



Sun Hung Kai Properties Limited

***Customer Focus
Premium Brand
Solid Foundations***



Annual Report 2017/18

Stock Code: 16



- 1 IFC in Central, Hong Kong
- 2 ICC in West Kowloon, Hong Kong
- 3 St. Moritz in Kau To Shan, Hong Kong
- 4 Victoria Harbour Development in North Point, Hong Kong
- 5 Hotel VIC 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*)
Woo Po-shing
Kwan Cheuk-yin, William
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

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

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
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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.
Sumitomo Mitsui Banking Corporation
Industrial and Commercial Bank of China
(Asia) Limited
Hang Seng Bank Limited
Agricultural Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank (Asia)
Corporation Limited

Information for Shareholders

Share Listing

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

Stock Code

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

Investor Relations Contact

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Financial Calendar for 2017/18

Interim results announcement	: 27 February 2018
Interim dividend paid	: 22 March 2018
Annual results announcement	: 13 September 2018
Closure of register of members ¹	: 5 to 8 November 2018 (both days inclusive)
Annual general meeting	: 8 November 2018
Ex-dividend date for final dividend	: 12 November 2018
Closure of register of members ²	: 14 November 2018
Final dividend payable	: 22 November 2018

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

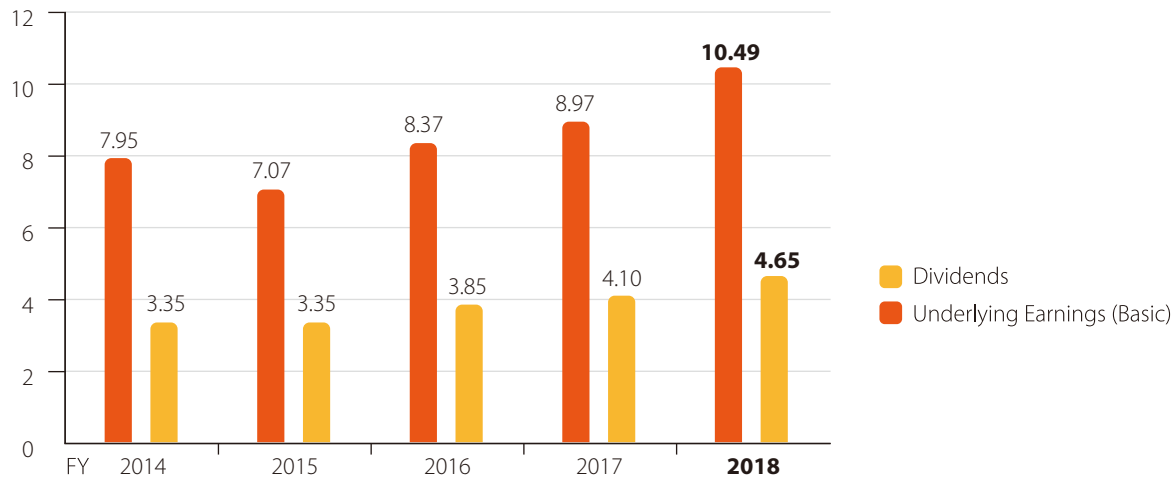
For the year ended 30 June	2018	2017	Change (%)
Financial Highlights (HK\$ million)			
Revenue	85,644	78,207	+9.5
Profit attributable to the Company's shareholders			
– Reported	49,951	41,782	+19.6
– Underlying ¹	30,398	25,965	+17.1
Gross rental income ²	23,682	21,897	+8.2
Net rental income ²	18,647	17,142	+8.8
Financial Ratios (%)			
Net debt to shareholders' funds	12.1	7.2	+4.9 ³
Dividend payout	44.3	45.7	-1.4 ³
Financial Information per Share (HK\$)			
Basic earnings per share for profit attributable to the Company's shareholders			
– Reported	17.24	14.43	+19.5
– Underlying	10.49	8.97	+16.9
Dividends			
– Interim dividend	1.20	1.10	+9.1
– Final dividend	3.45	3.00	+15.0
– Full-year dividend	4.65	4.10	+13.4
Shareholders' funds	186.09	172.04	+8.2
Land Bank in Hong Kong (gross floor area in million square feet)			
Properties under development ⁴	22.7	19.6	+15.8
Completed properties ⁵	33.8	32.2	+5.0
Total	56.5	51.8	+9.1
Land Bank on the Mainland (gross floor area in million square feet)			
Properties under development	50.7	52.6	-3.6
Completed properties ⁵	13.8	13.9	-0.7
Total	64.5	66.5	-3.0

Notes:

- Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties
- Including contributions from associates and joint ventures
- Change in percentage points and dividend payout based upon underlying profit
- Excluding about 32 million square feet of agricultural land in terms of site area as at the end of June 2018
- A substantial majority of which are for long-term investment/rent. The Group also has a 50% stake in a premium 950,000-square-foot shopping mall in Singapore

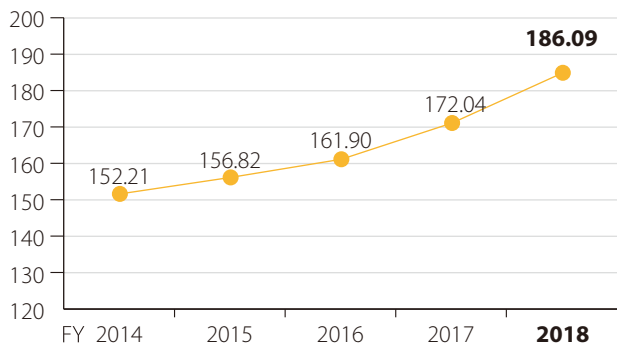
Underlying Earnings and Dividends per Share

HK\$



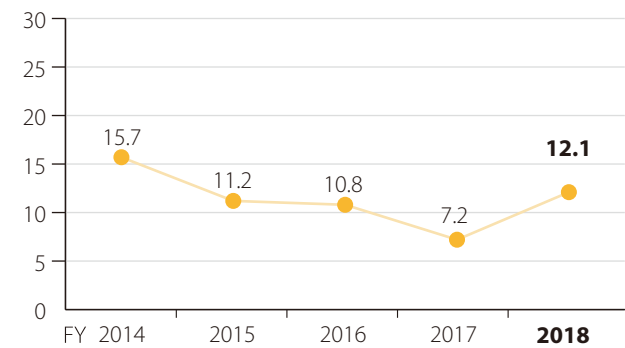
Shareholders' Funds per Share

HK\$



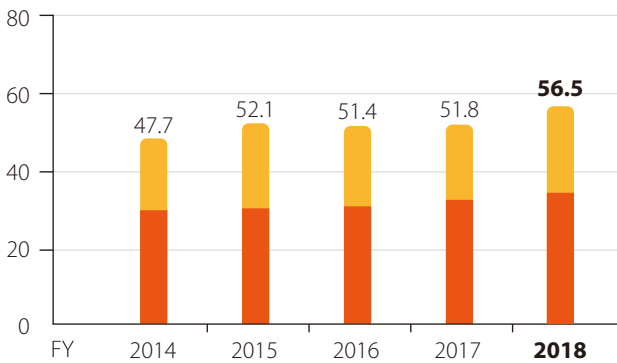
Net Debt to Shareholders' Funds Ratio

%



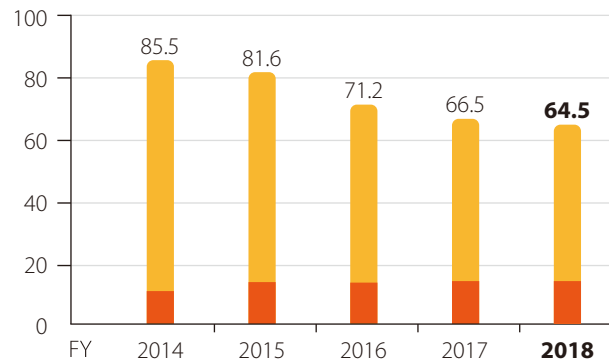
Land Bank in Hong Kong

million square feet



Land Bank on the Mainland

million square feet



■ Properties Under Development
 ■ Completed Properties

Group Financial Summary

Key Financial Information and Ratios					
Financial year	2018	2017	2016	2015	2014
	HK\$	HK\$	HK\$	HK\$	HK\$
Reported earnings per share (basic)	17.24	14.43	11.31	11.09	12.45
Underlying earnings per share (basic)	10.49	8.97	8.37	7.07	7.95
Dividends per share	4.65	4.10	3.85	3.35	3.35
Shareholders' funds at book value per share	186.09	172.04	161.90	156.82	152.21
Net debt/Shareholders' funds (%)	12.1	7.2	10.8	11.2	15.7
Interest cover (times)¹	17.6	14.2	12.5	9.3	11.1
Key Consolidated Income Statement Items					
For the year ended 30 June	2018	2017	2016	2015	2014
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Revenue	85,644	78,207	91,184	66,783	75,100
Operating profit before changes in fair value of investment properties	35,453	29,526	28,856	22,778	24,982
Operating profit after changes in fair value of investment properties	51,225	43,336	37,625	33,765	37,113
Profit attributable to the Company's shareholders	49,951	41,782	32,666	31,082	33,520
Underlying profit attributable to the Company's shareholders²	30,398	25,965	24,170	19,825	21,415
Key Consolidated Statement of Financial Position Items					
As at 30 June	2018	2017	2016	2015	2014
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Investment properties and fixed assets	404,064	364,957	343,963	334,826	303,016
Associates and joint ventures	71,767	63,841	60,807	56,975	53,589
Other financial assets and loans	9,397	8,356	4,361	4,030	3,527
Intangible assets	4,976	5,524	3,754	4,090	4,539
Net current assets	158,847	145,766	142,559	146,456	145,822
Non-current liabilities	(100,619)	(81,081)	(80,936)	(89,559)	(90,804)
Net assets	548,432	507,363	474,508	456,818	419,689
Share capital	70,612	70,516	70,384	68,451	53,464
Reserves	468,486	427,699	398,323	382,575	361,319
Shareholders' funds	539,098	498,215	468,707	451,026	414,783
Perpetual capital securities	3,887	3,910	–	–	–
Non-controlling interests	5,447	5,238	5,801	5,792	4,906
Total equity	548,432	507,363	474,508	456,818	419,689

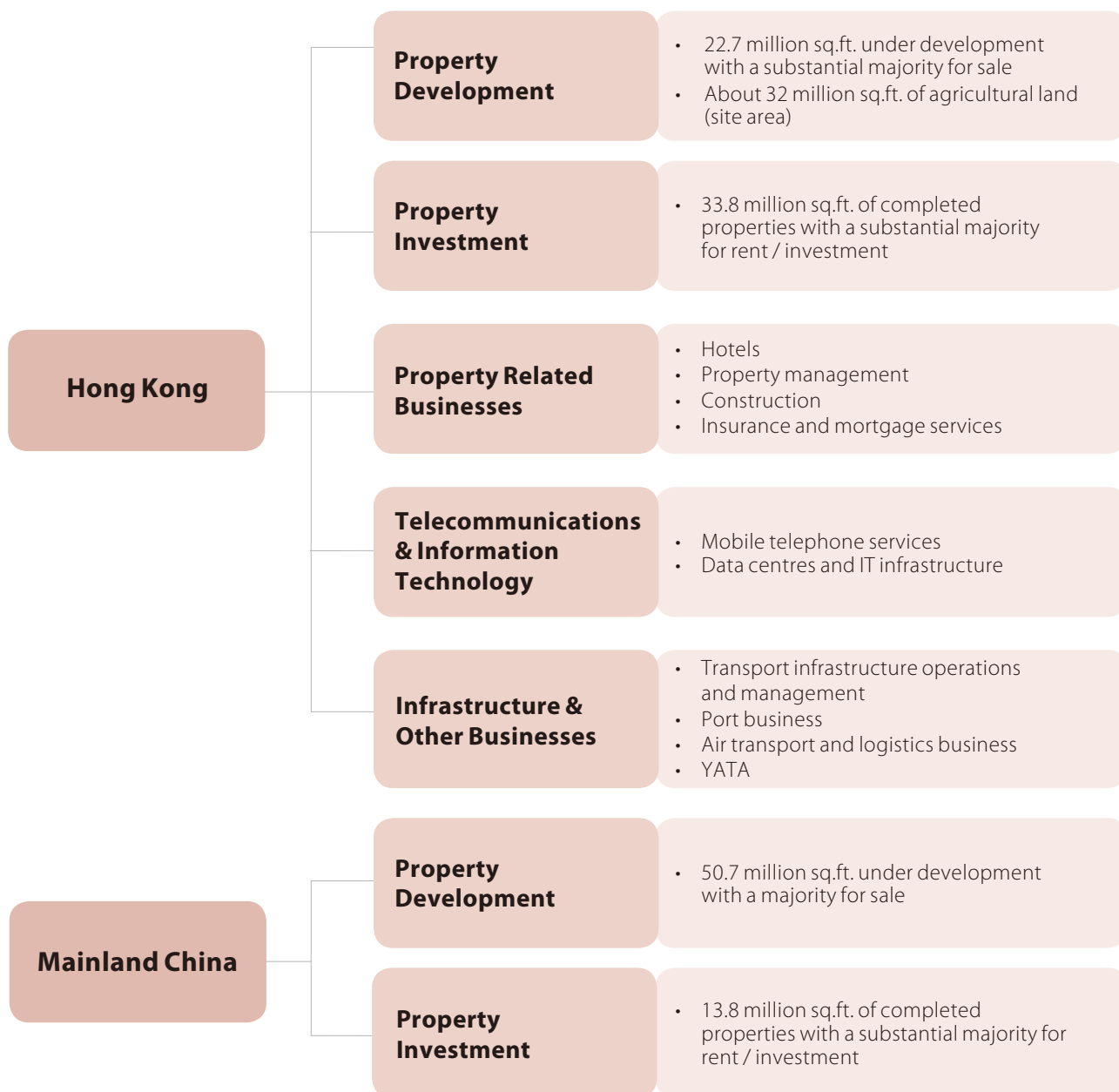
Notes:

1. 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
2. Underlying profit attributable to the Company's shareholders excluded the net effect of changes in the valuation of investment properties

Business Structure

Sun Hung Kai Properties

As at 30 June 2018



The Group's principal subsidiaries, joint ventures and associates are listed on pages 212 to 220

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 2018, excluding the effect of fair-value changes on investment properties, amounted to HK\$30,398 million, compared to HK\$25,965 million last year. Underlying earnings per share were HK\$10.49, compared to HK\$8.97 last year.

Reported profit and reported earnings per share attributable to the Company's shareholders were HK\$49,951 million and HK\$17.24 respectively, compared to HK\$41,782 million and HK\$14.43 last year. The reported profit included an increase in fair value of investment properties net of deferred taxation and non-controlling interests of HK\$19,988 million, compared to HK\$16,851 million last year.

Dividend

The directors have recommended the payment of a final dividend of HK\$3.45 per share for the year ended 30 June 2018. The dividend will be payable on 22 November 2018. Together with the interim dividend of HK\$1.20 per share, the dividend for the full year will be HK\$4.65 per share, an increase of 13.4% 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\$41,943 million. Profit generated from property sales was HK\$16,261 million, as compared to HK\$11,917 million in the last financial year. The Group achieved contracted sales of about HK\$46,000 million for the year in attributable terms. Contracted sales since July 2018 have exceeded HK\$27,000 million in attributable terms.

Rental Income

Gross rental income, including contributions from joint-venture projects, rose 8% year-on-year to HK\$23,682 million while net rental income increased by 9% year-on-year to HK\$18,647 million. This healthy performance was attributable to continuing positive rental reversions and contributions from new rental properties.



○ Victoria Harbour, North Point, Hong Kong



○ Cullinan West, West Kowloon, Hong Kong

Property Business – Hong Kong

Land Bank

During the year, the Group added five projects to its land bank through different means with a total gross floor area of about 6.8 million square feet in attributable terms. This includes the Shap Sz Heung project, which arose from the conversion of agricultural land. The acquisition of a premium site in Kai Tak City Centre in May this year represents another major project for the Group.

With direct access to the future MTR Kai Tak Station, the site will be developed into a landmark residential and commercial complex. The commercial portion and part of the residential floor area will be retained for rental purpose. Details of the additions are shown in the table below.

Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Tai Po Town Lot No. 157, Shap Sz Heung	Residential/Shopping Centre	100	4,788,000
New Kowloon Inland Lot No. 6568, Kai Tak	Residential/Shopping Centre	100	1,328,000
New Kowloon Inland Lot No. 6550, West Kowloon	Hotel	100	374,000
Tsuen Wan Town Lot No. 428*	Industrial	74	149,000
222-228 Wan Chai Road	Office	92	121,000
Total			6,760,000

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

Chairman's Statement



○ PARK YOHO, Yuen Long, Hong Kong

As at the end of June 2018, the new acquisitions increased the Group's land bank in Hong Kong from 51.8 million square feet a year ago to 56.5 million square feet of attributable gross floor area, of which 22.7 million square feet were properties under development. In an effort to sustain its high level of annual property completion in Hong Kong, the Group will continue to acquire land through different means, including active land use conversions of its agricultural land, which amounted to about 32 million square feet in terms of site area, into buildable land.

Property Development

The primary residential market in Hong Kong has remained active in recent months. During the year, the Group achieved impressive contracted sales of about HK\$41,600 million in attributable terms in Hong Kong. Major contributors included Wings at Sea and Wings at Sea II in Tseung Kwan O,

Cullinan West II in West Kowloon, PARK YOHO Genova in Yuen Long, St. Barths in Ma On Shan, Mount Regency in Tuen Mun and Victoria Harbour on North Point harbourfront.

As always, the Group is committed to providing top-quality homes and superior services that exceed customer expectations. In this regard, new technology is being employed to enhance customer satisfaction and raise cost-effectiveness. Reinforcing its competitiveness and premium brand, the Group's pioneering initiative in offering a first-three-year warranty for homebuyers continued to be widely acclaimed in the market.



○ St. Barths, Ma On Shan, Hong Kong



○ New Town Plaza, Sha Tin, Hong Kong

During the year, seven projects were completed totalling nearly 3.7 million square feet of attributable gross floor area, of which about 2.6 million square feet are residential units. Projects completed are detailed in the following table.

Project	Location	Usage	Group's Interest (%)	Attributable Gross Floor Area (square feet)
Cullinan West/ Cullinan West II/V Walk	28 Sham Mong Road, West Kowloon	Residential/ Shopping Centre	JV	1,939,000
Ocean Wings/Ocean PopWalk	28 Tong Chun Street, Tseung Kwan O	Residential/ Shopping Centre	100	563,000
Hotel VIC	1 North Point Estate Lane, North Point	Hotel	100	388,000
PARK YOHO Milano	18 Castle Peak Road Tam Mi, Yuen Long	Residential	100	345,000
Two Harbour Square	180 Wai Yip Street, Kwun Tong	Office	64.3	308,000
The Kennedy on Belcher's	97 Belcher's Street, Island West	Residential/Shops	92	85,000
Babington Hill	23 Babington Path, Mid-levels West	Residential	82.8	55,000
Total				3,683,000

Property Investment

The Group owns a broadly diversified portfolio of 31 million square feet of quality properties for investment in Hong Kong. For the year under review, this portfolio generated gross rental income, including contributions from joint-venture projects, of HK\$18,506 million, up 6% from last financial year. The increase is primarily attributed to higher rents and contributions from new rental properties. Overall occupancy remained at a consistently high level of around 95%.

Retail portfolio

Stemming from the favourable retail environment and the ingenuity of its retail strategies and management expertise, the Group achieved positive rental reversions with high occupancies from its quality retail space of about 12 million square feet. During the year, retail sales growth at the Group's major shopping malls, particularly The Sun Arcade, outperformed the market.



○ Harbour North, Island East, Hong Kong

Chairman's Statement

The Group's proactive asset enhancement initiatives continued to strengthen its leading position. Space at New Town Plaza in Sha Tin under its recently-completed first phase of renovation achieved higher rents following its refurbishment. The newly opened Movie Town, the largest cinema in the New Territories, features the latest in cinema technologies and enriches the mall's experiential offerings. The second phase of the renovation will commence by the end of 2018. At Metroplaza in Kwai Fong, the latest addition of an organic farm in the mall introduced a fresh shopping experience for local families. The Group's other prime shopping malls, including IFC Mall, APM, V City and Landmark North, continued to record high occupancies with positive rental reversions.

Following the extension of YOHO Mall I opened in July 2017, V Walk and Harbour North will become the Group's two most prominent retail projects in the pipeline. Comprising about 300,000 square feet of gross floor area, V Walk atop MTR Nam Cheong Station is poised to benefit from its superior transport connectivity, complemented by a rising population in the neighbourhood. The mall is planned to open in mid 2019. Harbour North and the retail outlets at Hotel VIC will add a combined total of 212,000 square feet of retail space. Targeted to open in late 2018, the 67,000-square-foot retail outlets at Hotel VIC will house a wide variety of specialty eateries. The 145,000-square-foot Harbour North will be opened in phases with 7,000 square feet of street-level shops in its first phase scheduled to open in early 2019. This retail cluster will become a leisure and shopping destination on Island East, further elevating the prestigious status of the Group's residential development, Victoria Harbour.

By effectively applying innovation and technology, the Group constantly expands its connections with its customers through digital channels. The newly launched mobile app 'SHKP Malls App' will have two major upgrades in the next six months including the extension of a coverage to 25 major malls in a single platform and the introduction of an Integrated Loyalty Program for the Group's major malls, offering customers a smart and attractive shopping environment with real-time information.

Office portfolio

The office-leasing market remained favourable. During the year, the Group's premium office portfolio continued to achieve steady rental income growth and high occupancy. IFC, the most sought-after office location for leading and international financial institutions, was nearly fully let with higher rents achieved. Across the harbour, ICC also performed remarkably well. As the only top-quality office tower to date that is close to the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) terminus, ICC is poised to benefit from growing cross-border businesses.

Covering a broad tenant base, the Millennium City cluster also registered a high occupancy of 97%. The vibrancy of the cluster will be further bolstered upon the completion of the joint-venture office-cum-retail project, 98 How Ming Street development.

The Group's other quality offices, including Central Plaza in Wan Chai and Grand Central Plaza in Sha Tin, also performed well with high occupancy. Looking ahead, the Group's more than 10 million square feet of office space is expected to capitalize the future growth brought about by rapid development in the Greater Bay Area.



○ ICC, West Kowloon, Hong Kong



○ Grand Waterfront, Dongguan

Property Business – Mainland

Land Bank

During the year, the Group acquired a commercial site in Nansha Free Trade Zone, Guangzhou with approximately 435,000 square feet of gross floor area. Including this recently acquired site, the Group held an attributable 64.5 million square feet of total land bank on the mainland as at 30 June 2018, of which 50.7 million square feet were properties under development. About 60% of the properties under development will be developed into quality residential units. The Group will continue with a selective and focused approach to seeking investment opportunities in major mainland cities.

Property Development

The mainland residential market was in consolidation mode amid stabilization policies on the housing market. In first-tier and major second-tier cities, supply and transaction volumes continued to be subdued while home prices remained stable in general. In the longer term, the measures are expected to reduce risks and facilitate sustainable development in the housing market.

The Group recorded attributable contracted sales of about RMB3,600 million on the mainland during the year under review. This was mainly attributed to positive sales responses to the wholly-owned development Grand Waterfront, Dongguan as well as a few joint-venture projects in southern China, including Top Plaza in Zhujiang New Town, Guangzhou and Oriental Bund in Foshan.

During the year, the Group completed four residential projects on the mainland, providing a total of 2.3 million square feet of quality living space in attributable terms. The premium building quality and design of these units have been widely acclaimed by buyers. Projects completed are shown in the following table.

Project	Location	Usage	Group's Interest (%)	Attributable
				Gross Floor Area (square feet)
Park Royale Phase 2A	Huadu, Guangzhou	Residential	100	985,000
Oriental Bund Phases 1D & 2A	Chancheng, Foshan	Residential/Shops	50	587,000
Forest Hills Phase 2B	Tianhe, Guangzhou	Residential	70	467,000
The Arch · Chengdu (Chengdu ICC Phase 2A)	Jinjiang, Chengdu	Residential	40	277,000
Total				2,316,000

Chairman's Statement



○ Nanjing IFC, Nanjing

Property Investment

For the year under review, the Group's gross rental income arising from mainland properties, including contributions from joint-venture projects, rose 11% to RMB3,701 million. Such increases were mainly driven by positive rental reversions and contributions from new rental properties.

The Group continued to build up its property investment portfolio in prime locations across major mainland cities. International Trade City (ITC) in the heart of the Xujiahui commercial hub in Shanghai, totalling 7.6 million square feet of gross floor area, achieved its first milestone with the completion of One ITC in 2017. Noted multinational corporations have already moved into the 170,000-square-foot office towers at One ITC, including a co-working space provider. Pre-leasing of the 340,000-square-foot mall in the same phase is coming along well with keen interest from luxury brands and popular restaurants. The mall is scheduled to open by mid 2019.

Spanning 320,000 square feet of gross floor area, the office tower in Phase 2 of ITC has been completed and fully leased while response to the leasing of the 43,000-square-foot retail space is favourable. Meanwhile, construction of the remaining phases has also been progressing as planned. Of these, the landmark complex featuring two grade-A office towers, including a 370-metre skyscraper, a 2.5-million-square-foot mall and a luxury hotel, will become a much sought-after centre stage for both multinationals and top-tier luxury retailers. Upon its full completion, this signature project will mirror the success of Shanghai IFC and Shanghai ICC and open up a new chapter in the office and retail landscape on the mainland.

Construction of the 3.4-million-square-foot Nanjing IFC in Hexi CBD, another of the Group's integrated landmark developments, is on schedule and the entire project is set for completion by 2020. The superstructure of the first tower, comprising 500,000 square feet of office space, has been completed. The one-million-square-foot-plus mall in the podium is expected to become a prominent shopping destination for luxury and stylish merchandise. Many global brands and multinational corporations have expressed keen interest in taking space in the premium Nanjing IFC. Such rental properties in the pipeline are expected to fuel the Group's rental growth in the medium-to-long term.

Over the years, the Group has successfully established a strong footprint in first-tier cities on the mainland, including Shanghai, Guangzhou and Beijing. Shanghai ICC offices and the Group's attributable office space at Shanghai IFC recorded high occupancies with healthy rental growth, given their sophisticated specifications, state-of-the-art facilities and prime locations in the city. The luxury Shanghai IFC Mall saw continuous growth in tenant sales and positive rental reversions, attracting locals and tourists alike to enjoy exceptional shopping experience. Setting a new trend for shoppers, the IAPM mall within the Shanghai ICC complex offered fashionable luxury brands and ample digital conveniences for shoppers. Respectable growth in rents was recorded during the year.

The two joint-venture malls in downtown Guangzhou have been performing satisfactorily with tenant sales ramping up fast. IGC has further enhanced its affordable luxury cluster while Parc Central has introduced a number of international labels that are new to Guangzhou to further elevate its competitiveness. Beijing APM recorded healthy rental reversions and successfully created a new cluster of sportswear retailers to further appeal to young shoppers.

