businesses and hotel operation business in Mainland China. Therefore, they are not regarded as being interested in such Excluded Businesses in Mainland China.

The businesses of Transport International consist of property holdings and developments. Messrs. Kwok Ping-luen, Raymond and Fung Yuk-lun, Allen are non-executive directors of Transport International, and therefore, each of them is regarded as being interested in such Excluded Businesses.

The businesses of Wing Tai Properties Limited (“Wing Tai”) consist of property developments, property investments and management, and hospitality investments and management. Mr. Kwok Ping-luen, Raymond is a non-executive director of Wing Tai and Mr. Kwok Ho-lai, Edward is his alternate, and therefore, each of them is regarded as being interested in such Excluded Businesses.

Dr. Lee Shau-kee remains as an executive director of Henderson Land after his stepping down as the chairman and managing director on 28 May 2019. He is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited. He was an executive director of Henderson Investment Limited and a non-executive director of Miramar Hotel and Investment Company, Limited until 28 May 2019 and 4 June 2019 respectively. In addition to his directorships, Dr. Lee Shau-kee is also deemed to be a substantial shareholder of such companies by virtue of his deemed interest therein under the Listing Rules and Part XV of the SFO. The businesses of these companies principally consist of investment holdings, property developments and investments, hotel operations, project and property management, construction, department store operations, and provision of finance, which may be deemed to constitute the Excluded Businesses. As such, Dr. Lee Shau-kee is regarded as being interested in such Excluded Businesses. He is a Non-Executive Director of the Company and is not involved in the daily management and operation of the Group.

Sir Po-shing Woo is a director of Henderson Development, the businesses of which principally consist of investment holdings as well as property developments and investments in Hong Kong. In addition, both Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson hold directorships in certain companies (including the Kailey Group) and/or are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of these companies. The businesses of these companies consist of property developments and investments. Accordingly, Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson are regarded as being interested in such Excluded Businesses up to 30 August 2019, being the date prior to both the resignation of Sir Po-shing Woo as a Non-Executive Director of the Company and the cessation of Mr. Woo Ka-biu, Jackson as his alternate. Sir Po-shing Woo and Mr. Woo Ka-biu, Jackson were not involved in the daily management and operation of the Group during their tenure of office.

The businesses of Empire Group Holdings Limited ("Empire Group") consist of property investments and developments, and hotel operations. Mr. Kwok Kai-chun, Geoffrey is a director of Empire Group and is entitled to exercise, or control the exercise of, 10% or more of the voting power at any of its general meetings, and therefore is regarded as being interested in such Excluded Businesses. However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. Mr. Kwok Kai-chun, Geoffrey is a Non-Executive Director of the Company.

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

Connected Transactions

During the period from the date of the 2017/18 annual report of the Company to the date of this report, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

Directors' Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

Save for employment contracts, no other contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Major Customers and Suppliers

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

Auditor

The retiring auditor, Messrs. Deloitte Touche Tohmatsu, has signified its willingness to continue in office. A resolution will be proposed at the 2019 Annual General Meeting to re-appoint it and to authorize the Directors to fix its remuneration.

Audit and Risk Management Committee

The annual results for the year 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.

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 102 to 119.

Sufficiency of Public Float

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

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

Kwok Ping-luen, Raymond
Chairman & Managing Director

Hong Kong, 12 September 2019

Directors' Biographical Information

Directors

Kwok Ping-luen, Raymond
Hon LLD, Hon DBA, MBA, MA (Cantab), JP
Chairman & Managing Director (Age: 66)

Mr. Kwok has been Chairman of the Company since December 2011. Prior to the appointment as Chairman of the Company, Mr. Kwok had acted as Vice Chairman of the Company for 21 years. He is also the Managing Director and a member of the Executive Committee of the Company. He has been with the Group for 41 years. Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. Mr. Kwok is the chairman and an executive director of SUNeVision Holdings Ltd. He is also the chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He is also a director of The Real Estate Developers Association of Hong Kong and a member of the council of The Chinese University of Hong Kong.

Mr. Kwok is a son of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is the father of Messrs. Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward. He is also an uncle of Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey.

For the year ended 30 June 2019, Mr. Kwok is entitled to receive a fee of HK$320,000 for being the Chairman of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$3.54 million, including fees of HK$60,000 and HK$180,000 for being the chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited respectively.

Dr. the Hon Lee Shau-kee
DBA(Hon), DSSc(Hon), LLD(Hon), GBM
Vice Chairman & Non-Executive Director (Age: 91)

Dr. Lee has been a Non-Executive Director of the Company for the last 47 years. He is the founder of Henderson Land Development Company Limited, and continues to act as its executive director after stepping down as its chairman and managing director on 28 May 2019. Dr. Lee has been engaged in property development in Hong Kong for more than 60 years. He is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited. He retired as an executive director of Henderson Investment Limited as well as the chairman of The Hong Kong and China Gas Company Limited on 28 May 2019, and a non-executive director of Miramar Hotel and Investment Company, Limited on 4 June 2019. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Dr. Lee the Grand Bauhinia Medal for his distinguished community service.

For the year ended 30 June 2019, Dr. Lee is entitled to receive a fee of HK$310,000 for being the Vice Chairman of the Company.

Directors' Biographical Information

Wong Chik-wing, Mike
MSc(IRE), FHKIS, RPS (BS), JP
Deputy Managing Director (Age: 63)

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

For the year ended 30 June 2019, Mr. Wong is entitled to receive a fee of HK$300,000 for being a Director of the Company and other emoluments of approximately HK$27.43 million.

Lui Ting, Victor
BBA
Deputy Managing Director (Age: 65)

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

For the year ended 30 June 2019, Mr. Lui is entitled to receive a fee of HK$300,000 for being a Director of the Company and other emoluments of approximately HK$27.75 million.

Yip Dicky Peter
MBA, BBS, MBE, JP
Independent Non-Executive Director (Age: 72)

Mr. Yip has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of both the Audit and Risk Management Committee and the Nomination Committee of the Company. He joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in London, China and San Francisco. Mr. Yip worked in a number of departments of HSBC, which included trade services, corporate banking, group consultancy service and regional training. His previous assignment prior to becoming CEO China had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. From January 2003 to April 2005, Mr. Yip was appointed chief executive China business, based in Shanghai; meanwhile, he was also a director of Bank of Shanghai, Ping An Insurance and Ping An Bank in China. Mr. Yip became a general manager of HSBC in April 2005 until his retirement from HSBC in June 2012. He was the executive vice president of Bank of Communications Co., Ltd. and an independent director of DSG International (Thailand) Public Company Limited (whose shares were delisted voluntarily from the Stock Exchange of Thailand). Mr. Yip was the chief representative for the Asia-Pacific Region of Institute of International Finance from July 2012 to July 2015. He retired as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. on 17 July 2019. Mr. Yip is currently an independent non-executive director of South China Holdings Company Limited and an independent director of S.F. Holding Co., Ltd.

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

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

For the year ended 30 June 2019, Mr. Yip is entitled to receive fees of HK$300,000 for being a Director of the Company, HK$280,000 for being a member of the Audit and Risk Management Committee of the Company and HK$60,000 for being a member of the Nomination Committee of the Company.

Professor Wong Yue-chim, Richard
SBS, JP
Independent Non-Executive Director (Age: 67)

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

Professor Wong serves as an independent non-executive director of Great Eagle Holdings Limited and Pacific Century Premium Developments Limited. He retired as an independent non-executive director of Orient Overseas (International) Limited with effect from 17 May 2019. In addition, Professor Wong was a member of the managing board of the Kowloon-Canton Railway Corporation.

For the year ended 30 June 2019, Professor Wong is entitled to receive fees of HK$300,000 for being a Director of the Company, and HK$70,000 for being the Chairman of each of the Nomination Committee and the Remuneration Committee of the Company.

Directors' Biographical Information

Dr. Li Ka-cheung, Eric
LLD, DSocSc., HonDSocSc (EdUHK), B.A., GBS, OBE, JP
Independent Non-Executive Director (Age: 66)

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

Dr. Li is the senior partner of Li, Tang, Chen & Co., Certified Public Accountants. He is also an independent non-executive director of Transport International Holdings Limited, Wong's International Holdings Limited, Hang Seng Bank Limited and China Resources Beer (Holdings) Company Limited. Dr. Li was an independent non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited).

Dr. Li is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He was a former member of the Legislative Council of Hong Kong, the chairman of its Public Accounts Committee, a past president of the Hong Kong Institute of Certified Public Accountants and a former convenor-cum-member of the Financial Reporting Review Panel.

For the year ended 30 June 2019, Dr. Li is entitled to receive fees of HK$300,000 for being a Director of the Company, HK$320,000 for being the Chairman of the Audit and Risk Management Committee of the Company and HK$60,000 for being a member of the Remuneration Committee of the Company. He is also entitled to receive other emoluments in the total sum of HK$288,000 for being a director and the chairman of the audit committee and the remuneration committee of SmarTone Telecommunications Holdings Limited.

Dr. Fung Kwok-lun, William
SBS, OBE, JP
Independent Non-Executive Director (Age: 70)

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

Dr. Fung is the group chairman of Li & Fung Limited, chairman and non-executive director of Global Brands Group Holding Limited, and a non-executive director of Convenience Retail Asia Limited, all within the Fung Group. He is also an independent non-executive director of VTech Holdings Limited and The Hongkong and Shanghai Hotels, Limited. Dr. Fung retired as an independent non-executive director of Shui On Land Limited on 31 May 2019.

Dr. Fung has held key positions in major trade associations. He is the past chairman of the Hong Kong General Chamber of Commerce (1994-1996), the Hong Kong Exporters' Association (1989-1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993-2002). He was a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998-2003). He has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008.

For the year ended 30 June 2019, Dr. Fung is entitled to receive a fee of HK$300,000 for being a Director of the Company.

Dr. Leung Nai-pang, Norman
LLD, GBS, JP
Independent Non-Executive Director (Age: 79)

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

Dr. Leung has been active in public service for 40 years and he served as Commissioner of the Civil Aid Service from 1993 to 2007, chairman of the Broadcasting Authority from 1997 to 2002, council chairman of City University of Hong Kong from 1997 to 2003 and Pro-Chancellor of City University of Hong Kong from 2005 to 2016. He is the council chairman of The Chinese University of Hong Kong.

For the year ended 30 June 2019, Dr. Leung is entitled to receive fees of HK$300,000 for being a Director of the Company, HK$280,000 for being a member of the Audit and Risk Management Committee of the Company, and HK$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

Leung Kui-king, Donald
BSc
Independent Non-Executive Director (Age: 63)

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

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

For the year ended 30 June 2019, Mr. Leung is entitled to receive fees of HK$300,000 and HK$280,000 for being a Director of the Company and a member of the Audit and Risk Management Committee of the Company respectively.

Leung Ko May-yee, Margaret
SBS, JP
Independent Non-Executive Director (Age: 67)

Mrs. Leung has been an Independent Non-Executive Director of the Company since March 2013. She holds a Bachelor's degree in Economics, Accounting and Business Administration from The University of Hong Kong. She was the vice-chairman and the chief executive of Hang Seng Bank Limited, the chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and the Group General Manager of HSBC Holdings plc prior to her retirement from the HSBC group in June 2012.

Mrs. Leung is currently an independent non-executive director of First Pacific Company Limited and Li & Fung Limited. She has been appointed as an independent non-executive director of Agricultural Bank of China Limited with effect from 30 July 2019 and she retired as an independent non-executive director of Hong Kong Exchanges and Clearing Limited with effect from 24 April 2019. In addition, Mrs. Leung was an independent non-executive director of Swire Pacific Limited, Hutchison Whampoa Limited, China Construction Bank Corporation and QBE Insurance Group Limited as well as the deputy chairman, managing director and chief executive of Chong Hing Bank Limited.

Mrs. Leung is a member of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials, the Advisory Committee on Arts Development of the Home Affairs Bureau and the Public Service Commission of the Government of the Hong Kong Special Administrative Region, and a Steward of The Hong Kong Jockey Club. She is also a council member, the treasurer and the chairman of the finance committee, and a member of the human resources policy committee of The University of Hong Kong. Mrs. Leung was the chairman of the board of governors of Hang Seng Management College and Hang Seng School of Commerce, a court member of the Hong Kong Baptist University, and a member of the advisory board and the chairman of the investment committee of the Hong Kong Export Credit Insurance Corporation from 2005 to 2010. She was also a member of the Greater Pearl River Delta Business Council, the advisory committee of the Securities and Futures Commission, the Banking Review Tribunal, and the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the Hong Kong Special Administrative Region, the chairman of the executive committee of The Community Chest of Hong Kong, and a member of the board of directors and the finance committee of the Hospital Authority.

For the year ended 30 June 2019, Mrs. Leung is entitled to receive a fee of HK$300,000 for being a Director of the Company.

Fan Hung-ling, Henry
SBS, JP
Independent Non-Executive Director (Age: 71)

Mr. Fan has been an Independent Non-Executive Director of the Company since March 2018. He graduated from The University of Hong Kong with an honours degree in Economics and Business Management and also holds a Bachelor of Laws degree from the University of Beijing. He is a Barrister-at-Law in Hong Kong, and in England and Wales as well as an Attorney-at-Law in the State of California, U.S.A.

Mr. Fan has over 30 years of experience in business management. He was a director and then managing director of CITIC Pacific Limited (now known as CITIC Limited) from 1990 and 1992 respectively to 2009. In addition, Mr. Fan was a deputy chairman of Cathay Pacific Airways Limited from 1997 to 2009 and an independent non-executive director of Hong Kong Exchanges and Clearing Limited from 2003 to 2009. He is currently an independent non-executive director of HKR International Limited. Mr. Fan is also the managing director of Hong Kong Glory Limited, a family investment company.

Mr. Fan has a long record of public service in Hong Kong. He is a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development as well as a member of the board of directors of the West Kowloon Cultural District Authority, the Hospital Authority and the Financial Services Development Council. Mr. Fan was a non-official member of the Executive Council of the Hong Kong Special Administrative Region, the chairman of the Mandatory Provident Fund Schemes Authority, and a non-executive director of the Securities and Futures Commission.

For the year ended 30 June 2019, Mr. Fan is entitled to receive a fee of HK$300,000 for being a Director of the Company.

Wu Xiang-dong
MBA, M.E., B.E.
Independent Non-Executive Director (Age: 52)

Mr. Wu has been appointed as an Independent Non-Executive Director of the Company with effect from 1 September 2019. He holds a double Bachelor's degree in Construction Management and Engineering Mechanics, as well as a Master's degree in Municipal Engineering from Tsinghua University and an MBA degree from the University of San Francisco.

Mr. Wu has over 26 years of experience in corporate management and commercial property operation. He is currently a co-chairman, the chief executive officer and the president of China Fortune Land Development Co., Ltd. He was an executive director of China Resources Land Limited ("CRL") for the period from June 2009 to February 2019 and also worked as the executive vice president, the managing director and the chairman of the board of directors of CRL for certain time during such period.

Mr. Wu is entitled to receive a fee of HK$300,000 per annum for being a Director of the Company.

Kwan Cheuk-yin, William
LLB
Non-Executive Director (Age: 84)

Mr. Kwan has been a Non-Executive Director of the Company since July 1999 and is a member of both the Nomination Committee and the Remuneration Committee of the Company. As a managing partner with the solicitors firm of Woo Kwan Lee & Lo, Mr. Kwan has 56 years of experience in legal practice. He is a former director and advisor and currently a voting member of the Tung Wah Group of Hospitals, a past member of the Stamp Advisory Committee, vice chairman of the Hong Kong Scout Foundation Management Committee, vice chairman of the Scout Performing Arts Committee, chairman of Air Activities Committee, adviser of Air Activities Development Fund Committee, elected member of Scout Counsel of Hong Kong, chairman of Scout Association of Hong Kong Leadership Training Institute Foundation Management Committee, vice chairman of World Scout Foundation Baden-Powell Fellowship Hong Kong Chapter, president of the Hong Kong Branch of the King's College London Association, committee member of the Hong Kong Philatelic Society, honorary member of the Federation of Inter-Asia Philately, president of FIAP Grand Prix Club, a permanent advisor of Wah Yan (Hong Kong) Past Students Association, a director and honorary secretary of Wah Yan Dramatic Society, a committee member and legal advisor of South China Athletic Association and former vice manager of its Football Section as well as manager of its Ten Pin Bowling Section and an honorary legal advisor of the Hong Kong Society for Reproductive Society.

Mr. Kwan was commissioner general and vice chairman of the Organizing Committees of the Hong Kong 1994, 1997, 2001 and 2004 International Stamp Exhibitions and was commissioner general and chairman of the Organizing Committees of the Hong Kong 2009 and 2015 International Stamp Exhibitions. He served on the Hong Kong Golf Club General Committee on several occasions in various capacities. He graduated from King's College, London University and is a fellow of King's College London, the Institute of Arbitrators and the Royal Philatelic Society, London.

For the year ended 30 June 2019, Mr. Kwan is entitled to receive fees of HK$300,000 for being a Director of the Company, and HK$60,000 for being a member of each of the Nomination Committee and the Remuneration Committee of the Company.

Directors' Biographical Information

Kwok Kai-chun, Geoffrey
BA
Non-Executive Director (Age: 34)

Mr. Kwok has been a Non-Executive Director of the Company since December 2018. He holds a Bachelor of Arts degree in Economics from Yale University. Mr. Kwok joined the Group in May 2008 and has participated in managing the hotels and serviced apartments of the Group in Hong Kong and mainland China. He is a director of a subsidiary in the hotel division of the Group. Prior to joining the Group, he worked in an international investment bank. He is also a director of Empire Group Holdings Limited.

Mr. Kwok is a nephew of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward. He is a director of Asporto Limited, which has interests in the shares of the Company and such interests have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Mr. Kwok is entitled to receive a fee of approximately HK$158,000 for being a Director of the Company for the period from 21 December 2018 (being the date of his appointment as a Director) to 30 June 2019.

Kwok Kai-fai, Adam
MBA, BSc
Executive Director (Age: 36)

Mr. Kwok has been an Executive Director of the Company since December 2014. He is also a member of the Executive Committee of the Company. Mr. Kwok acted as an Alternate Director to Mr. Kwok Ping-kwong, Thomas from July 2012 until the resignation of Mr. Kwok Ping-kwong, Thomas as Chairman and Managing Director of the Company in December 2014. He holds a Bachelor of Science degree in Management Science and Engineering from Stanford University and a Master's degree in Business Administration from Harvard Business School. He worked in an international investment bank prior to joining the Group in November 2008, and has substantial experience in corporate finance. He was the project director taking charge of certain key residential and commercial projects of the Group in Hong Kong and the Pearl River Delta region. Since April 2013, he has taken up the overall responsibilities for the property business in Southern China.

In addition, Mr. Kwok is a vice-president of The Real Estate Developers Association of Hong Kong, a member of the Major Sports Events Committee, a member of board of directors of The Community Chest of Hong Kong, a member of the International Advisory Council of the Faculty of Business and Economics of The University of Hong Kong, an advisor of Our Hong Kong Foundation and a vice-chairman of Hong Kong United Youth Association. He is also a standing committee member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a founder and deputy chairman of Hong Kong Guangdong Youth Association, a member of All-China Youth Federation, a member of the chairman's committee of Friends of Hong Kong Association Development Foundation and a vice-chairman of Greater Bay Area Homeland Youth Community Foundation.

Mr. Kwok is a nephew of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-wang, Christopher, Kwok Kai-chun, Geoffrey and Kwok Ho-lai, Edward.

For the year ended 30 June 2019, Mr. Kwok is entitled to receive a fee of HK$300,000 for being a Director of the Company and other emoluments of approximately HK$9.33 million.

Kwok Kai-wang, Christopher
MBA, BSc
Executive Director (Age: 33)

Mr. Kwok has been an Executive Director of the Company since April 2016. He is also a member of the Executive Committee of the Company. Mr. Kwok holds a Bachelor of Science Degree in Chemistry from Harvard University and a Master's degree in Business Administration from Stanford Graduate School of Business. He worked in an international management consultancy firm before joining the Group in 2011. He is responsible for sales, project management and leasing of major residential and commercial properties of the Group in Hong Kong and mainland China. He assists the Chairman of the Company in all other businesses, in particular, the non-property related matters. Mr. Kwok is also a non-executive director of SUNeVision Holdings Ltd.

In addition, Mr. Kwok is a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference.

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

For the year ended 30 June 2019, Mr. Kwok is entitled to receive a fee of HK$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$8.61 million, including a fee of HK$45,000 for being a director of SUNeVision Holdings Ltd.

Kwong Chun
Executive Director (Age: 90)

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

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

For the year ended 30 June 2019, Mr. Kwong is entitled to receive a fee of HK$300,000 for being a Director of the Company and other emoluments of approximately HK$7.67 million.

Directors' Biographical Information

Tung Chi-ho, Eric
BA(AS)Hons, BArch, HKIA, Registered Architect, Authorized Person (List of Architects)
Executive Director (Age: 60)

Mr. Tung has been an Executive Director of the Company since December 2013. He is also a member of the Executive Committee of the Company. Mr. Tung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a member of The Hong Kong Institute of Architects and a Registered Architect. Mr. Tung joined the Group in 1987 and has progressed through the ranks with increasing project management, sales and marketing responsibilities for a number of signature projects of the Group in Hong Kong, Singapore and China. He is also an executive director of SUNeVision Holdings Ltd.

For the year ended 30 June 2019, Mr. Tung is entitled to receive a fee of HK$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$21.94 million, including a fee of HK$45,000 for being a director of SUNeVision Holdings Ltd.

Fung Yuk-lun, Allen
BA, Ph.D.
Executive Director (Age: 51)

Mr. Fung has been an Executive Director of the Company since December 2013. He is also a member of the Executive Committee of the Company and the chief executive officer of the Group's non-property related portfolio investments. Mr. Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr. Fung was a Teaching Fellow at Harvard University in 1993-1994 and a visiting Assistant Professor of History at Brown University in 1996-1997. Mr. Fung is a vice chairman and an executive director of SUNeVision Holdings Ltd. as well as a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited. He is also a non-executive director of Transport International Holdings Limited. Mr. Fung was a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited).

Mr. Fung joined McKinsey & Company ("McKinsey"), a global management consulting company, in 1997. He primarily served clients in China and Hong Kong, and also served institutions in Europe and Southeast Asia. Mr. Fung was the co-leader of the infrastructure practice for McKinsey. He was the managing partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a director of McKinsey globally, being the first Hong Kong Chinese to become a director in McKinsey's history. He was also the head of recruiting for the Asia region in McKinsey.

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, the president of the Hong Kong Society for the Protection of Children, an honorary treasurer of The Hong Kong Federation of Youth Groups, and a council member and an executive committee member of The Hong Kong Management Association. He is also a council member of Sir Edward Youde Memorial Fund, a member of the board of the Asian Youth Orchestra, a member of the Advisory Committee on Gifted Education of the Education Bureau of the Government of the Hong Kong Special Administrative Region, and a member of the board of the Hong Kong Philharmonic Society Limited.

For the year ended 30 June 2019, Mr. Fung is entitled to receive a fee of HK$300,000 for being a Director of the Company. He is also entitled to receive other emoluments in the total sum of approximately HK$20.08 million, including fees of HK$52,500 and HK$162,000 for being a vice chairman and a director of SUNeVision Holdings Ltd. as well as a deputy chairman and a director of SmarTone Telecommunications Holdings Limited respectively.

Kwok Ho-lai, Edward
EMBA, BA
Alternate Director to Kwok Ping-luen, Raymond (Age: 38)

Mr. Kwok has been an Alternate Director to Mr. Kwok Ping-luen, Raymond since July 2012. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. He has also obtained an Executive MBA degree from the Kellogg School of Management and the HKUST Business School in December 2017. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. In addition, Mr. Kwok has been an alternate director to Mr. Kwok Ping-luen, Raymond at Wing Tai Properties Limited since April 2015.

Mr. Kwok has joined the Group since January 2010 and is now a sales and project manager, responsible for feasibility study, marketing and planning of new residential projects of the Group in Hong Kong. Before joining the Group, Mr. Kwok worked in a major international audit firm.

Mr. Kwok is a son of Mr. Kwok Ping-luen, Raymond. He is also a grandson of Madam Kwong Siu-hing, who is the elder sister of Mr. Kwong Chun and also a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is a cousin of Messrs. Kwok Kai-fai, Adam and Kwok Kai-chun, Geoffrey, and the elder brother of Mr. Kwok Kai-wang, Christopher.

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

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

Senior Management

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

Executive Committee

Executive Committee

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

Chow Kwok-yin, Eric

ACIS

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

Yung Sheung-tat, Sandy

BA(Law)Hons

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

Li Ching-kam, Frederick

FCCA, CPA

Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He joined the Group in 1989 and is currently the Group Chief Accountant. Mr. Li has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since October 2015.

Fung Sau-yim, Maureen

BSc(Hons) Est. Mgt., MHousMan (Distinction), MBA
FHKIS, FRICS, RPS (GP), FISCM, CIREA

Ms. Fung holds a Bachelor degree of Science in Estate Management from the University of Reading, United Kingdom, an MBA degree from Northeast Louisiana University, United States and a Master degree of Housing Management with Distinction from the University of Hong Kong. She is a fellow of the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors, a registered professional surveyor and a China Real Estate Appraiser. She joined the Group in 1991 and is currently in charge of major shopping malls of the Group in Hong Kong and on the mainland. Ms. Fung is an Executive Director of Sun Hung Kai Properties (China) Limited and has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since August 2018. She has also been appointed as a member of the Aviation Development and Three-runway System Advisory Committee (ADTAC) since 1 August 2019.

Chan Hong-ki, Robert

BSc(BS), MHKIS, MRICS, , RPS(BS), AP(Surveyor)

Mr. Chan graduated from the Hong Kong Polytechnic University and holds a Bachelor degree from University of Greenwich. He is a member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and a Registered Professional Surveyor. He is also an Authorized Person under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong). He joined the Group in 1993 and is currently responsible for project management and design of various projects in Hong Kong and on the mainland. Mr. Chan is an Executive Director of Sun Hung Kai Architects and Engineers Limited and a Non-Executive Director of SUNeVision Holdings Limited. Mr. Chan has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since October 2018.

Lam Ka-keung, Henry

Bsc(Hons), MSc(Const & Real Est)

Mr. Lam holds a Bachelor degree of Science from the Chinese University of Hong Kong and a Master degree of Science in Construction and Real Estate from the Hong Kong Polytechnic University. He joined the Group in 1993 and is currently responsible for strategic planning of shopping malls and new project development with retail component. He has been appointed as an Executive Director of Sun Hung Kai Real Estate Agency Limited since April 2019.

The following are the associate members of the Executive Committee, who hold major positions in the Group, and who have been invited by the Executive Committee to attend its meetings regularly and to contribute their experience and expertise to assist the Executive Committee in its decision-making process:

Mak Nak-keung	–	Corporate Advisor
Sum Hong-ning, Brian	–	General Manager, Corporate Planning
Lung Po-kwan	–	Chief Financial Officer, Mainland China
Fung Chu-hee, Andrew	–	Manager, Chairman's Office

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Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF SUN HUNG KAI PROPERTIES LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Sun Hung Kai Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 162 to 236, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the Group's investment properties in the context of the Group's consolidated financial statements as a whole and because significant judgment is involved in determining the inputs used in the valuation. As at 30 June 2019, the Group's investment properties amounted to HK$386,612 million which represented 51.5% of the Group's total assets. Increase in fair value of investment properties of HK$12,535 million was recognized in the consolidated income statement for the year then ended. The Group's investment properties are stated at fair value based on the valuation carried out by independent qualified valuers (the "Valuers"). The valuation was dependent on certain key estimates which requires significant judgment, including capitalization rates. The valuation of investment properties under development was also dependent on the estimated costs that will be incurred to complete the development with appropriate allowance for profit and risk. Details of the valuation methodology and key inputs used in the valuation are disclosed in note 15 to the consolidated financial statements.	Our procedures in relation to the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers; • Assessing the appropriateness and reasonableness of the valuation methodology, key assumptions and estimates used in the valuations, by comparing them to an estimated range, on a sample basis, based on evidence of comparable market transactions and other publicly available information of the property industry; and • Assessing the completeness and consistency of information provided by the Group to the Valuers; and evaluating the accuracy of the key inputs used in the valuation on a sample basis.

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Assessment of the net realizable values of properties for sale	
We identified the assessment of the net realizable values of properties for sale as a key audit matter as the properties for sale is significant to the Group's consolidated financial statements as a whole; and the Group's assessment of the carrying values of properties for sale, being the lower of cost and net realizable value, takes into account the price ultimately expected to be realized and the anticipated costs to completion. As disclosed in note 23 to the consolidated financial statements, the Group's properties for sale amounted to HK$196,107 million which represented 26.1% of the Group's total assets, as at 30 June 2019.	Our procedures in relation to the Group's assessment of the net realizable values of properties for sale included: • Assessing the reasonableness of the net realizable values of properties for sale, on a sample basis, by comparing the carrying values with the market prices achieved less future costs to completion in the same projects or comparable properties, based on our knowledge of the Group's business and current market development in the real estate industry; and • Obtaining an understanding of the management's process in estimating the future costs to completion for the properties pending/under development for sale; and assessing the reasonableness of their estimations, on a sample basis, by comparing the expected costs to the Group's development budgets and the actual development costs of similar projects recently completed by the Group and by checking to construction contracts and other relevant documents.
Revenue recognition of property sales	
We identified revenue recognition of property sales as a key audit matter as it is significant to the consolidated income statement and there is judgment involved in determining the appropriate point in time for recognizing revenue from property sales. The Group's revenue from property sales for the year ended 30 June 2019 amounted to HK$38,573 million, which is disclosed in note 6 to the consolidated financial statements, and represented 45.2% of the Group's revenue. As disclosed in note 5(c)(i) to the consolidated financial statements, revenue from sale of properties is recognized when control over the ownership or physical possession of the property is transferred to the customers.	Our procedures in relation to revenue recognition of property sales included: • Obtaining an understanding on the management's controls over the determination of appropriate point in time to recognize revenue and testing the effectiveness of such controls; and • Assessing whether the controls over the ownership of the properties have been transferred to the buyers, on a sample basis, with reference to the correspondences issued by the relevant government authorities and the terms set out in the sales and purchase agreements and checking the status of the transfer of the properties to the buyers and the settlement of the considerations for the property sales.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Sze Ching Yiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 September 2019

Consolidated Income Statement

For the year ended 30 June 2019
(Expressed in millions of Hong Kong dollars)

	Notes	2019	2018
Revenue	6(a)	**85,302**	85,644
Cost of sales		**(40,455)**	(43,752)
Gross profit		**44,847**	41,892
Other net income		**740**	1,156
Selling and marketing expenses		**(4,791)**	(4,937)
Administrative expenses		**(2,938)**	(2,658)
Operating profit before changes in fair value of investment properties	6(a)	**37,858**	35,453
Increase in fair value of investment properties		**12,535**	15,772
Operating profit after changes in fair value of investment properties		**50,393**	51,225
Finance costs		**(2,446)**	(1,985)
Finance income		**395**	368
Net finance costs	8	**(2,051)**	(1,617)
Share of results (including increase in fair value of investment properties net of deferred tax of HK$2,230 million (2018: HK$6,081 million)) of:			
Associates		**445**	612
Joint ventures		**5,696**	9,136
	6(a) & 14(b)	**6,141**	9,748
Profit before taxation	9	**54,483**	59,356
Taxation	12	**(8,474)**	(8,402)
Profit for the year	6(a)	**46,009**	50,954
Attributable to:			
Company's shareholders		**44,912**	49,951
Perpetual capital securities holders		**171**	174
Non-controlling interests		**926**	829
		46,009	50,954
(Expressed in Hong Kong dollars)			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	14(a)		
Basic		**$15.50**	$17.24
Diluted		**$15.50**	$17.24
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	14(b)		
Basic		**$11.18**	$10.49
Diluted		**$11.18**	$10.49

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019
(Expressed in millions of Hong Kong dollars)

	2019	2018
Profit for the year	**46,009**	50,954
Items that may be reclassified subsequently to profit or loss:		
Translation difference on foreign operations	**(3,522)**	2,127
Cash flow hedge		
– fair value gains recognized directly in reserves during the year	**105**	–
Available-for-sale investments		
– fair value gains recognized directly in reserves during the year	**–**	427
– fair value gains transferred to consolidated income statement on disposal	**–**	(1)
	–	426
Debt securities at fair value through other comprehensive income		
– fair value gains recognized directly in reserves during the year	**2**	–
Share of other comprehensive (loss)/income of associates and joint ventures	**(605)**	441
Items that will not be reclassified to profit or loss:		
Equity securities at fair value through other comprehensive income		
– fair value losses recognized directly in reserves during the year	**(253)**	–
Share of other comprehensive (loss)/income of an associate	**(88)**	225
Other comprehensive (loss)/income for the year	**(4,361)**	3,219
Total comprehensive income for the year	**41,648**	54,173
Total comprehensive income for the year attributable to:		
Company's shareholders	**40,659**	53,109
Perpetual capital securities holders	**171**	174
Non-controlling interests	**818**	890
	41,648	54,173

Consolidated Statement of Financial Position

As at 30 June 2019
(Expressed in millions of Hong Kong dollars)

	Notes	2019	2018
Non-current assets			
Investment properties	15	**386,612**	369,477
Property, plant and equipment	16	**35,862**	34,587
Associates	17	**6,014**	5,570
Joint ventures	18	**67,737**	66,197
Financial investments	19	**3,313**	3,384
Intangible assets	20	**4,445**	4,976
Other non-current assets	21	**4,764**	6,171
		508,747	490,362
Current assets			
Properties for sale	23	**196,107**	177,367
Inventories		**356**	440
Trade and other receivables	24	**22,811**	20,363
Financial investments	19	**1,103**	859
Bank deposits and cash	25	**22,038**	26,095
		242,415	225,124
Current liabilities			
Bank and other borrowings	26	**(9,168)**	(12,646)
Trade and other payables	27	**(28,699)**	(30,825)
Deposits received on sales of properties	28	**(16,983)**	(12,230)
Current tax payable		**(11,052)**	(10,551)
		(65,902)	(66,252)
Net current assets		**176,513**	158,872
Total assets less current liabilities		**685,260**	649,234
Non-current liabilities			
Bank and other borrowings	29	**(85,838)**	(78,788)
Deferred tax liabilities	30	**(23,328)**	(21,660)
Other non-current liabilities	31	**(275)**	(354)
		(109,441)	(100,802)
NET ASSETS		**575,819**	548,432
CAPITAL AND RESERVES			
Share capital	32	**70,683**	70,612
Reserves		**495,722**	468,486
Shareholders' equity		**566,405**	539,098
Perpetual capital securities	33	**3,813**	3,887
Non-controlling interests		**5,601**	5,447
TOTAL EQUITY		**575,819**	548,432

Directors:

Kwok Ping-luen, Raymond

Lui Ting, Victor

Consolidated Statement of Cash Flows

For the year ended 30 June 2019
(Expressed in millions of Hong Kong dollars)

	Notes	2019	2018
Operating activities			
Operating cash inflow	36(a)	**40,631**	36,711
Changes in working capital	36(a)	**(17,020)**	(26,402)
Cash generated from operations	36(a)	**23,611**	10,309
Interest paid		**(3,018)**	(2,320)
Bank interest received		**392**	371
Interest received from investments		**190**	135
Dividends received from equity securities		**154**	178
Dividends received from associates and joint ventures		**3,965**	2,491
Hong Kong profits tax paid		**(4,521)**	(2,530)
Outside Hong Kong tax paid		**(1,018)**	(1,268)
Net cash from operating activities		**19,755**	7,366
Investing activities			
Additions to investment properties		**(4,720)**	(14,362)
Additions to property, plant and equipment		**(7,840)**	(8,825)
Additions to concession assets		**(22)**	–
Purchase of an associate		**–**	(8)
Purchase of financial investments		**(647)**	(79)
Net (advances)/repayments from associates and joint ventures		**(391)**	98
Loans and advances repaid/(made)		**123**	(1,578)
Payment of telecommunications licence fees		**(62)**	(62)
Net proceeds from disposal of investment properties		**316**	740
Proceeds from disposal of property, plant and equipment		**13**	9
Proceeds from disposal of financial investments		**394**	314
Net cash used in investing activities		**(12,836)**	(23,753)
Financing activities			
Bank and other borrowings raised		**38,704**	37,395
Repayment of bank and other borrowings		**(34,649)**	(13,578)
(Decrease)/increase in fundings from non-controlling interests		**(78)**	211
Decrease in bank deposits maturing after more than three months		**2,461**	3,167
Decrease in pledged bank deposits		**–**	2
Proceeds from issue of shares		**64**	85
Proceeds from issue of shares by a subsidiary		**3**	7
Payment for repurchase of shares by a subsidiary		**(58)**	(266)
Purchase of shares for share award scheme in a subsidiary		**(9)**	–
Buy-back of perpetual capital securities		**(58)**	(20)
Dividends paid to shareholders		**(13,617)**	(12,167)
Dividends paid to non-controlling interests		**(665)**	(591)
Distributions paid to perpetual capital securities holders		**(171)**	(174)
Net cash (used in)/from financing activities		**(8,073)**	14,071
Decrease in cash and cash equivalents		**(1,154)**	(2,316)
Cash and cash equivalents at beginning of year		**23,035**	25,074
Effect of foreign exchange rates changes		**(451)**	277
Cash and cash equivalents at end of year	36(b)	**21,430**	23,035

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019
(Expressed in millions of Hong Kong dollars)

	Attributable to Company's shareholders								
	Share capital	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits	Total	Perpetual capital securities	Non-controlling interests	Total
At 1 July 2017	70,516	681	1,158	(695)	426,555	498,215	3,910	5,238	507,363
Profit for the year	–	–	–	–	49,951	49,951	174	829	50,954
Other comprehensive income for the year	–	–	425	2,508	225	3,158	–	61	3,219
Total comprehensive income for the year	–	–	425	2,508	50,176	53,109	174	890	54,173
Shares issued on exercise of share options	96	(11)	–	–	–	85	–	–	85
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	3	3
Share options lapsed	–	(1)	–	–	1	–	–	–	–
Final dividend paid	–	–	–	–	(8,690)	(8,690)	–	–	(8,690)
Interim dividend paid	–	–	–	–	(3,477)	(3,477)	–	–	(3,477)
Adjustments relating to changes in interests in subsidiaries	–	(147)	–	–	–	(147)	–	(68)	(215)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(616)	(616)
Distributions paid to perpetual capital securities holders	–	–	–	–	–	–	(174)	–	(174)
Buy-back of perpetual capital securities	–	–	–	–	3	3	(23)	–	(20)
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	–	3	–	–	(3)	–	–	–	–
At 30 June 2018 (Originally stated)	70,612	525	1,583	1,813	464,565	539,098	3,887	5,447	548,432
Adjustment on initial adoption of HKFRS 9 (Note 3(a) and 3(c)(i))	**–**	**–**	**173**	**–**	**7**	**180**	**–**	**–**	**180**
Adjustment on initial adoption of HKFRS 15 (Note 3(b) and 3(c)(i))	**–**	**–**	**–**	**–**	**44**	**44**	**–**	**18**	**62**
At 1 July 2018 (Restated)	**70,612**	**525**	**1,756**	**1,813**	**464,616**	**539,322**	**3,887**	**5,465**	**548,674**
Profit for the year	**–**	**–**	**–**	**–**	**44,912**	**44,912**	**171**	**926**	**46,009**
Other comprehensive (loss)/income for the year	**–**	**105**	**(242)**	**(4,019)**	**(97)**	**(4,253)**	**–**	**(108)**	**(4,361)**
Total comprehensive (loss)/income for the year	**–**	**105**	**(242)**	**(4,019)**	**44,815**	**40,659**	**171**	**818**	**41,648**
Transfer to retained profits upon disposal of equity investments	**–**	**–**	**(26)**	**–**	**26**	**–**	**–**	**–**	**–**
Shares issued on exercise of share options	**71**	**(7)**	**–**	**–**	**–**	**64**	**–**	**–**	**64**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19**	**19**
Purchase of shares for Share Award Scheme in a subsidiary	**–**	**–**	**–**	**–**	**(6)**	**(6)**	**–**	**(3)**	**(9)**
Final dividend paid	**–**	**–**	**–**	**–**	**(9,995)**	**(9,995)**	**–**	**–**	**(9,995)**
Interim dividend paid	**–**	**–**	**–**	**–**	**(3,622)**	**(3,622)**	**–**	**–**	**(3,622)**
Adjustments relating to changes in interests in subsidiaries	**–**	**(33)**	**–**	**–**	**–**	**(33)**	**–**	**(19)**	**(52)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(679)**	**(679)**
Distributions paid to perpetual capital securities holders	**–**	**–**	**–**	**–**	**–**	**–**	**(171)**	**–**	**(171)**
Buy-back of perpetual capital securities	**–**	**–**	**–**	**–**	**16**	**16**	**(74)**	**–**	**(58)**
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	**–**	**1**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**
At 30 June 2019	**70,683**	**591**	**1,488**	**(2,206)**	**495,849**	**566,405**	**3,813**	**5,601**	**575,819**

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with all applicable 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 consolidated financial statements are prepared under the historical cost convention except for investment properties and certain financial instruments, which are measured at fair value, as explained in the principal accounting policies set out in Note 5.