Other Businesses

Hotels

The Group's hotel portfolio performed well during the year. Deluxe hotels, including Four Seasons Hotel Hong Kong, registered healthy growth in average room rates while the Group's other premium hotels also delivered satisfactory results with the Royal brand hotels achieving an overall average occupancy of over 95%.

Hotel VIC, part of the Group's integrated development on North Point waterfront, launched its soft opening in July this year. The hotel's retail outlets will offer more dining choices in the vicinity and are expected to open in late 2018. The stylish hotel, with its breathtaking sea views and attentive services, will further elevate the status of the integrated development as one of the most prestigious neighbourhoods on Island East. During the year, the Group acquired a high-quality hotel site on West Kowloon waterfront with spectacular harbour views. Another new premium hotel in Sha Tin, a sister project of Royal Park Hotel, is scheduled to open in mid 2019.

On the mainland, The Ritz-Carlton Shanghai, Pudong showed steady performance and maintained its leading position in the market, despite increasing competition in the city. The Four Seasons Hotel in Suzhou is currently under development.

Telecommunications and Information Technology

SmarTone

Despite the immensely competitive market during the year under review, SmarTone achieved a 16% year-on-year growth in customer base and a reduction in average postpaid churn rate to a low level. The core postpaid business remained resilient and delivered a mild growth in underlying service revenue net of handset subsidy amortization, while its enterprise solutions business continued to deliver strong growth. The company's net profit was affected by the weakness in the prepaid segment and higher costs, including spectrum fee amortization. The Group remains confident of SmarTone's prospects and will continue to hold the company as a long-term investment.



○ Hotel VIC, North Point, Hong Kong

Chairman's Statement



○ *SUNeVision successfully transferred its listing to the Main Board of the Stock Exchange of Hong Kong*

SUNeVision

SUNeVision sustained healthy growth during the year, driven by its core business in data centre operations. The company completed the transfer of listing to the Main Board of The Stock Exchange of Hong Kong Limited in January 2018, firmly establishing itself as a leading player in the region. The newly built MEGA Plus data centre in Tseung Kwan O has commenced operations, and a new site was acquired in Tsuen Wan in January 2018, further fueling the company's growth. Together with MEGA-i and MEGA Two, SUNeVision's diversified portfolio of data centres will continue to meet the growing needs of customers.

Infrastructure and Other Businesses

The Group's infrastructure and transport businesses in Hong Kong provided a steady recurring income. Wilson Group achieved favourable results during the period, while traffic on the Route 3 (Country Park Section) remained steady. Business at the Hong Kong Business Aviation Centre continued to be supported by good demand, while availability in flight slots has improved through collaborative efforts by the different parties involved. The Airport Freight Forwarding Centre delivered healthy business growth. The performance of the River Trade Terminal remained steady. YATA has grown and remains focused on being a market leader for unique Japanese merchandise and experience. Three new stores were opened during the year, and the remodeling of the flagship store in Sha Tin is progressing well.

Corporate Finance

The Group has always subscribed to prudent financial policies, a pre-requisite for its long-term success. The Group's continuous efforts to stick to this principle are evidenced by its low net gearing ratio and high liquidity. As at the end of June 2018, the net debt to shareholders' funds recorded a low 12.1%, whilst the interest coverage ratio achieved a robust 17.6 times. The Group's strong balance sheet and abundant liquidity will enable it to weather challenges from external uncertainties.

The Group has consistently been the best credit-ratings achiever among property companies in Hong Kong. Both Moody's and Standard & Poor's have reaffirmed the Group's A1 and A+ credit ratings respectively, with stable outlooks.

The Group has developed a close rapport with the banking community. In March 2018, it arranged a HK\$21,000 million 5-year syndicated loan to early refinance part of its debts due and to lengthen its maturity profile. The working capital of the Group's projects on the mainland, which is mainly financed in local currency, has been hedged naturally against movements in the Renminbi.

Corporate Governance

The Group is committed to maintaining high standards of corporate governance in all aspects of its business. It has an effective Board overseeing the Executive, the Remuneration, the Nomination, and the Audit and Risk Management Committees to ensure proper reporting, adequate internal controls and timely release of relevant information in place for protecting and promoting the best interests of the Company and its shareholders. An additional Independent Non-Executive Director has been appointed with effect from 1 March 2018, which further strengthened the Board.

The Group takes a proactive approach to maintaining effective two-way communication with multiple stakeholders through frequent meetings, large-scale investor conferences and overseas non-deal roadshows. Over the years, the Group has earned various major awards from leading financial publications including *Euromoney* and *The Asset* in recognition of its quality management and commitment to good corporate governance.

Sustainable Development

With a view to creating long-term value for customers and other stakeholders, the Group places great emphasis on sustainable development. The Group distinguishes itself as a leading property developer through its commitment to quality and its premium branding strategy. With a strong learning culture, the Group encourages staff to stay ahead of market developments, especially in applying technological innovations and digital applications to many of its businesses – notably in shopping malls, property management and in the area of building design and construction – which benefit customers, residents and tenants alike.

Underscoring its commitment to environmental protection, the Group employs green technologies and green building practices to exemplify its causes. At the community level, the Group has launched a 'Nature Rescue' mobile application through its Love Nature Campaign, providing an easy-to-use platform to encourage the community to engage in beach and countryside clean-up activities.

Echoing the Government's city-wide reading promotion campaign launched in early 2018, the SHKP Reading Club has added new dimensions to encourage reading among the youth. The Group has also continued to promote 'exercise for good' through the annual SHKP Vertical Run for Charity and the Sun Hung Kai Properties Hong Kong Cyclothon. To further promote cycling among the youth, the Group has recently sponsored the establishment

of the Sun Hung Kai Properties Cycling Academy to provide professional track cycling training for secondary students, especially for the underprivileged ones.

To support career development among young people, especially in the area of technology start-ups, the Group has taken part in a Government-initiated space-sharing scheme by providing the Federation of Hong Kong Industries with free fitted offices, following similar support for the Hong Kong X-Tech Startup Platform established in 2015.

On the mainland, the Group through the SHKP-Kwoks' Foundation has been active in education and poverty alleviation work. The Foundation has to date offered scholarships to close to 10,000 underprivileged students in undergraduate and post-graduate studies. It recently donated a major sum to VIVA China Children's Cancer Foundation and Shanghai Soong Ching Ling Foundation to support medical research in enhancing the cure rate of childhood acute lymphoblastic leukemia.



○ SHKP Vertical Run for Charity – Race to Hong Kong ICC

Chairman's Statement



○ ITC, Shanghai

Prospects

Global economic growth is likely to continue although headwinds, including trade wars, reversals of quantitative easing as well as emerging markets volatilities, should undermine growth momentum. Proactive policy responses on the mainland should alleviate economic downside risks arising from trade issues and enable stable growth in the country. Despite pressures from external uncertainty, the Hong Kong economy is expected to show continued expansion in the coming year on the back of the soon-to-be-commencing cross-border transport connectivity and the Greater Bay Area development.

The performance of the property markets in Hong Kong and major cities on the mainland is expected to vary. While end-user housing demand remains robust in first-tier mainland cities, stabilization measures will continue to contain speculative activity. In Hong Kong, despite anticipated interest rate hikes, household income gains and wealth accumulation, as well as solid demographic factors, will continue to underpin end-user demand for residential properties, while external uncertainty and government measures recently introduced are likely to pose new challenges in the first-hand market. The Group will take more proactive steps to overcome all these challenges.

The Group will continue to seek land acquisition opportunities that provide satisfactory returns both in Hong Kong and major mainland cities. Over the next nine months, major new projects to be offered for sale in Hong Kong will include PARK YOHO Napoli in Yuen Long, the second phase of Mount Regency in Tuen Mun, Pak Tai Street Project in Kowloon City and a commercial project in Sha Tin. In addition, the Group will continue to sell those launched residential projects including units at Victoria Harbour and Babington Hill. The Group is confident of being able to achieve, on average, a medium-term annual target of HK\$40,000 million from property sales in Hong Kong. On the mainland, the Group will also launch new quality apartments, including the wholly-owned Grand Waterfront in Dongguan and a joint-venture project TODTOWN in Shanghai.

The Group's existing investment portfolio is expected to perform well with satisfactory rental growth in the year ahead. This will be bolstered by broader footprints in Hong Kong and particularly on the mainland. New additions in the pipeline will include 98 How Ming Street in Hong Kong, Nanjing IFC and a mega project, ITC in Shanghai. With the gradual completion of these landmark projects over the next five to six years, the Group's already strong recurrent income base is expected to rise to new levels. V Walk in West Kowloon, Hong Kong and the grand luxury mall at One ITC in Shanghai are scheduled to open next year, underpinning the Group's rental growth starting from financial year 2019/20.

The Group will continue to excel and stay at the forefront of the market against a rapidly changing and challenging business environment. New technologies will be deployed to further enhance the Group's competitiveness. With a strong commitment to its customer-focused approach, the Group will keep on offering premium-quality properties and services, further strengthening its brand recognition and creating additional value for stakeholders, including shareholders, homebuyers and tenants. Guided by its core operating philosophy and fuelled by ongoing and dedicated efforts, the Group is highly confident of being able to accomplish sustainable business growth over time.

Barring unforeseen circumstances, the Group expects its results to be satisfactory for the coming financial year.

Appreciation

Mr. Fan Hung-ling, Henry was appointed as an Independent Non-Executive Director of the Company effective 1 March 2018. His extensive experience in the business sector will be a valuable asset for the Group's long-term development.

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

Kwok Ping-luen, Raymond

Chairman & Managing Director

Hong Kong, 13 September 2018



○ St. Moritz, Kau To Shan, 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 by developing premium premises both in Hong Kong and on the mainland.

Property development for sale is one of the two core elements of the Group's business, and the process is vertically integrated from land acquisition, project planning, 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 better meet the demand for comfortable homes.

Property investment for rent is another core element of the Group's business. The Group has built, leased and managed a wide variety of commercial projects in 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 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 constantly exploring new ideas
- **Teamwork**
Nurturing a pool of talented and high-calibre employees capable of achieving objectives through harnessing the power of teamwork, collective experience and professional knowledge



Fung Yuk-lun, Allen



Chow Kwok-yin, Eric



Yung Sheung-tat, Sandy



Li Ching-kam, Frederick



Fung Sau-yim, Maureen

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

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 the portfolio of property investment. This strategy offers a balance between steady cash flow and fast asset turnover.

The portfolio of property investment generates 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 in Hong Kong's 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

- **Five projects were added to the Group's land bank in Hong Kong during the year, bringing the development land bank to 22.7 million square feet as at 30 June 2018**
- **About 3.7 million square feet of attributable gross floor area were completed, of which 2.6 million square feet were residential properties**
- **Remarkable contracted sales of about HK\$41,600 million were achieved**
- **Net rental income from the well-diversified quality rental property portfolio increased to HK\$14,549 million, up 6% from the previous financial year**

Land Bank

During the year under review, the Group added five projects with an attributable gross floor area of 6.8 million square feet to its land bank in Hong Kong. The additions included a major project in Shap Sz Heung, which arose from land use conversion, and a prime site in Kai Tak secured through government tender. Details of the new projects are set out in the Chairman's Statement on page 9.

These additions brought the Group's Hong Kong land bank to 56.5 million square feet of attributable gross floor area as at the end of June 2018, including 22.7 million square feet of properties under development. A substantial majority of the remaining portion comprises completed properties for rental purpose. Out of the 22-million-square-foot-plus properties under development, about 19 million square feet are residential gross floor area planned for sale, comprising residential units in a wide range of sizes and layouts. The Group's properties under development will be sufficient for the development needs in achieving its annual property sales target in Hong Kong over the medium term. Other than developing residential properties, about three million square feet of properties under development, primarily earmarked for retail, office and hotel usage, will be retained for long-term investment in order to expand the Group's recurrent income stream.

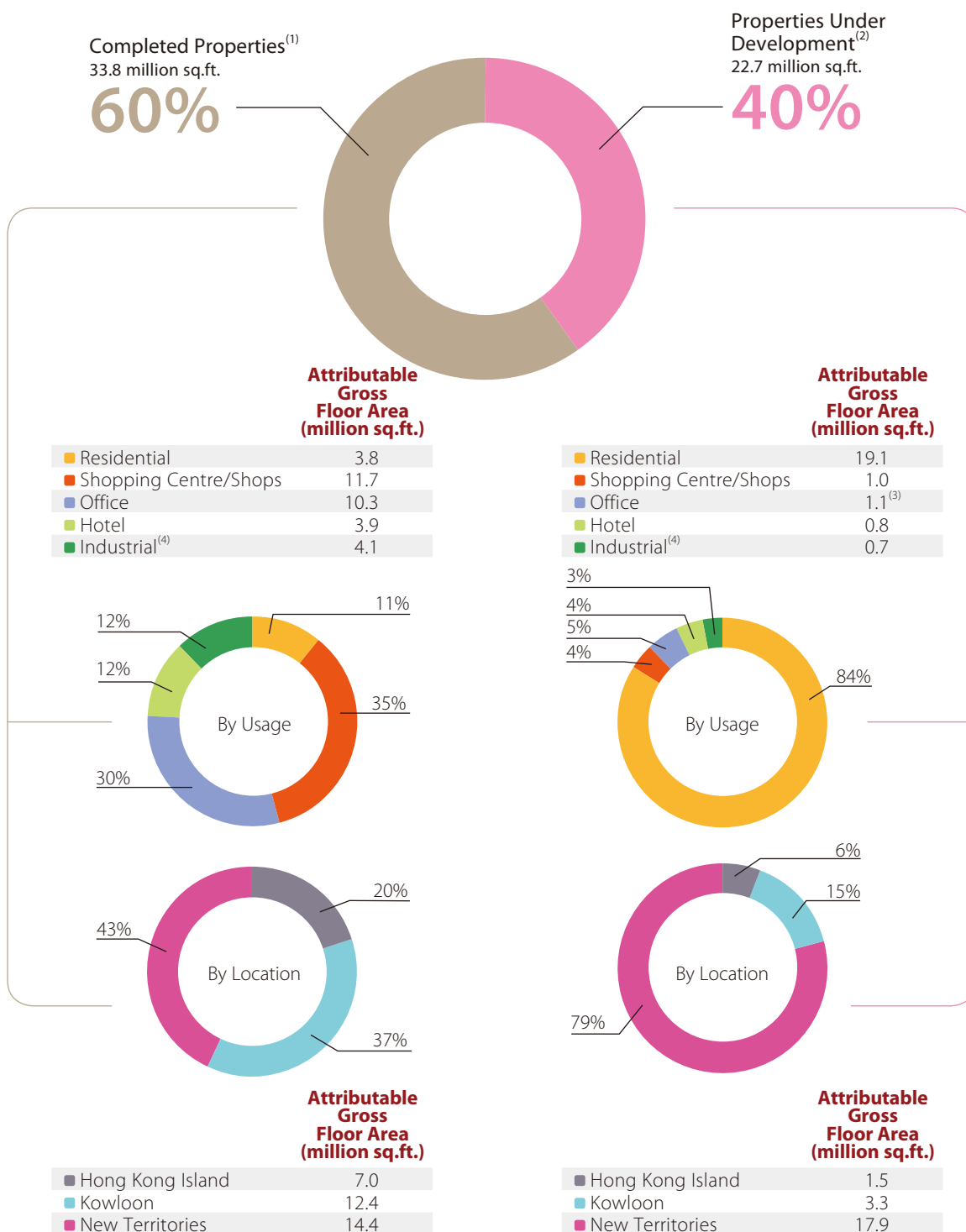
The Group's completed properties are a major source of its growing recurrent income. Premium shopping malls and retail space that make up an extensive retail network in the territory represents 35% of the well-diversified portfolio of completed properties. Some 30% of the portfolio are quality office buildings located in various business hubs, including Central, Wan Chai, West Kowloon and Kowloon East.

The Group owns about 32 million square feet of agricultural land in terms of site area. It will continue to take an active approach in converting its agricultural land, which are in various stages of land use conversion, into buildable land. While the current development land bank is adequate for its development needs for over five years, the Group will continue to capitalize on its strength in replenishing its land bank through different channels when good opportunities arise.

The Group's land bank in Hong Kong as at 30 June 2018, by attributable gross floor area, was as follows:

Hong Kong Land Bank Composition

(56.5 million square feet of attributable gross floor area as at 30 June 2018)



(1) A substantial majority are for rent/investment

(2) Refers to projects which have yet to obtain the Occupation Permit

(3) Including attributable gross floor area for commercial use at 98 How Ming Street, Kwun Tong, which may contain some retail space

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

Hong Kong Property Business

Property Development



○ PARK YOHO Napoli, Yuen Long



Property Development



○ Victoria Harbour Development, North Point

During the year, the Group capitalized on a number of opportunities to expand its development land bank in Hong Kong, including a successful tender for the acquisition of a residential-cum-commercial site in Kai Tak and a residential development in Shap Sz Heung through land use conversion. Together with other additions, the Group's properties under development in Hong Kong have significantly increased to 22.7 million square feet, and the production volume for residential projects is expected to stay at a high level over the next few years.

Adhering to the spirit of Building Homes with Heart, the Group is dedicated not only to offering products of the premium quality and fine details that can bring the greatest value to customers, but also to delivering first-class after-sales service for maximum customer satisfaction. All projects developed by the Group are crafted with efficient layouts and equipped with premium facilities to satisfy varying customer needs. In recognition of its quality homes, the Group has earned wide acclaims and a strong vote of confidence from homebuyers.

The Group continued to offer new projects for sale to maintain a high asset turnover. Underpinned by strong customer recognition and support along with abundant saleable resources, the Group achieved remarkable contracted sales of about HK\$41,600 million in Hong Kong during the year under review. Major residential projects launched for sale during the year included Victoria Harbour on North Point harbourfront, Cullinan West II atop MTR Nam Cheong Station, Wings at Sea and Wings at Sea II adjacent to MTR LOHAS Park Station,

St. Barths in Ma On Shan, PARK YOHO Genova in Yuen Long and Mount Regency in Tuen Mun.

Major Projects Under Development

The Group's projects under development spread across different locations throughout Hong Kong, with a strong presence in Yuen Long and Tuen Mun, on top of the newly added footprints in Kai Tak and Shap Sz Heung. In addition, the Group is also developing a number of projects at prime locations near MTR stations in urban areas. Below are descriptions of the Group's major projects under development.

Hong Kong Island

Victoria Harbour Development Inland Lot No. 9027, North Point

(100% owned)

Site area	: 252,000 square feet
Gross floor area	: 578,000 square feet (residential) 145,000 square feet (retail)
Approximate number of units	: 700
Expected date of Certificate of Compliance/Consent to Assign	: from second half of 2018, in phases

Located at the North Point harbourfront and adjacent to the Group's new Hotel VIC, the site is being developed into an

iconic city development, including its residential portion, Victoria Harbour, and retail space, Harbour North. A public transport interchange underneath the residential towers and the nearby MTR North Point Station, which serves as an interchange station for two existing MTR lines, bring transport convenience to the development. Pedestrian facilities will also be enhanced through the provision of a waterfront promenade and wider pavements. Upon completion, the neighbourhood will be greatly upgraded with a brand new image, providing its residents a unique living and shopping experience.

Victoria Harbour has a gross floor area of 578,000 square feet and will provide some 700 units in nine towers, with units ranging from studio flats to four-bedroom apartments as well as special units. The luxury residential development will enjoy the sparkling sight of a 180-degree harbour view. Especially designed to ensure privacy, a prestigious clubhouse named 'Club Vici' will provide a wide range of facilities, including designated private access to a party house for guests. Comprising 355 units in five towers, Phase 1 was launched in November 2017, setting a new benchmark price along the waterfront on Island East.

Construction work for the superstructure of the remaining 350 or so units is currently under way. Meanwhile, the 145,000-square-foot retail space at the podium of the residential blocks is expected to be completed in phases and become a major shopping arcade in the neighbourhood. Please refer to page 46 for more details of Harbour North.

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 second half of 2019 onwards

Situated at the prestige location of Mid-levels East, the site will be developed into a mixed residential development comprising 19 houses and 53 apartments, mainly large units, in five towers. Units at this luxury residential development will enjoy the magnificent views overlooking the racecourse. Construction for the superstructure is currently under way.

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

Sitting atop MTR Nam Cheong Station, an interchange for Tung Chung Line and West Rail Line, this landmark development enjoys expansive sea views. The entire project consists of 14 residential blocks of varying heights with a total of over 3,400 apartment units and a premium shopping mall of 298,000 square feet. The first two phases of the residential development were launched for sale in 2017 with an encouraging response. Construction of the 2,200 units in these two phases is progressing well and is slated for delivery from late 2018 onwards, while the premium shopping mall, named V Walk, is set to open in the first half of 2019. Please refer to page 46 for more details of V Walk.

Construction of the last phase, with a residential gross floor area of 670,000 square feet containing some 1,200 units, is progressing smoothly and the Certificate of Compliance is expected to be obtained in the second half of 2020. In October 2017, the Group acquired a nearby waterfront hotel site through a government tender and, upon its completion, the development is expected to create substantial synergies with the Cullinan West Development.



○ Cullinan West, West Kowloon

Property Development



○ New Kowloon Inland Lot No. 6568, Kai Tak

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	: 1,800
Expected date of	: after 2021
Certificate of Compliance/ Consent to Assign	

Acquired through a public tender in May 2018, the site is located next to the future MTR Kai Tak Station, representing one of the most strategic locations of Hong Kong's alternative central business district. The development will be well connected to the business cores in Kowloon and Central through direct and weather-proof access to the future MTR Kai Tak Station upon the completion of the Shatin to Central Link. The Central Kowloon Route under construction that connects the Kai Tak area with the West Kowloon area will further enhance the potential value of this development.

Destined to be the Group's landmark project with the tallest residential towers in the Kai Tak area, this development will provide some 1.1 million square feet of residential gross floor area with sea views on the upper floors, plus a 262,000-square-foot shopping mall. The design and layout of this project is being carefully planned to unlock the site's potential, making it as successful as the Group's The Cullinan atop MTR Kowloon Station. The commercial portion and part of the residential space will be kept for rental purposes.

98 How Ming Street, Kwun Tong (Kwun Tong Inland Lot No. 240)

(68.7% effective interest)⁽¹⁾

Attributable site area	: 66,000 square feet
Attributable gross floor area	: 790,000 square feet (office/retail)
Expected date of	: after 2021
Certificate of Compliance/ Consent to Assign	

Strategically located at the centre of the fast-growing Kowloon East business hub, the project will provide a total gross floor area of about 1.2 million square feet. It will be developed into two grade-A office towers with retail space underneath, serving business professionals and residents in Kowloon East. With convenient access to the public transport network, including the MTR, the project is expected to synergize with the Group's Millennium City cluster in the area and further bolster its presence in the neighbourhood. Foundation work of the project has commenced.

(1) As at 30 June 2018, the Group has a 50% direct interest in this project plus about 18.7% indirect interest derived from its stakes in Transport International Holdings Limited.



○ 98 How Ming Street, Kwun Tong

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

The project, located near the southern coast of LOHAS Park, enjoys remarkable sea views. Within easy access to an MTR station, the development also enjoys close proximity to the planned Tseung Kwan O Cross Bay Link. The two phases of development, namely Wings at Sea and Wings at Sea II, comprising over 1.3 million square feet of residential space in four towers, will contain about 2,200 units of mainly two- to three-bedroom apartments. Most units of the two phases were launched during the year and have been well received by the market. Construction of the superstructure work has been progressing well.



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

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	: 2020 in phases

St Martin is located next to Pak Shek Kok waterfront promenade. Selected units of the development command spectacular views over Tolo Harbour or splendid scenery of Kau To Shan. Situated near the Science Park and a university as well as a renowned international school that opened recently, the area is being transformed into an exclusive residential community for young and stylish families. This large-scale residential development will consist of two phases and offer over 1,400 units with diverse layouts in 10 residential towers. Both phases of the projects were launched successively in July this year with positive market response. Work on the superstructure is progressing well and is expected to be delivered in 2020 in phases.

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 2021, in phases

In the second half of 2017, the Group successfully converted various agricultural lots in Shap Sz Heung for residential purpose. This project is adjacent to the Ma On Shan Country Park and offers tranquility as an escape from the urban grind. The connectivity of the project will be greatly enhanced following the completion of advanced works such as road widening and associated infrastructural facilities. Spanning a site area of over 6.7 million square feet, the project is equivalent to

Property Development



○ Tai Po Town Lot No. 157, Shap Sz Heung

the size of more than three plots of Victoria Park in Causeway Bay. Permission for amendments is being sought for the total number of units. This mega-sized project, to be completed in phases with the first phase being ready in about six years, will also feature retail premises and recreational facilities. On its full completion, the project is expected to become another iconic housing estate in the city.

New Territories West

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	: after 2021, in phases
Certificate of Compliance/ Consent to Assign	

The Group completed the land use conversion of the site from agricultural land during the first half of 2017, and plans to develop the area into a new residential enclave have been finalized. Located near a light rail stop, the project enjoys easy access to MTR Siu Hong Station in Tuen Mun with its well-established transportation network. Covering over two million square feet of residential space and 62,000 square feet of retail area, the development will provide some 4,700 units with mainly small- to medium-sized apartments in 14 residential blocks of 20 to 30 storeys. The development is expected to receive Consents to Assign in phases after 2021.

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	: 1,900
Expected date of	: after 2021, in phases
Certificate of Compliance/ Consent to Assign	

Grand YOHO Development Phase 3

The Remaining Portion of Yuen Long Town Lot No. 507

(100% owned)

Site area	: 410,000 square feet (entire development)
Gross floor area	: 452,000 square feet (residential) 29,000 square feet (retail)
Approximate number of units	: 550
Expected date of	: after 2021
Certificate of Compliance/ Consent to Assign	

Since the completion of the first part of the YOHO development series in 2004, the YOHO developments in Yuen Long have been crafted into a mega residential enclave complemented by a large-scale shopping mall and a transport hub.



○ Yuen Long Station Development

The Yuen Long Station Development is a new member of the YOHO community and will consist of six residential towers offering some 1,900 apartments of varied sizes. The project will also provide 107,000 square feet of retail premises and become part of the over one-million-square-foot YOHO Mall upon completion. Please refer to page 42 for further details of YOHO Mall. With the introduction of a landscaped open plaza, coupled with further improvements of the pedestrian network, the project is set to offer greater convenience for residents in the neighbourhood. Piling and related advanced work commenced last year and the project is scheduled for delivery after 2021.

Located next to MTR Yuen Long Station, the first two phases of Grand YOHO Development were already completed in the preceding financial year with an encouraging market response for those units launched for sale. Construction of the third phase of the project, comprising some 550 apartment units with 452,000 square feet of gross floor area in two residential towers and about 29,000 square feet of retail space, has been suspended as requested by the authorities due to subsidence of the viaduct piers at Yuen Long Station on the West Rail Line and will be resumed as soon as circumstances allow.