2. Application of New and Amendments to HKFRSs

In the current year, the Group has adopted a number of new and amendments to HKFRSs issued by the HKICPA that are first effective for the Group's financial year beginning 1 July 2018. Except for HKFRS 9, Financial Instruments and HKFRS 15, Revenue from Contracts with Customers, the adoption of these new or amended HKFRSs does not have a material effect on the Group's financial statements.

The Group has to change its accounting policies with effect from 1 July 2018 as a result of adopting HKFRS 9 and HKFRS 15. In initially applying these two new standards, the Group has taken transitional provisions and methods not to restate comparative information for prior years and recognized the cumulative effects as adjustments to the opening balance of the Group's equity at 1 July 2018. The comparative information continues to be reported under the accounting policies prevailing prior to 1 July 2018. The overall effect of adopting these two standards was an increase of HK$224 million (HKFRS 9: HK$180 million; and HKFRS 15: HK$44 million) in the opening balance of the Group's equity at 1 July 2018. Details of the changes in accounting policies and effects are explained in Note 3.

The Group has not applied any new standard or amendment that is not effective for the current year.

3. Changes in Accounting Policies

(a) HKFRS 9, Financial Instruments

HKFRS 9 replaces HKAS 39, Financial Instruments: Recognition and Measurement. It introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 July 2018 in accordance with the transitional provisions. Differences between the previous reported carrying amounts and the new carrying amounts under HKFRS 9 at 1 July 2018 are recognized as adjustments to the opening balance of retained profits or reserves as at 1 July 2018. Comparative information is not restated.

The Group has been impacted by HKFRS 9 in relation to changes in classification and measurement by an associated company of its financial assets. This resulted in a HK$180 million increase in the opening balance of the Group's equity and a corresponding increase in the carrying amount of the Group's interest in this associated company at 1 July 2018.

Further details of the nature and effects of the changes to the previous accounting policies are set out below and in Note 3(c).

3. Changes in Accounting Policies (cont'd)

(a) HKFRS 9, Financial Instruments (cont'd)

Key changes to the Group's accounting policies

HKFRS 9 has no significant impact on the Group's accounting policies related to financial liabilities. While hedge accounting requirements are revised under HKFRS 9, there are no significant changes to the Group's current practices on hedge accounting. The Group's existing hedge accounting relationships designated under HKAS 39 have met the hedge effectiveness requirements and are regarded as continuing hedging relationships in accordance with HKFRS 9. The key changes to the Group's accounting policies are on the classification and measurement, and impairment of the Group's financial assets, as further explained below:

(i) Classification and measurement of financial assets

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVTPL"). These superseded the previous HKAS 39's categories of held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Effective on 1 July 2018, the Group's financial assets are classified into the following measurement categories:

– Financial assets measured at amortized cost

Financial assets measured at amortized cost represent those assets which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. These comprise primarily loans and receivables, trade receivables and certain debt investments.

– Debt investments measured at FVOCI

Debt investments are measured at FVOCI when they are held for both collection of contractual cash flows and for selling the assets, where those assets' cash flows represent solely payments of principal and interest. Changes in fair value are recognized in other comprehensive income ("OCI"). When the investment is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to and recognized in profit or loss.

– Equity investments measured at FVOCI

Equity investments measured at FVOCI represent those investments which are not held for trading and for which the Group irrevocably makes an election on initial recognition to designate them to be measured at FVOCI such that subsequent changes in fair value are recognized in OCI. When the investment is derecognized, the cumulative gain or loss previously recognized in OCI is transferred to retained profits and is not reclassified to profit or loss.

– Financial assets measured at FVTPL

Financial assets which do not meet the criteria for being measured at amortized cost or FVOCI as described above are measured at FVTPL. These include derivative financial assets and equity investments, unless they are eligible for and designated at FVOCI by the Group on initial recognition. Changes in fair value of these financial assets are recognized in profit or loss.

3. Changes in Accounting Policies (cont'd)

(a) *HKFRS 9, Financial Instruments (cont'd)*

Key changes to the Group's accounting policies (cont'd)

(i) *Classification and measurement of financial assets (cont'd)*

The following table shows the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018. The measurement categories for the Group's financial liabilities remain the same.

	Original (HKAS 39)		New (HKFRS 9)	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Bank deposits and cash	Amortized cost	26,095	Amortized cost	26,095
Trade and other receivables	Amortized cost	13,026	Amortized cost	13,026
Loan receivables	Amortized cost	7,008	Amortized cost	7,008
Held-to-maturity debt securities	Amortized cost	559	Amortized cost	559
Debt securities	Available-for-sale, at fair value	702	FVOCI	366
			FVTPL(1)	336
Equity securities	Available-for-sale, at fair value	2,340	FVOCI(2)	2,243
			FVTPL(1)	97
Financial assets at fair value through profit or loss	FVTPL	642	FVTPL	642
Derivative financial instruments	FVTPL	205	FVTPL	205
Total financial assets		50,577		50,577

(1) Certain available-for-sale debt securities (HK$336 million) and equity securities (HK$97 million) are mandatorily measured at FVTPL under HKFRS 9. While there is no change in the carrying amounts under HKFRS 9 and, therefore, no impact on the Group's equity, the related cumulative fair value gains of HK$7 million were reclassified from investment revaluation reserve to retained profits on 1 July 2018.

(2) Equity securities of HK$2,243 million were designated to be measured at FVOCI as these securities are held for strategic purpose.

(ii) *Impairment of financial assets*

HKFRS 9 requires recognition of impairment provisions based on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. It replaces the incurred loss model under HKAS 39, and applies to financial assets measured at amortized costs, debt investments measured at FVOCI and contract assets. The impairment methodology used depends on whether there has been a significant increase in credit risk since initial recognition. For trade receivables and contract assets, the Group applies the simplified approach to recognize lifetime expected credit losses. The application of the new impairment requirements has not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

3. Changes in Accounting Policies (cont'd)

(b) HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 11, Construction Contracts and HKAS 18, Revenue which covers contracts for goods and services. The core principle of HKFRS 15 is that revenue is recognized when a performance obligation is satisfied by transferring control of a promised good or service to a customer. Depending on the nature and terms of the contract, control may transfer at a point in time or over time. Where customer contracts contain more than one performance obligation, HKFRS 15 requires entities to apportion revenue from contract between individual performance obligations on a relative standalone selling price basis. The standard also sets out criteria for capitalization of incremental cost of obtaining a contract.

The Group has elected the cumulative catch-up method for transition to the new standard, recognizing the cumulative effect of the initial application of HKFRS 15 only to contracts that had not been completed on 1 July 2018 as an adjustment to the opening balance of the Group's equity at 1 July 2018, without restating comparative information.

The adoption of HKFRS 15 has resulted in a HK$44 million increase in the opening balance of the Group's equity at 1 July 2018, which is mainly attributable to changes in accounting policies adopted by SmarTone on revenue recognition for multiple-element arrangements in telecommunication services contracts and capitalization of certain incremental costs associated with obtaining a contract.

Further details of the nature and effects of the changes to the previous accounting policies are set out below and in Note 3(c).

Key changes to the Group's accounting policies

The impact of HKFRS 15 to the Group is mainly on revenue recognition for sales of properties in Hong Kong and multiple-element arrangements in telecommunication services contracts, and on accounting for costs to obtain a contract. The standard does not have a material impact on how the Group recognizes rental revenue from leasing of properties, and revenue from hotel, transport infrastructure and logistics, data centre and other businesses.

(i) Revenue recognition for sales of properties

The Group has assessed that revenue from property sales in Hong Kong and Mainland China will continue to be recognized at a point in time rather than over time, after taking into consideration the terms of the contracts, applicable laws and regulatory requirements.

In previous years, the Group recognized revenue from sales of properties when significant risks and rewards of ownership of the completed property (where relevant occupation permit has been issued) have passed to the customer. Effective from 1 July 2018, revenue from sales of properties is generally recognized when the control over the ownership or physical possession of the completed property is transferred to the customer, which is the point in time when the Group satisfies its performance obligations. This change in accounting policy has resulted in the Group's revenue from sales of properties in Hong Kong being recognized later than it would have been under the previous accounting policy. As disclosed in Note 3(c)(ii), recognition of revenue of HK$15,168 million and operating profit of HK$7,223 million from property sales in Hong Kong has been deferred to the next financial year as a result of applying the new accounting policy.

No adjustments to the opening balance of the Group's equity at 1 July 2018 have been made on the initial application of HKFRS 15 as the Group did not have contracts that were not completed under HKAS 18 before 1 July 2018.

HKFRS 15 has no significant impact on the Group's existing accounting policies on revenue recognition for sales of properties in the Mainland.

3. Changes in Accounting Policies (cont'd)

(b) *HKFRS 15, Revenue from Contracts with Customers (cont'd)*

Key changes to the Group's accounting policies (cont'd)

(ii) *Revenue recognition for multiple-element arrangements in telecommunication services contracts*

The amount of revenue recognized for each performance obligation is determined by considering the standalone selling prices or estimated fair values of each of the services element and handset devices element provided within the bundled contracts. Previously, revenue allocation was made using the residual value method.

(iii) *Incremental costs to obtain a contract*

HKFRS 15 requires the incremental costs of obtaining a contract to be capitalized if they are recoverable, and amortized over the contract period. Previously, these costs incurred in telecommunication services contracts were expensed as incurred.

(iv) *Presentation of contract assets and liabilities*

The adoption of HKFRS 15 resulted in changes in presentation of certain assets and liabilities arising from contract with customers. Under HKFRS 15, a contract asset arises when the Group transfers a good or performs a service in the contract before receiving consideration from the customer. A contract asset is transferred to a receivable when the right to receive the consideration becomes unconditional. Conversely, a contract liability arises if amounts received from a customer exceed revenue recognized for a contract or when advance payment is received from a customer before a good or service is transferred. Contract liabilities arising from advance payments from customers in relation to contracts of sales of properties are recognized as "Deposits received on sales of properties" and presented as a separate line item under current liabilities in the consolidated statement of financial position. Contract assets and other contract liabilities are presented under "Trade and other receivables" and "Trade and other payables" in the consolidated financial statements.

(c) *Effects on adoption of HKFRS 9 and HKFRS 15*

(i) The table below shows the amount by which each individual line item in the consolidated statement of financial position at 1 July 2018 is affected by the adoption of HKFRS 9 and HKFRS 15. Line items that were not affected have not been included:

Consolidated statement of financial position (extract)	30 June 2018 Before the effects of adopting new HKFRSs	Effects of adopting HKFRS 9	Effects of adopting HKFRS 15	1 July 2018
Assets				
Associates	5,570	180	–	5,750
Trade and other receivables	20,363	–	53	20,416
Liabilities				
Trade and other payables	30,825	–	(21)	30,804
Current tax payable	10,551	–	12	10,563
Shareholders' equity				
Reserves	468,486	180	44	468,710
Non-controlling interests	5,447	–	18	5,465

(Expressed in millions of Hong Kong dollars)

3. Changes in Accounting Policies (cont'd)

(c) Effects on adoption of HKFRS 9 and HKFRS 15 (cont'd)

(ii) The following tables summarize the impact of HKFRS 15 on the consolidated income statement for the year ended 30 June 2019 and the consolidated statement of financial position at 30 June 2019, by comparing the amounts reported under HKFRS 15 with the hypothetical amounts that would have been recognized under the previous accounting standard HKAS 18 if it had been continued to be applied in the current year instead of HKFRS 15. Only line items affected by the adoption of HKFRS 15 are shown:

	For the year ended 30 June 2019		
Consolidated income statement (extract)	As reported in accordance with HKFRS 15	Estimated effects of adopting HKFRS 15	Amount reported under HKAS 18
Revenue	85,302	15,241	100,543
Cost of sales	(40,455)	(7,163)	(47,618)
Selling and marketing expenses	(4,791)	(884)	(5,675)
Operating profit before changes in fair value of investment properties	37,858	7,194	45,052
Taxation	(8,474)	(1,187)	(9,661)
Profit for the year	46,009	6,007	52,016
Profit attributable to:			
Company's shareholders	44,912	6,014	50,926
Non-controlling interests	926	(7)	919
Underlying profit attributable to the Company's shareholders	32,398	6,014	38,412

3. Changes in Accounting Policies (cont'd)

(c) *Effects on adoption of HKFRS 9 and HKFRS 15 (cont'd)*

Based on the previous accounting standard HKAS 18, the Group's revenue, operating profit, profit and underlying profit attributable to the Company's shareholders for the year ended 30 June 2019 would be HK$100,543 million, HK$45,052 million, HK$50,926 million and HK$38,412 million, respectively. The effects of adopting HKFRS 15 were to defer recognition of the Group's revenue, operating profit and profit (and underlying profit) attributable to the Company's shareholders by HK$15,241 million, HK$7,194 million and HK$6,014 million, respectively. These effects, mostly related to property sales in Hong Kong, are analyzed as below:

	Estimated effects of adopting HKFRS 15		
	Hong Kong property sales[1]	Others[2]	Total
Revenue	15,168	73	15,241
Operating profit	7,223	(29)	7,194
Profit attributable to the Company's shareholders	6,031	(17)	6,014
Underlying profit attributable to the Company's shareholders	6,031	(17)	6,014

(1) Recognition of revenue from sales of certain residential units in Hong Kong in the aggregate amount of HK$15,168 million, together with operating profit of HK$7,223 million and profit (and underlying profit) attributable to the Company's shareholders of HK$6,031 million attributable to these units, was deferred under HKFRS 15, and will be recognized when property ownership of these units is transferred to the customers in the next financial year.

(2) Other effects mainly related to the Group's telecommunication business arising from reallocation of service revenue of handset bundled plans to handset and accessory sales and recognition of handset subsidy as cost of inventories sold for bundled contracts, and capitalization of customer acquisition costs. The impact on the Group's financial results was minimal.

	As at 30 June 2019		
Consolidated statement of financial position (extract)	As reported in accordance with HKFRS15	Estimated effects of adopting HKFRS 15	Amount reported under HKAS 18
Assets			
Properties for sale	196,107	(7,031)	189,076
Trade and other receivables	22,811	6,601	29,412
Liabilities			
Trade and other payables	28,699	1,150	29,849
Deposits received on sales of properties	16,983	(8,700)	8,283
Current tax payable	11,052	1,175	12,227
Shareholders' equity			
Reserves	495,722	5,970	501,692
Non-controlling interests	5,601	(25)	5,576

4. Future Accounting Development

HKFRS 16, Leases (effective for the financial year beginning 1 July 2019)

HKFRS 16 requires lessees to recognize most leases on the statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments. The leased assets will be amortized over the term of the leases and the lease liabilities measured at amortized cost with the corresponding depreciation charges and interest cost to be recognized in the income statement. Lessor accounting will remain largely unchanged.

The Group will adopt the cumulative catch-up method for transition to the new standard, recognizing the cumulative effects of the initial application of HKFRS 16 as an adjustment to the opening balance of the Group's equity at 1 July 2019, without restating comparative information.

Adoption of HKFRS 16 is not expected to have a significant impact on the Company's consolidated financial statements.

5. Principal Accounting Policies

(a) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries made up to 30 June each year and include the Group's interests in associates and joint ventures on the basis set out in Note 5(e) and Note 5(f) below, respectively. The financial statements of the associates and joint ventures used for this purpose are either coterminous with the financial statements of the Company or cover a year end not more than three months before the Company's year-end. The results of subsidiaries, associates and joint ventures acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and to the effective dates of disposal. All material intra-group transactions and balances are eliminated on consolidation. Unrealized profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture.

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

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

(b) Revenue

Income is classified by the Group as revenue when it arises in the course of the Group's ordinary activities. Revenue from the Group's principal activities comprises proceeds from sale of properties, gross rental income from properties letting under operating leases, revenue from hotel operations, telecommunications, transport infrastructure and logistics, data centre operations and revenue derived from other business activities including department store, financial services, property management and construction. It does not include the revenue of associates and joint ventures.

5. Principal Accounting Policies (cont'd)

(c) Revenue recognition

The Group recognizes revenue from contracts with customers when control over a product or service is transferred to the customer at the transaction price to which the Group expects to be entitled in exchange for the promised product and service, excluding those amounts collected on behalf of third parties (such as value added tax or other sales taxes). Transfer of control may be at a point in time or over time, dependent on the nature and terms of and laws applicable to the contracts. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of financing component if it is significant.

Further details of the Group's recognition policies on revenue from contracts with customers, other sources of revenue and other income are as follows:

(i) Property sales

Revenue from sale of properties is recognized when the control over the ownership or physical possession of the property is transferred to the customer, which is the point in time when the Group satisfies its performance obligations under the contracts.