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

With its relatively low density and a wide range of amenities to be developed in the project, the two large-scale sites will provide residents with a unique living experience in a relatively closed community near the Hong Kong Wetland Park. Adjacent to two Light Rail stops, the project also enjoys convenient access to the public transport network. Enjoying the magnificent views of the wetland and Shenzhen, the development comprises a combined 2.2 million square feet of residential floor area and some 40,000 square feet of retail space. The development is expected to provide about 3,800 residential units, including a number of town houses, the



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

majority of which will be small- to medium-sized. Superstructure work of the site at Tin Shui Wai Town Lot No. 34 began during the year and the Consent to Assign is expected to be obtained in phases starting from the first half of 2021.

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 2021

The development has a residential gross floor area of 980,000 square feet and retail gross floor area of 2,000 square feet, with about 2,000 units expected to be built in three apartment blocks, a majority of which will be small- to medium-sized. Its close proximity to a large leafy park will allow residents to enjoy a refreshing and rejuvenating green living environment. Sitting atop the Light Rail Tin Wing Stop, the project's accessibility will be further enhanced by a footbridge to be built, connecting it to a nearby bus terminus. Construction work has been temporarily suspended as requested by the authorities due to subsidence at the light rail stop and will be resumed as soon as circumstances allow.

Property Development

Major Projects Under Development in Hong Kong by Year of Completion^{(1) (2)}

Location	Project Name	Group's Interest (%)
Scheduled Completion in FY2018/19		
Nam Cheong Station Development Phases 2A & 2B ⁽⁴⁾	Cullinan West ⁽⁴⁾ /V Walk	JV
Nam Cheong Station Development Phase 3 ⁽⁵⁾	Cullinan West II ⁽⁵⁾	JV
Sha Tin Town Lot No. 581 Phases 1 & 2	St. Barths	100
Lot 1927 in DD 107, Yuen Long Phase 2C	PARK YOHO Milano	100
Sha Tin Town Lot No. 248		100
1-3 Church Lane, Shau Kei Wan	Lime Gala	92
133 Java Road, North Point ⁽⁶⁾	Victoria Harbour	100
Tuen Mun Town Lot No. 509	Eight Regency	100
18-20 Caine Road, Mid-Levels West		92
Tung Chung Town Lot No. 11		20
Year Total		
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
Tuen Mun Town Lot No. 515 Phase 1	Mount Regency	100
Inland Lot No. 8963, Stubbs Road		100
Pak Tai Street/San Shan Road Project		JV
212-214 Texaco Road, Tsuen Wan	W212	50
Year Total		
Scheduled Completion in FY2020/21		
Nam Cheong Station Development Phase 5		JV
Tin Shui Wai Town Lot No. 34 Phase 1		100
Inland Lot No. 9027, North Point subsequent phase(s)		100
Tai Po Town Lot No. 225 Phase 2	St Martin	100
Tuen Mun Town Lot No. 539		100
Tuen Mun Town Lot No. 515 Phase 2		100
Sha Tin Town Lot No. 617		100
Lot 1927 in DD 107, Yuen Long Phase 3		100
24-30 Wang Lung Street, Tsuen Wan		50
Kwai Chung Town Lot No. 522		100
195 Prince Edward Road West, Kowloon City		100
Year Total		
Major Projects Scheduled for Completion in FY2021/22 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 Shui Wai Town Lot No. 33		100
Tin Wing Station Development		JV
98 How Ming Street (Kwun Tong Inland Lot No. 240) ⁽⁷⁾		68.7 ⁽⁸⁾
The Remaining Portion of Yuen Long Town Lot No. 507 Phase 3		100
Sha Tin Town Lot No. 609		100
Tin Shui Wai Town Lot No. 34 subsequent phase(s)		100
New Kowloon Inland Lot No. 6550		100
Tsuen Wan Town Lot No. 428		73.9
222-228 Wan Chai Road		92
Total for Major Projects to be Completed in FY2021/22 or Beyond		

(1) Information up to late August 2018; Excluding the gross floor area of Government Accommodations that will be handed over to relevant government departments upon completion

(2) Completion refers to the issue of the Certificate of Compliance or the Consent to Assign

(3) Including data centre

(4) About 80% of residential gross floor area were sold by June 2018 and the corresponding revenue has been recognized in FY2017/18

Attributable Gross Floor Area (square feet)

Residential	Shopping Centre/Shops	Office	Hotel	Industrial⁽³⁾	Total
867,000	298,000	-	-	-	1,165,000
774,000	-	-	-	-	774,000
431,000	-	-	-	-	431,000
345,000	-	-	-	-	345,000
-	-	-	344,000	-	344,000
291,000	51,000	-	-	-	342,000
320,000	7,000	-	-	-	327,000
141,000	26,000	-	-	-	167,000
127,000	-	-	-	-	127,000
-	68,000	-	26,000	-	94,000
3,296,000	450,000	-	370,000	-	4,116,000
1,316,000	-	-	-	-	1,316,000
543,000	-	-	-	-	543,000
527,000	-	-	-	-	527,000
241,000	-	-	-	-	241,000
181,000	-	-	-	-	181,000
88,000	17,000	-	-	-	105,000
-	-	-	-	71,000	71,000
2,896,000	17,000	-	-	71,000	2,984,000
670,000	-	-	-	-	670,000
612,000	20,000	-	-	-	632,000
258,000	138,000	-	-	-	396,000
374,000	-	-	-	-	374,000
286,000	21,000	-	-	-	307,000
235,000	-	-	-	-	235,000
-	3,000	171,000	-	-	174,000
94,000	45,000	-	-	-	139,000
-	-	-	-	92,000	92,000
-	1,000	57,000	-	-	58,000
45,000	-	-	-	-	45,000
2,574,000	228,000	228,000	-	92,000	3,122,000
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
1,199,000	20,000	-	-	-	1,219,000
980,000	2,000	-	-	-	982,000
-	-	790,000	-	-	790,000
452,000	29,000	-	-	-	481,000
434,000	-	-	-	-	434,000
408,000	-	-	-	-	408,000
-	-	-	374,000	-	374,000
-	-	-	-	149,000	149,000
-	-	121,000	-	-	121,000
12,854,000	582,000	911,000	374,000	149,000	14,870,000

(5) About 40% of residential gross floor area were sold by June 2018 and the corresponding revenue has been recognized in FY2017/18

(6) The provisional street number is subject to confirmation when the phase is completed; Previously described as Inland Lot No. 9027, North Point Phase 1

(7) The development may contain some retail area

(8) Including 50% direct interest and an indirect interest of about 18.7% derived from the Group's holdings in Transport International Holdings (TIH)



Property Development

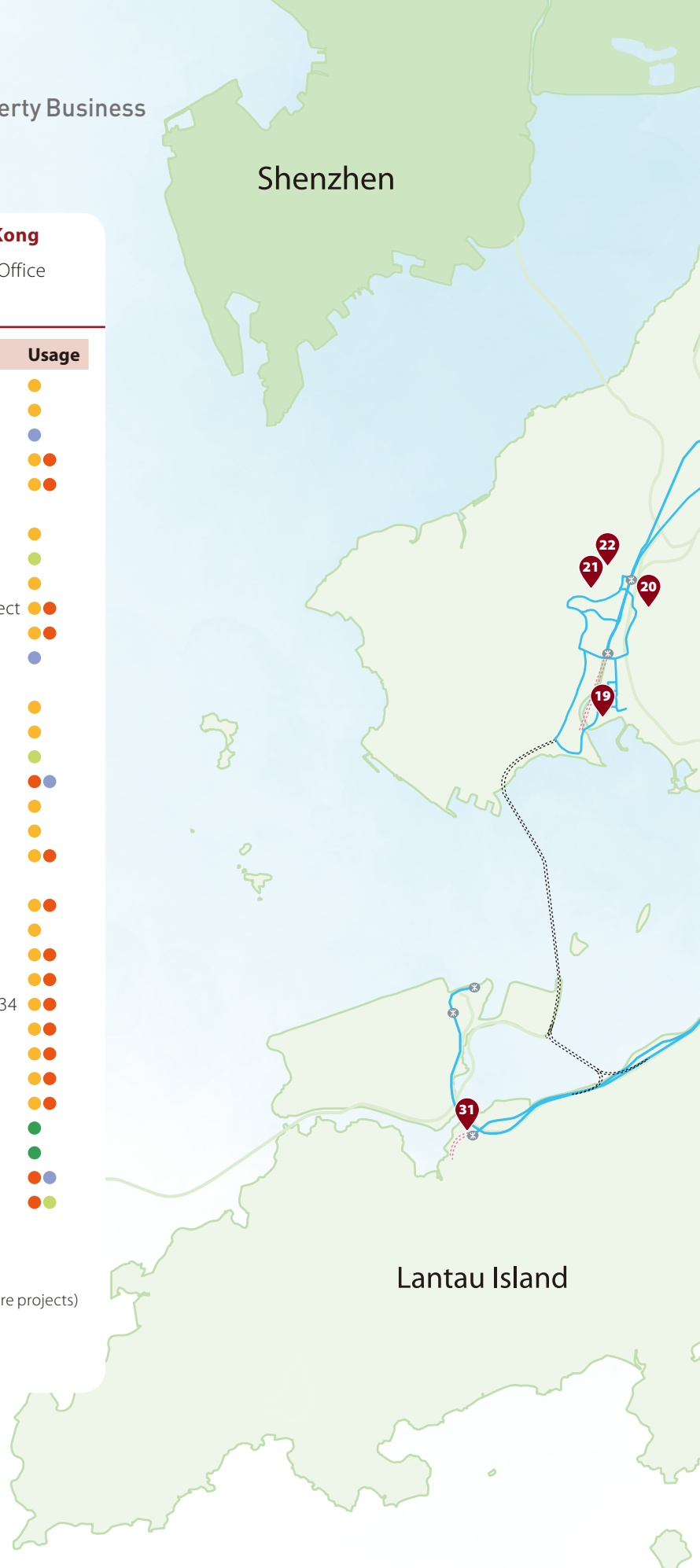
Major Properties Under Development in Hong Kong

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

District	Project Name	Usage
Hong Kong Island	1 18–20 Caine Road	●
	2 Inland Lot No. 8963, Stubbs Road	●
	3 222–228 Wan Chai Road	●
	4 Victoria Harbour Development	● ●
	5 Lime Gala	● ●
Kowloon	6 Cullinan West	●
	7 New Kowloon Inland Lot No. 6550	●
	8 195 Prince Edward Road West	●
	9 Pak Tai Street / San Shan Road Project	● ●
	10 New Kowloon Inland Lot No. 6568	● ●
	11 98 How Ming Street ⁽¹⁾	●
New Territories East	12 Wings at Sea	●
	13 Sha Tin Town Lot No. 609	●
	14 Sha Tin Town Lot No. 248	●
	15 Sha Tin Town Lot No. 617	● ●
	16 St Martin	●
	17 St. Barths	●
New Territories West	18 Tai Po Town Lot No. 157	● ●
	19 Tuen Mun Town Lot No. 539	● ●
	20 Mount Regency	●
	21 Eight Regency	● ●
	22 Tuen Mun Town Lot No. 483	● ●
	23 Tin Shui Wai Town Lot Nos. 33 and 34	● ●
	24 Tin Wing Station Development	● ●
	25 Yuen Long Station Development	● ●
	26 Grand YOHO Phase 3	● ●
	27 PARK YOHO Phase 3	● ●
	28 W212	●
	29 Tsuen Wan Town Lot No. 428	●
	30 Kwai Chung Town Lot No. 522	● ●
	31 Tung Chung Town Lot No. 11	● ●

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

(1) The project may contain some retail area





New Territories

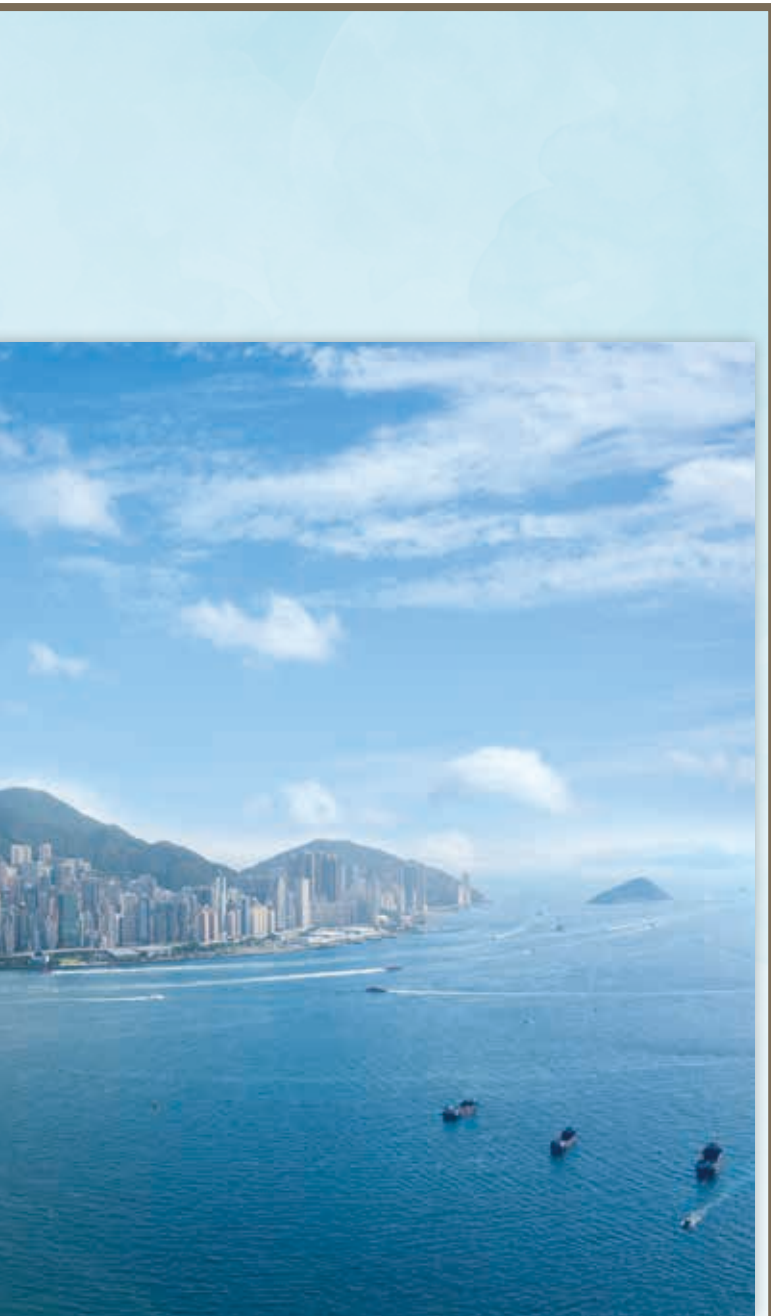
Kowloon

Hong Kong Island

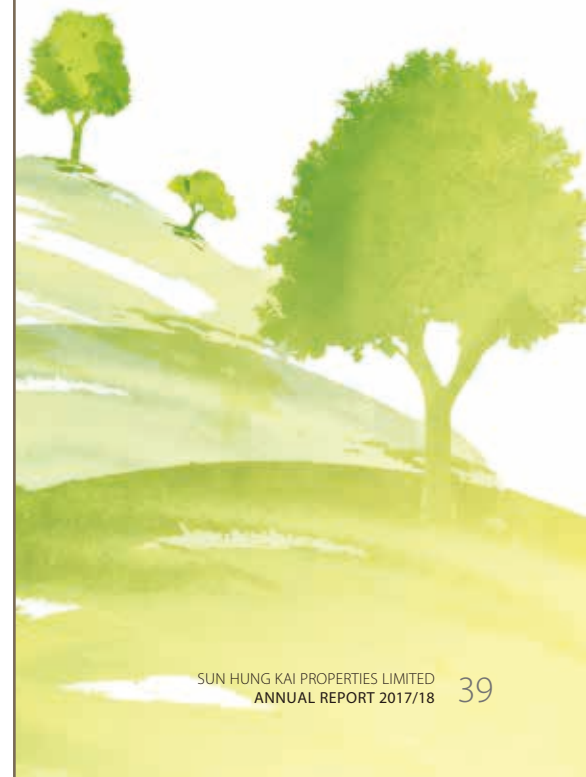
Hong Kong Property Business

Property Investment





○ ICC, West Kowloon



Property Investment



○ APM, Kwun Tong

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\$18,506 million, including contributions from joint-venture projects. Overall occupancy stayed at a high level of 95%.

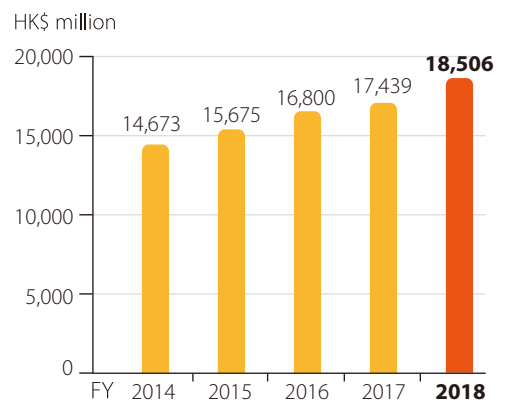
Completed Properties

Shopping Centres

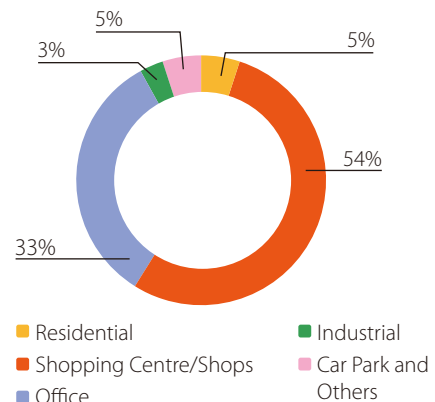
The Group's prime retail portfolio consists of about 12 million square feet of diverse shopping malls and retail space spanning the territory. The portfolio differentiates itself by offering distinctive shopping experiences through its well-planned tenant mix, attentive designs, outstanding services, creative digital marketing and the staging of inspiring events. In addition to a favourable operating environment, the Group's ongoing efforts in building fascinating retail destinations for visitors have led to encouraging results.

During the year under review, the Group achieved a gross rental income of HK\$9,954 million from its retail portfolio, representing a 7% year-on-year increase. Higher rents were seen for both new lettings and renewals with overall occupancy sustained at a high level. The Group's top 10 malls, in terms of rental income, generated a gross rental income of about HK\$6,500 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

As a leading regional mall in the eastern part of the New Territories, New Town Plaza offers an attractive array of international brands and dining options. The completion of the first phase of renovation brings not only a refreshing shopping experience but also a rejuvenated leisure destination with the opening of Movie Town in June this year. The state-of-the-art seven-theatre complex comprises a comfortable and plush seating capacity of 1,700 and deploys the latest cinema technologies, bringing an exceptional visual experience to movie lovers. Alongside the cinemas, a selection of diverse food concessions cater to any appetite. The shopping mall attracts both local and tourist shoppers with its popular restaurants and entertainment. Its annual iconic event 'Starlight Garden' was highly acclaimed and drew heavy foot traffic. The revamped space was fully let with increased rents on new lettings and the second phase of comprehensive enhancement is scheduled to commence by the end 2018.

Metroplaza in Kwai Fong, a well-located shopping mall, completed its renovation work during the year. The glass external facade offers daylight diffusion advantages and provides greater exposure to natural light in the indoor area. Regular weekend live music shows are staged at the 15,000-square-foot-plus sky garden, creating a harmonized atmosphere and considerably improved traffic flow. The newly added organic farm and outdoor kids-play-facilities were opened recently and have become a popular family gathering place. With reconfigured layouts, the mall now houses a broader range of retailers, better serving the needs of both office workers and customers nearby. Together with a carefully curated collection of eclectic eateries within an exceptional social ambiance for families, Metroplaza achieved high occupancy with increased traffic and retail sales.

The iconic IFC Mall in Central is a sought-after shopping and leisure destination for office workers, local high-net-worth individuals, and tourists. This upscale shopping mall brings together the world's most recognized brands under the same roof, offering a compelling shopping experience. A wide selection of eateries and top-ranked fine-dining establishments, along with enhanced amenities, complement the shopping environment and promote a greater frequency of visits. Seasonally unique events create a sense of excitement and novelty for customers and attracted more traffic. The virtually fully let shopping mall registered solid increases in retail sales with a higher rental income.

With seamless access to MTR Kwun Tong Station and extended operating hours, the trendy APM mall in Kowloon East has been bustling with visitors day and night. Offering a full range of retailers, a cinema, games arena and a wide selection of eateries, APM's position as a prime destination of choice for both shoppers and retailers was further reinforced. Film-themed exhibitions, mini concerts and autograph-signing events with celebrities were frequently held, attracting large crowds and boosting retail sales.



○ Metroplaza, Kwai Fong

Property Investment

To keep up with trends and to enrich the shopping experience for style-conscious customers, well-conceived new products and promotional events featuring virtual reality technology were added from time to time. APM continued to register high occupancy with impressive rental reversions during the year.

Situated next to MTR Mong Kok East Station and directly linked to The Royal Plaza Hotel, the 720,000-square-foot MOKO provides everything a customer needs in a spacious shopping environment with a wide variety of major brands. The experiential offerings are further enriched with the inclusion of a diverse range of dining options, including an international food bazaar, a cineplex with an IMAX cinema, and an outdoor children's playground, making the mall a shopping magnet for both tourists and families. MOKO has recorded satisfactory growth in retail sales.

The Sun Arcade in Tsim Sha Tsui saw exceptional retail sales growth and high occupancy on the back of increasing visitor arrivals, which was further boosted by effective marketing initiatives. Conveniently located in the heart of Tsim Sha Tsui, this mall indulged customers' shopping sprees with a full range of cosmetic labels and an array of chic fashion brands. A comprehensive marketing approach including hosting art exhibitions and multi-media promotions also attracted local and overseas visitors and boosted sales.

The Group's other regional malls in the New Territories also performed well. With some 180,000 square feet of retail space, Landmark North enjoys a geographical advantage adjoining MTR Sheung Shui Station. The high traffic was brought about by the convenience of cross-border transportation. The

five-storey shopping mall houses over 100 international brands as well as gourmet catering, offering the most convenient shopping and dining experience for shoppers. Unique marketing campaigns with mainland social media, offering an online-to-offline shopping experience, were regularly held to engage customers. Impressive growth in retail sales and rental income was recorded with high occupancy during the year.

As a flagship mall in the northwest New Territories with broad product offerings, the one-million-square-foot YOHO Mall saw high occupancy while the extension's opening marked its one-year anniversary. A popular array of dining options, a kid's zone, cinemas, and the first Japanese supermarket debut in the neighborhood collectively make it a family-friendly weekend location. Benefitted from a growing population in the vicinity and burgeoning domestic demand, the mall registered increases in both footfall and turnover while its year-round signature events further boosted traffic. YOHO Mall will be further enlarged by some 100,000 square feet of retail space upon completion of the Yuen Long Station Development where construction is now under way.



○ YOHO Mall, Yuen Long



○ IFC Mall, Central

With direct access to MTR Tuen Mun Station and well-supported by cross-border bus services, the almost fully let V City offers exceptional shopping experience to locals and tourists. The roll-out of various first-to-market promotional events that integrated new technologies attracted higher traffic and boosted sales. Tai Po Mega Mall also recorded high occupancy with stable rental performance. The upcoming establishment of a cineplex will further strengthen its positioning as a lifestyle shopping destination for local customers.

Life@KCC came from the conversion of an industrial building into a shopping mall, and is the Group's first retail project under the Government's revitalization measures of industrial buildings. The project is conveniently located with direct access to MTR Kwai Hing Station and the Group's premium grade-A office towers – Kowloon Commerce Centre. This 10-storey retail complex was soft-opened in June this year and its occupancy continued to ramp up. It houses a wide range of retail and dining outlets, providing more shopping convenience and options to nearby residents and working population.

Offices

A buoyant local economy and the rapid development in the Greater Bay Area are bringing new demands and opportunities for the office market in Hong Kong. On the back of these positive market developments, the Group's diversified premium office portfolio of over 10 million square feet continued to perform well with positive rental reversions and sustained high overall occupancy during the year.

Given its prime location in the core of Central right above the Airport Express Hong Kong Station, IFC continued to be a preferred office location for leading international financial institutions. Together with the adjoining IFC Mall, Four

Seasons Hotel Hong Kong and the luxury serviced suites at Four Seasons Place, the integrated development has firmly established itself as a thriving commercial hub that encompasses everything financial professionals need, be it work, play or relaxation. While the office towers are virtually fully leased, strong demand continued to prevail, from leading financial corporations including mainland institutions. During the year, the IFC achieved positive rental reversions.

Across the Victoria Harbour in West Kowloon, ICC has helped the area to evolve into a major business hub outside Central and houses a diverse mix of tenants ranging from international financial institutions to multinational companies. Currently being the only grade-A office tower above MTR Kowloon Station, ICC is well-positioned to benefit from more cross-border traffic and business opportunities arising from the Express Rail Link (Hong Kong Section). The growing vibrancy of the West Kowloon Cultural



○ IFC, Central

Review of Operations – Hong Kong Property Business

Property Investment

District will establish the area more firmly as a hub for business, tourism, culture and entertainment activities. Almost fully leased, ICC recorded solid increases in rental rates on new leases and renewals.

Millennium City is another of the Group's major office clusters, located in Kowloon East which is rapidly becoming a major new business hub. Given the stable demand for large floor plates under single ownerships with easy transportation, Millennium City remains a favourable hotspot for big corporations. With its proximity to two MTR stations and complemented by APM, the cluster continued to draw keen interest from diverse tenants in the areas of banks, services and trading. During the year, high overall occupancy and positive rental reversions were recorded. In the medium term, the Group's portfolio in the neighbourhood will be further strengthened upon the completion of the 98 How Ming Street development. Please refer to page 30 for details of this development.

The Group's other premium offices also performed well during the year. In Wan Chai, Central Plaza and Sun Hung Kai Centre were almost fully leased, thanks to stable demand and limited supply in the area. The office towers at Metroplaza in Kwai Fong and Grand Central Plaza in Sha Tin continued to enjoy high occupancies and solid year-on-year rental increases. Both office towers have broad tenant bases including consultancy firms, insurance companies and trading and manufacturing companies.

Other than new quality office additions, the Group continued to strengthen the competitiveness of its portfolio through renovation upgrades and superior property management services, including the increasing deployment of innovative technologies. With the latest transit management elevator system,



○ Millennium City, Kwun Tong

passengers at ICC are able to reduce travel time to different floors and the whole building can substantially save energy. Renovation work in Central Plaza and Grand Central Plaza is making good progress while the refurbishment of the main lobby for Two IFC is under planning.



○ ICC, West Kowloon



○ Vega Suites, Tseung Kwan O

Residential, Serviced Suites and Others

Signature Homes, the Group's luxury residential leasing arm, manages about one million square feet of luxury residential units and about 700 attributable luxurious serviced suites. During the year, the leasing performance of luxury residential units remained stable with improved overall occupancy. Leveraging the Group's premium brand and quality management service, the Group's luxury residential units continued to be favoured by both overseas and local tenants.

The Group's luxury serviced suites also reported better performance with improved overall occupancy and positive rental reversions. Sitting atop Airport Express stations, both Four Seasons Place in Central and The HarbourView Place in West Kowloon remained the preferred choice for senior executives of multinational companies, and recorded higher revenue and satisfactory occupancy. Riding on an expanding business district in Kowloon East, and being the only luxury serviced suites in Tseung Kwan O, Vega Suites, atop MTR Tseung Kwan O Station, is well placed to capture the keen demand by executives for premium serviced suites, contributing to its rental income growth and positive rental reversions.

The Group's property investment portfolio also includes industrial buildings, godowns and car parking bays. During the year, these sectors combined continued to record positive rental income growth and satisfactory overall occupancy.



○ HarbourView Place, West Kowloon

Property Investment



○ *Four Seasons Place, Central*

Properties Under Development

The Group's leading position in developing rental properties has been further solidified and enhanced by new projects in the pipeline. In attributable terms, about three million square feet of premium properties for investment in Hong Kong will be completed over the short- to medium-term, and these will become an important growth driver for the Group's sizable recurrent income.

V Walk is a two-storey podium mall with about 298,000 square feet of retail space underneath the Cullinan West residential development. Sitting atop MTR Nam Cheong Station, V Walk is expected to further benefit from integrated railway connections following the commissioning of the Express Rail Link (Hong Kong Section) in late September 2018. To serve the rising population in the vicinity and growing demand from young families for quality retail experiences, this premium shopping mall will house 150 retailers in six categories and a cineplex. A wide variety of dining, trendy fashions as well as skincare and cosmetics stores will be available for shoppers. Targeted to open in mid 2019, the mall will become a new hotspot for leisure and entertainment that converges with the vibrance in southwest Kowloon.

Harbour North, the retail component of the Group's integrated project in North Point, will add approximately 145,000 square feet to the portfolio. The first phase of some 7,000 square feet of street level shops along Java Road is scheduled to open in early 2019. Superstructure work for the second phase, covering about 138,000 square feet, has been completed. This second phase is expected to open in the first quarter of 2020. Together with the adjoining retail space of 67,000 square feet at Hotel VIC to be opened in late 2018, Harbour North is expected to serve as a popular rendezvous for chic shopping,

dining, and entertainment in the area. Upon its full completion, this integrated development, including the Victoria Harbour residential development and Harbour North, will further elevate the neighbourhood's status on Island East.

The first three phases of the PopWalk series in Tsuen Kwan O South, totalling 162,000 square feet, have already opened, and the 80,000-square-foot Ocean PopWalk represents the final phase of the development. Scheduled to open in the second quarter of 2019, this shopping mall, surrounded by biking tracks along the waterfront, will provide al fresco dining by the sea and a greater variety of shopping options for the growing number of young families in the vicinity. The proposed 750,000-square-foot park will provide a lush green environment in the neighbourhood upon its full completion. Pre-leasing of Ocean PopWalk is currently under way with positive feedback.

The Group's 20%-owned Citygate will be further enlarged synergizing with its whole extension. The Citygate extension comprises a total retail gross floor area of about 340,000 square feet in



○ Harbour North, Island East

seven storeys and a hotel seamlessly connected to the existing mall. Featuring a cinema and a wide range of retailers, the retail portion of the extension is scheduled to open in 2019. Benefitting from its unique location with close proximity to the airport and tourist attractions, the mall is set to capture growing opportunities due to its positioning as a shopping paradise in Tung Chung. Upon full completion, the combined 800,000-square-foot shopping mall will provide an exceptional retail experience for local and worldwide travellers. Please refer to page 79 for further details of the hotel portion.

The Group's 98 How Ming Street project under development (effective stake of about 68.7%) will be a sizeable new addition to its Hong Kong rental

portfolio in the medium term. The site has a total gross floor area of about 1.2 million square feet, of which the majority will be developed into grade-A offices with the remainder earmarked for premium retail space. With a footbridge linking to Millennium City 6, the new development is expected to synergize with the Millennium City cluster and significantly strengthen the Group's presence in Kowloon East upon completion. Please refer to page 30 for construction progress of the project.



○ V Walk, West Kowloon

Property Investment

Major Completed Properties in Hong Kong

Project	Location
Hong Kong Island	
One IFC	1 Harbour View Street, Central
Two IFC / IFC Mall	8 Finance Street, Central
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
Hotel VIC	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	1 Austin Road West
The Ritz-Carlton, Hong Kong / W Hong Kong / The HarbourView Place	1 Austin Road West
Millennium City 1 ⁽¹⁾	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	193 Prince Edward Road West, Mong Kok
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 ⁽²⁾	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) Including the attributable share in areas held by SUNeVision, in which the Group has a 74% interest

(2) Formerly named as Hing Wah Centre

(3) Including car parking area

Attributable Gross Floor Area (square feet)

Lease Expiry	Group's Interest (%)	Residential	Shopping Centre/Shops	Office	Hotel	Industrial	Total
2047	50	-	-	392,000	-	-	392,000
2047	50	-	320,000	566,000	-	-	886,000
2047	50	-	-	-	550,000	-	550,000
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	-	-	2,524,000
2047	100	-	-	-	1,023,000	-	1,023,000
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	-	-	1,200,000
2047	100	-	-	-	400,000	-	400,000
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



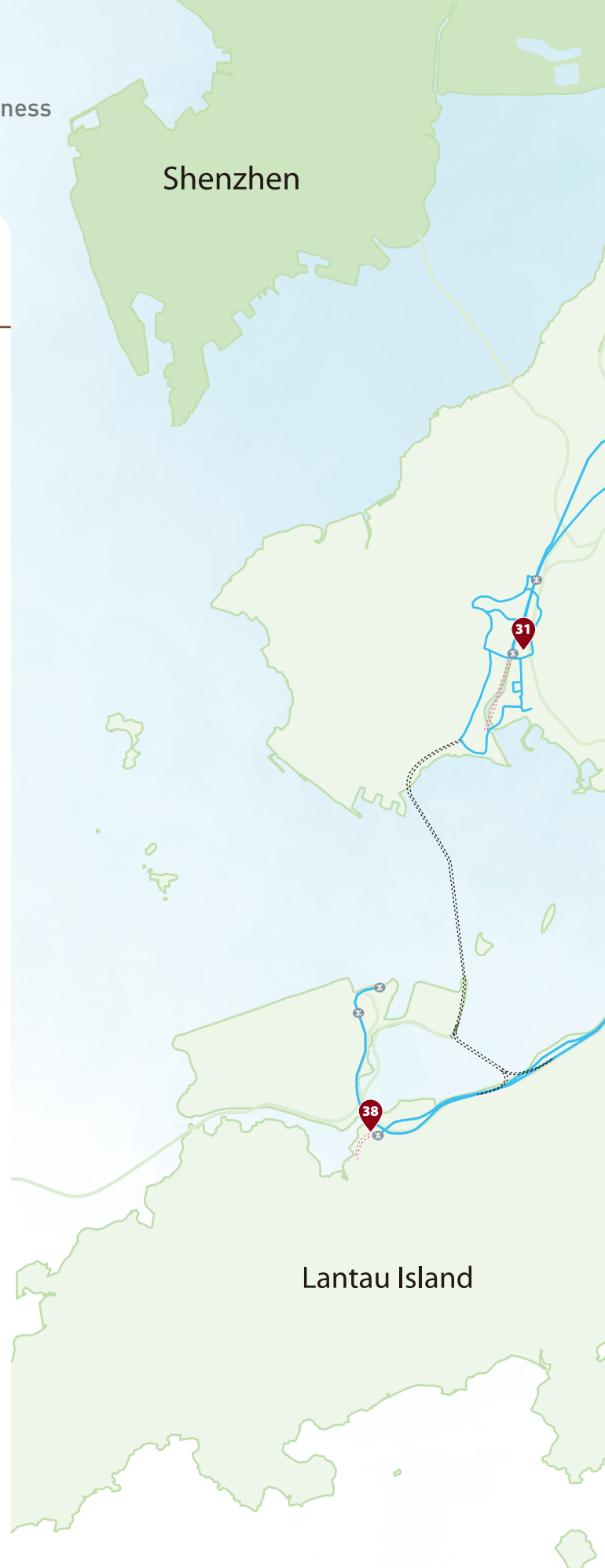
Property Investment

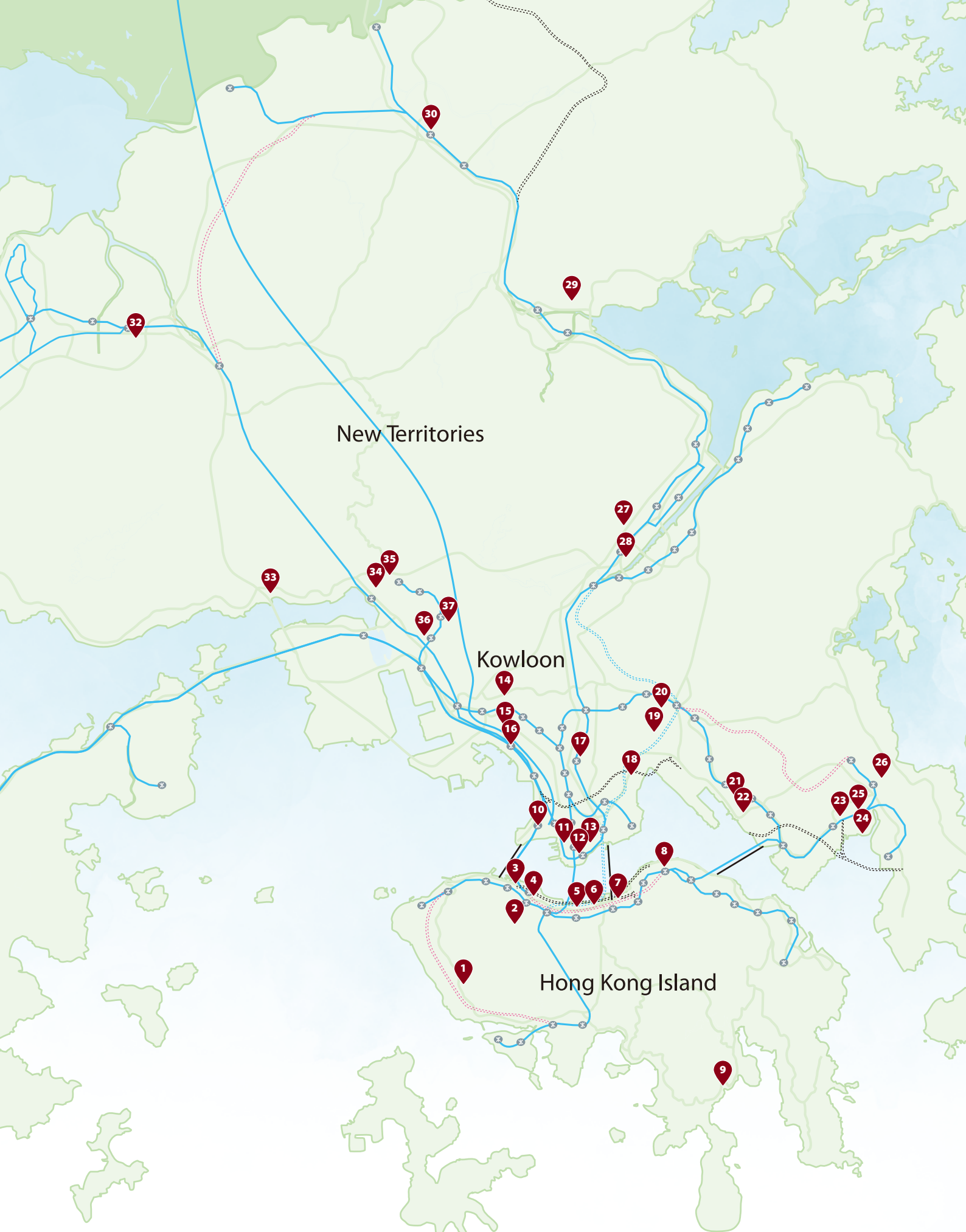
Major Completed Properties in Hong Kong

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

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

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





New Territories

Kowloon

Hong Kong Island

Mainland Property Business

Highlights

- **As at 30 June 2018, 50.7 million square feet of properties were under development in terms of attributable gross floor area**
- **An attributable 2.3 million square feet of residential and commercial properties were completed during the year under review**
- **Attributable contracted sales of about RMB3,600 million were achieved during the year**
- **A notable growth of 13% in net rental income to RMB2,935 million was achieved from an expanding rental portfolio**
- **A selective and focused investment strategy in major cities continues to be followed**

Land Bank

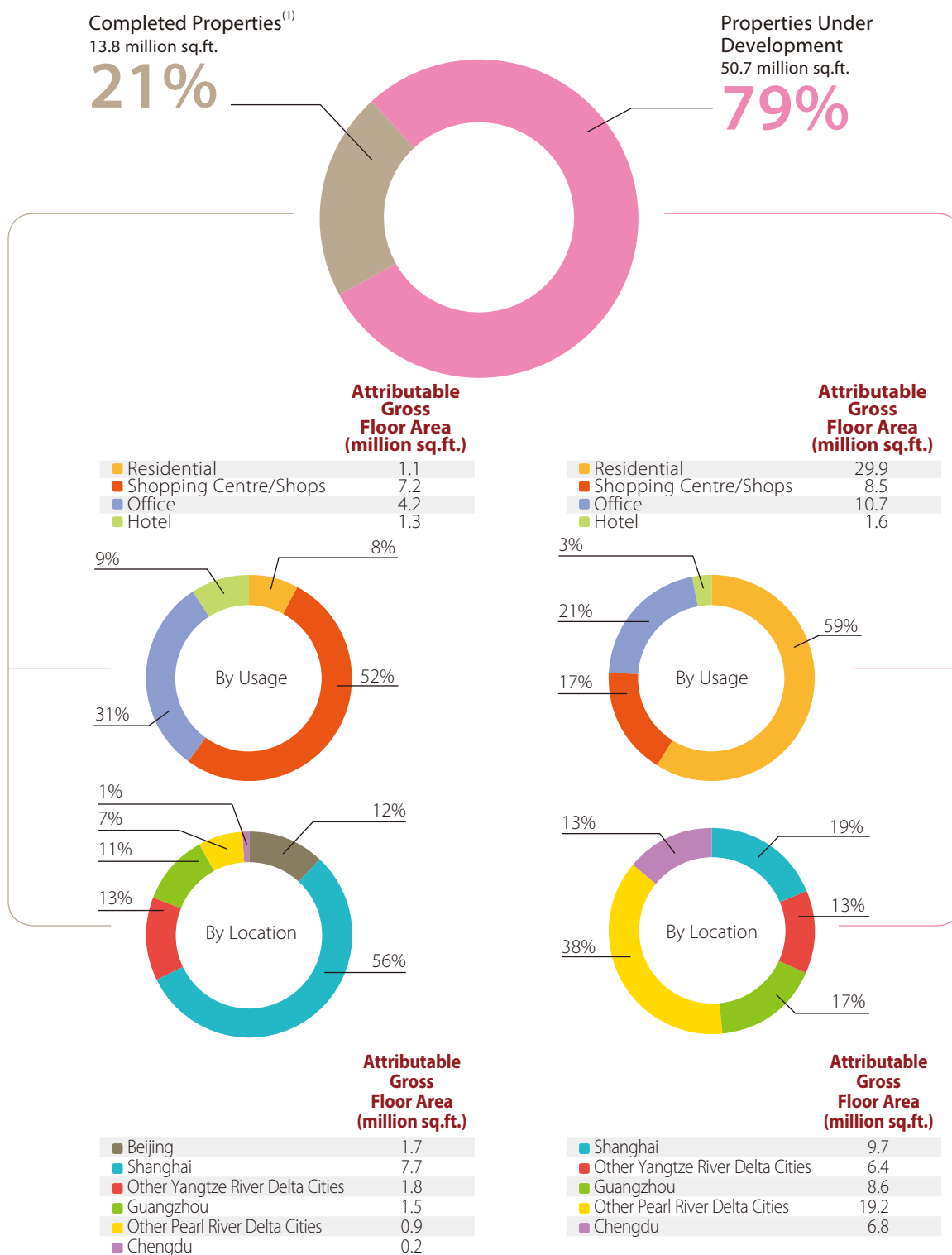
As at 30 June 2018, the Group's total land bank on the mainland stood at 64.5 million square feet of attributable gross floor area, mainly consisting of 50.7 million square feet of properties under development. The rest mainly are completed properties for rental purpose. Quality residences for sale accounted for about 60% of the properties under development, while over 80% of the completed properties were premium offices and shopping malls in strategic locations in first-tier cities for long-term investment.

In May of this year, the Group acquired a commercial site in the Nansha Free Trade Zone of Guangzhou, comprising about 435,000 square feet of gross floor area. This acquisition has further strengthened the Group's presence in Guangzhou and is likely to benefit from the thriving activity arising from the Guangdong-Hong Kong-Macao Greater Bay Area and Nansha Free Trade Zone in the foreseeable future. The Group will continue to adopt a selective and focused approach to seek business opportunities in major cities.

The Group's mainland land bank by attributable gross floor area as at 30 June 2018 was as follows:

Mainland Land Bank Composition

(64.5 million square feet of attributable gross floor area as at 30 June 2018)



(1) A substantial majority are for rent/investment

Mainland Property Business

Property Development



○ ITC, Shanghai





Rendering

○ Nanjing IFC, Nanjing



Rendering

Property Development

During the year under review, the residential market in major mainland cities continued to face a tight policy environment. End-user demand remained strong in first-tier cities but transaction volumes were constrained, due mainly to lower supply and stabilization policies. Given the spill-over demand from higher-tier cities, many lower-tier cities without such policies registered solid growth in home sales.

The Group achieved attributable contracted sales of about RMB3,600 million during the year under review. Major contributors included the wholly-owned development Grand Waterfront, Dongguan as well as a few joint-venture projects in southern China, such as Top Plaza in Zhujiang New Town CBD, Guangzhou and Oriental Bund, Foshan. Buoyed by sustainable economic development, growing urbanization and increases in household income, the Group remains positive about the mainland property market over the medium-to-long term and will continue with its selective and focused approach to exploring opportunities for land acquisitions in major cities.



○ ITC Phase 2, Shanghai

As at 30 June 2018, the Group held an attributable land bank under development of 50.7 million square feet. With a sufficient land bank for future development, the Group will continue to leverage its experience and expertise accumulated over the past decades and deliver premium residences and landmark integrated projects on the mainland.

Major Projects Under Development

Shanghai & Yangtze River Delta

International Trade City (ITC)

Xuhui, Shanghai

(100% owned)

Located in the core of Xujiahui, one of the most prominent business hubs in Shanghai, ITC follows the Group's tradition of pursuing ever-higher quality excellence and is expected to become one of the most sought-after landmarks in the city. The mega 7.6-million-square-foot integrated development consists of over four million square feet of top grade offices, more than three million square feet of prime retail space and a luxury hotel. With footbridges connecting it to nearby commercial buildings and its proximity to an interchange station for three existing and two planned metro lines, ITC will benefit from its strategic location upon completion.

One ITC, Phase 1 of the project, comprising two premium office towers totalling 170,000 square feet and a 340,000-square-foot shopping mall, was completed last year. Phase 2 of the project was completed in mid 2018, providing some 320,000 square feet of office premises supported by 43,000 square feet of retail space. For further information on the leasing progress of these two phases of the development, please refer to page 68 and page 72.

Basement work of the remaining phases has also commenced and the entire project is scheduled for completion by late 2023. The largest site of this project will comprise a luxury hotel, a 2.5-million-square-foot upmarket mall with an impressive array of leading global luxury flagships, and two office towers with an aggregate gross floor area of 3.5 million square feet, including a magnificent 370-metre skyscraper that will redefine the city's skyline upon completion.



○ Shanghai Arch, Shanghai

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

Situated along the Huangpu River, the Shanghai Arch is another urban masterpiece of the Group's highly recognizable and much sought-after Arch series. Strategically located adjacent to the Little Lujiazui, Shanghai Arch commands panoramic views of the Bund and other magnificent scenery. Occupying a total floor area of 1.7 million square feet, the project offers exquisitely designed luxury residences.

Consisting of about 200 luxury apartment units with a total gross floor area over 500,000 square feet, Phase 1 of the project has been furnished with the finest and most meticulously chosen materials. The first phase received encouraging response with units virtually sold out and handed over before 2016.

Arch Residence, Phase 2A of the project, consists of over 170 carefully crafted units occupying over 200,000 square feet of gross floor area. The 450,000-square-foot Phase 2B is now under development, containing 175 luxury units in four residential towers as well as several town houses. Like the previous phase, it will also offer homebuyers luxury accommodations with exceptional quality and rarity. Targeted for completion in financial year 2019/20, construction work of Phase 2B has entered the final stage. Phase 3 will offer over 200 luxury units totalling 470,000 square feet of gross floor area in four residential towers and several town houses. Construction work of Phase 3 has begun, with its basement structure scheduled for completion by the end of 2018.

TODTOWN
Minhang, Shanghai
(35% owned)

Ideally situated in the heart of Xinzhuang business hub of southwest Shanghai, TODTOWN is a large-scale transit-oriented development project strategically sitting atop an interchange station for some existing and planned metro lines. Featuring contemporary designs and linked with an integrated transport hub, TODTOWN will serve as an urban oasis in the southwestern gateway of the city.

The over four-million-square-foot project is being developed in phases, and encompasses some 1.9 million square feet of premium apartments, 500,000 square feet of quality office space, a luxury hotel, and a 1.4-million-square-foot trendy shopping mall with a sky garden as a highlight of the project. With natural elements being integrated into the commercial complex, TODTOWN is set to become a focal point for living, business, shopping and entertainment.

Phase 1 of the project, consisting of three residential towers totalling 600,000 square feet of gross floor area, has been topped out with windows being installed and it is expected to be handed over in 2020. About two-thirds of this phase were launched and sold out in early August this year while the remaining units are planned for sale in the first half of 2019. Phase 2 of the project has seen the construction work of its first two towers progressing smoothly, providing over 800,000 square feet of quality apartments.



○ TODTOWN, Shanghai

Property Development



○ Suzhou ICC, Suzhou

Suzhou Project Yuanqu, Suzhou

(90% owned)

The Suzhou project encompasses three sites with a total gross floor area of about 3.5 million square feet. The 300-metre-tall Suzhou ICC, situated at a site in the east Jinji Lake business centre, will be developed into an integrated development. This two-million-square-foot new landmark will comprise grade-A offices, premium residences and a shopping mall. Foundation work of the tower has already been completed. The project offers convenient intra- and inter-city transport as it will be linked to a metro line station and a station on the Shanghai-Suzhou express rail.

Situated on the southern bank of Jinji Lake and within walking distance to a metro station under construction, the 900,000-square-foot Lake Genève is a low-density residential project that redefines the city's waterfront luxury living. Covering a total gross floor area of about 500,000 square feet, all houses in Phase 1 were virtually sold out and delivered to buyers before 2015. Phase 2 will be developed in three batches, with

the superstructure work for the first two batches progressing smoothly. Scheduled for completion in financial year 2019/20, the first two batches will provide 74 houses totalling about 270,000 square feet of gross floor area.

The last site adjacent to Lake Genève will be developed into a top brand hotel, the Four Seasons Hotel. Offering over 200 exclusive suites that enjoy tranquil lake views and top-notch facilities and services, this urban resort hotel will provide an exquisite experience for tourists and business travellers after its completion. For further information on the hotel, please refer to page 79.

Nanjing IFC Hexi CBD, Nanjing

(100% owned)

The 3.4-million-square-foot Nanjing IFC is an iconic mixed-use development atop an interchange station of two existing metro lines. Located in the Hexi central business district with panoramic views overlooking the central park, the project consists of two landmark office towers of about two million square feet, an upscale shopping mall of over one million square feet and a five-star hotel.



○ Nanjing IFC, Nanjing

The podium shopping mall and the 198-metre-tall office tower are both scheduled for completion in financial year 2018/19. Superstructure work of the 290-metre-tall office tower is progressing smoothly and the tower is slated for completion by 2020. For further information on Nanjing IFC, please refer to page 72.

Guangzhou & Pearl River Delta

Park Royale Huadu, Guangzhou *(100% owned)*

Spanning over eight million square feet of gross floor area, Park Royale is a large premium residential development being developed in phases. Overlooking the Hongxiuquan Reservoir, the project enjoys tranquil and verdant scenery. The project also benefits from the new metro line that commenced operation at the end of 2017 and is now providing easier access to other parts of the city.

The two-million-square-foot Phase 1 was virtually sold out and handed over by 2014, while buyers started to take possession of the one-million-square-foot Phase 2A beginning in the third quarter of 2017. The exquisite design and premium building quality of these units have won high praise from buyers.



○ Park Royale, Guangzhou



○ Oriental Bund, Foshan

Phase 2B, spanning over 1.2 million square feet of gross floor area, will provide over 1,000 quality units in six residential towers. This phase is scheduled for completion in 2020 and its superstructure work is progressing smoothly.

Oriental Bund Chancheng, Foshan *(50% owned)*

Being developed in phases, the 30-million-square-foot Oriental Bund is a mega development located in the southern part of the urban area of Foshan. The riverside project is adjacent to a station of Guangfo Metro Line, providing convenient transport to other parts of the city and Guangzhou. Having been virtually sold out, the some 2,700 quality apartments comprising the over 3.6-million-square-foot Phase 1 were delivered to buyers before the first quarter of 2018 and have been commended for their building quality and designs. The 230 apartments of the 260,000-square-foot Phase 2A were virtually sold out and handed over to buyers beginning at the end of 2017.

Some 120 town houses of the 240,000-square-foot Phase 2B were also put on the market in batches in the fourth quarter of 2017 with favourable market response. Phase 2C and 2D saw superstructure work progressing smoothly, comprising over 1,900 quality apartments with a total gross floor area of about 2.2 million square feet. These units are being launched in batches with a positive response.

Construction work for Phase 3A has also commenced. This phase comprises approximately 2,100 units with a total gross floor area of over 900,000 square feet. The majority of these units will enjoy splendid views of the Dongping River.

Property Development

The Woodland

Zhongshan 5 Road, Zhongshan

(Joint venture)

The Woodland is a signature residential development in Zhongshan's city centre, covering a total gross floor area of about 5.6 million square feet. Benefitting from the development plan of the Greater Bay Area, the project is believed to have promising prospects. With the recent completion of the Hong Kong-Zhuhai-Macao Bridge, the project provides easier access to key cities in the Greater Bay Area. Its transport network will be further enhanced after the completion of the Shenzhen-Zhongshan Bridge.

About four million square feet of gross floor area were virtually sold out and handed over to buyers by 2017, setting a new benchmark for luxury living in the city and winning praise for its building quality and attentive after-sale services. Phase 5A, the latest phase under development, kicked off foundation work last year and superstructure work is progressing smoothly. With a majority of the units overlooking the lush Zimaling Park, this phase comprises over 460 units in six residential towers with about 710,000 square feet of gross floor area and retail shops. These units are scheduled for completion in financial year 2019/20.