Deposits and instalments received on properties sold prior to the date of revenue recognition are presented in the statement of financial position as deposits received on sale of properties which are regarded as contract liabilities.

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

(ii) Rental income

Rental income from properties letting under operating leases is recognized on a straight line basis over the lease terms. Contingent rentals are recognized in the accounting period in which they are earned.

(iii) Hotel operations

Revenue from hotel operations is recognized when the accommodation and related services are provided.

(iv) Telecommunications

Revenue from telecommunication service is recognized over time when the services are rendered based on usage of the Group's telecommunications network and facilities. Service revenue in respect of standard service plans billed in advance is deferred and included under contract liabilities. For sales of handset, equipment and gifts, revenue is recognized when the products are delivered to and accepted by the customer. When multiple-element arrangements exist, the amount of revenue recognized for each performance obligation is determined by considering the standalone selling prices or estimated fair value of each of the services element and handset devices element provided within the bundled contracts. In previous years, revenue allocation was made using the residual value method.

5. Principal Accounting Policies (cont'd)

(c) *Revenue recognition (cont'd)*

(v) Transport infrastructure and logistics

Toll income from toll road operations is recognized upon the passage of vehicles through the toll road.

Revenue from operation of business aviation centre including aircraft and passengers handling, fuel sales and hangar fee is recognized over time based on usage of services.

Management fee income from management and operation of tunnel and road infrastructure, and car park facilities are recognized when the services are provided and in accordance with the terms of the management contracts.

Income from logistic and freight forwarding services is recognized when the services are rendered.

(vi) Data centre operations

Revenue from customers' use of data centre and information technology ("IT") facilities is recognized ratably over the terms of the agreement in the amount which the Group has right to invoice while other value-added service income is recognized over the period of service.

(vii) Department store operations

Revenue from sale of goods is recognized at point of sale when the customer takes possession of and accepts the product. Commission income from concessionaire sales is recognized upon sales of goods by counter suppliers.

(viii) Financial services

Interest income from loan financing business is accrued on a time basis using the effective interest method. Premiums from general insurance business are recognized as revenue proportionally over the period of coverage.

(ix) Property management

Income from provision of property and facilities management services are recognized when the services are rendered.

(x) Construction

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

(xi) Investment income

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

Interest income from financial investments is recognized using the effective interest method.

(d) *Subsidiaries*

A subsidiary is an entity controlled by the Company. The Group controls an entity when the Group has power over the entity; is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns.

5. Principal Accounting Policies (cont'd)

(e) Associates

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

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

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

(f) Joint arrangements

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

(i) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement in accordance with contractual arrangements.

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

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

(ii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement in accordance with contractual arrangements.

Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(g) Intangible assets

(i) Telecommunication licences

Spectrum utilization fees represent the payments for using the assigned spectrum to provide telecommunication services in Hong Kong within a specified period. The upfront payments and the present value of the annual fixed fees payable over the period are recorded as intangible assets, together with the related obligations. Amortization is provided on a straight line basis over the remaining assignment period from the date when the asset is ready for its intended use.

5. Principal Accounting Policies (cont'd)

(g) Intangible assets (cont'd)

(i) Telecommunication licences (cont'd)

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

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

(ii) Goodwill

Goodwill on acquisition of subsidiaries or business is measured initially at cost, being the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and any fair value of the Group's previously held equity interest in the acquiree over the fair value of the acquiree's net identifiable assets acquired and liabilities assumed as at the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is subject to impairment test annually and when there is indication that the carrying value may not be recoverable.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized directly in the consolidated income statement.

Goodwill on acquisition of associates and joint ventures, being the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired, is included in the carrying amount of the investments in associates and joint ventures respectively and is not tested for impairment separately.

On disposal of a subsidiary, associate or joint venture, the carrying amount of goodwill attributable to the entity sold is included in the calculation of the profit or loss on disposal.

(iii) Concession assets

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

(h) Contract acquisition and fulfillment costs

Costs of obtaining and fulfilling a contract with a customer are capitalized as an asset if (i) the costs are incremental of obtaining the contract and they are expected to be recovered; and (ii) the costs of fulfilling a contract relate directly to the contract, generate or enhance resources of the Groups that will be used in satisfying performance obligations in the future and are expected to be recovered. Capitalized contact costs are amortized on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the asset relates. Impairment loss is recognized to the extent that the carrying amount of the capitalized costs exceeds the remaining considerations to be received less the future costs to be incurred.

5. Principal Accounting Policies (cont'd)

(i) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net contract asset or net contract liability depending on the relationship between the remaining rights and the performance obligations.

A contract asset is recognized when the Group transfers a good or performs a service in the contract before receiving consideration from the customer or when the cumulative revenue recognized exceeds cumulative payments made by the customer. A contract asset is transferred to a receivable when the right to receive the consideration becomes unconditional. Conversely, a contract liability is recognized when the amounts received from a customer exceed revenue recognized for a contract or when advance payment is received from a customer before a good or service is transferred. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortized cost. Contract liabilities are recognized as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligations. Deposits received on sales of properties are regarded as contract liabilities and presented separately on the face of the consolidated statement of financial position under current liabilities.

(j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

For purposes of subsequent measurement, financial assets of the Group are classified in four categories:

- Financial assets at amortized cost
- Debt investments at FVOCI
- Equity investments designated at FVOCI
- Financial assets at FVTPL

5. Principal Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

(i) Financial assets (cont'd)

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables, loan receivables and certain debt investments.

Debt investments at FVOCI

The Group measures debt investments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. Fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Equity investments designated at FVOCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Cumulative gains and losses recognized in OCI are transferred to revenue reserves on disposal.

Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group has elected to classify irrevocably certain equity investments under this category.

5. Principal Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

(i) Financial assets (cont'd)

Financial assets at FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are mandatorily required to be measured at FVTPL.

This category includes financial assets held for trading, derivative instruments, equity investments which the Group had not irrevocably elected to classify at FVOCI, and debt investments with cash flows that are not solely payments of principal and interest.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing them in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVTPL are carried in the statement of financial position at fair value. Net gains and losses, including dividend or interest income, are recognized in profit or loss.

Derecognition of financial assets

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows in a transaction in which the Group has transferred substantially all the risks and rewards of ownership of the asset or in which the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group enters into transactions whereby it transfers its rights to receive cash flows from an asset, but retains substantially all of the risks and rewards of ownership or control of the transferred asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments that are not measured at FVTPL:

- financial assets measured at amortized cost, and
- debt investments measured at FVOCI.

5. Principal Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

(i) Financial assets (cont'd)

Impairment of financial assets (cont'd)

ECLs are a probability-weighted estimate of credit losses, measured based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months after the reporting date (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses that result from all possible default events over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Loss allowance for financial assets measured at amortized cost is deducted from the gross carrying amount of the assets. For debt instruments at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI instead of reducing the carrying amount of the assets.

The Group considers a financial asset in default when the Group is unlikely to receive the outstanding contractual amounts in full, without recourse by the Group to action such as realizing the security (if any is held). A financial asset can be classified as in default but without an allowance for credit losses (i.e. no impairment loss is expected) after taking into account the value of collateral held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Write-offs can relate to a financial asset in its entirety, or to a portion of it, and constitute a derecognition event.

5. Principal Accounting Policies (cont'd)

(j) *Financial instruments (cont'd)*

(i) Financial assets (cont'd)

Accounting policy for classification and measurement of financial assets applied prior to 1 July 2018

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

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

(i) Financial assets at FVTPL

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale investments

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

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

5. Principal Accounting Policies (cont'd)

(j) *Financial instruments (cont'd)*

(ii) Financial liabilities

Classification and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities are classified, at initial recognition, as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. The Group has not designated any financial liability at FVTPL.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. These include trade and other payables, loans and borrowings. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is represented in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle them on a net basis or to realise the assets and settle the liabilities simultaneously.

(k) *Derivative financial instruments and hedge accounting*

The Group holds derivative financial instruments such as interest rate swaps, cross currency interest rate swaps and currency forwards to hedge its interest rate and foreign currency risk exposures.

A derivative financial instrument is initially recognized at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. For the purpose of hedge accounting, hedges are classified as:

(a) cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment;

5. Principal Accounting Policies (cont'd)

(k) Derivative financial instruments and hedging accounting (cont'd)

(b) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized commitment; and

(c) hedges of a net investment in a foreign operation

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognized in profit or loss when the changes arise.

The Group documents, at the inception of the transaction, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The following hedges in place as at 30 June 2019 qualified respectively as fair value and cash flow hedges under HKFRS 9. The Group's management strategies and hedge documentation are aligned with the requirements of HKFRS 9 and are thus treated as continuing hedges. The Group has not designated any derivative financial instruments as hedges of net investment in foreign operations.

(a) Cash flow hedge

Cross currency interest rate swaps

The Group has entered into cross currency interest rate swaps that are cash flow hedges and they are used to reduce the Group's exposure to interest rate risk and currency risk on its borrowings and interest.

The fair value changes on the effective portion of cross currency interest rate swaps designated as cash flow hedges are recognized in OCI, accumulated in the fair value reserve and reclassified to profit or loss when the hedged interest expense and/or exchange differences from the translation of the borrowings are recognized in profit or loss. The fair value changes on the ineffective portion of cross currency interest rate swaps are recognized immediately in profit or loss.

(b) Fair value hedge

Interest rate swaps and cross currency interest rate swaps

The Group has entered into fixed to floating interest rate swaps that are fair value hedges for the fair value exposures to interest rate movements of its borrowings ("hedged item"). The fair value changes on the hedged item resulting from the fair value risk are recognized in profit or loss. The fair value changes on the effective portion of interest rate swaps designated as fair value hedges are recognized in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of interest rate swaps are recognized separately in profit or loss.

5. Principal Accounting Policies (cont'd)

(l) Investment properties

Investment properties are properties held for long term rental income or capital appreciation or both and are not substantially occupied by the Group. These include completed properties, those under construction and properties that are being redeveloped for continuing use as investment properties.

Investment properties are carried at fair value determined by independent qualified valuers on the highest and best use basis, and separate values are not attributed to land and buildings. Changes in fair values are recognized in consolidated income statement in the period in which they arise.

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

(m) Property, plant and equipment

(i) Hotel properties

Hotel properties and their integral fixed plant used in the operation of hotel are stated at cost less accumulated depreciation and impairment losses, if any.

(ii) Other properties, plant and equipment

Other properties, plant and equipment held for own use are stated at cost less accumulated depreciation and impairment losses. Other properties held for own use are those properties which are occupied by the Group for production or administrative purposes. Plant and equipment are long-lived tangible assets used in business operations and comprise mainly furniture, fixtures, vessels, vehicles, machinery and equipment.

Gains or losses arising from the disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carry amount of the asset and are recognized in the consolidated income statement on the date of disposal or retirement.

(n) Depreciation of property, plant and equipment

(i) Hotel properties

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

(ii) Other properties held for own use

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

(iii) Network equipment

Network equipment includes assets and equipment of the telecommunications networks. Depreciation is calculated on a straight line basis to write off their costs over their estimated useful lives at rates ranging from 10% to 50% per annum. No depreciation is provided on network equipment under construction.

5. Principal Accounting Policies (cont'd)

(n) Depreciation of property, plant and equipment (cont'd)

(iv) Other plant and equipment

Depreciation is calculated on a straight line method to write off their costs over their estimated useful lives at rates ranging from 4% to 33.3% per annum.

(v) Properties under development

No depreciation is provided on hotel and other properties that are under development. Depreciation commences when they are available for use.

(o) Properties for sale

(i) Stock of completed properties for sale

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

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

Net realizable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price in the ordinary course of business less estimated selling expenses.

(ii) Properties pending/under development for sale

Properties pending/under development for sale are classified as current assets and stated at the lower of cost and net realizable value. Cost comprises specifically identified costs, including land acquisition costs, development expenditure, capitalized borrowing costs and other related expenditures. Net realizable value is estimated by the management, taking into account the price ultimately expected to be realized and the anticipated costs to completion.

(p) Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost, using effective interest method. The carrying amount of hedged borrowings is adjusted for the change in fair value attributable to the hedged risk when accounting for fair value hedges set out in Note 5(k) applies.

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

(q) Inventories

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

5. Principal Accounting Policies (cont'd)

(r) Translation of foreign currencies

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

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

(s) Current and deferred income tax

Tax expense for the year comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in OCI or directly in equity, in which case the relevant amount of tax is recognized in OCI or directly in equity, respectively.

Current tax liabilities are recognized at the amount expected to be paid to the tax authorities, using tax rates enacted or substantively enacted at the reporting date. Current tax expense for the year comprises the expected tax payable on the taxable income for the year and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognized in full, using the liability method, on all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits except that deferred tax is not recognized for temporary differences arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

Deferred tax is recognized on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and based on the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities except for investment property. Deferred tax liability in relation to investment property that is measured at fair value is determined assuming that the carrying amount of the property will be recovered entirely through sale.

5. Principal Accounting Policies (cont'd)

(t) *Provisions*

Provisions are recognized when the Group has a present obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle that obligation and the amount of obligation can be reliably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

(u) *Impairment of non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, properties for sale, inventories and deferred tax assets) to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Goodwill is tested annually for impairment whether or not there is any indication of impairment.

For impairment testing, assets are grouped into cash-generating units (CGU) for which there are separately identifiable cash flows. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss on goodwill is not reversed in subsequent period. For an asset other than goodwill, impairment loss is reversed only if there is a favourable change in the estimates used to determine the asset's recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(v) *Retirement benefit costs*

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

(w) *Share-based payments*

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

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

(Expressed in millions of Hong Kong dollars)

6. 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 2019

	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	36,518	16,372	23	23	36,541	16,395
Mainland China	2,055	1,105	2,717	1,197	4,772	2,302
	38,573	17,477	2,740	1,220	41,313	18,697
Property rental						
Hong Kong	16,555	12,741	3,143	2,632	19,698	15,373
Mainland China	4,035	3,310	631	436	4,666	3,746
Singapore	–	–	713	559	713	559
	20,590	16,051	4,487	3,627	25,077	19,678
Hotel operations	4,786	1,180	896	253	5,682	1,433
Telecommunications	8,415	823	–	–	8,415	823
Transport infrastructure and logistics	4,261	1,341	3,574	409	7,835	1,750
Data centre operations	1,561	765	–	–	1,561	765
Other businesses	7,116	1,186	415	56	7,531	1,242
	85,302	38,823	12,112	5,565	97,414	44,388
Other net income		740		30		770
Unallocated administrative expenses		(1,705)		–		(1,705)
Operating profit before changes in fair value of investment properties		37,858		5,595		43,453
Increase in fair value of investment properties		12,535		2,418		14,953
Operating profit after changes in fair value of investment properties		50,393		8,013		58,406
Net finance costs		(2,051)		(497)		(2,548)
Profit before taxation		48,342		7,516		55,858
Taxation						
– Group		(8,474)		–		(8,474)
– Associates		–		(62)		(62)
– Joint ventures		–		(1,313)		(1,313)
Profit for the year		39,868		6,141		46,009

6. Segment Information (cont'd)

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

For the year ended 30 June 2018

	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	35,699	13,914	26	22	35,725	13,936
Mainland China	4,096	1,428	2,099	886	6,195	2,314
Singapore	–	–	23	11	23	11
	39,795	15,342	2,148	919	41,943	16,261
Property rental						
Hong Kong	15,494	12,026	3,012	2,523	18,506	14,549
Mainland China	3,917	3,196	540	338	4,457	3,534
Singapore	–	–	719	564	719	564
	19,411	15,222	4,271	3,425	23,682	18,647
Hotel operations	4,438	1,227	895	243	5,333	1,470
Telecommunications	9,988	847	–	–	9,988	847
Transport infrastructure and logistics	4,009	1,379	3,382	409	7,391	1,788
Data centre operations	1,304	668	–	–	1,304	668
Other businesses	6,699	1,118	357	67	7,056	1,185
	85,644	35,803	11,053	5,063	96,697	40,866
Other net income		1,156		157		1,313
Unallocated administrative expenses		(1,506)		–		(1,506)
Operating profit before changes in fair value of investment properties		35,453		5,220		40,673
Increase in fair value of investment properties		15,772		6,252		22,024
Operating profit after changes in fair value of investment properties		51,225		11,472		62,697
Net finance costs		(1,617)		(475)		(2,092)
Profit before taxation		49,608		10,997		60,605
Taxation						
– Group		(8,402)		–		(8,402)
– Associates		–		(60)		(60)
– Joint ventures		–		(1,189)		(1,189)
Profit for the year		41,206		9,748		50,954

Results from property sales include selling and marketing expenses of HK$518 million (2018: HK$770 million) and HK$144 million (2018: HK$181 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively.

Other businesses comprise revenue and profit derived from other activities including property management, department store operations and financial services.

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

(Expressed in millions of Hong Kong dollars)

6. Segment Information (cont'd)

(b) Segment assets and liabilities

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

	The Company and its subsidiaries	Associates and joint ventures	Total assets	Total liabilities
At 30 June 2019				
Property development				
Hong Kong	**192,083**	**2,465**	**194,548**	**(25,716)**
Mainland China	**16,044**	**5,362**	**21,406**	**(3,000)**
Singapore	**–**	**26**	**26**	**–**
	208,127	**7,853**	**215,980**	**(28,716)**
Property investment				
Hong Kong	**289,435**	**48,137**	**337,572**	**(4,407)**
Mainland China	**99,374**	**6,111**	**105,485**	**(2,601)**
Singapore	**–**	**5,026**	**5,026**	**–**
	388,809	**59,274**	**448,083**	**(7,008)**
Hotel operations	**23,708**	**1,278**	**24,986**	**(513)**
Telecommunications	**7,289**	**–**	**7,289**	**(1,883)**
Transport infrastructure and logistics	**3,058**	**4,204**	**7,262**	**(754)**
Data centre operations	**5,738**	**–**	**5,738**	**(1,018)**
Other businesses	**10,753**	**1,142**	**11,895**	**(4,391)**
	647,482	**73,751**	**721,233**	**(44,283)**
Bank deposits and cash			**22,038**	**–**
Financial investments			**4,416**	**–**
Bank and other borrowings			**–**	**(95,006)**
Unallocated corporate assets/(liabilities)			**3,475**	**(1,674)**
Current tax payable			**–**	**(11,052)**
Deferred tax liabilities			**–**	**(23,328)**
Total assets/(liabilities)			**751,162**	**(175,343)**
At 30 June 2018				
Property development				
Hong Kong	173,559	1,578	175,137	(25,828)
Mainland China	16,101	5,258	21,359	(1,226)
Singapore	–	26	26	–
	189,660	6,862	196,522	(27,054)
Property investment				
Hong Kong	275,132	46,950	322,082	(4,013)
Mainland China	95,868	6,690	102,558	(2,267)
Singapore	–	4,939	4,939	–
	371,000	58,579	429,579	(6,280)
Hotel operations	23,116	1,340	24,456	(479)
Telecommunications	7,662	–	7,662	(2,173)
Transport infrastructure and logistics	3,408	3,898	7,306	(705)
Data centre operations	4,787	–	4,787	(942)
Other businesses	10,509	1,088	11,597	(3,992)
	610,142	71,767	681,909	(41,625)
Bank deposits and cash			26,095	–
Financial investments			4,243	–
Bank and other borrowings			–	(91,434)
Unallocated corporate assets/(liabilities)			3,239	(1,784)
Current tax payable			–	(10,551)
Deferred tax liabilities			–	(21,660)
Total assets/(liabilities)			715,486	(167,054)

6. Segment Information (cont'd)

(c) *Other segment information*

The Group's depreciation and amortization and additions to non-current assets by reportable and operating segments are analyzed as follows:

	Depreciation and amortization charged to consolidated income statement		Additions to non-current assets	
	2019	2018	**2019**	2018
Property investment for rental	**–**	–	**5,083**	14,655
Hotel operations	**473**	375	**706**	6,509
Telecommunications	**941**	934	**555**	563
Transport infrastructure and logistics	**363**	368	**19**	36
Data centre operations	**239**	159	**6,524**	1,655
Other businesses	**117**	145	**210**	177
Unallocated corporate assets	**28**	26	**9**	–
	2,161	2,007	**13,106**	23,595

(d) *Geographical information*

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

	2019	2018
Hong Kong	**78,175**	76,283
Mainland China	**6,678**	8,647
Others	**449**	714
	85,302	85,644

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

	2019			2018		
	The Company and its subsidiaries	**Associates and joint ventures**	**Consolidated**	The Company and its subsidiaries	Associates and joint ventures	Consolidated
Hong Kong	**324,788**	**56,264**	**381,052**	309,736	53,817	363,553
Mainland China	**101,951**	**11,738**	**113,689**	99,085	12,295	111,380
Singapore	**–**	**5,052**	**5,052**	–	4,965	4,965
Others	**180**	**697**	**877**	219	690	909
	426,919	**73,751**	**500,670**	409,040	71,767	480,807
Other non-current assets			**4,764**			6,171
Financial investments			**3,313**			3,384
Total non-current assets			**508,747**			490,362

(Expressed in millions of Hong Kong dollars)

7. Revenue from Contracts with Customers

(a) Disaggregation of revenue from contracts with customers

The following tables present the Group's revenue from contracts with customers disaggregated into major business segments, primary geographical markets and according to the timing of revenue recognition, including a reconciliation of the disaggregated revenue with the amounts disclosed in the segment information.