○ *The Woodland, Zhongshan*



○ *Grand Waterfront, Dongguan*

Grand Waterfront

Shilong, Dongguan

(100% owned)

The 4.5-million-square-foot Grand Waterfront is a quality residential development in the business district of Shilong, with the majority of units providing sweeping river views of Dongjiang. Along the riverside is an 800-metre-long green belt promenade under construction, adding lush greenery to the development. With close proximity to the Dongguan Station, an interchange station of a metro line and the Guangzhou-Shenzhen railway, the project enjoys convenient intra- and inter-city transport between Guangzhou, Shenzhen and Hong Kong.

The one-million-square-foot Phase 1 at Grand Waterfront was virtually sold out and handed over to buyers by 2016, having received much acclaim for its custom designs and fine building quality. The 840,000-square-foot Phase 2, providing some 960 units in four residential towers, has also received encouraging sales response since the phase was launched in the second quarter of 2017. Around 90% of the 720 launched units were sold. These units have been handed over to buyers since the third quarter of 2018. The 1.2-million-square-foot Phase 3 comprises some 870 units in six residential towers. Construction work of Phase 3 will commence after the planning work is finalized.



○ Jovo Town, Chengdu

Other Cities

Jovo Town Tianfu New Area, Chengdu

(91% owned)

Jovo Town is a large-scale residential development in Tianfu New Area, spanning a total gross floor area of about 6.8 million square feet. To be developed into over 4,000 quality residential units adjacent to an ocean park, the development benefits from its proximity to an iconic exhibition-and-convention centre in the vicinity as well as the government's Tianfu New Area development plan. The project provides convenient intra-city transport within walking distance of an interchange station for two metro lines and a light rail station under construction.

The first two phases of the project, totalling about 4.5 million square feet of gross floor area, were virtually sold out and handed over to buyers before 2017. The thoughtful design and quality building material of these units were widely acclaimed in the market.

Phase 3 of the project comprises over 1,400 quality units in 13 residential towers with a total gross floor area of about 2.3 million square feet. Planning work for this phase has entered into the final stage. Construction work is expected to commence soon after the plans are approved.

Chengdu ICC Jinjiang, Chengdu

(40% owned)

The 14-million-square-foot Chengdu ICC in a future business hub of Chengdu is an extensive integrated development above an interchange station of two metro lines. The project also provides convenient inter-city transport with its close proximity to the Chengdu East Rail Station, while the nearby Tazishan Park and Shahe River bring a refreshing and verdant touch to the project.

Consisting of seven million square feet of premium residences, four million square feet of prime office space, 1.8 million square feet of quality retail space and a five-star hotel, the project is being developed into a complex equipped with resourceful education and entertainment facilities that accommodate the needs of middle-class residents and white collar workers in the vicinity.

The 1.6-million-square-foot Phase 1, namely Sirius, was virtually sold out and handed over to buyers by 2016. The 700,000-square-foot Phase 2A, namely The Arch • Chengdu, was also virtually sold out, with buyers starting to take possession of their units beginning in May 2018. The quality of the residential units has been well received by homebuyers.

The two approximately 150-metre-tall residential towers of Phase 2B, namely The Arch Suites, will provide over 1,100 quality units totalling about one million square feet of gross floor area. Superstructure work for Phase 2B is progressing smoothly. The 1.2-million-square-foot shopping mall within the project will be completed in phases, and its construction work is progressing as scheduled. For further information on the shopping mall, please refer to page 73.



○ Chengdu ICC, Chengdu

Property Development

Major Projects Under Development on the Mainland by Year of Completion

Project	Project Name	City
Scheduled Completion in FY2018/19		
Pu Ming Road Project Phase 2A	Arch Residence	Shanghai
Xujiahui Centre Project Phase 2	ITC	Shanghai
Hexi CBD Project Phase 1	Nanjing IFC	Nanjing
Chancheng Project Phase 2C	Oriental Bund	Foshan
Shilong Project Phase 2	Grand Waterfront	Dongguan
Dongda Avenue Project Phase 2B	The Arch Suites	Chengdu
Year Total		
Scheduled Completion in FY2019/20		
Pu Ming Road Project Phase 2B	Shanghai Arch	Shanghai
Suzhou Project Phases 2A & 2B	Lake Genève	Suzhou
Hexi CBD Project Phase 2	Nanjing IFC	Nanjing
Shiling Project Phase 2B	Park Royale	Guangzhou
Chancheng Project Phase 2D	Oriental Bund	Foshan
Zhongshan 5 Road Project Phase 5A	The Woodland	Zhongshan
Year Total		
Scheduled Completion in FY2020/21		
Minhang Project Phase 1	TODTOWN	Shanghai
Suzhou Project Phases 2C & 3A	Lake Genève	Suzhou
Chancheng Project Phases 2B & 3A	Oriental Bund	Foshan
Shilong Project Phase 3	Grand Waterfront	Dongguan
Dongda Avenue Project Phases 2C & 3	Chengdu ICC	Chengdu
Shuangliu County Project Phase 3	Jovo Town	Chengdu
Year Total		
Major Projects Scheduled for Completion in FY2021/22 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
Hexi CBD Project remaining phases	Nanjing IFC	Nanjing
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 FY2021/22 or Beyond		

(1) Gross floor area including basement retail area; residential area including serviced apartments

(2) Gross floor area distribution is subject to change as the development plan has yet to be finalized

Attributable Gross Floor Area (square feet)⁽¹⁾

Group's Interest (%)	Residential	Shopping Centre/Shops	Office	Hotel	Total
100	207,000	–	–	–	207,000
100	–	43,000	321,000	–	364,000
100	–	1,083,000	504,000	–	1,587,000
50	702,000	29,000	–	–	731,000
100	840,000	–	–	–	840,000
40	395,000	–	–	–	395,000
	2,144,000	1,155,000	825,000	–	4,124,000
100	447,000	–	–	–	447,000
90	246,000	–	–	–	246,000
100	–	–	1,495,000	–	1,495,000
100	1,223,000	–	–	–	1,223,000
50	390,000	17,000	–	–	407,000
JV	714,000	59,000	–	–	773,000
	3,020,000	76,000	1,495,000	–	4,591,000
35	214,000	–	–	–	214,000
90	145,000	–	–	291,000	436,000
50	571,000	–	–	–	571,000
100	1,195,000	–	–	–	1,195,000
40	–	572,000	–	–	572,000
91	2,086,000	–	–	–	2,086,000
	4,211,000	572,000	–	291,000	5,074,000
100	467,000	18,000	–	–	485,000
35	445,000	502,000	189,000	75,000	1,211,000
100	–	2,668,000	3,770,000	269,000	6,707,000
40	–	–	162,000	143,000	305,000
90	527,000	412,000	861,000	200,000	2,000,000
100	–	–	–	344,000	344,000
100	4,418,000	82,000	–	–	4,500,000
60	2,500,000	–	–	–	2,500,000
100	–	435,000	–	–	435,000
50	8,273,000	1,420,000	1,454,000	109,000	11,256,000
JV	727,000	92,000	–	–	819,000
100	1,450,000	88,000	–	–	1,538,000
91	–	80,000	–	–	80,000
40	1,682,000	244,000	1,652,000	165,000	3,743,000
	20,489,000	6,041,000	8,088,000	1,305,000	35,923,000



Property Development

Major Mainland Projects

- Residential
- Shopping Centre/Shops
- Office
- Hotel

City	Project Name	Usage
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Major Completed Properties

Beijing	1 Beijing APM / Sun Dong An Office Tower	● ●
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SHANGHAI & YANGTZE RIVER DELTA

Shanghai	2 Arcadia	● ●
	3 Shanghai IFC / Shanghai IFC Mall / The Ritz-Carlton Shanghai, Pudong / IFC Residence	● ● ●
	4 Shanghai ICC / IAPM	● ●
	5 Shanghai Central Plaza	● ●
6 One ITC	● ●	

Hangzhou	7 Hangzhou MIXC / Park Hyatt Hangzhou	● ● ●
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Wuxi	8 Wuxi MIXC	●
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GUANGZHOU & PEARL RIVER DELTA

Guangzhou	9 Parc Central	●
	10 IGC / Conrad Guangzhou	● ●
Foshan	11 Nanhai Plaza	●

City	Project Name	Usage
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Major Properties Under Development

SHANGHAI & YANGTZE RIVER DELTA

Shanghai	12 Shanghai Arch	● ●
	13 TODTOWN	● ● ● ●
	14 ITC	● ● ●
Suzhou	15 Suzhou Project	● ● ● ●
Wuxi	16 Taihu International Community	● ●
Nanjing	17 Nanjing IFC	● ● ●

GUANGZHOU & PEARL RIVER DELTA

Guangzhou	18 Park Royale	● ●
	19 Lake Dragon	●
	20 Nansha Qingsheng Project	●
Foshan	21 Oriental Bund	● ● ● ●
Dongguan	22 Grand Waterfront	● ●
Zhongshan	23 The Woodland	● ●

OTHER CITIES

Chengdu	24 Jovo Town	● ●
	25 Chengdu ICC	● ● ● ●





Beijing



Nanjing



Wuxi



Suzhou



Shanghai



Hangzhou

Chengdu



Guangzhou & Pearl River Delta



Guangzhou



Foshan

Dongguan



Zhongshan



Hong Kong



Mainland Property Business

Property Investment



○ Shanghai ICC, Shanghai

○ Shanghai IFC, Shanghai





Property Investment



○ Shanghai IFC, Shanghai

The Group has developed a premium property investment portfolio of 12.8 million square feet in attributable terms on the mainland through its focused and selective approach, including a variety of large-scale integrated projects in strategic locations of first-tier cities. Rental income grew healthily during the year with gross rental income rising 11% to RMB3,701 million and net rental income up 13% to RMB2,935 million, including contributions from joint-venture developments. The growth was mainly driven by positive rental reversions and contributions from new completed properties.



○ One ITC, Shanghai

Completed Properties

Shopping Centres

The Group has an expanding network of shopping malls in key mainland cities, currently amounting to over seven million square feet of gross floor area in attributable terms. During the year, the Group's mainland retail rental business continued to perform well with positive rental reversions and high occupancy.

The Group's strong presence in the Shanghai retail property market has been further strengthened by the addition of One ITC, the first phase of the 7.6-million-square-foot ITC integrated development. For details of the development mix of the project, please refer to page 56. Located in the Xujiahui commercial core with a convenient transport network, the 340,000-square-foot grand luxury mall at One ITC will feature an array of leading flagship stores and acclaimed restaurants over five levels, mainly targeting millennials. Pre-leasing has commenced with encouraging response. Scheduled to open by mid 2019, the mall is expected to be a prototype of the anchor shopping centre of 2.5 million square feet under development. Please refer to page 71 and page 72 for more details of One ITC offices and the remaining phases of ITC respectively.



○ Shanghai IAPM, Shanghai

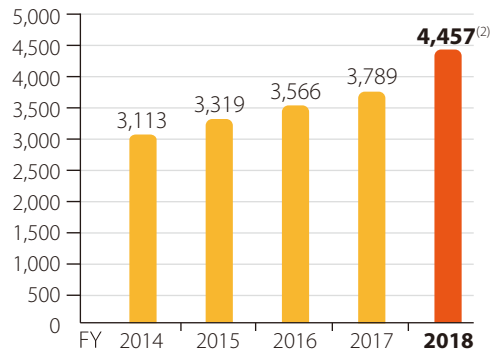
Shanghai IFC, one of the Group's iconic projects on the mainland, is situated at the core of Pudong with direct linkage to the Lujiazui metro station. Within the complex, the 1.2-million-square-foot Shanghai IFC Mall houses one of the largest collections of luxury flagship stores and fine dining restaurants in Shanghai, making it a must-visit shopping destination for premium, high-spending locals and tourists on the mainland. Healthy retail sales growth and notable rental reversions were recorded during the year. The mall's allure will be further enhanced with additional duplexes for top-notch brands and multiple state-of-the-art audio-visual equipment introduced on various floors for the staging of promotional activities. Please refer to page 71 for more details of offices at Shanghai IFC.

Shanghai ICC is another of the Group's flagship integrated projects, located in the traditional shopping district in Puxi and conveniently connected to an interchange station for three metro lines. IAPM, the retail portion of Shanghai ICC, is an upscale, trendy mall with late-night offerings for busy white-collar professionals and night owls. Complemented by a dynamic shopping experience driven by the integration of new technologies and conventional promotional activities, the 1.3-million-square-foot mall continued to enhance its image as a trendsetting pioneer by bringing in additional modern fashion retailers, lifestyle brands and pop-up stores of renowned brands. The year under review saw IAPM record higher rents for new leases and renewals. Please refer to page 71 for more details of the office towers at Shanghai ICC.

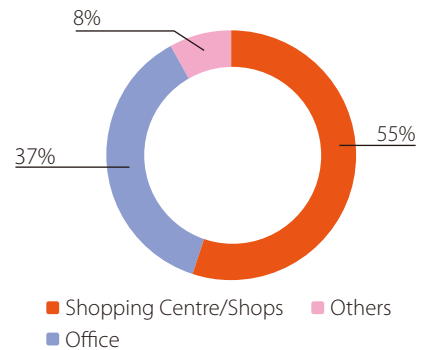
Located on the far-famed Middle Huaihai Road in Puxi, Shanghai Central Plaza consists of 130,000 square feet of retail space. The mall will have a fresh look inside and out following the completion of the large-scale reconfiguration and renovation by mid 2019. It will boast an array of trendy and athleisure brands which is one of a kind in the city, appealing to the young generation. Please refer to page 71 for more details of the offices at Shanghai Central Plaza.

Gross Rental Income on the Mainland⁽¹⁾

HK\$ million



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 RMB3,701 million

Property Investment



○ Beijing APM, Beijing

Beijing APM in the prime Wangfujing shopping area covers over one million square feet with a wide selection of fine-dining restaurants and leading global retailers. The mall's accessibility will be further enhanced on completion of the nearby Wangfujing North Station in 2020. During the year, Beijing APM registered positive rental reversions. To further appeal to young local shoppers, new cosmetics brands and a sportswear zone were introduced. Please refer to page 71 for more details of the Sun Dong An office tower atop Beijing APM.

The Group's retail portfolio has been extended to another first-tier city with two joint-venture shopping malls in downtown Guangzhou. The one million-square-foot IGC is part of the large-scale Tianhui Plaza integrated development, with a direct connection to the Liede metro station in Zhujiang

New Town. Featuring a wide range of international brands, the premium mall has become a shopping hotspot for affluent consumers, and its occupancy has been ramping up since opening in late 2016. The top floor of the mall is designated for al fresco dining restaurants overlooking spectacular river views. Parc Central in Tianhe commercial district covers a gross floor area of 900,000 square feet, offering customers an unconventional shopping experience. The mall has introduced international brands making their debut in Guangzhou as well as lifestyle-oriented stores such as a renowned coffeehouse and a popular Japanese-cuisine cooking studio. Tenant sales and traffic have been ramping up during the year.

Offices

With remarkable designs and building quality, complemented by premium services and easy accessibility, the Group's portfolio of about four million square feet of quality offices on the mainland remained much-coveted business addresses for renowned financial institutions, multinationals and major mainland companies. During the year, promising results were achieved with high occupancy and positive rental reversions.



○ Parc Central, Guangzhou



○ Shanghai ICC, Shanghai

One ITC on Huashan Road in Shanghai, representing the first phase of the ITC mega development, comprises two office towers of about 170,000 square feet of gross floor area and a mall. Handed over to tenants in 2017, the office towers at One ITC have been well received by the market. Renowned multinational corporations have already moved in, including a US co-working space provider. Please refer to pages 68 and 72 for more details of the mall at One ITC and the remaining phases of ITC respectively.

Located in the heart of the Lujiazui Finance and Trade Zone in Pudong, Shanghai IFC houses grade-A office towers, the Shanghai IFC Mall, The Ritz-Carlton Shanghai, Pudong and deluxe serviced apartments, making it a first-class integrated development for business, leisure and residence in the city. Featuring grade-A hardware and facilities along with professional management services, the Group's attributable office space in the twin towers

is almost fully leased, with tenants largely comprising global banks and professional firms. Strong growth in rental rates on renewals was recorded during the year. Please refer to page 69 for more details of Shanghai IFC Mall.

Shanghai ICC, situated in the heart of Puxi commercial zone on Middle Huaihai Road, incorporates two grade-A office towers, the trendy IAPM shopping mall and deluxe residences. Totalling 1.3 million square feet, the two office towers house many leading multinationals and fast-moving consumer goods companies. Both office towers performed well with high occupancy and healthy rental reversions during the year. Please refer to page 69 for more details of Shanghai IAPM.

Shanghai Central Plaza also on Middle Huaihai Road has over 360,000 square feet of office space in attributable terms. The phased renovation of the office towers will start in late 2018 to enhance their competitiveness in the Puxi commercial district. Sun Dong An Office Tower in Beijing is complemented by the Beijing APM mall underneath, which offers a wide range of shopping and dining facilities for office tenants. Its occupancy stayed high with positive rental reversions during the year. Please refer to pages 69 and 70 for more details of the mall at Shanghai Central Plaza and Beijing APM respectively.



○ One ITC, Shanghai

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
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
Shanghai Central Plaza	381 Middle Huaihai Road, Shanghai	2044	80
Arcadia	88 Guang Yuan Xi Road, Shanghai	2064	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

(1) Including basement retail area

Properties Under Development

Leveraging its extensive experience and long-standing relationships with its broad network of tenants, the Group's rental properties in the pipeline will further strengthen its portfolio and, upon full completion, will provide satisfactory returns with a stable income stream.

Having set the standards of excellence for years in Shanghai with its two landmark projects Shanghai IFC and Shanghai ICC, the Group's new wholly-owned development ITC will further solidify its leading footprint in developing integrated projects on the mainland. Sitting at the junction of three existing and two future metro lines at the Xujiahui metro station in Puxi, this 7.6-million-square-foot mega project will provide all-weather shopping with three million square feet of retail space, four million square feet of quality offices, and a luxury hotel. With the planning of a diverse tenant base, an IMAX cinema, al fresco dining and entertainment amenities, this development is set to attract strong interest from renowned office and retail tenants.

Phase 2 of ITC was recently completed in July 2018. Located at Gongcheng Road, the 320,000 square-foot premium office space has already been fully leased, while leasing of the 43,000-square-foot retail space is currently under

way with positive response. Construction of the remaining phases is progressing well. Upon its full completion by late 2023, the entire project is expected to not only significantly boost the Group's rental income from the mainland, but also help enhance the whole area into a more competitive central business district. Please refer to pages 68 and 71 for more details of the mall and offices at One ITC respectively.

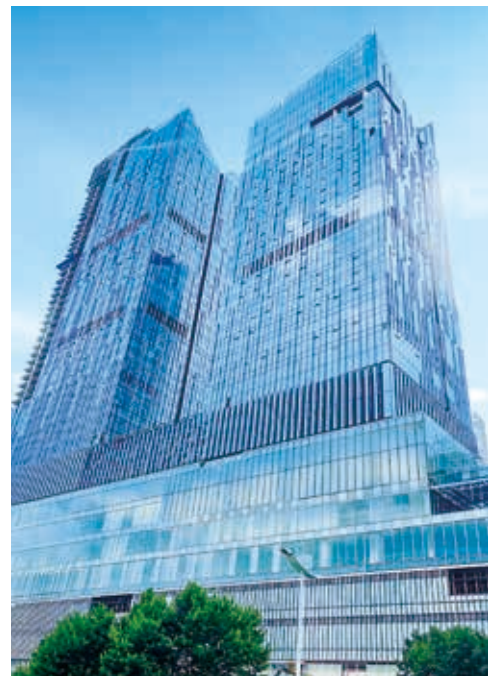
Nanjing IFC is another of the Group's landmark integrated projects. To be completed by mid 2019, the first phase of the project will include Nanjing One IFC office tower, a shopping mall and a hotel. Preliminary leasing response is encouraging with keen interest from international retailers and office tenants. The 290-metre-tall Nanjing Two IFC office tower in the second phase is almost topped out. Please refer to page 58 for details of the entire integrated project.

Attributable Gross Floor Area (square feet)

Residential/ Serviced Apartments	Shopping Centre ⁽¹⁾/ Shops	Office	Hotel	Total
–	1,036,000	458,000	–	1,494,000
–	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
–	106,000	366,000	–	472,000
304,000	27,000	–	–	331,000
–	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's 40%-owned Chengdu ICC is destined to become a landmark development in the district, complemented by its all-round facilities. This iconic project comprising a mix of high-end residences, premium offices, a hotel and a shopping mall enjoys easy accessibility with a direct link from the mall to the Dongda Road metro station. Superstructure work for the 1.2-million-square-foot shopping mall in Phase 3 is progressing as planned. Scheduled to open by the end of 2020, the premium shopping mall will offer customers a unique and relaxing lifestyle experience. Please refer to page 61 for details of the residential portion at Chengdu ICC.

In May 2018, the Group acquired a commercial site in the Nansha Free Trade Zone, Guangzhou through government public listing. With a commercial gross floor area of 435,000 square feet, the site sits on an integrated transport hub next to the Qingsheng Station, which is an intersection for the metro line and the Express Rail Link (Hong Kong Section), providing an easy commute to and from Hong Kong. The project is now in the early planning stage.



○ Nanjing IFC, Nanjing

Property Related Businesses



○ *The Farmhouse, Hotel VIC, Hong Kong*





○ Hotel VIC, Hong Kong

Property Related Businesses



○ Four Seasons Hotel Hong Kong

Hotels

The tourism industry in Hong Kong continued to perform well during the year with a growing number of inbound tourists, particularly visitors from the mainland. Meanwhile, the Group's management teams continued to increase the use of social media platforms to reach out to more customers, particularly the millennials, in addition to traditional marketing-and-sales channels. During the year, the Group's hotel portfolio performed well with higher average occupancies and room rates.

Hotel VIC on North Point waterfront in Hong Kong was soft-opened in July 2018 and the operation has been running smoothly. The twin-tower development is being positioned as a top hotel on Island East, helping to elevate the status and image of the neighbourhood and offering synergy to the luxury residential development within the same integrated project, Victoria Harbour, as well as the premium shopping mall, Harbour North.



○ Hotel VIC, Hong Kong

Consisting of 671 rooms and suites with magnificent harbour views, Hotel VIC creates an unrivalled soothing vibe with its artistic interior and modern exterior. The rooftop restaurant and bar, Cruise, offers a relaxing experience for diners and guests who are able to enjoy beautiful sunsets against the backdrop of the harbour.

Four Seasons Hotel Hong Kong continued to maintain a leading position in the luxury hotel sector. During the year, revenue per available room showed a double-digit increase. The hotel's guest-centric approach enables the management to anticipate customer needs and boost its competitiveness as one of the most sought-after hotels in the world. While customers value the personal touch, they are also impressed by the hotel's exceptional services and facilities. The hotel and its spa continued to receive five-star ratings by the *Forbes Travel Guide*, while its French restaurant Caprice and Chinese restaurant Lung King Heen were awarded two and three Michelin stars, respectively.



○ The Ritz-Carlton, Hong Kong

The Ritz-Carlton, Hong Kong recorded a high occupancy and a healthy increase in revenue per available room compared to the corresponding period last year. The spectacular city and harbour views offered by the hotel's unique location on the upper floors of ICC, together with its attentive customer services, makes it a preferred choice for high-spending guests. Through an increasing use of social media platforms, the hotel has achieved higher exposure to customers in the emerging markets. For the year under review, five-star ratings were given to the hotel and its spa by the *Forbes Travel Guide*. In collaboration with culinary maestros from reputable international restaurants, the hotel has created a distinctive food-and-beverage business that sets it apart. Its Chinese restaurant Tin Lung Heen and Italian restaurant Tosca retained their Michelin star ratings for their fine fare.

The reporting year saw W Hong Kong continuing to strengthen its distinctive positioning. This trend-setter hotel not only provides modish accommodation but also connects its guests to the city's hottest events, entertainments and activities. Garnering increasing popularity among the retail and corporate segments, the hotel has focused its efforts on raising brand awareness across digital channels, which are conducive to building a closer bond with young customers, especially the millennials. During the year, W Hong Kong presented another round of electrifying events, bridging local and international music talents at its iconic rooftop outdoor pool. The hotel was once again named as the 'Coolest Gathering Hub' by *Condé Nast Traveler* and the overall business of the hotel continued to perform well with substantial increases in room revenue.



○ W Hong Kong

Property Related Businesses



○ The Royal Garden, Hong Kong

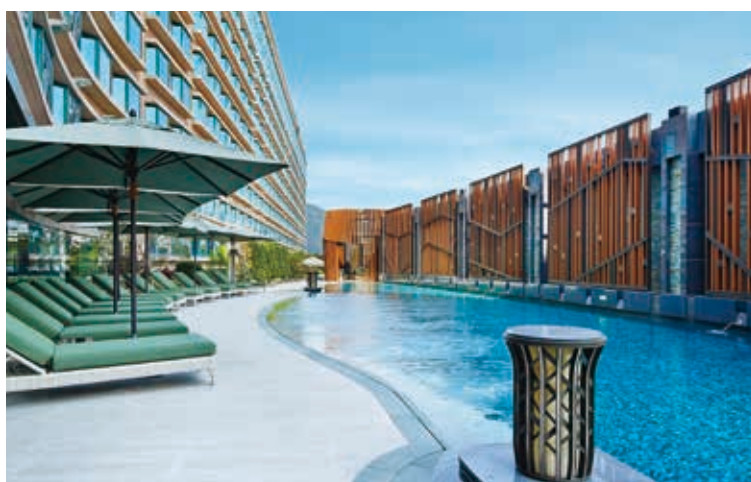
The four Royal brand hotels also performed well during the year with an overall occupancy of over 95% and healthy increases in revenue per available room. The Royal Garden increased its overall revenue by targeting businesses with higher returns and offering joint promotions with business associates. Providing comprehensive health-and-recreation facilities, including the rooftop Sky Pool featuring a Mediterranean theme, the hotel received a 'Recommended' title in the *Forbes Travel Guide* 2018 Star Awards. Royal Plaza Hotel recorded steady growth in room rates during the year. Marking its 20th anniversary, the hotel integrated the 'can-do' attitude of Hong Kong people into its marketing programmes to emphasize the hotel's vitality. Its premium hospitality service was recognized through a Customer Excellence Award 2017 from British Airways Holidays, a noted tour operator.

The Royal Park Hotel continued to achieve steady performance with an increase in revenue per available room during the year. To meet the growing demand for banqueting services, the hotel in May 2018 completed the



○ Royal Park Hotel, Hong Kong

renovation of its largest banquet hall with an outdoor garden, offering an ideal venue for wedding ceremonies. To elevate its brand, the hotel is planning to further uplift its guest rooms and facilities. Royal View Hotel refurbished one fifth of its rooms last year in order to provide an even cozier environment for guests to stay and unwind. The number of family-friendly rooms has also been increased to meet the growing demand for this segment. Attributed to the themed promotions and proactive cooperation with social media platforms to drive its business and brand awareness, the hotel registered significant growth in average revenue per available room during the year.



○ Royal Plaza Hotel, Hong Kong



○ Royal View Hotel, Hong Kong

Crowne Plaza Hong Kong Kowloon East and Holiday Inn Express Hong Kong Kowloon East, the Group's two hotels atop MTR Tseung Kwan O Station, recorded modest increases in revenue per available room as well as in gross revenue during the year. This was partly attributed to effective pricing strategies and shared use of meeting facilities, which enable the hotels to jointly provide all-inclusive accommodation-and-meeting combos to tap into the growing demand in corporate, MICE and sports markets. Taking advantage of its proximity to sporting events venues, the hotel team has secured hospitality contracts for several major events in 2018 and 2019.

The Ritz-Carlton Shanghai, Pudong maintained its leading position in luxury accommodation and buttressed its reputation as a social dining-and-entertainment hub of the city. The hotel recorded stable room rates and occupancy despite increased market competition. *Forbes Travel Guide* accorded five-star ratings to the hotel and its spa in 2018, a testament to its efforts to offer first-rate services and amenities to customers. The hotel's dining outlets continued to earn high praise with all restaurants and bars ranked in the top ten in Shanghai on TripAdvisor. The Group's two joint-venture hotels on the mainland, Park Hyatt Hangzhou and Conrad Guangzhou, were operating smoothly during the year.

Mindful of promising economic prospects in the long term, the Group is expanding its hotel portfolio with several new hotels under development both in Hong Kong and on the mainland. In Hong Kong, the Group acquired a prime hotel site along West Kowloon waterfront during the year. This site is located within a few minutes' walk to MTR Nam Cheong Station, which is one station away from the terminus of the recently commissioned Express Rail Link (Hong Kong Section) as well as an interchange of the Tung Chung and West Rail lines. The project is in the planning stage.

As a sister project of the Royal Park Hotel, the 618-room premium hotel in Sha Tin currently under development will be managed by a new lifestyle brand under the Royal Hotels collection and is scheduled to open in mid 2019.



○ *The Ritz-Carlton Shanghai, Pudong*

Located next to Citygate and an MTR station, a new hotel in Tung Chung comprising an aggregate gross floor area of 132,000 square feet will provide some 200 rooms and is planned to open in 2019. Superstructure work has been completed and fitting out work is in progress. The Group has a 20% interest in the development. On the mainland, development of Four Seasons Hotel on the waterfront of Jinji Lake in Suzhou, next to the Group's luxury residential project, Lake Genève, is under way. Being the only Four Seasons Hotel in Jiangsu area, the hotel is positioned as an urban resort oasis.



○ *Crowne Plaza Hong Kong Kowloon East*



○ *Holiday Inn Express Hong Kong Kowloon East*

Property Related Businesses



○ Clubhouse dining service

Property Management

The Group fully recognizes the fact that good property management will have a crucial effect in sustaining the long-term value of a development. Aiming at creating a comfortable home, workplace and shopping environment for its customers, the Group operates two subsidiaries, Hong Yip Service Company Limited and Kai Shing Management Services Limited, both of which offer a full range of property management services, ranging from security, daily cleaning, facility management and landscaping to a wide spectrum of value-added services.

During the year, Kai Shing and Hong Yip took up stewardships for a number of new property developments, including Ocean Wings, St. Moritz, Babington Hill, Twin Regency, Two Harbour Square, W668 and YOHO Mall I extension in Hong Kong. This brought the total residential and non-residential floor area under their management in Hong Kong and on the mainland to about 260 million square feet.

Hong Yip and Kai Shing continue to enhance their management services by introducing innovative technologies at residential developments to keep pace with modern lifestyle. Both companies introduced comprehensive mobile apps for residents to keep abreast of latest developments and information on their estates, book clubhouse services as well as check and pay their management fees. Hong Yip's mobile app 'SoProp' has been further upgraded with innovative functions, including being used as a key to access buildings, lifts and mailboxes. Kai Shing leveraged on artificial intelligence by pioneering Chatbot for the Group's residential projects, linked to its app 'Live e-asy', which enables residents to enquire about estate information anytime, anywhere.

In addition to providing clubhouse facilities services, Kai Shing and Hong Yip offer attentive and distinctive services to their residents, ranging from rental of small electrical appliances to lending of bicycles, fishing equipment and yachts for those who love outdoor activities. Additionally, regular outings are organized for residents who enjoy communing with nature. Besides, a variety of festive events are organized to bring cheer to residents and strengthen their bonds.

Hong Yip and Kai Shing have also made great strides in enhancing their facility management. In the 2017 Excellence in Facility Management Awards organized by The Hong Kong Institute of Facility Management, the two companies won approximately 30 accolades, including a Grand Award in the retail category. In addition, both companies received awards in the Residential Clubhouse Management Award 2017 by the Hong Kong Recreation Management Association in recognition of their excellence in facility management. The two subsidiaries have leveraged Internet-of-Things (IoT) technology, which connects different devices to the internet for data transmission and processing, to manage



○ Applying NB-IoT technology to monitor building facilities



○ Chatbot is used to provide efficient services for residents

some of the Group's commercial developments, significantly saving manpower and boosting energy efficiency. The application of IoT-enabled management solutions will be extended to residential developments in phases.

In keeping with the Group's progressive approach towards green initiatives and sustainability, Kai Shing and Hong Yip have proactively taken various steps to protect the environment. Both companies voluntarily conduct a carbon audit every year to monitor carbon emission. Lighting and air-conditioning systems at buildings under their management have been upgraded whenever appropriate to reduce energy consumption. Other than energy saving, both companies also adhere to the principles of 'reduce', 'reuse' and 'recycle'. The design of their waste-collection facilities has been improved to provide more convenience to users who support separating waste at source for easier reuse and recycling of materials.

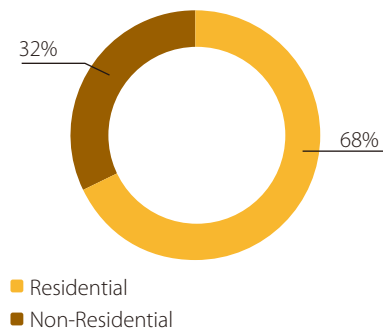


○ Residential estate access by QR code entry system

The two companies won a host of honours, including outstanding gold awards for Landmark North and Aegean Coast respectively, at the 2017 Hong Kong Awards for Environmental Excellence (HKAAEE), which is organized by The Environmental Campaign Committee and Environmental Protection Department in conjunction with nine other bodies, exemplifying the Group's exceptional performance in green management. Both companies also earned outstanding awards in the Energy Saving Championship Scheme 2017 organized by the Environment Bureau.

Human-resource development is also essential and crucial in the provision of property management services. Hong Yip equips its employees with essential skills and knowledge so as to meet rising aspirations of residents and tenants on management services. Many of its training courses are recognized by the Qualification Framework. Its contribution to manpower development won it another Grand Prize Award of the ERB Manpower Developer Award Scheme conferred by the Employees Retraining Board during the year. Kai Shing also received the Best Graduate Employer Award from JobMarket in this regard. Other than traditional skill training for staff, the company extended its training to protect the safety and health of residents and tenants by offering courses relating to first aid, fire prevention and the like. A comprehensive Property Officer Trainee Programme helps nurture young high-calibre graduates for the company's long-term development.

Floor Area Managed by Hong Yip and Kai Shing by Usage



Property Related Businesses

Construction

During the year, the construction division completed six residential developments, a hotel and three commercial developments, totalling six million square feet of construction floor area. The six residential developments completed included Cullinan West and Cullinan West II, Ocean Wings, PARK YOHO Milano, The Kennedy on Belcher's and Babington Hill. The hotel and commercial developments were Hotel VIC in North Point, Two Harbour Square in Kwun Tong, V Walk atop MTR Nam Cheong Station and the revitalization project Life@KCC in Kwai Hing.

Major residential developments in progress include the Victoria Harbour project, Lime Gala, 18-20 Caine Road, 18 Stubbs Road, Pak Tai Street project, Eight Regency, St. Barths, Wings at Sea, St Martin, Mount Regency, the remaining phases of PARK YOHO and a residential project at Tuen Mun Town Lot No. 539. Major non-residential developments in progress include a hotel at Sha Tin Town Lot No. 248, W212 in Tsuen Wan, and two commercial projects at Sha Tin Town Lot No. 617 and Kwai Chung Town Lot No. 522. Additionally, various asset-enhancement work is in progress. The construction division also takes part in construction management of the Group's mainland development projects.

By offering a wide range of services to the Group and third parties, including landscaping, provision of electrical- and fire-prevention systems as well as leasing of construction plant and machinery, the construction division, comprising Sanfield (Management) Limited and its wholly-owned subsidiaries and fellow subsidiaries, also operates in construction-related businesses. Through an associate and its wholly-owned subsidiaries, 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 Limited continued to show healthy growth in overall earnings before tax during the year. On its insurance operation, the performance remained relatively steady despite a challenging year for the market with negative growth in overall profit margins. On the investment side, the company continued to benefit from significant investment returns, following comparable satisfactory investment yields the year before. The company marks its 40th anniversary in the coming year and its management team is confident of being able to continue to develop the full potential of the company going forward.

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.



○ A new hotel at Sha Tin Town Lot No. 248

Telecommunications and Information Technology



○ SmarTone

Telecommunications

During a year of intense competition, SmarTone expanded its customer base by 16% year-on-year as it continued to focus on delivering a powerful network performance and exceptional customer care. The core postpaid business remained resilient and delivered a 2% growth in underlying service revenue net of handset subsidy amortization. Nevertheless, the combined effects of the weakness in the prepaid segment and the increase in costs, including spectrum fee amortization, resulted in lower net profit for the year.

The Enterprise Solutions business registered strong growth as the company targeted priority industries with a broad portfolio of industry-specific applications. Investments in digitalization have also reinforced SmarTone's exceptional customer experience and led to improved operational effectiveness and efficiency.

During the year, the company continued to make investments to enhance its powerful network performance. In addition to spectrum refarming to expand capacity and throughput, the company has commenced the deployment of Licensed Assisted Access (LAA) at selected hotspot areas to further enhance customer experience. Following the successful trial of FDD Massive MIMO, preparation for 5G is underway as the company plans for a field trial later this year.

The Group is confident in SmarTone's prospects and will continue to hold its stake in the company as a long-term investment.



○ SUNeVision

Information Technology

SUNeVision has achieved satisfactory performance with healthy growth in revenue and underlying profit during the year under review. The Group's core data centre business, iAdvantage, continued to perform well, securing new contracts from existing and new customers. Super e-Technology and Super e-Network continued to focus on a range of quality value-added services covering design, build and maintenance of communications systems and infrastructure.

In October 2017, the new MEGA Plus flagship facility in Tseung Kwan O commenced operations. In January 2018, SUNeVision successfully completed the transfer of listing to the Main Board of The Stock Exchange of Hong Kong Limited and a new site in Tsuen Wan was acquired for its business expansion. The company has now firmly established itself as the largest data centre operator in Hong Kong and a leading player in the region.

Optimization work at MEGA-i is being carried out to cater for the increasing demand from existing and new customers. The revitalization work at MEGA Two is now completed with expanded capacity. In addition to the upgrade in facilities and infrastructures, the company also strives to improve its service level and offerings to its customers and has received several prestigious data centre awards for its excellent service during the year.

Infrastructure and Other Businesses



○ Wilson Parking

Transport Infrastructure Operations and Management

The Group maintained a significant presence in the operation and management of Hong Kong's transport infrastructure facilities through its various wholly-owned subsidiaries, joint ventures and associated companies.

A leading player in Hong Kong's transport infrastructure sector, Wilson Group, a wholly-owned subsidiary of the Group, has established a long-term presence in the management of car parks, tunnels, bridges and toll roads, and has been well recognized by the industry. For the year under review, the company won a significant number of public and private parking contracts, including the management and operation of car parks at the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port. This further reinforces its position as a leader in the local market, with some 400 car parks and 100,000 parking bays under management. The company's premium brand and service excellence have earned it a top Platinum honour in the Reader's Digest Trusted Brand Awards for the sixth consecutive year as well as other awards, including Best Car Park Operator accredited by the Hong Kong Housing Authority for the ninth consecutive year.



○ Route 3 (CPS), Hong Kong

Continuing with its steady growth on the mainland, Wilson Parking now manages a total of 37 car parks and 33,000 parking bays. With the rising utilization of its electronic payment app in Beijing and Shanghai, the company has implemented 'contactless parking systems' for its car parks to bring new technology to its users.

With a commitment to adding value to its service, Wilson Parking is introducing digital platforms to provide customers with online ticketing services. A number of contracts on smart car park management were awarded to the company's technology division, including a contract for the third runway project of the Airport Authority and for various other commercial complexes in Hong Kong.

Serving over 335,000 vehicle users, Wilson Group and its 50%-owned subsidiary Autotoll have maintained their leading position in the electronic toll collection market. As an active player in Hong Kong's smart city development, the company won a tender for the installation of Traffic Detectors for selected strategic routes and was conducting a trial installation and evaluation of the Multi-lane Free-flow Tolling System.

Wilson Group also operates and maintains major road infrastructure in Hong Kong, including the Tsing Ma Control Area, Route 3 (CPS) and the Aberdeen Tunnel. This year, the company also secured a management contract for operating and maintaining the Scenic Hill Tunnel and the Airport Tunnel, which form part of the road network of the Hong Kong-Zhuhai-Macao Bridge.

Route 3 (CPS) Company Limited, in which the Group has a 70% interest, operates the 3.8-kilometre Tai Lam Tunnel and the 6.3-kilometre Tsing Long Highway under a 30-year, build-operate-transfer franchise until 2025. This dual three-lane north-south expressway connects Yuen Long and Ting Kau, providing an alternative route to Tuen Mun Road and the Tolo Highway. Offering a direct, reliable, faster and safer route not only for cross-border traffic, but also local commuters travelling between the northwest New Territories and urban areas, the toll road recorded satisfactory performance during the year with smooth daily operation and steady traffic.

The Group owns a 37.4% stake in publicly listed Transport International Holdings Limited (TIH). Two franchised bus operators under TIH continued to grow in ridership. However, the operating profit during the period under review was affected mainly due to higher oil prices. With the inauguration of a new 10-year franchise beginning on 1 July 2017, The Kowloon Motor Bus Company (1933) Limited has introduced a new red bus fleet with passenger-oriented facilities. The service quality and operations of the company were strengthened through innovative technology and new concession-fare schemes. The company will strive to provide safe, reliable and efficient service for its passengers.

Port Business

Hoi Kong Container Services Company Limited, a wholly-owned subsidiary of the Group, provides cost-effective mid-stream container-handling services for intra-Asia shipping lines. The company operates four berths and 3.3 hectares of container yard at a convenient location in Kwai Tsing. The shrinking mid-stream market in Hong Kong presented a challenge during the year. The company has focused its efforts on reviewing operational efficiency and adjusting its business models in order to achieve positive growth in profit.

The River Trade Terminal, in which the Group has a 50% interest, provides container and break-bulk cargo-handling services between Hong Kong and the Pearl River Delta. During the year, the business volume of the company has been adversely affected by local and regional competition of river-trade throughput. To enhance its overall performance, the company has continued to focus its efforts on improving operational efficiency and diversifying its scope of business. The 65-hectare facility located in Tuen Mun incorporates 3,000 metres of quay with 49 berths.

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. With the healthy growth in air cargo shipment in the first half of 2018, the company recorded a strong leasing performance with a high level of occupancy. The company will further capitalize on robust demand for high-quality logistics facilities in strategic locations.

The Group holds a 35% interest in the Hong Kong Business Aviation Centre Limited (HKBAC) which has held a franchise to run the Fixed-Base Operation at the Hong Kong International Airport since 1997. The major business of the company is to provide premium ground-handling services for general aviation aircraft, including business jets, diplomatic and emergency flights. With the strategic location of Hong Kong in the Greater Bay Area and the increasing usage of business aviation by entrepreneurs and executives for different business purposes, the number of business jets based in Hong Kong has continued to grow. This is likely to continue to support HKBAC's solid business foundation and expansion, while availability in flight slots has improved



○ Airport Freight Forwarding Centre

through collaborative efforts by the different parties involved. The Group is committed to further investing in the company for its future growth.

Waste Management

Care for the environment has long been an integral component of the Group's business philosophy. Green Valley Landfill Limited, in which the Group owns a 20% stake, operates and provides long-term aftercare of the South East New Territories (SENT) Landfill in Tseung Kwan O. Its business performed well during the year. Since April 2018, the SENT Landfill has begun to expand and develop into a 113-hectare site with a total capacity of about 50 million cubic metres of waste. Landfill gas generated is converted into synthetic natural gas and conveyed to gas-supply networks.



○ Hong Kong Business Aviation Centre

Infrastructure and Other Businesses

YATA Limited

YATA Limited is a wholly-owned subsidiary of the Group. Operating modern Japanese lifestyle department stores and supermarkets since 1990, the company has expanded its presence to 11 locations across Hong Kong. YATA continued to roll out its expansion plans during the year with the opening of three additional stores in Tseung Kwan O, Yuen Long and Kwai Fong. YATA has partnered with a Japanese prefectural government to promote its unique products, strengthening its market positioning and reinforcing its relationships with Japanese prefectural partners.

Following a series of network expansions, YATA will dedicate the coming year to enhancing the offerings and services of its existing stores. The company will shortly see the reopening of its Sha Tin flagship store after renovation. Featuring a newly designed shopping environment, YATA will offer a novel shopping experience for its customers through the incorporation of digital initiatives. Together with its ongoing efforts in refining merchandise and running creative promotional events, YATA seeks to continually deliver a unique shopping experience to its valued customers.

Sky100 Hong Kong Observation Deck

The Sky100 Hong Kong Observation Deck on the 100th floor of ICC, the tallest skyscraper in Hong Kong, is the city's only indoor viewing platform commanding a 360-degree view of the territory. During the year, Sky100 continued to perform well with a rising number of visitors and double-digit growth in revenue from both Sky100 Events and Sky100 Weddings.

For the fourth consecutive year, Sky100 has been awarded a Certificate of Excellence by TripAdvisor. Sky100 is the only Hong Kong member of the World Federation of Great Towers to have received such recognition, affirming its leading status, along with buildings like the Eiffel Tower, as one of the world's renowned skyscrapers.

In conjunction with The Ritz-Carlton, Hong Kong, Café 100 was launched during the year, offering a spectacular dining experience. A visit-cum-dining



○ YATA

package has been introduced to provide guests with a five-star sky-dining experience that incorporates splendid food and magnificent views. Sky100 also launched a brand new 360-degree virtual-reality ride, enabling visitors to experience the excitement of flying up to 393 metres above sea level to enjoy spectacular day and night views of Hong Kong's captivating Victoria Harbour.

Looking ahead, the increased cross-border connectivity, including the Express Rail Link (Hong Kong Section), will draw more inbound mainland visitors as well as overseas visitors to Hong Kong. Sky100 has kick-started a number of joint promotions with the Hong Kong Tourism Board and travel-trade partners to capitalize on such business opportunities, affirming the venue as a must-see attraction in Hong Kong.



○ Sky100 Hong Kong Observation Deck

Corporate Finance



○ *Syndicated loan signing ceremony*

The Group always adheres to the principle that prudent financial management is essential to sustainable business development. The Group has always maintained a low leverage and high liquidity ratio. As at 30 June 2018, the Group's net debt to shareholders' fund ratio was at a 12.1% low whilst interest coverage stayed at a high of 17.6 times. The Group's strong balance sheet and abundant liquidity will enable it to weather challenges from external uncertainty.

Given such strong financial fundamentals, the Group has remained the best-rated developer in Hong Kong. Both Moody's and Standard & Poor's have reaffirmed the Group's ratings of A1 and A+ respectively with stable outlooks.

To reinforce its robust financial position, the Group continued to source abundant liquidity from the banking and capital markets. In March 2018, the Group arranged a HK\$21,000 million 5-year syndicated loan to lengthen its maturity profile and provide ample standby committed facilities. Under the

auspices of its high credit ratings and the support of fixed-income investors, the Group issued a number of bonds during the year, including a HK\$500 million 3-year bond, a HK\$950 million 7-year bond and a HK\$1,343 million 10-year bond under its Medium Term Note Programme.

The majority of the Group's borrowings are denominated in Hong Kong dollars with the remainder mostly in US dollars and Renminbi. The working capital of the Group's projects on the mainland, which is mainly financed in local currency, has been hedged naturally against movement of the Renminbi. In accordance with its well-established financial disciplines, the Group has not taken any speculative positions on derivatives or structured products.

Financial Review

Review of Operating Results

Profit attributable to the Company's shareholders for the year ended 30 June 2018 was HK\$49,951 million, increased by HK\$8,169 million or 19.6% compared to HK\$41,782 million for the previous year. The reported profit included revaluation gains on investment properties (net of deferred taxation and non-controlling interests) of HK\$19,988 million (2017: HK\$16,851 million).

Underlying profit attributable to the Company's shareholders for the year ended 30 June 2018, excluding the net effect of changes in fair value of investment properties, was HK\$30,398 million, increased by HK\$4,433 million or 17.1% compared to HK\$25,965 million for the previous year. The increase was largely driven by higher contributions from property sales and rental income.

Profit from property sales for the year, including share of joint ventures, was HK\$16,261 million, increased by HK\$4,344 million or 36.5% compared to HK\$11,917 million for the previous year. Property sales in Hong Kong recorded both revenue growth and higher profit margins for the year, and delivered a profit of HK\$13,936 million, an increase of HK\$4,000 million or 40.3% over the last year, with contributions attributed mostly to sales of residential units in Cullinan West, Cullinan West II, Ocean Wings and PARK YOHO Genova. As for the Mainland, profit from property sales was HK\$2,314 million and was mainly derived from residential units sold in Forest Hills Phase 2B, Park Royale Phase 2A, Jovo Town and Shanghai Arch as well as office units sold in Top Plaza East Tower. At the year end date, the Group had contracted property sales of HK\$34 billion not yet recognized as revenue, of which HK\$29.3 billion was derived from the pre-sale of Hong Kong development projects including Wings at Sea, Wings at Sea II, Lime Gala, St. Barths, Eight Regency, Mount Regency and Victoria Harbour and HK\$4.7 billion from pre-sale of development projects in the Mainland. Since 1 July 2018, the Group has launched a number of residential projects for sales and pre-sales in Hong Kong and on the Mainland, with units worth over HK\$27 billion having been sold. Including the sales secured at the year end date, cumulative value of the Group's properties sold but not yet recognized by now has exceeded HK\$61 billion. Profit contribution from these sales is expected when the relevant projects are completed and revenue is recognized.

Net rental income for the year, including share of joint ventures and associates, increased by HK\$1,505 million or 8.8% to HK\$18,647 million, driven mainly by 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\$14,549 million and HK\$3,534 million respectively, which correspond to year-on-year increase of 6.4% and 19.7%.

Hotel operations of the Group (including share of joint ventures) reported an operating profit of HK\$1,470 million for the year, an increase of HK\$145 million or 10.9% over the last year, driven mainly by growth in achieved room rates.

SmarTone reported an operating profit of HK\$847 million for the year, decreased by HK\$81 million or 8.7% over the previous year mainly due to decline in service revenue amid intense market competition and higher spectrum costs.

The Group's transport infrastructure and logistics businesses (including share of joint ventures and associates) continued to deliver satisfactory results and contributed a total of HK\$1,788 million in operating profit for the year, representing an increase of HK\$134 million or 8.1% over the previous year.

The Group's other businesses (including share of joint ventures and associates), mainly comprising property management, data center business of SUNeVision, and department store operation, performed satisfactorily with operating profit increased by HK\$129 million or 7.5% to HK\$1,853 million for the year.

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\$40,883 million to HK\$539,098 million or HK\$186.1 per share as at 30 June 2018. 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 2018, calculated on the basis of net debt to shareholders' funds of the Company, was 12.1% compared to 7.2% a year ago. Interest cover,

measured by the ratio of operating profit to total net interest expenses including those capitalized, was 17.6 times compared to 14.2 times for the previous year. During the year, the Group paid land premiums in total sums of HK\$45 billion for land acquisitions, including a residential site in Shap Sz Heung, a residential and commercial development in Kai Tak City Centre, and a waterfront hotel site in West Kowloon.

As at 30 June 2018, the Group's gross borrowings totalled HK\$91,434 million. Net debt, after deducting bank deposits and cash of HK\$26,095 million, amounted to HK\$65,339 million, representing an increase of HK\$29,287 million since 30 June 2017. The maturity profile of the Group's gross borrowings is set out as follows:

	30 June 2018	30 June 2017
	HK\$ Million	HK\$ Million
Repayable:		
Within one year	12,646	5,390
After one year but within two years	9,716	10,311
After two years but within five years	60,081	39,040
After five years	8,991	12,585
Total bank and other borrowings	91,434	67,326
Bank deposits and cash	26,095	31,274
Net debt	65,339	36,052

Financial Review

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. The Group issued senior guaranteed perpetual capital securities of US\$500 million in May 2017, which are redeemable on or after 23 May 2020 at the option of the Group. The issuance has further broadened the Group's sources of long-term funding and strengthened its capital structure.

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements and is well positioned to take advantage of investment opportunities 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 2018, about 80% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 20% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollars, which is the Group's presentation currency. The Group may borrow in foreign currencies to finance its operations in Hong Kong, which exposes the Group to currency risk. When appropriate, the Group may enter into currency swaps to hedge the currency risks associated with these borrowings. As at 30 June 2018,

about 74% of the Group's total borrowings were denominated in Hong Kong dollars (after currency swaps) and 12% in US dollars, these were raised for financing the Group's business operations in Hong Kong while the remaining 14% were in Renminbi and for financing the construction cost of property projects 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 2018, 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 an increase of HK\$2.5 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 2018, about 68% 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 32% were on fixed rate basis.

As at 30 June 2018, the Group has entered into certain interest rate swaps, currency swaps and forward foreign exchange contracts in the aggregate notional amount of HK\$15,645 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 2018, about 45% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 44% in Renminbi, and 11% 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 2018, 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\$1,929 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 2018, 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\$1,317 million (30 June 2017: HK\$1,504 million).

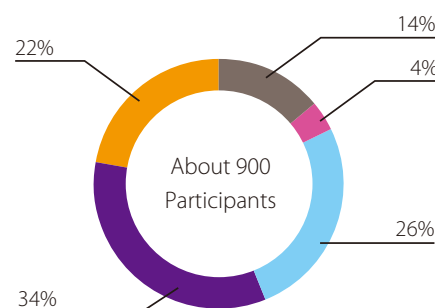
Investor Relations

The Group places great emphasis on maintaining clear and transparent communications with shareholders and other investors, and believes that transparency promoted by active stakeholder engagement ultimately enhances shareholder value. Stakeholders are kept informed of the Group's latest developments through corporate publications, mainly the annual and interim reports, press releases and public announcements that are made available on the Group's corporate website in a timely manner. The Group also recognizes the importance of mutual communication, and maintains regular dialogues with investors through investor meetings, conference calls, site visits, post-results briefings and meetings, investor conferences, as well as overseas non-deal roadshows, where management meet face-to-face with investors to answer questions and collect feedback.