For the year ended 30 June 2019

	Revenue from contracts with customers			Revenue	
	recognized at a point in time	**recognized over time**	**Subtotal**	**from other sources**	**Total**
(i) By segments					
Property sales	**38,573**	**–**	**38,573**	**–**	**38,573**
Property rental	**–**	**2,083**	**2,083**	**18,507**	**20,590**
Hotel operations	**2,057**	**2,729**	**4,786**	**–**	**4,786**
Telecommunications	**3,781**	**4,634**	**8,415**	**–**	**8,415**
Transport infrastructure and logistics	**107**	**3,828**	**3,935**	**326**	**4,261**
Data centre operations	**–**	**1,561**	**1,561**	**–**	**1,561**
Property management	**283**	**3,921**	**4,204**	**–**	**4,204**
Department store operations	**2,264**	**–**	**2,264**	**–**	**2,264**
Financial services and others	**–**	**56**	**56**	**592**	**648**
	47,065	**18,812**	**65,877**	**19,425**	**85,302**
(ii) Geographical markets					
Hong Kong	**44,370**	**18,361**	**62,731**	**15,444**	**78,175**
Mainland China	**2,349**	**348**	**2,697**	**3,981**	**6,678**
Others	**346**	**103**	**449**	**–**	**449**
	47,065	**18,812**	**65,877**	**19,425**	**85,302**

7. Revenue from Contracts with Customers (cont'd)

(a) *Disaggregation of revenue from contracts with customers (cont'd)*

For the year ended 30 June 2018

	Revenue from contracts with customers			Revenue	
	recognized at a point in time	recognized over time	Subtotal	from other sources	Total
(i) By segments					
Property sales	39,795	–	39,795	–	39,795
Property rental	–	1,997	1,997	17,414	19,411
Hotel operations	2,013	2,425	4,438	–	4,438
Telecommunications	4,929	5,059	9,988	–	9,988
Transport infrastructure and logistics	118	3,644	3,762	247	4,009
Data centre operations	–	1,304	1,304	–	1,304
Property management	289	3,712	4,001	–	4,001
Department store operations	2,158	–	2,158	–	2,158
Financial services and others	–	53	53	487	540
	49,302	18,194	67,496	18,148	85,644
(ii) Geographical markets					
Hong Kong	44,310	17,643	61,953	14,330	76,283
Mainland China	4,424	405	4,829	3,818	8,647
Others	568	146	714	–	714
	49,302	18,194	67,496	18,148	85,644

Revenue from other sources includes rental income and income from rendering of financial services.

(b) *Revenue recognized in relation to contract liabilities*

Contract liabilities primarily relate to the Group's unfulfilled performance obligations to transfer goods or services to customers for which consideration has been received at the reporting date. The contract liability is recognized in revenue in the period when performance obligations are fulfilled.

During the year, the Group recognized revenue of HK$8,078 million including HK$7,565 million from sales of properties that were included in contract liabilities at the beginning of the year.

(c) *Expected revenue from remaining performance obligations in contracts with customers*

As of 30 June 2019, the aggregate amount of transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) in contracts with customers was HK$48,752 million. This represents the aggregate amount of revenue expected to be recognized by the Group in the future when it satisfies the remaining performance obligations. HK$48,527 million of these remaining performance obligations relate to contracts of sales of properties, of which 77% is expected to be recognized as revenue within one year. The balance of remaining performance obligations of HK$225 million relate to other contracts, of which 40% is expected to be recognized as revenue within one year. For those other contracts that have an original expected duration of one year or less or are billed directly according to performance completed to date, the Group has applied the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of transaction price allocated to the remaining performance obligations.

(Expressed in millions of Hong Kong dollars)

8. Net Finance Costs

	2019	2018
Interest expenses	**2,982**	2,383
Notional non-cash interest accretion	**17**	23
Less: Amount capitalized	**(553)**	(421)
	2,446	1,985
Interest income on bank deposits	**(395)**	(368)
	2,051	1,617

Finance costs have been capitalized for properties under development at rates ranging from 2.70% to 4.78% (2018: 2.49% to 5.28%) per annum.

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

9. Profit Before Taxation

	2019	2018
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	**18,073**	21,205
Cost of inventories sold	**4,912**	6,001
Depreciation of hotel properties	**434**	324
Depreciation of other properties, plant and equipment	**1,183**	1,139
Amortization of intangible assets (included in cost of sales)	**544**	544
Amortization of contract acquisition costs	**751**	–
Impairment of intangible assets	**4**	4
Operating lease rentals for land and buildings, transmission sites and leased lines	**1,855**	1,647
Staff costs (including directors' emoluments and retirement schemes contributions)	**8,511**	7,881
Share-based payments	**19**	3
Auditors' remuneration	**24**	23
Loss on disposal of financial assets at fair value through profit or loss	**24**	–
Fair value losses on financial assets at fair value through profit or loss	**22**	–
Loss on disposal of property, plant and equipment	**34**	16
and crediting:		
Dividend income from equity securities	**154**	178
Interest income from financial investments	**84**	77
Profit on disposal of available-for-sale investments	**–**	4
Profit on disposal of financial assets at fair value through profit or loss	**–**	30
Fair value gains on financial assets at fair value through profit or loss	**–**	68

10. Directors' Emoluments and Five Highest Paid Individuals

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

Name of director	Notes	Fees	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	(Note c) Share-based payments	2019 Total emoluments	2018 Total emoluments
Executive Directors								
Kwok Ping-luen, Raymond		**0.56**	**2.65**	**0.40**	**0.25**	**–**	**3.86**	3.72
Wong Chik-wing, Mike		**0.30**	**13.32**	**13.12**	**0.99**	**–**	**27.73**	24.08
Lui Ting, Victor		**0.30**	**11.08**	**15.68**	**0.99**	**–**	**28.05**	24.89
Kwok Kai-fai, Adam		**0.30**	**6.35**	**2.96**	**0.02**	**–**	**9.63**	9.11
Kwok Kai-wang, Christopher		**0.35**	**5.44**	**3.10**	**0.02**	**–**	**8.91**	7.24
Kwong Chun		**0.30**	**3.57**	**4.10**	**–**	**–**	**7.97**	6.86
Tung Chi-ho, Eric		**0.35**	**8.52**	**12.64**	**0.73**	**–**	**22.24**	19.38
Fung Yuk-lun, Allen		**0.51**	**7.26**	**12.25**	**0.36**	**0.58**	**20.96**	19.32
Non-Executive Directors								
Lee Shau-kee		**0.31**	**–**	**–**	**–**	**–**	**0.31**	0.31
Woo Po-shing		**0.30**	**–**	**–**	**–**	**–**	**0.30**	0.30
Kwan Cheuk-yin, William		**0.42**	**–**	**–**	**–**	**–**	**0.42**	0.42
Kwok Kai-chun, Geoffrey	a	**0.16**	**–**	**–**	**–**	**–**	**0.16**	–
Independent Non-Executive Directors								
Yip Dicky Peter		**0.64**	**–**	**–**	**–**	**–**	**0.64**	0.64
Wong Yue-chim, Richard		**0.44**	**–**	**–**	**–**	**–**	**0.44**	0.44
Li Ka-cheung, Eric		**0.97**	**–**	**–**	**–**	**–**	**0.97**	0.97
Fung Kwok-lun, William		**0.30**	**–**	**–**	**–**	**–**	**0.30**	0.30
Leung Nai-pang, Norman		**0.70**	**–**	**–**	**–**	**–**	**0.70**	0.70
Leung Kui-king, Donald		**0.58**	**–**	**–**	**–**	**–**	**0.58**	0.58
Leung Ko May-yee, Margaret		**0.30**	**–**	**–**	**–**	**–**	**0.30**	0.30
Fan Hung-ling, Henry	b	**0.30**	**–**	**–**	**–**	**–**	**0.30**	0.10
Total 2019		**8.39**	**58.19**	**64.25**	**3.36**	**0.58**	**134.77**	119.66
Total 2018		7.99	53.85	54.20	3.23	0.39		

The above analysis included four (2018: four) individuals whose emoluments were among the five highest pay in the Group.

(Expressed in millions of Hong Kong dollars)

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

Details of the emoluments paid to the remaining one (2018: one) individual are:

	2019	2018
Salaries, allowances and benefits in kind	**7.58**	7.29
Discretionary bonuses	**11.05**	10.60
Retirement scheme contributions	**0.70**	0.67
	19.33	18.56

Number of employee whose emoluments fell within:

Emoluments Band HK$M		HK$M	**2019 Number of employee**	2018 Number of employee
18.5	–	19.0	**–**	1
19.0	–	19.5	**1**	–
			1	1

(a) Mr. Kwok Kai-chun, Geoffrey was appointed as a Non-Executive Director on 21 December 2018.

(b) Mr. Fan Hung-ling, Henry was appointed as an Independent Non-Executive Director on 1 March 2018.

(c) Share-based payments are the fair values of share options granted to employees (including directors), which are determined at the date of grant and expensed over the vesting period.

11. Staff Retirement Schemes

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

As required by the municipal or provincial social insurance laws and regulations, the Group made contributions to the pension insurance managed by the local municipal governments in Mainland China. The rates of contributions in general ranged from 13% to 20% of staff's monthly salary during the relevant period.

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

Total contributions to the retirement schemes made by the Group during the year amounted to HK$364 million (2018: HK$356 million). Forfeited contributions for the year of HK$2 million (2018: HK$2 million) were used to reduce the existing level of contributions.

12. Taxation

	2019	2018
Company and subsidiaries		
Current tax expenses		
Hong Kong profits tax	**4,822**	4,612
Under/(over) provision in prior years	**6**	(98)
	4,828	4,514
Tax outside Hong Kong	**1,280**	1,555
Under/(over) provision in prior years	**1**	(4)
	1,281	1,551
	6,109	6,065
Deferred tax expenses		
Changes in fair value of investment properties	**1,856**	1,783
Other origination and reversal of temporary differences	**509**	554
	2,365	2,337
	8,474	8,402

(a) Hong Kong profits tax is provided at the rate of 16.5% (2018: 16.5%) based on the estimated assessable profits for the year. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rate:

	2019	2018
Profit before share of results of associates, joint ventures and taxation	**48,342**	49,608
Tax at Hong Kong profits tax rate of 16.5% (2018: 16.5%)	**7,977**	8,185
Effect of different tax rates of subsidiaries operating outside Hong Kong	**1,913**	2,093
Net effect of non-deductible expenses and non-taxable income	**(1,514)**	(2,035)
Utilization of tax losses not previously recognized	**(142)**	(82)
Tax losses and other temporary differences not recognized	**235**	344
Under/(over) provision in prior years	**7**	(102)
Others	**(2)**	(1)
Tax expenses	**8,474**	8,402

(Expressed in millions of Hong Kong dollars)

13. Dividends

	2019	2018
Dividends recognized as distribution during the year:		
2018 final dividend of HK$3.45 per share based on 2,897 million shares (2018: 2017 final dividend of HK$3.00 per share based on 2,897 million shares)	**9,995**	8,690
2019 interim dividend of HK$1.25 per share based on 2,897 million shares (2018: HK$1.20 per share based on 2,897 million shares)	**3,622**	3,477
	13,617	12,167

14. 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$44,912 million (2018: HK$49,951 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,897,232,781 (2018: 2,896,750,825) shares. The diluted earnings per share is based on 2,897,292,613 (2018: 2,896,919,542) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 59,832 (2018: 168,717) shares deemed to be issued at no consideration if all outstanding options had been exercised.

(b) *Underlying earnings per share*

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$32,398 million (2018: HK$30,398 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2019	2018
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**44,912**	49,951
Increase in fair value of investment properties		
Subsidiaries	**(12,535)**	(15,772)
Associates	**(63)**	(90)
Joint ventures	**(2,355)**	(6,162)
Effect of corresponding deferred tax expenses		
Subsidiaries	**1,856**	1,783
Joint ventures	**188**	171
Non-controlling interests	**48**	82
Unrealized fair value gains of investment properties net of deferred tax	**(12,861)**	(19,988)
Fair value gains realized on disposal of investment properties net of deferred tax	**347**	435
Net effect of changes in fair value of investment properties	**(12,514)**	(19,553)
Underlying profit attributable to the Company's shareholders	**32,398**	30,398

15. Investment Properties

(a) Movement during the year

	Completed	Under development	Total
Valuation			
At 1 July 2017	292,074	45,906	337,980
Additions	884	13,771	14,655
Transfer upon completion	5,924	(5,924)	–
Transfer upon redevelopment	(452)	452	–
Disposals	(273)	–	(273)
Transfer to			
– property, plant and equipment	(66)	–	(66)
– properties for sale	–	(924)	(924)
Exchange difference	1,487	846	2,333
Increase in fair value	14,820	952	15,772
At 30 June 2018 and 1 July 2018	314,398	55,079	369,477
Additions	**1,038**	**4,045**	**5,083**
Transfer upon completion	**6,880**	**(6,880)**	**–**
Redesignate from property, plant and equipment	**–**	**5,062**	**5,062**
Disposals	**(209)**	**–**	**(209)**
Transfer to			
– property, plant and equipment	**(118)**	**–**	**(118)**
– properties for sale	**–**	**(1,370)**	**(1,370)**
Exchange difference	**(2,448)**	**(1,400)**	**(3,848)**
Increase in fair value	**10,543**	**1,992**	**12,535**
At 30 June 2019	**330,084**	**56,528**	**386,612**

(b) Investment properties valuation

The Group's investment properties were valued at their fair values at 30 June 2019 and 30 June 2018 by Knight Frank Petty Limited, an independent firm of qualified valuers. The current use of the investment properties equates to their highest and best use.

Fair values of the Group's investment properties are categorized as Level 3 measurement in the three-level fair value hierarchy. During the year, there were no transfers between different levels within the fair value hierarchy.

The Group's completed investment properties are valued using the income capitalization method by capitalizing the net income from the existing tenancies with due allowance for reversionary income potential at appropriate capitalization rates for individual properties. The capitalization rate adopted, which varies according to the type and class of property concerned, its location and the type of tenant in occupation, is derived by reference to the yields achieved from analysis of recent comparable property investment transactions and encapsulates future expectations of the investors regarding income and capital growth and perceived risks.

(Expressed in millions of Hong Kong dollars)

15. Investment Properties (cont'd)

(b) *Investment properties valuation (cont'd)*

The Group's investment properties under development are valued using the residual method by estimating the value of the property when completed using either a sales comparison or income capitalization method on the assumption that the property had already been completed in accordance with the current development plan on the valuation date less the costs that will be incurred to complete the development with appropriate allowance for profit and risk.

Set out below is the significant unobservable inputs used for fair value measurements:

	Fair value		**Weighted average capitalization rate**	
	2019	2018	**2019**	2018
Completed				
Hong Kong	**264,069**	253,765	**5.1%**	5.1%
Mainland China	**66,015**	60,633	**6.6%**	6.6%
	330,084	314,398		
Under development				
Hong Kong	**24,071**	20,082	**3.6%**	3.6%
Mainland China	**32,457**	34,997	**6.4%**	6.7%
	56,528	55,079		

The fair values of the Group's investment properties are inversely related to capitalization rates, which are determined by investors' expectations on investment yields, rental growth and the risk profile of the properties being valued. A lower (higher) capitalization rate would imply a higher (lower) property value.

(c) Profit on disposal of the Group's investment properties during the year amounted to HK$107 million (2018: HK$367 million).

(d) Gross rental income and direct operating expenses from investment properties during the year amounted to HK$19,594 million (2018: HK$18,637 million) and HK$4,236 million (2018: HK$3,978 million) respectively.

16. Property, Plant and Equipment

Movement during the year

	Hotel properties	Other properties held for own use	Properties under development	Network equipment	Other plant and equipment	Total
Cost						
At 1 July 2017	13,453	6,192	8,438	5,858	5,636	39,577
Additions	54	–	7,609	462	815	8,940
Transfer upon completion	–	1,671	(2,225)	–	554	–
Transfer from completed investment properties	–	66	–	–	–	66
Disposals	(1)	–	–	(252)	(94)	(347)
Exchange difference	46	2	46	–	14	108
At 30 June 2018 and 1 July 2018	13,552	7,931	13,868	6,068	6,925	48,344
Additions	**33**	**–**	**6,396**	**429**	**1,165**	**8,023**
Transfer upon completion	**4,229**	**151**	**(4,401)**	**–**	**21**	**–**
Transfer from completed investment properties	**–**	**118**	**–**	**–**	**–**	**118**
Redesignate to investment properties under development	**–**	**–**	**(5,062)**	**–**	**–**	**(5,062)**
Disposals	**–**	**–**	**–**	**(211)**	**(230)**	**(441)**
Exchange difference	**(69)**	**(3)**	**(78)**	**–**	**(19)**	**(169)**
At 30 June 2019	**17,745**	**8,197**	**10,723**	**6,286**	**7,862**	**50,813**
Accumulated depreciation						
At 1 July 2017	3,575	2,032	–	3,117	3,876	12,600
Charge for the year	324	166	–	540	433	1,463
Disposals	(1)	–	–	(236)	(87)	(324)
Exchange difference	9	1	–	–	8	18
At 30 June 2018 and 1 July 2018	3,907	2,199	–	3,421	4,230	13,757
Charge for the year	**434**	**174**	**–**	**559**	**450**	**1,617**
Disposals	**–**	**–**	**–**	**(180)**	**(215)**	**(395)**
Exchange difference	**(14)**	**(1)**	**–**	**–**	**(13)**	**(28)**
At 30 June 2019	**4,327**	**2,372**	**–**	**3,800**	**4,452**	**14,951**
Net book value at 30 June 2019	**13,418**	**5,825**	**10,723**	**2,486**	**3,410**	**35,862**
Net book value at 30 June 2018	9,645	5,732	13,868	2,647	2,695	34,587

(Expressed in millions of Hong Kong dollars)

17. Associates

	2019	2018
Unlisted shares, at cost less impairment loss	**28**	28
Hong Kong listed shares, at cost	**1,469**	1,273
Share of post-acquisition reserves	**4,510**	4,251
	6,007	5,552
Amounts due from associates	**7**	18
	6,014	5,570
Market value of Hong Kong listed shares	**3,901**	3,628

Amounts due from associates are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders.