In view of a new regulation implemented in the European Union in January 2018 affecting various aspects of the financial services industry, notably on research and corporate access, the Group has implemented more proactive initiatives to ensure sufficient corporate access by the investor community and other stakeholders. The Group has stepped up its direct engagement and proactive outreach with institutional investors through holding more self-arranged meetings and site visits in order to maximize the outreach to shareholders and potential investors. Going forward, the Group will continue to put in extra efforts to strengthen its relationship with investors.

Reflecting its ongoing commitment to excellence, the Group has earned numerous awards from leading financial publications over the years.

Communications with the Investment Community in Financial Year 2017/18



- Meetings and Conference Calls
- Overseas Roadshows
- Post-results Briefings and Meetings
- Investor Conferences / Corporate Days
- Site Visits



○ Post-results-announcement analyst briefing

Major Investor Relations Events in Financial Year 2017/18

Quarter Event

2017

- 3rd Quarter
- 2016/17 annual results announcement
 - Press conference
 - Analyst briefing
 - Post-results meetings with fund managers
 - Investor forum in Hong Kong

- 4th Quarter
- Investor conference in Singapore

2018

- 1st Quarter
- 2017/18 interim results announcement
 - Press conference
 - Analyst briefing
 - Post-results meetings with fund managers
 - Investor conference in Hong Kong

- 2nd Quarter
- Non-deal roadshow in the UK
 - Investor conferences in Hong Kong
 - Investor corporate day in Hong Kong

Awards

Financial Year 2017/18

- Best Overall Developers in Global, Asia, China and Hong Kong categories; Best Mixed Developer in Global, Asia, China and Hong Kong categories; Hong Kong's Best Residential Developers; Best Retail Developers in Asia, China and Hong Kong categories; and Best Office/Business Developers in China and Hong Kong categories from *Euromoney* magazine
- Asia's Overall Best Managed Company; Asia's Best Real Estate Company; Hong Kong's Best Managed Company; Most Committed to Corporate Governance; Best at Investor Relations; Best at Corporate Social Responsibility; and Best CEO from *FinanceAsia* magazine
- Platinum Award for Excellence in Management and Corporate Governance from *The Asset* magazine
- Hong Kong's Best Investor Relations Company; Best Environmental Responsibility; Best Corporate Communications; and Best Investor Relations Professional from *Corporate Governance Asia* magazine
- Best IR Company (Large Cap) from *Hong Kong Investor Relations Association*



○ Group Chairman & Managing Director Raymond Kwok (right) with fourteen awards from *Euromoney* recognizing the Group's outstanding professional management and premium developments

Sustainable Development

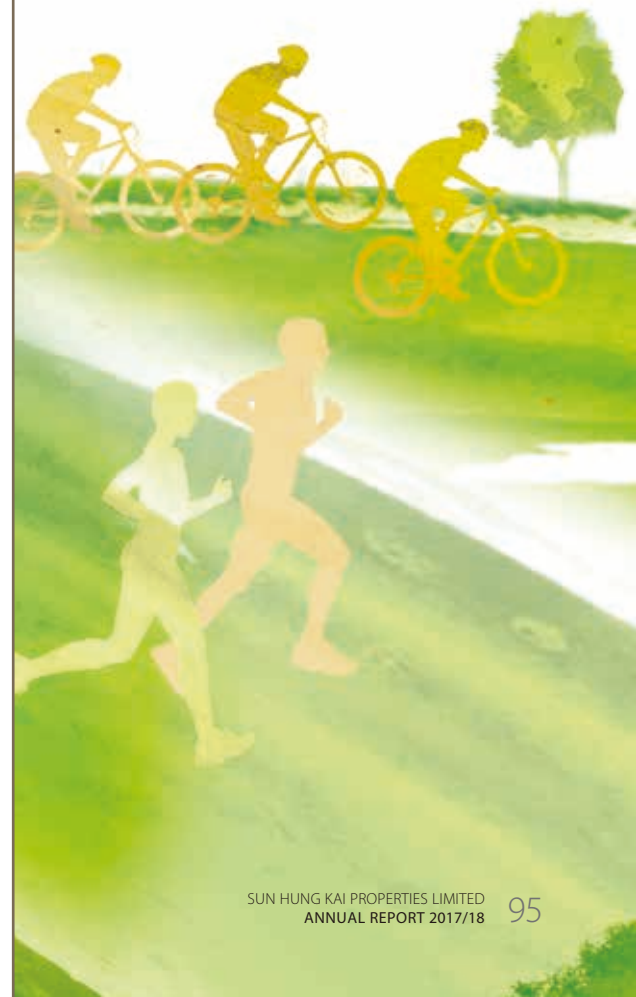


○ SHKP Vertical Run for Charity – Race to Hong Kong ICC





○ The Sun Hung Kai Properties Hong Kong Cyclothon



Sustainable Development



○ Professional handover service

The Group is committed to incorporating sustainability into every aspect of its operations to ensure business continuity and betterment of the society. Throughout the years, the Group has made considerable efforts to maintain its leading position as a responsible property developer that emphasizes inclusivity and harmony in society. The Group's products and services are popular with customers of different generations, making it a household name in the city. The Group's efforts in sustainability development have been acknowledged through its repeated inclusions in the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland and HK) Corporate Sustainability Index, in addition to a number of industry awards in related areas. During the year, the Group published its seventh stand-alone Sustainability Report to detail its efforts and achievements in creating long-term value for different groups of stakeholders.

Commitment to Quality Products and Services

In keeping with its spirit of Building Homes with Heart, the Group has never compromised on quality and has increasingly leveraged innovative technologies to improve the quality of its service for residents as well as convenience for shoppers and tenants of its integrated developments. New technologies have been employed to supplement the human touch that the Group has cultivated with its customers and other stakeholders for the building of strong and lasting relationships.



○ SHKP Club as an effective platform for two-way communication with customers

Underscored by a pioneering first-three-year warranty for its new residential units in Hong Kong, the Group has been dedicated to offering premium residences to homebuyers. The commitment of quality and service excellence has extended beyond bricks and mortar, as evidenced by the superior after-sales and property management services offered by the Group. With continued high recognition from the industry, the Group's projects have been able to stand the test of time and continue to set the benchmark for premium developments, earning the Group Platinum Trusted Brand Award from Reader's Digest for the 13th year in a row.

Adhering to its customer-centric strategy, the Group listens closely to customers through different channels, including home visits by senior management and well-structured online and offline engagement.

The SHKP Club, the first Hong Kong's property club, has been an effective platform of two-way communication with customers and the community at large since its establishment in 1996. Against growing use of technologies, the 400,000-plus-member club gathers customers' valuable feedback from diversified online and offline multi-touch points including its own social media platforms. Through the Club's wide range of activities including seminars, interviews and surveys, the Group is able to closely monitor the needs and views of its customers, including exploring the shopping patterns of the millennial generation. All these have helped better serve customers and hence strengthen the Group's reputation and brand.



○ Detailed quality check



○ SHKP Malls App enhances the total shopping experience

With a commitment to turning its shopping malls into a 'second home' for customers, the Group has employed modern facilities and offered thoughtful services that enable shoppers and diners to unwind in a relaxing environment featuring a variety of shops and quality restaurants. During the year, an integrated SHKP Malls App was introduced for shoppers to access dining, parking, shopping and promotion updates across the Group's major malls on an integrated multi-functional platform. The app not only maximizes customers' shopping convenience but also allows SHKP malls and its tenants to better understand the needs of the shoppers, ensuring a three-way win situation. In addition, augmented reality, virtual reality and iBeacon technologies are applied to marketing programmes in order to increasingly draw young-generation customers.

To encourage continuous improvement through innovations, the Group runs an annual Quality Raising Suggestion Scheme to solicit creative and practical ideas for enhancing work and operational efficiency. This year, the gold award went to a management-fee payment website that offers residents a convenient and eco-friendly way to view e-statements and pay management fees by e-cheques. The portal is the first-of-its-kind in Hong Kong and has been adopted by the Group's residential developments with positive feedback.



○ SHKP Quality Academy

Continuous Staff Development

Fostering a caring and positive work culture is a core value of the Group for its 37,000-plus employees. The Group not only provides competitive remuneration and benefits but also professional training for its employees, allowing them to stay competitive and build a rewarding careers for their future. In addition, employees are encouraged to achieve work-life balance and develop physical and mental wellness by taking part in an array of sporting and recreational activities organized by the Group.

Continuous learning is another core value of the Group's culture. The SHKP Quality Academy, established in 2012, has been providing courses in diverse disciplines for staff to acquire work-related knowledge or acquaint themselves with the Group's business operations. Thousands of classes were run during the year.

Overall, the Group has a well-structured training curriculum to help staff embody its corporate culture and enhance their professional training, enabling them to support organizational development and pursue product and service excellence with a team mentality. Modular workshops are organized for general staff to sharpen job-related skills. For managerial staff, seminars and workshops conducted by leading trainers and academics from around the world are organized to enhance their leadership and modern management skills. Senior staff members are also selected to receive leadership and executive education at prestigious universities abroad including Harvard Business School. In addition, scholarships are provided for employees to take job-related courses that range from short seminars to tertiary programmes up to master's degree levels.

Sustainable Development



○ Summer internship programmes

To help employees stay abreast of the new economy, especially on digital technologies, the Group has arranged a series of technology update seminars for staff of different business disciplines. In the area of marketing, for example, employees are encouraged to acquire practical knowledge of digital marketing and data analytics that enable them to better utilize social media platforms to engage customers. Staff from property management, transportation and construction divisions learn current and emerging technologies related to their respective areas.

Recognizing the importance of business continuity, the Group emphasizes young talent development and offers employees with great potential the proper path and opportunity of becoming its future leaders. Through its Management Trainee, Graduate Surveyor and Graduate Engineer programmes, the Group takes on high-calibre graduates from leading institutions and provides them with job rotations, mentoring, study trips and other career-development opportunities. The Group also runs team-building programmes to promote cross-generational and cross-departmental collaboration.



○ Family workshops for staff



○ Innovative staff training

As a caring employer, the Group encourages its employees to maintain a work-life balance and to respect their roles and responsibilities in the family. Workshops on stress management, parent-child relationships and mental health including special session for deep relaxation are offered in conjunction with special-interest classes, sports events and social activities – some of which are open to family members – to help employees live a fuller life. The Group has implemented family-friendly employment policies that enable its people to better manage time and family commitments, earning it a Distinguished Family-Friendly Employer award from the Hong Kong Family Council.

The SHKP Group Undergraduate Scholarship Scheme is another testament to the Group's efforts to extend its caring spirit to family members of employees. Established in 2010, the scheme has subsidized over 70 children of qualified staff for their undergraduate programmes. The Group also sponsors the AFS Intercultural Exchanges, offering children of its employees an opportunity to live and study overseas for one academic year.



○ Hong Kong's first countryside and beach clean-up mobile app Nature Rescue

Commitment to the Environment

The Group adheres to eco-friendly principles for its operations while encouraging staff, business partners, customers and the community to adopt green practices whenever possible, with a primary focus on reducing greenhouse gas emissions through energy saving and waste reduction.

To mitigate the environmental impact from its business-related operations, the Group has integrated the latest green building standards and practices into the planning, design, construction and operational procedures of its developments. In this regard, materials are procured from sustainable sources while precast facades, aluminium formwork and green blocks are used to minimize material consumption. The Group has also leveraged building simulation programmes to streamline development processes for higher efficiency and cost-effectiveness. In addition, the Group has recycled a substantial proportion of construction waste into foundation fillers in an effort to ease the burden on public landfills. During the year, the Group received 44 green building certifications under the Hong Kong Building Environmental Assessment Method (BEAM) and Leadership in Energy and Environmental Design (LEED) as a testament to its green building efforts.

The Group regularly upgrades the facilities of its existing buildings to ensure that their green performance is in line with new developments. Major retrofit projects include the phased conversion of traditional air-cooled air-conditioning to a water-cooled system as well as the replacement of fluorescent lights with LED lights complete with built-in motion sensors. Both measures have proven to boost energy efficiency. As a strong supporter of renewable energy, the Group has installed windmills and solar panels to generate power for some of its developments and has recently taken steps to support a power company's renewable power purchase plan.



○ The launch of the 2018 Modern Apprenticeship Programme

As for waste management, the Group not only provides recycling facilities at residential and commercial developments but also promotes waste reduction at source. Programmes for food waste recycling and coffee-ground reutilization along with organic farming, reuse of festive items and upcycling workshops have received very positive response from residents and tenants, helping the Group's properties manage and reduce waste effectively.

Demonstrating its commitment to providing a comfortable and refreshing environment for property users, the Group has employed horticultural experts to take care of the landscaping of its developments to ensure that the related areas remain lush and green all year round. During the year, a total of 27 honours were awarded to the Group, including three golds for the Large-scale, Medium-scale and Small-scale Domestic Property categories respectively, at the Best Landscape Award 2018, a contest organized by the Leisure and Cultural Services Department of the HKSAR Government. Additionally, the Group monitors and improves on indoor air quality. Many of its buildings are qualified for 'Excellent' or 'Good' Indoor Air Quality certification by the Indoor Air Quality Information Centre of the Environmental Protection Department.

Sustainable Development



○ Lunar New Year poon choi lunch with seniors

The Group believes that education plays a critical role in promoting environmental conservation. It has staged a wide range of ecological activities through its Love Nature Campaign, which combines elements of learning with appreciation and outdoor exploration, encourages the younger generation to care for nature. The campaign has organized over 30 clean-ups in the countryside and coastal regions in Hong Kong covering areas in Lantau Island, Sai Kung and Tai Po over the years in order to further raise public awareness on environmental conservation. In addition to engaging its staff and the public for its regular clean-up activities, the campaign launched Hong Kong's first free countryside and beach clean-up mobile app, Nature Rescue, during the year. The app is an information and social networking platform with clean-up checklists, a function for reporting blackspots, and provides a user-friendly platform for the public to initiate their own clean-up outing trips.

Corporate Social Responsibility

The Group has worked relentlessly to boost the general well-being of society in the spirit of Building Homes with Heart. To achieve this, a well-structured approach has been adopted to promote reading and holistic development, encourage healthy and sustainable living, as well as care for the underprivileged.



○ SHKP Reading Club's Read to Dream sponsors disadvantaged students to visit the Hong Kong Book Fair and buy books there

During the year, the Group organized the sixth SHKP Vertical Run for Charity and continued to be the title and charity sponsors of the third Sun Hung Kai Properties Hong Kong Cyclothon, the largest cycling gala event in town organized by the Hong Kong Tourism Board. The two signature sports-for-good events raised substantial donations to support child and youth services through a number of community projects, including the SHKP Rainbow with Kids which supports children and youngsters distressed by family crises, and the SHKP Science and Innovation Project for the Gifted that provides STEM learning opportunities for underprivileged but gifted children. The Group also has been the third largest corporate donor to The Community Chest over the past few years. In addition, the Group continued to encourage its staff to participate in other charitable sporting events across the city.

In cultivating happy reading among the public, especially the young, the SHKP Reading Club has launched a series of territory-wide reading programmes to mark its upcoming fifth anniversary in December 2018. The Club integrates all of the Group's reading initiatives in the community, particularly for the benefit of primary and secondary school students, disadvantaged children and families. To date, over 200,000 people have directly taken part in the Club's activities. During the year, the Club encouraged not only online reading, but also expanded its Read & Share programme to secondary schools, inviting guests to share insightful reading experiences to inspire students'



○ The launch ceremony of INDEX, a shared space for startups

curiosity and interest in reading. The Club also added special elements such as sports, charity, environmental protection and creative writing to reading events and community projects that enrich reading experiences for students.

The Group also stands by people of other ages and backgrounds. Its Building Homes with Heart Caring Initiative continues to spread love and care to the elderly, the disabled, low-income families and other people in need. The Social Inclusion for the Underprivileged initiative offers complimentary tours of Sky100 Hong Kong Observation Deck and Noah's Ark Hong Kong to the disadvantaged, broadening their minds and fostering social inclusion. Moreover, the Group promotes family harmony in the community through the SHKP Club. A spectrum of loving home events, including roving exhibitions and a storytelling contest on the theme of 'best partner in the family', drew over 10,000 entries during the year, fostering greater affinity among family members.

The Group is also a long-time supporter of youth development. Established in 2002, the SHKP-Kwoks' Foundation has been offering scholarships at renowned institutions in Hong Kong and on the mainland to help outstanding students with financial challenges to complete their undergraduate studies.



○ Wetlands guided tour at PARK YOHO

Close to 10,000 students, mainly from the mainland, have benefitted from the scholarship programmes to date. Separately, academic underachievers are able to rebuild their self-confidence and explore their futures after joining the Modern Apprenticeship Programme, a coaching scheme jointly run by the Group and Breakthrough since 2003 to offer one-on-one guidance and mentoring to secondary-school graduates with workplace placements in the Group's businesses. The programme has nurtured the growth of hundreds of young people over the years.

The year under review also saw the Group continue to support young people in pursuit of technological innovation and entrepreneurship. Other than its sponsorship of the Hong Kong X-Tech Startup Platform, the Group provides the Federation of Hong Kong Industries with free fitted offices in Kwun Tong as the centre of their incubation service for young entrepreneurs to support the Government-initiated Space Sharing Scheme for Youth. It is also a venue for young entrepreneurs to showcase their products and for youth to experience new 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 2018, 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 19 Directors comprising eight Executive Directors, three Non-Executive Directors and eight 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 2018, Mr. Fan Hung-ling, Henry was appointed as an Independent Non-Executive Director of the Company with effect from 1 March 2018.

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

The Company currently has eight 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.

Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard, both being Independent Non-Executive Directors, have served the Company for more than nine years, and will retire and being eligible, have offered themselves for re-election at the forthcoming annual general meeting of the Company (the "AGM"). The Nomination Committee considered that their long service will not affect their exercise of independent judgment and was satisfied that each of them has the required integrity and experience to continue fulfilling the role of an Independent Non-Executive Director. Taking into consideration the above and the confirmations on the Independence Guidelines made by Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard, the Board is of the view that both Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard remain independent notwithstanding the length of their service and should be re-elected at the forthcoming AGM. In accordance with the Code, the re-election of Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard will be subject to separate resolutions to be approved at the forthcoming AGM.

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 2018, the Board discussed the overall strategies of the Group, monitored the financial and operational performance, and approved the annual and interim results of the Group. It also approved the appointment of an Independent Non-Executive Director, the change in board lot size of the shares of the Company and the publication of two announcements with respect to the issuance of debt instruments by a wholly-owned subsidiary of the Company and a discloseable transaction regarding a successful tender of land by a wholly-owned subsidiary of the Company respectively.

Corporate Governance Report

The Board held four regular meetings during the year under review, 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	3/4
Tung Chi-ho, Eric	4/4
Fung Yuk-lun, Allen	4/4
Non-Executive Directors	
Lee Shau-kee	2/4
Woo Po-shing	[#] 4/4
Kwan Cheuk-yin, William	4/4
Independent Non-Executive Directors	
Yip Dicky Peter	4/4
Wong Yue-chim, Richard	4/4
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	1/1
<i>(appointed with effect from 1 March 2018)</i>	

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

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 eight 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 2018, the Chairman held a meeting with the Non-Executive Directors (including the Independent Non-Executive Directors) without the presence of the Executive Directors.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or Alternate Director would 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.

Corporate Governance Report

During the year ended 30 June 2018, a presentation on the impact of information and communication technology on globalization was 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		
	Attending seminars and/or conferences and/or forums and/or briefings	Giving talks at seminars and/or conferences and/or forums	Reading newspapers and journals on various topics*
Directors			
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	✓		✓
<i>(Alternate Director to Kwok Ping-luen, Raymond)</i>			
Non-Executive Directors			
Lee Shau-kee	✓		✓
Woo Po-shing			✓
Kwan Cheuk-yin, William	✓		✓
Woo Ka-biu, Jackson	✓		✓
<i>(Alternate Director to Woo Po-shing)</i>			
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 corporate governance matters and directors' duties and responsibilities

Compliance with Model Code

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

Before the Group's interim and annual results are announced, notifications are sent to the Directors and the Relevant Employees to remind them not to deal in the securities of the Company during the blackout periods. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the year ended 30 June 2018.

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. All the 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 four full time senior executives of the Group as its members, including one full time senior executive of the Company who was appointed by the Board as a new member of the Committee in August 2018. A list of the current members of the Committee and their biographical information are set out on page 2 and pages 143 to 154 respectively. In addition, five 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 154.

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

Corporate Governance Report

During the year ended 30 June 2018, 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. 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	37/37
Wong Chik-wing, Mike	32/37
Lui Ting, Victor	35/37
Kwok Kai-fai, Adam	31/37
Kwok Kai-wang, Christopher	29/37
Kwong Chun	21/37
Tung Chi-ho, Eric	33/37
Fung Yuk-lun, Allen	33/37
Chow Kwok-yin, Eric	26/37
Yung Sheung-tat, Sandy	35/37
Li Ching-kam, Frederick	37/37

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 2018, the Remuneration Committee reviewed the Directors' fees and the emoluments of the Executive Directors. Particulars of the Directors' emoluments are set out in note 5 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 nominations and appointment of Directors, and Board succession. The Committee develops selection procedures for candidates, and will consider different criteria including appropriate professional knowledge and industry experience, as well as consult external recruitment professionals when required. The Committee also reviews the size, structure and composition of the Board and assesses the independence of the Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary. The Committee's specific terms of reference are available on the websites of the Company and HKEx.

During the year ended 30 June 2018, the Nomination Committee reviewed the structure, size and composition of the Board. It also reviewed the retirement and re-election of Directors, including two Independent Non-Executive Directors who have served the Company for more than nine years, and recommended the appointment of an Independent Non-Executive Director to the Board. 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
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, 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.

Corporate Governance 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 one year from 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 2018. 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 2017/18. It had also reviewed the impact of certain new accounting standards, which would be effective for the financial year 2018/19, on the consolidated financial statements of the Group. Two private sessions between the members of the Committee and the external auditor without the presence of management had been arranged in 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 2018 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 2018 amounted to approximately HK\$17 million and HK\$6 million respectively. The non-audit services mainly consist of consultancy, taxation, review and other reporting services.

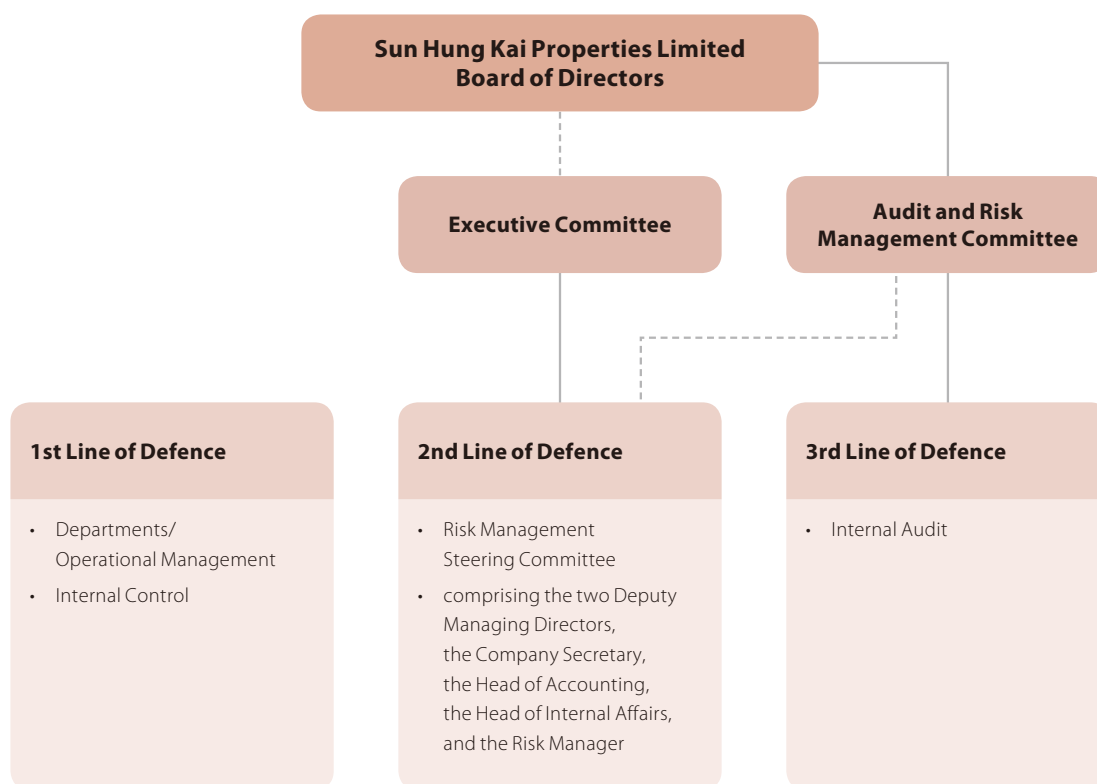
Risk Management and Internal Control

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.

Corporate Governance Report

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.

Corporate Governance Report

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.

Corporate Governance Report

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 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 (a) any obligations to correct or update the forward-looking statements or opinions contained in this annual report; and (b) 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 2018, 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 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 20 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 2018, 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 2018, the risk management and internal control systems of the Group were effective and adequate.

Corporate Governance Report

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.

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 principal business activities and major property projects, the development of corporate governance and the corporate social responsibilities of the Group. For efficient communication with shareholders and in the interest of environmental protection, arrangements are made to allow shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website.

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

The 2017 AGM was held on 9 November 2017 at the Company's headquarters with a strong participation by the shareholders. Businesses transacted at the 2017 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 2017 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	x
Woo Po-shing	x
Kwan Cheuk-yin, William	✓
Independent Non-Executive Directors	
Yip Dicky Peter	✓
Wong Yue-chim, Richard	✓
Li Ka-cheung, Eric	✓
Fung Kwok-lun, William	x
Leung Nai-pang, Norman	✓
Leung Kui-king, Donald	✓
Leung Ko May-yee, Margaret	✓

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 2018, 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 2018.

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 operation, telecommunications, transport infrastructure and logistics. Other ancillary and supporting businesses, which are described under principal subsidiaries, joint ventures and associates on pages 212 to 220, are integrated with the main business of the Group. An analysis of the Group's performance for the year by reportable and operating segments in business operation and geographical area is set out in note 2 to the 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 2018 (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, 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 2018, including share of results from joint ventures and associates, amounted to HK\$50,954 million (2017: HK\$42,475 million). After taking perpetual capital securities holders' interests and non-controlling interests into account, profit attributable to the Company's shareholders was HK\$49,951 million (2017: HK\$41,782 million).