The Group's effective interest in the revenue, results, assets and liabilities of its associates are summarized below:

	2019	2018
Investment properties	**2,526**	2,375
Other non-current assets	**4,632**	4,525
Current assets	**1,717**	1,403
Current liabilities	**(822)**	(883)
Non-current liabilities	**(2,046)**	(1,868)
Net assets	**6,007**	5,552
Revenue	**3,341**	3,217
Fair value changes of investment properties net of related deferred tax	**63**	90
Profit for the year	**445**	612

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2019.

18. Joint Ventures

	2019	2018
Unlisted shares, at cost less impairment loss	**3,079**	3,097
Share of post-acquisition reserves	**56,148**	54,995
	59,227	58,092
Amounts due from joint ventures	**8,510**	8,105
	67,737	66,197

Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment and are repayable as may from time to time be agreed among the shareholders except for the amounts of HK$1,670 million (2018: HK$619 million) which are interest bearing at market rates.

18. Joint Ventures (cont'd)

The Group's effective interest in the revenue, results, assets and liabilities of its joint ventures are summarized below:

	2019	2018
Investment properties	**77,445**	74,938
Other non-current assets	**4,084**	4,253
Current assets	**18,281**	16,768
Current liabilities	**(14,849)**	(13,805)
Non-current liabilities	**(25,734)**	(24,062)
Net assets	**59,227**	58,092
Revenue	**8,771**	7,836
Fair value changes of investment properties net of related deferred tax	**2,167**	5,991
Profit for the year	**5,696**	9,136

Particulars regarding principal joint ventures are set out in the section headed "Principal Joint Ventures" of the Annual Report 2019.

19. Financial Investments

	30 June 2019			
	Measured at FVTPL	**Measured at FVOCI**	**Measured at amortized cost**	**Total**
Non-current assets				
Debt securities	**337**	**177**	**675**	**1,189**
Equity securities	**248**	**1,876**	**–**	**2,124**
	585	**2,053**	**675**	**3,313**
Current assets				
Debt securities	**–**	**130**	**321**	**451**
Equity securities	**652**	**–**	**–**	**652**
	652	**130**	**321**	**1,103**

	30 June 2018			
	Measured at FVTPL	Available-for-sale	Held-to-maturity	Total
Non-current assets				
Debt securities	–	564	480	1,044
Equity securities	–	2,340	–	2,340
	–	2,904	480	3,384
Current assets				
Debt securities	–	138	79	217
Equity securities	642	–	–	642
	642	138	79	859

(Expressed in millions of Hong Kong dollars)

20. Intangible Assets

	Concession assets	Telecommunications licences	Goodwill	Total
Cost				
At 1 July 2017, 30 June 2018 and 1 July 2018	6,934	4,779	151	11,864
Additions	**22**	**–**	**–**	**22**
Disposals	**(23)**	**–**	**–**	**(23)**
At 30 June 2019	**6,933**	**4,779**	**151**	**11,863**
Accumulated amortization and impairment				
At 1 July 2017	4,890	1,443	7	6,340
Amortization	258	286	–	544
Impairment	–	–	4	4
At 30 June 2018 and 1 July 2018	5,148	1,729	11	6,888
Amortization	**259**	**285**	**–**	**544**
Impairment	**–**	**–**	**4**	**4**
Disposals	**(18)**	**–**	**–**	**(18)**
At 30 June 2019	**5,389**	**2,014**	**15**	**7,418**
Net book value at 30 June 2019	**1,544**	**2,765**	**136**	**4,445**
Net book value at 30 June 2018	1,786	3,050	140	4,976

Concession assets represent cost of tunnel, approach road and buildings, electrical and mechanical systems under the service concession arrangement with the HKSAR Government to participate in the development, financing, operation and maintenance of toll road infrastructure, which have finite useful lives of 27 years, and are amortized on a straight line basis.

Telecommunications licences represent the upfront payments and the present value of the annual fixed fees payable for the telecommunications licences over the licence period, which have finite useful lives ranging from 12 to 15 years, and are amortized on a straight line basis. The corresponding non-current and current portion of these contractual liabilities are recorded in other non-current liabilities and other payables respectively.

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. At the year end date, an impairment test was performed by comparing the carrying amount of the business with the recoverable amount.

21. Other Non-Current Assets

	Note	2019	2018
Mortgage loan receivables		**5,680**	5,820
Other loan receivables		**1,032**	1,188
Less: Amount due within one year included under trade and other receivables		**(2,088)**	(995)
		4,624	6,013
Derivative financial instruments	22	**140**	158
		4,764	6,171

21. Other Non-Current Assets (cont'd)

Mortgage loan receivables are secured by first or second mortgages on properties and repayable by monthly instalments with various tenors not more than 25 years (2018: 25 years) at the year end date and carry interest at rates with reference to banks' lending rates. The balance includes first mortgage loans of HK$3,925 million (2018: HK$4,198 million).

At 30 June 2019, 1.0% (2018: 0.6%) of loan receivables have been past due but not impaired, of which 98% (2018: 100%) are aged less than three months since the due dates. These relate to a number of independent customers for whom the creditworthiness, collateral and subsequent settlement after reporting date are assessed and the amounts are still considered recoverable.

22. Derivative Financial Instruments

		2019		2018	
	Notes	**Assets**	**Liabilities**	Assets	Liabilities
Fair value hedges					
– interest rate swaps		**35**	**–**	67	2
– cross currency interest rate swaps		**–**	**149**	113	191
		35	**149**	180	193
Cash flow hedges					
– cross currency interest rate swaps		**105**	**–**	–	–
Not designated as accounting hedges					
– cross currency interest rate swap		**18**	**–**	25	–
– forward foreign exchange contacts		**1**	**1**	–	7
		19	**1**	25	7
		159	**150**	205	200
Representing:					
Current portion	24 & 27	**19**	**–**	47	17
Non-current portion	21 & 31	**140**	**150**	158	183
		159	**150**	205	200

At the year end date, the Group had outstanding derivative financial instruments analyzed as follow:

		Notional principal amount	
	Maturing date	**2019**	2018
Designated as accounting hedges			
– interest rate swaps and cross currency interest rate swaps	Sep 2019 – Feb 2029 (2018: Aug 2018 – Apr 2024)	**14,297**	11,630
Not designated as accounting hedges			
– cross currency interest rate swap	May 2020	**3,892**	3,892
– forward foreign exchange contracts	May 2020 – Dec 2020	**123**	123
		4,015	4,015
		18,312	15,645

(Expressed in millions of Hong Kong dollars)

23. Properties for Sale

	2019	2018
Stock of completed properties for sale	**37,589**	44,350
Properties pending/under development for sale	**158,518**	133,017
	196,107	177,367

24. Trade and Other Receivables

	Notes	2019	2018
Trade receivables	(a)	**7,896**	11,196
Other account receivables, deposits and prepayments	(b)	**11,948**	7,729
Deposits for acquisition of properties		**204**	302
Contract assets	(c)	**656**	–
Amounts due from customers for contract works	(d)	**–**	94
Short-term loans		**2,088**	995
Derivative financial instruments	22	**19**	47
		22,811	20,363

(a) At 30 June 2019, 86% (2018: 88%) of trade receivables are aged less than 30 days, 4% (2018: 3%) between 31 to 60 days, 2% (2018: 1%) between 61 to 90 days and 8% (2018: 8%) more than 90 days.

At 30 June 2019, 12% (2018: 18%) of trade receivables are past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of trade receivables are recorded using an allowance account based on expected credit losses. When the Group is satisfied that recovery of the amount is remote, the impairment loss is written off against trade receivables directly. Impairment losses in respect of trade receivable as at 30 June 2019 amounted to HK$31 million (2018: HK$29 million).

(b) The balance includes contract acquisition costs of HK$725 million primarily related to incremental commission costs incurred to obtain property sales and telecommunication services contracts with customers. There was no impairment loss in relation to the cost capitalized.

(c) The contract assets primarily relate to the Group's right to consideration for unbilled revenue in relation to services rendered for use of data centre and IT facilities, telecommunication and construction services at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. Balance of contract assets as at 1 July 2018 amounted to HK$618 million.

24. Trade and Other Receivables (cont'd)

(d) Amounts due from/(to) customers for contract works

	2018
Contract costs incurred plus recognized profits less recognized losses	1,702
Less: Progress billings	(1,613)
	89
Represented by:	
Due from customers included in trade and other receivables	94
Due to customers included in trade and other payables	(5)
	89

The balance of contract works due from and due to customers as at 30 June 2018 were classified as contract assets and contract liabilities respectively as at 1 July 2018 upon adoption of HKFRS 15.

25. Bank Deposits and Cash

Deposits with banks are interest bearing at prevailing market rates. About 37% (2018: 45%) of the Group's bank deposits and cash are denominated in Hong Kong dollars, 48% (2018: 44%) in Renminbi and 15% (2018: 11%) in US dollars.

26. Bank and Other Borrowings

	Note	**2019**	2018
Unsecured bank overdrafts		**194**	185
Long-term bank and other borrowings due within one year	29	**8,974**	12,461
		9,168	12,646

27. Trade and Other Payables

	Note	**2019**	2018
Trade payables		**2,909**	2,837
Other payables and accrued expenses		**23,857**	26,567
Contract liabilities		**615**	–
Amounts due to customers for contract works		**–**	5
Amounts due to non-controlling interests		**1,318**	1,399
Derivative financial instruments	22	**–**	17
		28,699	30,825

At 30 June 2019, 50% (2018: 56%) of trade payables are aged less than 30 days, 19% (2018: 17%) between 31 to 60 days, 5% (2018: 2%) between 61 to 90 days and 26% (2018: 25%) more than 90 days.

The contract liabilities relate primarily to advance payments received from customers in respect of use of data centre and IT facilities, telecommunication and construction services. Balance of contract liabilities as at 1 July 2018 amounted to HK$615 million.

The amounts due to non-controlling interests are interest free, unsecured and have no fixed terms of repayment.

(Expressed in millions of Hong Kong dollars)

28. Deposits Received on Sales of Properties

The Group receives payments from customers based on payment schedules established in contracts. The Group receives certain percentage of the agreed transaction price as a deposit when the Group signs a contract with the customers. Typically, the remaining balance is paid upon closing of the contracts when the properties are assigned to the customers. In many cases, the Group receives some further deposits from customers prior to the closing of the contracts. In some arrangements relating to sales of uncompleted properties, the customers agree to pay the balance of consideration early during the property construction period, rather than on assignment. All such deposits received are recognized as contract liabilities until the Group satisfies its performance obligations by transferring the control of the properties to the customers, at which time the contract liabilities are recognized as revenue.

Changes in contract liabilities in respect of deposits received on sales of properties during the year:

At 1 July 2018	**12,230**
Exchange difference	**(105)**
Decrease as a result of recognizing revenue during the year	**(7,565)**
Increase as a result of receiving sales deposits during the year	**12,423**
At 30 June 2019	**16,983**

29. Bank and Other Borrowings

The maturity of the Group's long-term bank and other loans are as follows:

	Note	2019	2018
Secured bank loans repayable			
Within one year		**260**	266
After one year, but within two years		**260**	266
After two years, but within five years		**512**	789
After five years		**64**	29
		1,096	1,350
Unsecured bank loans repayable			
Within one year		**8,216**	7,883
After one year, but within two years		**5,484**	8,944
After two years, but within five years		**38,067**	37,903
After five years		**3,328**	2,446
		55,095	57,176
Bonds and notes repayable			
Within one year		**498**	4,312
After one year, but within two years		**8,326**	506
After two years, but within five years		**15,224**	21,389
After five years		**14,573**	6,516
		38,621	32,723
		94,812	91,249
Less : Amount due within one year included under current liabilities	26	**(8,974)**	(12,461)
		85,838	78,788

29. Bank and Other Borrowings (cont'd)

The fair values of the long-term borrowings as estimated by discounting their future cash flows at the prevailing market borrowing rates at the year end date for similar borrowings are as follows:

	Carrying amount		Fair value	
	2019	2018	**2019**	2018
Secured bank loans	**836**	1,084	**836**	1,084
Unsecured bank loans	**46,879**	49,293	**46,868**	49,213
Bonds and notes	**38,123**	28,411	**38,970**	27,774
	85,838	78,788	**86,674**	78,071

(a) Secured bank loans related to bank borrowings of the Group's subsidiaries which are secured by way of legal charges over certain of its assets and business undertakings.

(b) The above bank loans are repayable on various dates up to November 2038 (2018: September 2031) and carry interest, after hedging where appropriate, at effective rate per annum of 3.22% (2018: 2.82%).

(c) The bonds and notes are repayable on various dates up to March 2029 (2018: September 2027), unsecured and carry interest, after hedging where appropriate, at effective rate per annum of 3.54% (2018: 3.50%).

(d) The carrying amount of the gross borrowings by currency (after cross currency interest rate swaps) is as follows:

	2019	2018
Hong Kong dollars	**74,506**	68,052
US dollars	**8,052**	11,366
Renminbi	**11,292**	12,016
British Pound	**1,156**	–
	95,006	91,434

(Expressed in millions of Hong Kong dollars)

30. Deferred Tax Liabilities

Deferred income tax assets and liabilities are offset when taxes relate to the same tax authority and where offsetting is legally enforceable. The Group has not recognized deferred tax assets arising from tax losses and deductible temporary differences as it is uncertain that the related tax benefits can be realized through future taxable profit. The components of the carrying amount of deferred tax liabilities and the movements during the year are as follows:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Others	Total
At 1 July 2017	5,614	13,389	(151)	78	18,930
Charged/(credited) to consolidated income statement	579	1,779	1	(22)	2,337
Deemed disposal of subsidiaries	(5)	–	–	–	(5)
Credited to reserve	–	–	–	(3)	(3)
Exchange difference	43	356	–	2	401
At 30 June 2018 and 1 July 2018	6,231	15,524	(150)	55	21,660
Charged/(credited) to consolidated income statement	**547**	**1,856**	**(53)**	**15**	**2,365**
Charged to reserve	**–**	**–**	**–**	**3**	**3**
Exchange difference	**(76)**	**(622)**	**1**	**(3)**	**(700)**
At 30 June 2019	**6,702**	**16,758**	**(202)**	**70**	**23,328**

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK$4,209 million (2018: HK$4,372 million), of which HK$177 million (2018: HK$183 million) of tax losses will expire at various dates up to 2024 (2018: 2023). Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

31. Other Non-Current Liabilities

	Note	2019	2018
Asset retirement and other obligations		**42**	43
Contractual obligations for telecommunications licences		**83**	128
Derivative financial instruments	22	**150**	183
		275	354

32. Share Capital

	2019		2018	
	Number of shares in million	Amount	Number of shares in million	Amount
Issued and fully paid:				
Ordinary shares				
At beginning of year	**2,897**	**70,612**	2,896	70,516
Shares issued on exercise of share options	**1**	**71**	1	96
At end of year	**2,898**	**70,683**	2,897	70,612

During the year ended 30 June 2019, 609,500 (2018: 825,000) shares were issued on exercise of share options.

33. Perpetual Capital Securities

On 23 May 2017, the Group issued US$500 million senior perpetual capital securities which are redeemable at the Group's option on or after 23 May 2020. Distributions are payable semi-annually in arrears at a fixed rate of 4.45 per cent per annum, which may be deferred at the Group's discretion and in which event, the Company and the issuer will not declare or pay any dividends or distributions or redeem, reduce, cancel, buy back or otherwise acquire any of the Company's and/or the issuer's securities of lower or equal rank.

The Group is considered to have no contractual obligations to call its principal or to pay any distributions. The perpetual capital securities do not meet the definition for classification as a financial liability. They are presented within equity and distributions are treated as dividends.

During the year, the Group bought back US$9 million (2018: US$3 million) senior perpetual capital securities for a total consideration of HK$58 million (2018: HK$20 million).

34. Share Option Schemes

The Company has a share option scheme which was adopted on 15 November 2012 ("the New Scheme") to replace a former scheme previously adopted on 5 December 2002 ("the Old Scheme"), whereby the directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Details of share option schemes adopted by the Company are set out in the Directors' Report of the Annual Report 2019.

The Old Scheme

Upon the termination of the Old Scheme, no further share options could be granted but the outstanding share options granted shall continue to be valid and exercisable in accordance with its provisions.

(a) Movements in share options to subscribe for ordinary shares in the Company under the Old Scheme during the year ended 30 June 2018 are as follows:

			Number of share options				
Date of grant	Exercise price	Exercisable period	At 1 July 2017	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2018
11 July 2012	HK$96.15	11.7.2013 to 10.7.2017	31,000	–	(31,000)	–	–

(b) Details of share options exercised
Share options exercised during the year ended 30 June 2018 resulted in 31,000 shares being issued. The related weighted average share price at the time of exercise was HK$115.64 per share.

(Expressed in millions of Hong Kong dollars)

34. Share Option Schemes (cont'd)

The New Scheme

During the year, no share options were granted under the New Scheme.

(a) Movements in share options to subscribe for ordinary shares in the Company under the New Scheme during the year ended 30 June 2019 are as follows:

			Number of share options				
Date of grant	**Exercise price**	**Exercisable period**	**At 1 July 2018**	**Granted during the year**	**Exercised during the year**	**Lapsed/ cancelled during the year**	**At 30 June 2019**
12 July 2013	HK$102.30	12.7.2014 to 11.7.2018	**141,000**	**–**	**(141,000)**	**–**	**–**
11 July 2014	HK$106.80	11.7.2015 to 10.7.2019	**633,000**	**–**	**(468,500)**	**–**	**164,500**
			774,000	**–**	**(609,500)**	**–**	**164,500**
Weighted average exercise prices (HK$)			**105.98**	**–**	**105.76**	**–**	**106.80**

Movements in share options to subscribe for ordinary shares in the Company under the New Scheme during the year ended 30 June 2018 are as follows:

			Number of share options				
Date of grant	Exercise price	Exercisable period	At 1 July 2017	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2018
12 July 2013	HK$102.30	12.7.2014 to 11.7.2018	622,000	–	(481,000)	–	141,000
11 July 2014	HK$106.80	11.7.2015 to 10.7.2019	946,000	–	(313,000)	–	633,000
			1,568,000	–	(794,000)	–	774,000
Weighted average exercise prices (HK$)			105.01	–	104.07	–	105.98

(b) Details of share options exercised

Share options exercised during the year resulted in 609,500 (2018: 794,000) shares being issued. The related weighted average share price at the time of exercise was HK$130.71 (2018: HK$130.33) per share.

35. Parent Company Statement of Financial Position

	Notes	2019	2018
Non-current assets			
Subsidiaries	(a)	**31,360**	31,367
Current assets			
Amounts due from subsidiaries		**176,628**	167,639
Trade and other receivables		**33**	–
Bank deposits and cash		**41**	39
		176,702	167,678
Current liabilities			
Trade and other payables		**(81)**	(45)
Net current assets		**176,621**	167,633
Total assets less current liabilities		**207,981**	199,000
Non-current liabilities			
Other borrowings		**(1,363)**	–
NET ASSETS		**206,618**	199,000
CAPITAL AND RESERVES			
Share capital	32	**70,683**	70,612
Reserves	(b)	**135,935**	128,388
SHAREHOLDERS' EQUITY		**206,618**	199,000

Directors:
Kwok Ping-luen, Raymond
Lui Ting, Victor

(a) Particulars regarding principal subsidiaries are set out in the section headed "Principal Subsidiaries" of the Annual Report 2019.

(b) The movement of reserves during the year are as follows:

	Capital reserve	Retained profits	Total
At 1 July 2017	5,318	115,178	120,496
Transfer to share capital upon shares issued on exercise of share options	(11)	–	(11)
Share options lapsed	(1)	–	(1)
Profit for the year	–	20,071	20,071
Final dividend paid for the year ended 30 June 2017	–	(8,690)	(8,690)
Interim dividend paid for the year	–	(3,477)	(3,477)
At 30 June 2018 and 1 July 2018	5,306	123,082	128,388
Transfer to share capital upon shares issued on exercise of share options	**(7)**	**–**	**(7)**
Profit for the year	**–**	**21,171**	**21,171**
Final dividend paid for the year ended 30 June 2018	**–**	**(9,995)**	**(9,995)**
Interim dividend paid for the year	**–**	**(3,622)**	**(3,622)**
At 30 June 2019	**5,299**	**130,636**	**135,935**

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2019 amounted to HK$130,636 million (2018: HK$123,082 million).

(Expressed in millions of Hong Kong dollars)

36. Notes to Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	2019	2018
Operating profit before changes in fair value of investment properties	**37,858**	35,453
Depreciation and amortization	**2,912**	2,007
Profit on disposal of investment properties	**(107)**	(367)
Loss on disposal of property, plant and equipment	**34**	16
Profit on disposal of available-for-sale investments	**–**	(4)
Dividend income from equity securities	**(154)**	(178)
Interest income	**(156)**	(109)
Share-based payments	**19**	3
Other non-cash items	**17**	(11)
Exchange difference	**208**	(99)
Operating cash inflow	**40,631**	36,711
Decrease in properties for sale	**1,675**	6,257
Additions to properties pending development for sale	**(19,248)**	(35,957)
Decrease in inventories	**84**	4
Increase in trade and other receivables	**(2,212)**	(2,335)
(Increase)/decrease in financial assets at fair value through profit or loss	**(10)**	19
(Decrease)/increase in trade and other payables	**(2,062)**	3,838
Increase in deposits received on sales of properties	**4,753**	1,772
Changes in working capital	**(17,020)**	(26,402)
Cash generated from operations	**23,611**	10,309

(b) Analysis of the balance of cash and cash equivalents at end of year

	2019	2018
Bank deposits and cash	**22,038**	26,095
Bank overdrafts	**(194)**	(185)
	21,844	25,910
Less: Bank deposits maturing after more than three months	**(409)**	(2,870)
Less: Pledged bank deposits	**(5)**	(5)
	21,430	23,035

36. Notes to Consolidated Statement of Cash Flows (cont'd)

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings	Amounts due to non-controlling interests	Total
At 1 July 2017	67,170	1,188	68,358
Cash flows	23,817	211	24,028
Adjustment due to fair value change of financial instruments	(54)	–	(54)
Net exchange difference	316	–	316
At 30 June 2018 and 1 July 2018	91,249	1,399	92,648
Cash flows	**4,055**	**(78)**	**3,977**
Adjustment due to fair value change of financial instruments	**(101)**	**–**	**(101)**
Net exchange difference	**(391)**	**–**	**(391)**
Other non-cash movements	**–**	**(3)**	**(3)**
At 30 June 2019	**94,812**	**1,318**	**96,130**

37. Joint Operations

At the year end date, the aggregate amounts of assets and liabilities recognized in the consolidated financial statements relating to the Group's interests in joint operations are as follows:

	2019	2018
Investment properties	**19,771**	19,108
Stocks of completed properties for sale	**174**	174
Properties pending/under development for sale	**2,591**	548
	22,536	19,830
Trade and other payables	**366**	338
Current tax payables	**91**	78
Deferred tax liabilities	**174**	164
	631	580
Revenue	**1,026**	939
Expenses	**227**	216

(Expressed in millions of Hong Kong dollars)

38. Related Party Disclosures

During the year, the Group undertook various transactions with related parties. The following is a summary of significant transactions, in addition to those disclosed elsewhere in the consolidated financial statements, between the Group and related parties, which were carried out in the normal course of the Group's business at similar terms to other customers or suppliers and at market prices:

		Associates		Joint ventures	
	Notes	**2019**	2018	**2019**	2018
Interest income	(a)	**–**	–	**75**	32
Rental income	(b)	**–**	–	**2**	2
Rental expenses	(b)	**1**	1	**57**	57
Other revenue from services rendered	(c)	**123**	107	**239**	66
Purchase of goods and services	(c)	**–**	–	**345**	488

(a) The outstanding balances with associates and joint ventures at the year end date are disclosed in Notes 17 and 18 respectively.

(b) The Group has, in the normal course of its business, entered into lease agreements to lease premises to and from related parties. The leases were entered into on normal commercial terms.

(c) Purchase of goods and services from and rendering of services to related parties were conducted in the normal course of business at prices and on terms comparable to those contracted with other suppliers/customers of the Group.

Emoluments to directors (being the key management personnel compensation) are disclosed in Note 10.

39. Contingent Liabilities and Commitments

At the year end date, the Group had contingent liabilities and commitments, so far as not provided for in the consolidated financial statements, as follows:

	2019	2018
(a) Capital commitments in respect of investment properties and property, plant and equipment		
Contracted but not provided for	**4,112**	4,117
Authorized but not contracted for	**4,480**	468
(b) The Group's share of capital commitments of joint ventures		
Contracted but not provided for	**507**	592
Authorized but not contracted for	**26**	34

(c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK$2,102 million (2018: HK$1,313 million) and other guarantees of HK$4 million (2018: HK$4 million).

40. Operating Lease

At the year end date, the future aggregate minimum lease income receivable by the Group under non-cancellable operating leases for land and buildings is analyzed as follows:

	2019	2018
Not later than one year	**16,165**	15,703
Later than one year but not later than five years	**21,966**	18,335
Later than five years	**4,226**	2,109
	42,357	36,147

At the year end date, the future aggregate minimum lease charges payable by the Group under non-cancellable operating leases for land and buildings, transmission sites and leased lines is analyzed as follows:

	2019	2018
Not later than one year	**1,383**	1,382
Later than one year but not later than five years	**1,330**	1,646
Later than five years	**458**	554
	3,171	3,582

41. Charges of Assets

At the year end date, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$5 million (2018: HK$5 million) have been pledged for securing guarantees issued by the banks.

At the year end date, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$1,681 million (including bank deposits and cash of HK$44 million) (2018: HK$1,929 million (including bank deposits and cash of HK$56 million)) have been charged to secure their bank borrowings.

42. Critical Accounting Judgements and Estimations

In the application of the Group's accounting policies, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions used in preparing the consolidated financial statements are continually evaluated based on historical experience and other factors that are considered relevant, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Fair value of investment properties

At each reporting date, the Group's investment properties (including investment properties under development) are measured at fair values based on valuations by independent qualified valuers on the highest and best use basis. Income capitalization method is used in the valuations which is dependent on certain estimates, including fair market rents, appropriate capitalization rates, reversionary income potential and redevelopment potential where appropriate. The valuations of investment properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin. The management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable.

(b) Impairment of assets

Assets including goodwill and intangible assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. Estimating the value in use of an asset involves estimating the future cash flows expected to arise from its continuing use and from its disposal at the end of its useful life and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

(c) Net realizable value of properties for sale

Net realizable value of properties for sale (comprising completed properties for sale and properties pending/under development for sale) is determined based on the Group's assessment of the price ultimately expected to be realized in the ordinary course of business by reference to prevailing market conditions less all estimated selling expenses and anticipated costs to completion.

(d) Income taxes

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(e) Recognition of deferred tax assets

The amount of the deferred tax assets included in the consolidated financial statements of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgements, based on assessment regarding future financial performance, about the amount of future taxable profits and the timing of when these will be realized.

43. Financial Risk Management

The Group's major financial instruments include investments, amounts due from associates and joint ventures, loan receivables, trade receivables, bank deposits and cash, trade payables, bank and other borrowings and other non-current liabilities. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments are managed by the Group's financial management policies and practices described below:

(a) Foreign currency risk

Foreign currency exposure does not pose a significant risk for the Group as most of the Group's assets, operational cash flows and borrowings are mainly denominated in Hong Kong dollars. The Group aims to minimize its currency risk using forward contracts where feasible and cost effective. The Group's primary foreign currency exposures arise mainly from the property development and investment activities in Mainland China and Singapore, whose net assets are exposed to foreign currency translation risk. Where appropriate, the Group seeks to finance these investments through borrowings denominated in the relevant foreign currencies. Exchange differences arising from the translation of the net investment in these Mainland China and Singapore subsidiaries, associates and joint ventures have been dealt with in consolidated statement of comprehensive income.

The Group is also exposed to foreign currency risk in respect of its foreign currency borrowings, bank deposits and cash, mainly denominated in US dollars. Where appropriate, the Group may enter into cross currency interest rate swaps to hedge the currency risks associated with its borrowings. Foreign currency exposure of the Group's other monetary assets/liabilities is minimal.

At 30 June 2019, it is estimated that a 10% (2018: 10%) increase/decrease in exchange rate of Hong Kong dollars against all other currencies, with all other variables held constant, would decrease/increase the profit before taxation for the year by approximately HK$2 million (2018: HK$205 million increase/decrease). The other comprehensive income would be decreased/increased by HK$67 million (2018: HK$122 million).

(b) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly, at times of interest rate uncertainty, through the use of interest rate swaps.

The Group's interest rate risks arise principally from borrowings. Borrowings raised at floating rates expose the Group to cash flow interest rate risk. Interest rate risk is managed by the Group's senior management through regular review to determine the strategy as to having the funding in floating/fixed rate mix appropriate to the Group's businesses and investments.

The Group's borrowings are principally arranged on a floating rate basis. When appropriate, interest rate swaps are used to hedge and manage its long-term interest rate exposure. Speculative derivative transactions are strictly prohibited.

43. Financial Risk Management (cont'd)

(b) *Interest rate risk (cont'd)*

As at 30 June 2019, it is estimated that an increase/a decrease of 100 basis points (2018: 100 basis points) in interest rates, with all other variables held constant, would decrease/increase the profit before taxation for the year by approximately HK$384 million (2018: HK$291 million).

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the year end date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for financial year 2018.

(c) *Price risk*

The Group is exposed to price risk through the Group's financial investments that are measured at fair value at each year end date with reference to the quoted market prices. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

As at 30 June 2019, it is estimated that an increase/a decrease of 10% (2018: 10%) in quoted prices, with all other variables held constant, would increase/decrease the profit before taxation for the year and the other comprehensive income by approximately HK$92 million and HK$187 million (2018: HK$60 million and HK$271 million), respectively.

(d) *Credit risk*

The Group's credit risk is primarily attributable to trade receivables, loan receivables, derivative financial instruments and deposits with banks and financial institutions.

The Group's trade receivables mainly arise from sale of properties developed by the Group and rent receivables from tenants. Occasionally, long term loans are provided to purchasers of the Group's properties and carry interest at rates with reference to banks' lending rates. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each year end date to ensure that adequate impairment loss is made for irrecoverable amounts.

Counterparty exposure from derivatives is managed, together with that from deposits and bank account balances, with credit limit that reflect published credit ratings and monitored on a regular basis to ensure there is no significant risk to any individual counterparty.

The Group has no significant concentration of credit risk. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated financial statements after deducting any impairment loss. Except for the financial guarantees as set out in Note 39, the Group does not provide any other guarantee which would expose the Group to material credit risk.

43. Financial Risk Management (cont'd)

(e) Liquidity risk

The Group's financial and treasury activities are centrally managed and controlled at the corporate level. The Group takes liquidity risk into consideration when deciding its sources of finances and their respective tenors. The Group aims to diversify its funding sources and minimize its refinancing risk by preventing substantial refinancing in any one period. The Group also maintains substantial undrawn committed revolving banking facilities to allow for flexibility in meeting its funding requirements.

The following tables detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Notes	**Carrying amount**	**Total contractual undiscounted cash flow**	**Up to 1 year**	**> 1 year to 2 years**	**> 2 years to 5 years**	**> 5 years**
As at 30 June 2019							
Trade payables	27	**2,909**	**2,909**	**2,640**	**267**	**2**	**–**
Other payables and accrued expenses	27	**23,857**	**23,859**	**19,560**	**2,069**	**1,966**	**264**
Amounts due to non-controlling interests	27	**1,318**	**1,318**	**1,318**	**–**	**–**	**–**
Bank and other borrowings	26 & 29	**95,006**	**108,763**	**12,274**	**17,034**	**58,968**	**20,487**
Other non-current liabilities	31	**125**	**142**	**–**	**104**	**38**	**–**
Derivative financial instruments	22	**150**	**154**	**9**	**145**	**–**	**–**
		123,365	**137,145**	**35,801**	**19,619**	**60,974**	**20,751**

	Notes	Carrying amount	Total contractual undiscounted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
As at 30 June 2018							
Trade payables	27	2,837	2,837	2,523	308	6	–
Other payables and accrued expenses	27	26,567	26,570	22,456	2,250	1,649	215
Amounts due to non-controlling interests	27	1,399	1,399	1,399	–	–	–
Bank and other borrowings	26 & 29	91,434	102,558	15,609	12,306	64,543	10,100
Other non-current liabilities	31	171	206	–	62	144	–
Derivative financial instruments	22	200	211	26	21	163	1
		122,608	133,781	42,013	14,947	66,505	10,316

43. Financial Risk Management (cont'd)

(f) Fair value measurements of financial instruments

Investment in securities that are stated at quoted market prices are classified within Level 1 of the three-level fair value hierarchy. These comprised all listed securities and certain unlisted securities that are measured at quoted prices that are observable in active markets.

Fair values of most unlisted securities are determined using a variety of valuation techniques including discounted cash flows and market comparable approaches, and are generally classified within Level 3 as significant inputs used for valuation are largely market unobservable, but can be classified as Level 2 if they are measured using inputs that are derived from or corroborated by observable market data.

The fair values of trade receivables, bank deposits, trade payables, accruals and short-term borrowings approximate to their carrying amounts due to the short-term maturities of these assets and liabilities.

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

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

The carrying amounts of mortgage loan receivables, which carry variable interest rates and reprice with reference to market changes, approximate their fair values.

The carrying amounts of other financial assets and liabilities in the consolidated financial statements are not materially different from their fair values.

There were no transfer amongst Level 1, Level 2 and Level 3 in the fair value hierarchy and no change in valuation techniques during the year.

43. Financial Risk Management (cont'd)

(f) *Fair value measurements of financial instruments (cont'd)*

The following tables present the carrying value of financial instruments that are measured at fair value at end of reporting period, categorized across the levels of fair value hierarchy defined as follows:

Level 1 Fair values measured at quoted prices (unadjusted) in active markets.

Level 2 Fair values measured using inputs other than quoted prices where those inputs are based on observable market data.

Level 3 Fair values measured using inputs not based on observable market data.

As at 30 June 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Debt securities	337	–	–	337
Equity securities	711	–	189	900
Financial assets at FVOCI				
Debt securities	307	–	–	307
Equity securities	1,566	5	305	1,876
Derivative financial instruments				
Interest rate swaps	–	35	–	35
Cross currency interest rate swaps	–	123	–	123
Forward foreign exchange contracts	–	1	–	1
	2,921	164	494	3,579
Financial liabilities				
Derivative financial instruments				
Cross currency interest rate swaps	–	149	–	149
Forward foreign exchange contracts	–	1	–	1
	–	150	–	150

(Expressed in millions of Hong Kong dollars)

43. Financial Risk Management (cont'd)

(f) *Fair value measurements of financial instruments (cont'd)*

As at 30 June 2018

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Equity securities	642	–	–	642
Available-for-sale financial assets				
Debt securities	702	–	–	702
Equity securities	2,005	7	328	2,340
Derivative financial instruments				
Interest rate swaps	–	67	–	67
Cross currency interest rate swaps	–	138	–	138
	3,349	212	328	3,889
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	2	–	2
Cross currency interest rate swaps	–	191	–	191
Forward foreign exchange contracts	–	7	–	7
	–	200	–	200

The change in Level 3 financial instruments for the year is as follows:

	Available-for-sale investments	**Financial assets measured at**		
		FVTPL	**FVOCI**	**Total**
At 1 July 2017	–	–	–	–
Financial assets at cost less impairment remeasured at fair value	213	–	–	213
Purchases	37	–	–	37
Change in fair value recognized in other comprehensive income	78	–	–	78
At 30 June 2018 (Originally stated)	328	–	–	328
Adjustment on initial adoption of HKFRS 9	**(328)**	**63**	**265**	**–**
At 1 July 2018 (restated)	**–**	**63**	**265**	**328**
Purchases	**–**	**138**	**5**	**143**
Sales	**–**	**(13)**	**–**	**(13)**
Change in fair value recognized in				
– profit or loss	**–**	**1**	**–**	**1**
– other comprehensive income	**–**	**–**	**35**	**35**
At 30 June 2019	**–**	**189**	**305**	**494**

44. Capital Management

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business and to continue to provide returns for shareholders while maintaining a prudent level of financial leverage.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net debt-to-shareholders' equity ratio. For this purpose the Group defines net debt as total borrowings less bank deposits and cash. Shareholders' equity comprises share capital and reserves attributable to the Company's shareholders as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt-to-shareholders' equity ratios at the year end were as follows:

	2019	2018
Secured bank loans	**1,096**	1,350
Unsecured bank and other loans	**93,910**	90,084
Total borrowings	**95,006**	91,434
Less: Bank deposits and cash	**(22,038)**	(26,095)
Net debt	**72,968**	65,339
Shareholders' equity	**566,405**	539,098
Net debt-to-shareholders' equity ratio	**12.9%**	12.1%

45. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

46. Approval of the Consolidated Financial Statements

The consolidated financial statements set out on pages 162 to 236 were approved by the board of directors on 12 September 2019.

Principal Subsidiaries

The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries as at 30 June 2019 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal subsidiaries were incorporated and are operating in Hong Kong, unlisted and are indirectly held by the Company.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK$)
SUNeVision Holdings Ltd. (Listed in Hong Kong)	2	73.90	Provision of data centre, facilities management and value-added services, installation and maintenance services	232,658,283
SmarTone Telecommunications Holdings Limited (Listed in Hong Kong)	3	71.67	Mobile telephone system operation	112,454,003
Sun Hung Kai Real Estate Agency Limited	7	100	General management and agency	1,000,000
New Town (N.T.) Properties Limited	8	100	Investment holding	2,287,658,338
Fidelity Finance Company, Limited	7	100	Finance	200
Honour Finance Company, Limited	7	100	Loan financing and investment holding	500,000
Sun Hung Kai Properties (Financial Services) Limited	7	100	Finance	100,000
Sun Hung Kai Properties Insurance Limited	7	100	General insurance	75,000,000
Sun Hung Kai Architects and Engineers Limited	7	100	Architectural and engineering	350,000
Sanfield Building Contractors Limited		100	Building construction	40,000,000
Sanfield (Management) Limited		100	Building construction and project management	2
Everlight Engineering Company, Limited		100	Fire prevention and mechanical engineering	50,000
Aegis Engineering Company, Limited		100	Plant and machine hire	100,000
Hong Yip Service Company Limited		100	Property and facility management	100,000
Kai Shing Management Services Limited	7	100	Property and facility management	10,000
Mantegna Investment Company Limited	1	100	Property investment	2
		100		(Note 10) 9,999,998
Royaltelle International Limited		100	Hotel operation	2
Access Orient Investments Limited	1	100	Property investment	US$1
Ace Peace Limited		100	Property investment	1
Additech Ltd.	1	100	Property investment	US$1
Advance Vision Enterprises Limited		100	Property investment	2
Airport Freight Forwarding Centre Company Limited		100	Freight forwarding centre	100
Annadale Development Limited		100	Property trading and investment	2
Antanpark Limited	1	100	Property investment	US$1
Antinio Investments Limited	1	100	Property investment	US$1
Artsland Properties Investment Limited	1	100	Property investment	US$1
Assured Outcome Limited	1	100	Property investment	US$1
Barnard Enterprises Limited	1	75	Property investment	US$100
Beauty Marble Investment Limited		100	Property investment	2

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK$)
Beijing New Town Plaza Real Estate Co., Ltd.	6c	100	Property investment	US$9,000,000*
Beijing Sun Dong An Co., Ltd.	6a	100	Property investment	US$129,000,000*
Best Numbers Limited	1	100	Property investment	US$1
Best Winners Limited	1	100	Property investment and hotel operation	US$1
Biliboss Ltd.	1	100	Property investment	US$1
Billion Great Investment Limited		100	Property development and trading	2
Branhall Investments Limited	1	100	Property investment	2
		100		(Note 10) 39,999,998
Brave One Investments Limited	1	100	Property investment	US$1
Bright Strong Limited		100	Property development, trading and investment	2
Buratto Limited	1	100	Property investment	US$1
Capital Mind Investments Limited	1	100	Property investment	US$1
Champion Dynasty Investments Limited	1	100	Property investment	US$1
Champion Era Investments Limited	1	100	Property investment	US$1
Charmford Holdings Limited		100	Property development and trading	1
Cheerlord Investment Ltd.	1	100	Property investment and hotel operation	US$1
成都忠捷置業有限公司	6b	91	Property development	RMB213,000,000*
Choice Win (H.K.) Limited		100	Property development and investment	1
City Lion Investment Limited	1	100	Property investment	US$1
City Success Limited		100	Property development, trading and investment	2
Classic Best Investments Limited	1	100	Property investment	US$1
Classic Success Investments Limited	1	100	Property investment	US$1
Connick Limited	1	100	Property investment	US$1
Crown World Investment Limited		100	Property development, trading and investment	1
Dictado Company Limited		100	Property investment	200
Digital Chance Investments Limited	1	100	Property investment	US$1
Dipende Limited	1	100	Property investment	US$1
Dragon Value Investments Limited	1	100	Property investment	US$1
Ease Gold Development Limited		100	Property development, trading and investment	2
Easyway Properties Limited		100	Property trading and investment	1
Entero Company Limited	9	100	Property investment	200
Even Decade Limited	1	100	Property investment	US$1
Ever Channel Limited		100	Property investment	2
Ever Crystal Limited		100	Property investment	1
Ever Fast Limited		100	Property development and investment	2
Evermax Development Limited		100	Property development and investment	2
Excellent Chance Limited	1	100	Property investment	US$1
Fame Amuse Limited	1	100	Property development and investment	US$1
Fast Commerce Global Limited	1	100	Property investment	US$1
First Star Development Limited		100	Property development	100

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK$)
Forever Glory Investments Limited	1	100	Property investment	US$1
Fortin International Limited	1	100	Property development and investment	US$1
Fortune Honor Limited		100	Property investment	2
Fortune Sign Global Limited	1	100	Property investment	US$1
Fortune Yield Investment Limited		100	Property investment	2
佛山市新普房地產開發有限公司	6c	100	Property development and investment	US$34,000,000*
東莞創紀房地產開發有限公司	6c	100	Property development	US$121,000,000*
Full Market Limited		100	Property investment	2
Fu Tong Investment Company Limited	7	100	Property investment	300,000
Garudia Limited		100	Property investment	2
Gleamland Limited	1	100	Property investment	US$1
Golden Square Properties Enterprises Limited	1	100	Property investment	2
		100		(Note 10) 999,998
Good Assets Limited		100	Property development	1
Goodwick Limited		100	Property trading and investment	1
Great Assets Global Limited	1	100	Property investment	US$1
Great Alliance Limited		100	Property development	1
Group Allied Limited		100	Property trading and investment	1
Group Channel Limited		100	Property investment	1
Guangzhou Dragon Lake Real Estate Ltd.	6c	60	Property development	604,965,400*
廣州南沙區慶盛新鴻基地產發展有限公司	6c	100	Property development and investment	RMB3,000,000,000*
廣州新天房地產發展有限公司	6b	70	Property development	RMB798,000,000*
廣州市匯信房地產開發有限公司	6a	95	Property development	RMB82,000,000*
廣州市佳俊房地產開發有限公司	6c	100	Property development	RMB210,000,000*
Hambrook Investments Limited	1	100	Property investment	US$1
Harbour Vantage Limited		100	Property trading and project management	2
Harrison Global Limited	1	100	Property investment	US$1
Headmaster Assets Limited	1	100	Property investment	US$1
Hero Town Limited	1	100	Property investment	US$86,500,001
Herowell Limited		100	Property investment	1
Hintline Investments Limited		100	Property investment and trading	5,000
Hinwood Investment Limited		100	Property development and investment	1
Hoi Kong Container Services Company Limited		100	Mid stream operator	40,000,000
Honenberg Limited		100	Property investment	2
Hong Kong Business Aviation Centre Limited		35	Business Aviation Centre	1,000,000
Hong Kong Sky Deck Limited		100	Observation deck	1
Hongyi (Shanghai) Corporate Development Co., Ltd. (formerly Sun Hung Kai Development (Lujiazui I) Ltd.)	6c	100	Property investment	US$214,482,000*
Hung Kai Finance Investment Holding Limited		100	Property investment	200
Jayan Company Limited		100	Property investment and investment holding	2
Joinyield Limited		100	Property development and investment	1
Jugada Company Limited		100	Property investment	2
Kamchatka Company Limited		100	Property investment	200
Kamsford Hong Kong Limited		100	Property investment	16,500,000

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK$)
Kartasun Limited		100	Property investment	2
Kimrose Investments Ltd.	1	100	Property investment	US$1
Kintech Investment Limited		100	Property trading	1
Laboster Company Limited	7	100	Property investment	2
Lanecove Enterprise Limited	1	100	Property investment	US$1
Lansmart Limited		100	Property trading and investment holding	2
Large City Investments Limited	1	100	Property investment	US$1
Lee Bit Kai Investment Company Limited	7	100	Property investment	1,000
Leverson Limited	1	100	Property investment and hotel operation	US$1
Long Kinetic Limited		100	Property investment and hotel operation	1
Long Tesak Company Limited		100	Property investment	100,000
Lunalite Company Limited		100	Property investment	2
Manceton Limited		100	Property investment	2
Market Century Global Limited	1	100	Property investment	US$1
Market Talent Investments Limited	1	100	Property investment	US$1
Masston Limited		100	Property investment	1
Maxwear Limited	1	100	Property investment	US$1
Mighty Choice Assets Limited	1	100	Property investment	US$1
Mindano Limited		100	Property investment and investment holding	10,000
Morison Limited	1	100	Property investment	US$1
Nixon Cleaning Company Limited		100	Cleaning service	100,000
Obvio Yip Company Limited	7	100	Property development and investment	15,000,000,000
On Best Capital Investment Limited		92	Property trading and investment holding	1
Open Step Limited		60	Property investment	10
Oriental Way Limited		100	Hotel development and property investment	1
Pacific Earth Enterprise Limited		100	Property development, trading and investment	1
Pacotilla Company Limited		100	Property investment	200
Partner Sino Assets Limited	1	100	Property investment	US$1
Pawling Limited	1	100	Property investment	US$1
Polarland Limited		100	Property development	1
Pontamell Limited	1	100	Property investment	US$1
Potential Area Limited	1	100	Property investment	US$1
Profit Richness Ltd.	1	100	Property investment	US$1
Progress Success Investments Limited	1	100	Property investment	US$1
Protasan Limited		100	Property investment	100
Red Stand Investments Limited	1	100	Property investment	US$1
Rinnovare Limited	1	100	Property investment	US$1
Route 3 (CPS) Company Limited		70	Toll road operation	10,000
Score Best Investments Limited	1	100	Property investment	US$1
Scott Global Investments Limited	1	100	Property investment	US$1
Senmark Limited		100	Hotel operation	2
Shanghai Central Plaza Property Co., Ltd.	6a	80	Property investment	US$42,000,000*
Shanghai International Commerce Centre Co., Ltd.	6c	100	Property development and investment	US$290,500,000*

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK$)
Shanghai SHK International Commerce Centre Co., Ltd.	6c	100	Property development and investment	US$90,000,000*
Shanghai SHK Weiyi Property Co., Ltd.	6c	100	Property investment	RMB1,200,000,000*
Shanghai SHK Weijing Property Co., Ltd.	6c	100	Property investment	RMB1,200,000,000*
Shanghai SHK Weizheng Property Co., Ltd.	6c	100	Property investment	RMB1,220,000,000*
Shanghai SHK Weiwan Property Co., Ltd.	6c	100	Property investment	RMB18,500,000,000*
Shanghai Xin Zhong Hui Property Co., Ltd.	6c	100	Property investment	US$18,000,000*
Sharp Act Investments Limited	1	100	Property development and investment	US$1
Shubbery Company Limited		100	Property investment	200
Shunyue Investments Limited	1	100	Property investment	US$1
Silver Knight Developments Limited	1	100	Property investment	US$1
Smart Globe Limited		100	Property development	1
Smithtown Investments Limited	1	100	Property investment	US$1
Solar Kingdom Limited		100	Property investment	2
Speed Wise Limited	7	100	Property investment	2
Speedway Assets Limited	1	100	Property investment	US$1
Spring Bliss Investments Limited	1	100	Property investment	US$1
Standard Top Limited		100	Property investment	2
Starry View Holdings Limited	1	100	Property investment	US$1
Startrack Company Limited		100	Property investment	200
Success Wide Holdings Limited	1	100	Property investment	US$1
Sun Carol Company Limited		100	Property investment	200
Sun Hung Kai Development (China) Limited		100	Investment holding	20,000,370
Sun Hung Kai Development (Lujiazui II) Ltd.	6c	100	Property investment	US$121,355,000*
Sun Hung Kai Development (Zhang Yang) Ltd.	6c	100	Property development and investment	US$165,000,000*
Sun Hung Kai IFC (Nanjing) Co., Ltd.	6c	100	Property investment	RMB721,914,400*
Sun Hung Kai ICC (Suzhou) Co., Ltd.	6b	90	Property development and investment	RMB1,800,000,000*
Sun Hung Kai Properties (Capital Market) Limited	2,7	100	Finance	US$10
Sun Hung Kai Properties Investment (Guangzhou) Limited	6c	100	Investment holding	US$90,000,000*
Sun Hung Kai Secretarial Services Limited	7	100	Secretarial services	200
Sun Yuen Long Centre Management Company Limited		100 75	Property investment and management	(Note 11) 25,000 (Note 12) 25,000
Sunfez Company Limited		100	Property investment	200
Sunrit Enterprises Limited		100	Property investment	4,000,000
Superwick Limited		100	Property development	1
Tainam Holdings Limited	1	100	Property investment	US$1
Ten Choice Development Limited		100	Property investment	2
Tenuta Limited	1	100	Property investment	US$1
Time Bliss Limited	1	100	Property investment	US$1
Tipro Development Limited		100	Property investment	1,000,000
Tonthai Investment Enterprises Limited	1	100	Property investment	US$1
Top State Development Limited		100	Property development and investment	1
Town Descant Company Limited		100	Property investment	200
Transport Infrastructure Management Limited		100	Road management	70,000,000
Trioland Limited		100	Property development	1

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK$)
True Vantage Global Limited	1	100	Property investment	US$1
Tsi Mai Company Limited		100	Property investment	200
Tuxedos Company Limited		100	Property investment and trading	200
Uniland Investment Enterprises Limited	1	100	Property investment	US$1
United Way Investments Limited	4,7	100	Owner of trade mark	US$1
		100		(Note 10) US$83,400
Upper Hill Company Limited	1	100	Property investment	US$1
Vast Earn Property Corp.	1	100	Property investment	US$2
Wai Hung Development Company Limited	7	100	Investment holding and property investment	70,000
Warrior Company Limited		100	Property investment	300
Wealth Capsule Investments Limited	1	100	Property investment	US$1
Wealth Power International Enterprise Limited		92	Property development	1
Well Success Capital Investment Limited		92	Property development	1
Well Famous Enterprise Limited		100	Property investment	1
Well Logic Properties Investment Limited	1	100	Property investment	US$1
Wellden Limited		100	Property investment	2
Wensley Developments Limited	1	100	Property investment	US$1
Wetland Park Management Service Limited		100	Property development and investment	2
Willmax Limited		100	Property investment	2
Wilson Parking (Holdings) Limited		100	Investment holding and carpark operation	1,000
Winbox Investment Limited		100	Property development and investment	1
Winner Land Enterprises Limited		100	Property investment	2
Wisecity Development Limited		100	Property development	2
Wonder Charm Assets Limited	1	100	Property investment	US$1
WTC (Club) Limited		100	Club management	200
YATA Limited		100	Department store operation	30,000,000
Zarabanda Company Limited		100	Property investment	2
Zhongshan SHKP Taoyuan Real Estate Development Co. Ltd.	6a	75	Property development	40,000,000*

Notes:
1. *Incorporated in the British Virgin Islands and operating in Hong Kong.*
2. *Incorporated in the Cayman Islands and operating in Hong Kong.*
3. *Incorporated in Bermuda and operating in Hong Kong.*
4. *Incorporated in the British Virgin Islands.*
5. *Incorporated in the Cayman Islands.*
6. *Incorporated and operating in the People's Republic of China:*
   a. *Co-operative joint venture enterprise*
   b. *Equity joint venture enterprise*
   c. *Wholly foreign owned enterprise*
7. *Directly held by the Company.*
8. *11.89% directly and 88.11% indirectly held by the Company.*
9. *50% directly and 50% indirectly held by the Company.*
10. *Redeemable share.*
11. *"A" share.*
12. *"B" share.*

Principal Joint Ventures

The directors are of the opinion that a complete list of the particulars of all joint ventures will be of excessive length and therefore the following list contains only the particulars of joint ventures as at 30 June 2019 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal joint ventures were incorporated and are operating in Hong Kong and unlisted.

	Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share/ Registered Capital
+	Altomatic Limited		50	Property investment	Ordinary
#+	China Resources Sun Hung Kai Properties (Hangzhou) Limited	5	40	Property development and investment	Registered capital
#+	China Resources Sun Hung Kai Properties (Wuxi) Limited	5	40	Property development and investment	Registered capital
#	Dragon Beauty International Limited		50	Property development	Ordinary
+	Glorious Concrete (BVI) Limited	4	50	Manufacturer of precast	Ordinary
+	Glorious Concrete (H.K.) Limited		50	Manufacturer of ready mixed concrete	Ordinary
#+	Green Valley Landfill, Limited		20	Landfill waste disposal facility	Ordinary
#+	Guangzhou Fujing Properties Development Co., Ltd.	3	33.3	Property development	Registered capital
#	廣州宏城廣場房地產開發有限公司	6	50	Property investment	Registered capital
#+	Hangzhou Runhong Properties Limited	5	40	Property development	Registered capital
	IFC Development Limited	1	50	Property investment	Ordinary
	Jade Land Resources Limited		25	Property trading and investment	Ordinary
#	Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited		50	Godown operation	Ordinary
+	Newfoundworld Investment Holdings Limited	1	20	Investment holding	Ordinary
#+	Orchard Turn Holding Pte. Ltd.	2	50	Investment holding	Ordinary
+	Ranny Limited		50	Property investment	Ordinary
#+	River Trade Terminal Co. Ltd.	1	50	River trade terminal	Ordinary
#+	Senica International Limited	4	22.5	Investment holding	Ordinary
#+	Shanghai Xintian Real Estate Co., Ltd.	3	35	Property development and investment	Registered capital
	Special Concept Development Limited		25	Property investment	Ordinary
+	Splendid Shing Limited		50	Property investment	Ordinary
#+	Star Play Development Limited		33.3	Property investment	Ordinary
#+	祥寶投資（成都）有限公司	5	40	Property development and investment	Registered capital
	Teamfield Property Limited		57.52	Property investment	Ordinary
+	Tinyau Company Limited		50	Property investment	Ordinary
+	Topcycle Development Limited		50	Property development	Ordinary
#	Wolver Hollow Company Limited		50	Property investment	Ordinary
+	Xipho Development Company Limited		33.3	Property trading	Ordinary

	Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share/ Registered Capital
#+	佛山市新升房地產開發有限公司	5	50	Property development	Registered capital
#+	佛山市新鋒房地產開發有限公司	5	50	Property development	Registered capital
#+	佛山市新晉房地產開發有限公司	5	50	Property development	Registered capital
#+	佛山市新駿房地產開發有限公司	5	50	Property development	Registered capital
#+	佛山市新昊房地產開發有限公司	5	50	Property development	Registered capital
#+	佛山市新匯房地產開發有限公司	5	50	Property development	Registered capital
#+	佛山市新景房地產開發有限公司	5	50	Property development	Registered capital

+ *The financial statements of these companies were not audited by Deloitte Touche Tohmatsu.*

Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.

Notes:
1. *Incorporated in the British Virgin Islands and operating in Hong Kong.*
2. *Incorporated and operating in the Republic of Singapore.*
3. *Incorporated and operating in the People's Republic of China as equity joint venture enterprise.*
4. *Incorporated in the British Virgin Islands.*
5. *Incorporated and operating in the People's Republic of China as wholly foreign owned enterprise.*
6. *Incorporated and operating in the People's Republic of China as co-operative joint venture enterprise.*

Principal Associates

The directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of associates as at 30 June 2019 which principally affect the results or assets of the Group.

Unless otherwise stated, the following principal associates were incorporated and are operating in Hong Kong and unlisted.

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Class of Share
#+ Transport International Holdings Limited (Listed in Hong Kong)	1	38.31	Public transportation	Ordinary
#+ Ranex Investments Limited		29	Property development and investment	Ordinary
#+ The Hong Kong School of Motoring Limited		30	Driving School	Ordinary
#+ Onluck Finance Limited		35.44	Finance	Ordinary
#+ Treasure Peninsula Limited		29	Finance	Ordinary

\+ *The financial statements of these companies were not audited by Deloitte Touche Tohmatsu.*

\# *Companies with year ends not co-terminous with that of Sun Hung Kai Properties Limited.*

Note: 1. Incorporated in Bermuda and operating in Hong Kong.

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