Dividends

An interim dividend of HK\$1.20 per share (2017: HK\$1.10 per share) was paid on 22 March 2018. The Board of Directors of the Company (the "Board") has recommended a final dividend of HK\$3.45 per share (2017: HK\$3.00 per share), making a total dividend of HK\$4.65 per share for the full year ended 30 June 2018 (2017: HK\$4.10 per share).

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Thursday, 8 November 2018 (the "2018 Annual General Meeting"), will be payable on Thursday, 22 November 2018 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 14 November 2018. Shares of the Company will be traded ex-dividend as from Monday, 12 November 2018.

Shares Issued

During the year, 825,000 shares (2017: 1,133,000 shares) of the Company were issued and allotted as fully paid shares for a total consideration of HK\$85 million (2017: HK\$112 million) as a result of the exercise of share options under the share option schemes of the Company.

Details of the shares issued by the Company during the year are shown in note 26 to the consolidated financial statements and on page 165 respectively.

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 2018.

Reserves

Movements in the reserves of the Company and the Group during the year are shown in note 29 to the consolidated financial statements and on page 165 respectively.

Fixed Assets

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

Group Financial Summary

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

Directors' Report

Development and Investment Properties

Particulars of major development and investment properties in Hong Kong held by the Group are set out on pages 34 and 35, 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, Mr. Fan Hung-ling, Henry was appointed as an Independent Non-Executive Director of the Company with effect from 1 March 2018. 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"), Mr. Fan Hung-ling, Henry, who was appointed as an additional Director of the Company by the Board after the annual general meeting of the Company held on 9 November 2017, will hold office until the 2018 Annual General Meeting and, being eligible, has offered himself for re-election.

In addition, in accordance with Article 103(A) of the Articles of Association, Dr. Lee Shau-kee, Mr. Yip Dicky Peter, Professor Wong Yue-chim, Richard, Dr. Fung Kwok-lun, William, Dr. Leung Nai-pang, Norman, Mr. Leung Kui-king, Donald, Mr. Kwan Cheuk-yin, William, Mr. Kwok Kai-fai, Adam and Mr. Kwong Chun will retire from office and, being eligible, have offered themselves for re-election at the 2018 Annual General Meeting. Mr. Yip Dicky Peter and Professor Wong Yue-chim, Richard, both Independent Non-Executive Directors, have served the Company for more than nine years. Pursuant to the Corporate Governance Code of the Listing Rules, their re-election will be subject to separate resolutions to be approved at the 2018 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 available on the Company's website at www.shkp.com under the "Corporate Governance" section.

Directors' and Chief Executives' Interests

As at 30 June 2018, 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

Name of Director	Number of shares held				Sub-total	Number of underlying shares held under equity derivatives ¹	Total	% of issued voting shares as at 30.06.2018
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	188,743	–	–	516,892,186 ^{2&7}	517,080,929	–	517,080,929	17.85
Lee Chau-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 ⁴	–	–	6,000	–	6,000	0.00
Li Ka-cheung, Eric	–	4,028 ⁴	–	–	4,028	–	4,028	0.00
Fung Kwok-lun, William	220,000	9,739 ⁴	–	–	229,739	–	229,739	0.01
Leung Nai-pang, Norman	–	10,833 ⁴	–	–	10,833	–	10,833	0.00
Leung Kui-king, Donald	–	2,000 ⁴	–	–	2,000	–	2,000	0.00
Leung Ko May-yee, Margaret	15,372	–	–	–	15,372	–	15,372	0.00
Kwok Kai-fai, Adam	–	–	32,000 ⁵	643,651,747 ^{6,7&8}	643,683,747	–	643,683,747	22.22
Kwok Kai-wang, Christopher	110,000 ⁰	60,000 ⁴	–	643,845,601 ^{2,7&8}	644,015,601	–	644,015,601	22.23
Kwong Chun	762,722	339,358 ⁴	–	–	1,102,080	–	1,102,080	0.04
Tung Chi-ho, Eric	–	–	–	–	–	100,000	100,000	0.00
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	32,000	–	–	643,845,601 ^{2,7&8}	643,877,601	–	643,877,601	22.23
Woo Ka-biu, Jackson <i>(Alternate Director to Woo Po-shing)</i>	–	1,000 ⁴	–	–	1,000	–	1,000	0.00

Directors' Report

Notes:

1. *These underlying shares held under equity derivatives represented the share options granted by the Company (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-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 516,892,186 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 ("Financial Enterprise") 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 the spouse of the Director concerned.*
5. *These shares in the Company were held by a corporation wholly-owned and controlled by Mr. Kwok Kai-fai, Adam.*
6. *Mr. Kwok Kai-fai, Adam was deemed to be interested in 516,698,332 shares in the Company by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.*
7. *Of the said 516,892,186 shares and 516,698,332 shares in the Company as stated in Notes 2 and 6 above respectively, Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 69,134,223 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.*
8. *Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher 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 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.*
9. *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			Sub-total	Number of underlying shares held under equity derivatives ¹	Total	% of issued voting shares as at 30.06.2018
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests				
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-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	–	–	–	–	4,000,000	4,000,000	0.17
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	–	–	13,272,658 ^{2,3&5}	13,272,658	–	13,272,658	0.57

Notes:

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

Directors' Report

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

Name of Director	Number of shares held			Sub-total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 30.06.2018
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	–	–	5,111,968 ¹	5,111,968	–	5,111,968	0.45
Lee Shau-kee	–	546,000 ²	–	546,000	–	546,000	0.05
Kwok Kai-fai, Adam	–	–	6,782,333 ³	6,782,333	–	6,782,333	0.60
Kwok Kai-wang, Christopher	–	–	11,894,301 ^{1&3}	11,894,301	–	11,894,301	1.06
Fung Yuk-lun, Allen	437,359	–	–	437,359	–	437,359	0.04
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	–	–	11,894,301 ^{1&3}	11,894,301	–	11,894,301	1.06

Notes:

- Messrs. Kwok Ping-luen, Raymond, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 5,111,968 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.
- 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.
- Messrs. Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher and Kwok Ho-lai, Edward were deemed to be interested in 6,782,333 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the benefit of the sons of Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated amongst them.

(c) **Transport International Holdings Limited (“Transport International”)**

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of issued voting shares as at 30.06.2018
	Personal interests (held as beneficial owner)	Sub-total			
Kwok Ping-luen, Raymond	454,967 ¹	454,967	–	454,967	0.11
Lui Ting, Victor	300,000	300,000	–	300,000	0.07

Note:

1. Of these shares in Transport International, 451,354 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 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 30.06.2018	Actual shares held through corporation	Actual % of interests in issued voting shares as at 30.06.2018
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 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.

Directors' Report

(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 30.06.2018
Anbok Limited	2 ²	50.00
Billion Ventures Limited	1 ³	50.00
Central Waterfront Property Holdings Limited	100 ⁴	100.00
Central Waterfront Property Investment Holdings Limited	50 ⁵	50.00
CWP Limited	1 ⁶	50.00
Daily Win Development Limited	100 ⁷	25.00
E Man-Sanfield JV Construction Company Limited	1 ⁸	50.00
Everise (H.K.) Limited	1 ⁹	50.00
Fullwise Finance Limited	2 ²	50.00
Gold Sky Limited	1 ¹⁰	50.00
Jade Land Resources Limited	1 ¹¹	25.00
Karnold Way Limited	2,459 ¹²	24.59
Maxfine Development Limited	3,050 ¹³	33.33
Metro Trade International Limited	16 ⁷	26.67
Royal Peninsula Management Service Company Limited	1 ¹⁴	50.00
Special Concept Development Limited	1 ¹¹	25.00
Star Play Development Limited	1 ¹⁵	33.33
System Link Development Limited	2 ¹⁶	50.00
Tartar Investments Limited	300 ¹⁷	30.00
Teamfield Property Limited	4,918 ¹⁸	49.18
Topcycle Development Limited	1 ¹⁹	50.00
World Space Investment Limited	4,918 ¹⁸	49.18

Notes:

1. *Dr. Lee Shau-kee was deemed to be interested in 61,533,000 shares in the Company held by Kinnox. Kinnox was wholly-owned by Financial Enterprise which was wholly-owned by SK Financial. Lee Financial as trustee of a unit trust owned all the issued shares of SK Financial. Leeworld and Leasons as respective trustees of two discretionary trusts held units in this unit trust. The entire issued share capital of Lee Financial, Leeworld and Leasons 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.*
2. *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").*
3. *Dr. Lee Shau-kee was deemed to be interested in one share held by Chico Investment Limited ("Chico").*
4. *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").*

5. *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.*
6. *Dr. Lee Shau-kee was deemed to be interested in one share held by Starland.*
7. *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").*
8. *Dr. Lee Shau-kee was deemed to be interested in one share held by E Man Construction Company Limited.*
9. *Dr. Lee Shau-kee was deemed to be interested in one share held by Masterland.*
10. *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.*
11. *Dr. Lee Shau-kee was deemed to be interested in one share held by Citiplus Limited.*
12. *Dr. Lee Shau-kee was deemed to be interested in 2,459 shares held by Chico.*
13. *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 Andco Limited. Andco Limited was a wholly-owned subsidiary of Henderson China Holdings Limited which was wholly-owned by Brightland Enterprises Limited.*
14. *Dr. Lee Shau-kee was deemed to be interested in one share held by Well Born Real Estate Management Limited.*
15. *Dr. Lee Shau-kee was deemed to be interested in one share held by Benewick Limited which was wholly-owned by Dorway Investment Limited.*
16. *Dr. Lee Shau-kee was deemed to be interested in two shares held by Mightymark Investment Limited.*
17. *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.*
18. *Dr. Lee Shau-kee was deemed to be interested in 4,918 shares held by Billion Ventures Limited which was 50% held by Chico.*
19. *Dr. Lee Shau-kee was deemed to be interested in one share held by Dandy Investments Limited.*
20. *Masterland, Chico, Starland, Citiright and companies mentioned in Notes 8, 10, 11, 13 to 17 and 19 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 5 above.*

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executives of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations that were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO, or that were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

Share Option Schemes

1. Share option schemes of the Company

On 5 December 2002, the Company adopted a share option scheme (the "Old Scheme"). Under the Old Scheme, the Board shall be entitled at any time within ten years commencing on 5 December 2002 to make an offer for the grant of a share option of the Company to any employee as the Board may in its absolute discretion select. Due to the expiry of the Old Scheme on 5 December 2012 and in order to ensure continuity of a share option scheme for the Company to incentivize its employees, the Shareholders at the annual general meeting of the Company held on 15 November 2012 passed an ordinary resolution to approve the adoption of a new share option scheme (the "New Scheme") and the termination of the Old Scheme.

Following the termination of the Old Scheme, no further share options can be granted under the Old Scheme but the provisions of the Old Scheme remain in full force and effect in all other respects in relation to the share options granted under the Old Scheme. As at 30 June 2018, all outstanding share options granted under the Old Scheme had been exercised.

During the year ended 30 June 2018, no share options were granted under the New Scheme. Particulars of the outstanding share options granted under the Old Scheme and the New Scheme and their movements during the year ended 30 June 2018 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options					Closing price per share (HK\$)
				Balance as at 01.07.2017	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2018	
(I) Old Scheme									
(i) Employees	11.07.2012	96.15	11.07.2013 to 10.07.2017	31,000	-	(31,000)	-	-	115.41 ²
(II) New Scheme									
(i) Directors									
Kwok Kai-fai, Adam	12.07.2013	102.30	12.07.2014 to 11.07.2018	23,000	-	(23,000)	-	-	126.40 ³
Tung Chi-ho, Eric	11.07.2014	106.80	11.07.2015 to 10.07.2019	100,000	-	-	-	100,000	N/A
Kwok Ho-lai, Edward <i>(Alternate Director to Kwok Ping-luen, Raymond)</i>	12.07.2013	102.30	12.07.2014 to 11.07.2018	23,000	-	(23,000)	-	-	126.40 ³
(ii) Other employees									
	12.07.2013	102.30	12.07.2014 to 11.07.2018	576,000	-	(435,000)	-	141,000	130.20 ²
	11.07.2014	106.80	11.07.2015 to 10.07.2019	846,000	-	(313,000)	-	533,000	129.17 ²
Total				1,599,000	-	(825,000)	-	774,000	

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 weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised.*
3. *This represented the closing price of the shares of the Company immediately before the date on which the share options were exercised.*
4. *The accounting policy adopted for the share options is set out in note 1(u) to the consolidated financial statements.*

Save as disclosed above, there were no outstanding share options granted under the Old Scheme and the New Scheme during the year ended 30 June 2018.

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

1. The purpose of the Schemes is to attract and retain the best quality personnel for the development of the Company's businesses, to provide additional incentives to the employees of the Company or any of its subsidiaries, and to promote the long term financial success of the Company by aligning the interests of the grantees to the Shareholders.
2. The participants of the Schemes are the employees of the Company or any of its subsidiaries (including any Executive Directors of the Company or any of its subsidiaries) as the Board may in its absolute discretion select.
3. The total number of shares of the Company which may be issued upon exercise of all share options to be granted under the Schemes and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue on the respective dates of approval of each of the Schemes. The 10% limit may be refreshed with the approval by ordinary resolution of the Shareholders. Following the termination of the Old Scheme, no further share options can be granted under the Old Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. As at 13 September 2018, the number of shares of the Company available for issue in respect thereof was 253,085,604 shares, representing approximately 8.74% of the issued shares of the Company.

Directors' Report

4. The total number of shares of the Company issued and to be issued upon exercise of share options (whether exercised or outstanding) granted under the Schemes in any 12-month period to each grantee must not exceed 1% of the shares of the Company in issue.
5. The exercise period of any share option granted under the Schemes shall be determined by the Board but such period must not exceed ten years from the date of grant of the relevant share option.
6. The Schemes do not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.
7. The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK\$1.00 from each grantee.
8. The exercise price of a share option to subscribe for shares of the Company shall not be less than the 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 Old Scheme was terminated on 15 November 2012 and all outstanding share options granted under it had been exercised as at 30 June 2018. The New Scheme shall be valid and effective for a period of ten years commencing on the adoption of the New Scheme on 15 November 2012.

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 2018, SUNeVision granted 11,350,000 share options under the SUNeVision Scheme on 19 June 2018. Particulars of the outstanding share options granted under the SUNeVision Scheme and their movements during the year ended 30 June 2018 were as follows:

Grantees	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				Balance as at 30.06.2018	Closing price per share (HK\$)
				Balance as at 01.07.2017	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year		
(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
Other directors of SUNeVision	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	-	(2,400,000)	(1,600,000)	-	5.28 ²
	19.06.2018	5.048	19.06.2019 to 18.06.2023	N/A	4,000,000	-	-	4,000,000	4.92 ³
(ii) Other employees of SUNeVision									
	08.03.2016	2.45	08.03.2017 to 07.03.2021	6,159,000	-	(389,000)	(160,000)	5,610,000	5.16 ²
	19.06.2018	5.048	19.06.2019 to 18.06.2023	N/A	4,350,000	-	-	4,350,000	4.92 ³
(iii) Other participants of SUNeVision									
	19.06.2018	5.048	19.06.2019 to 18.06.2023	N/A	3,000,000	-	-	3,000,000	4.92 ³
Total				14,159,000	11,350,000	(2,789,000)	(1,760,000)	20,960,000	

Notes:

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

Save as disclosed above, there were no outstanding share options granted under the SUNeVision Scheme during the year ended 30 June 2018.

Directors' Report

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 2018 under the SUNeVision Scheme amounting to approximately HK\$13,467,000 was estimated based on the following variables and assumptions:

Risk-free interest rate	2.20% ¹
Expected volatility	34.85% ²
Expected dividend yield	2.87% 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 19 June 2018.*
- 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:

- 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.
- 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 13 September 2018, the number of shares of SUNeVision available for issue under the SUNeVision Scheme was 229,192,953 shares, representing approximately 9.86% 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.

Directors' Report

(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 2018, 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 2018 were as follows:

Grantee	Date of grant	Exercise price per share (HK\$)	Exercise period ¹	Number of share options				
				Balance as at 01.07.2017	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance as at 30.06.2018
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:

- 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 2018.

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

- 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.
- 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 13 September 2018, the number of shares of SmarTone available for issue in respect thereof was 102,761,185 shares which represented approximately 9.16% 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.

Directors' Report

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 schemes 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 2018, 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/underlying shares held			Total	% of issued voting shares as at 30.06.2018
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests		
(I) Long Positions					
(a) Substantial shareholders					
Kwong Siu-hing	25,024	–	762,682,737 ^{1&3}	762,707,761	26.33
HSBC Trustee (C.I.) Limited	–	–	762,689,791 ^{1,2&3}	762,689,791	26.33
Adolfa Limited ("Adolfa")	231,182,838	69,134,223	–	300,317,061 ³	10.37
Bertana Limited ("Bertana")	231,182,838	69,134,223	–	300,317,061 ^{3&4}	10.37
Cyric Limited ("Cyric")	231,182,838	69,134,223	–	300,317,061 ^{3&5}	10.37
(b) Other persons					
Credit Suisse Trust Limited	–	–	216,575,125 ⁶	216,575,125	7.48
HSBC Trustee (Guernsey) Limited	–	–	216,381,271 ⁷	216,381,271	7.47
Kwok Ping-sheung, Walter	81,250	–	211,173,896 ^{8&9}	211,255,146	7.29
Thriving Talent Limited	192,675,595 ⁷	–	–	192,675,595	6.65
Rosy Result Limited	189,149,595 ⁶	–	–	189,149,595	6.53
Asporto Limited	187,357,707 ^{8&9}	–	–	187,357,707	6.47
Genesis Trust & Corporate Services Ltd.	–	–	187,357,707 ^{8&9}	187,357,707	6.47
BlackRock, Inc.	–	146,163,638 ¹⁰	–	146,163,638	5.05
(II) Short Positions					
(a) Other person					
BlackRock, Inc.	–	695,000 ¹⁰	–	695,000	0.02

Notes:

1. *Madam Kwong Siu-hing was deemed to be interested in 762,682,737 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. *HSBC Trustee (C.I.) Limited was also deemed to be interested in 7,054 shares in the Company by virtue of it being the trustee of certain trusts for the purpose of Part XV of the SFO.*
3. *Of the respective shares in the Company held by Adolfa, Bertana and Cyric, 69,134,223 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 69,134,223 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-fai, Adam 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 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.*
6. *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.
7. *HSBC Trustee (Guernsey) Limited was deemed to be interested in 216,381,271 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, 192,675,595 shares represented the same interests held by Thriving Talent Limited and were therefore duplicated between them.*

The 216,381,271 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.
8. *Mr. Kwok Ping-sheung, Walter was deemed to be interested in 211,173,896 shares in the Company by virtue of him being a founder and/or a beneficiary of a discretionary trust for the purpose of Part XV of the SFO. Of these shares, 187,357,707 shares represented the same interests held by Asporto Limited and deemed to be held by Genesis Trust & Corporate Services Ltd. and were therefore duplicated amongst them.*

Directors' Report

9. *Genesis Trust & Corporate Services Ltd. was deemed to be interested in 187,357,707 shares in the Company by virtue of it being the trustee of a discretionary trust for the purpose of Part XV of the SFO. These shares represented the same interests held by Asporto Limited and also formed part of the shares in the Company in which Mr. Kwok Ping-sheung, Walter was deemed to be interested by virtue of him being a founder and/or a beneficiary of a discretionary trust for the purpose of Part XV of the SFO and were therefore duplicated amongst them.*
10. *BlackRock, Inc. was deemed to have long position interests in 146,163,638 shares/underlying shares and short position interests in 695,000 shares/underlying shares in the Company held by various corporations in which BlackRock, Inc. was entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings. These interests included 559,000 underlying shares (long position) and 85,000 underlying shares (short position) of the Company held under cash settled unlisted equity derivatives.*

Save as disclosed above, as at 30 June 2018, 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 2018, the Group employed close to 37,500 employees. The related employees' costs before reimbursements for the year amounted to approximately HK\$11,036 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. A share option scheme is in place to provide appropriate long-term incentive to the key staff of the Group. Details of the old and new share option schemes of the Company are set out in the section headed "Share Option Schemes".

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 2018 are set out in notes 21 and 23 to the consolidated financial statements.

Interest Capitalized

Interest capitalized during the year amounted to HK\$421 million (2017: HK\$397 million).

Charitable Donations

HK\$84 million (2017: HK\$48 million) was donated 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 operation in Hong Kong and Mainland China. Messrs. Kwok Ping-luen, Raymond, Kwok Kai-fai, Adam, Kwok Kai-wang, Christopher 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 operation in Hong Kong. As such, they are regarded as being interested in such competing businesses with the Group (the "Excluded Businesses"). However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. The Kwok Family does not have property 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 is the chairman and managing director of Henderson Land. He is also an executive director of Henderson Investment Limited, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. 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 operation, project and property management, construction, department store operation, 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. Sir Po-shing Woo, being a Non-Executive Director of the Company, and his alternate, Mr. Woo Ka-biu, Jackson, are not involved in the daily management and operation of the Group.

Other than the family businesses of the Kwok Family, the above-mentioned Excluded Businesses are managed by separate companies or public listed companies with independent management and administration. In this respect, coupled with 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.

Directors' Report

Connected Transactions

During the period from the date of the 2016/17 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 2018 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, 13 September 2018

Directors' Biographical Information

Directors

Kwok Ping-luen, Raymond

Hon LLD, Hon DBA, MBA, MA (Cantab), JP
Chairman & Managing Director (Age: 65)

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

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 Mr. Kwok Kai-fai, Adam.

For the year ended 30 June 2018, 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\$3.40 million, including fees of HK\$48,000 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: 90)

Dr. Lee has been a Non-Executive Director of the Company for the last 46 years. He is the founder and chairman and managing director of Henderson Land Development Company Limited. He continues to act as an executive director of Henderson Investment Limited after his stepping down as the chairman and managing director in July 2015. He has been engaged in property development in Hong Kong for more than 60 years. Dr. Lee is also the chairman of The Hong Kong and China Gas Company Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. 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 2018, 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: 62)

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 2018, 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\$23.78 million.

Lui Ting, Victor

BBA

Deputy Managing Director (Age: 64)

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 2018, 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\$24.59 million.

Yip Dicky Peter

MBA, BBS, MBE, JP

Independent Non-Executive Director (Age: 71)

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 is currently an independent non-executive director of South China Holdings Company Limited and Ping An Insurance (Group) Company of China, Ltd., 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 2018, 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: 66)

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, Orient Overseas (International) Limited and Pacific Century Premium Developments Limited. In addition, he was an independent non-executive director of Link Asset Management Limited as the manager of Link Real Estate Investment Trust and a member of the managing board of the Kowloon-Canton Railway Corporation.

For the year ended 30 June 2018, 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: 65)

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 2018, 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: 69)

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, Shui On Land Limited and The Hongkong and Shanghai Hotels, Limited. Dr. Fung resigned as a non-executive director of Trinity Limited on 18 April 2018. Formerly, he was an independent non-executive director of Singapore Airlines Limited.

Dr. Fung has held key positions in major trade associations. He is the past chairman of the Hong Kong General Chamber of Commerce (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 2018, 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: 78)

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. He was the executive chairman of Television Broadcasts 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 2018, 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: 62)

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 2018, 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: 66)

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, Li & Fung Limited, and Hong Kong Exchanges and Clearing Limited. She stepped down as the chief executive of Chong Hing Bank Limited in April 2017 and also retired as its executive director, deputy chairman and managing director with effect from 18 May 2018. 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.

Directors' Biographical Information

Mrs. Leung is a member of 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, 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 2018, 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: 70)

Mr. Fan has been appointed as an Independent Non-Executive Director of the Company with effect from 1 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, the Financial Services Development Council as well as the Task Force on Review of Self-financing Post-secondary Education. 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.

Mr. Fan is entitled to receive a fee of approximately HK\$100,000 for being a Director of the Company for the period from 1 March 2018 (being the date of his appointment as a Director) to 30 June 2018.

Sir Po-shing Woo

Hon.LLD., FCI Arb, F.I.Mgt., FlntSD, FHKMA
Non-Executive Director (Age: 89)

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

For the year ended 30 June 2018, Sir Po-shing Woo is entitled to receive a fee of HK\$300,000 for being a Director of the Company.

Kwan Cheuk-yin, William

LLB
Non-Executive Director (Age: 83)

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 55 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, member of the Hong Kong Philatelic Society, life member of the Federation of Inter-Asia Philately, president of FIAP Grand Prix Club, a permanent advisor of Wah Yan (Hong Kong) Past Students Association, a director and honorary secretary of Wah Yan Dramatic Society, a committee member and legal advisor of South China Athletic Association and former vice manager of its Football Section as well as manager of its Ten Pin Bowling Section and an honorary legal advisor of the Hong Kong Society for Reproductive Society.

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 2018, 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-fai, Adam

MBA, BSc

Executive Director (Age: 35)

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 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 deputy chairman of Hong Kong Guangdong Youth Association, a member of All-China Youth Federation and a vice-chairman of Friends of Hong Kong Association Development 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 and Kwok Ho-lai, Edward.

For the year ended 30 June 2018, 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\$8.81 million.

Kwok Kai-wang, Christopher

MBA, BSc

Executive Director (Age: 32)

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 Mr. Kwok Kai-fai, Adam and the younger brother of Mr. Kwok Ho-lai, Edward.

For the year ended 30 June 2018, 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\$6.94 million, including a fee of HK\$36,000 for being a director of SUNeVision Holdings Ltd.

Kwong Chun

Executive Director (Age: 89)

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 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 2018, 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\$6.56 million.

Tung Chi-ho, Eric

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

Executive Director (Age: 59)

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 2018, 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\$19.08 million, including a fee of HK\$36,000 for being a director of SUNeVision Holdings Ltd.

Fung Yuk-lun, Allen

BA, Ph.D.

Executive Director (Age: 50)

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 of SUNeVision Holdings Ltd. ("SUNeVision") and has been re-designated from a non-executive director to an executive director of SUNeVision with effect from 2 April 2018. He is also a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited as well as 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.

Directors' Biographical Information

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 and a member of the Advisory Committee on Gifted Education of the Education Bureau of the Government of the Hong Kong Special Administrative Region.

For the year ended 30 June 2018, 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\$18.63 million, including fees of HK\$42,000 and HK\$162,000 for being a vice chairman and a director of SUNeVision 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: 37)

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 Mr. Kwok Kai-fai, Adam and the elder brother of Mr. Kwok Kai-wang, Christopher.

Woo Ka-biu, Jackson

MA (Oxon)

Alternate Director to Sir Po-shing Woo (Age: 55)

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

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

All the Directors and Alternate Directors of the Company have not entered into any service contract with the Company. In accordance with the articles of association of the Company, Directors are subject to retirement and 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.

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
Chan Hong-ki, Robert	–	Project Director of Sun Hung Kai Real Estate Agency Limited
Fung Chu-hee, Andrew	–	Executive Director and Chief Executive Officer of Sun Hung Kai Architects and Engineers Limited Manager, Chairman's Office

Consolidated Financial Statements

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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 161 to 220, which comprise the consolidated statement of financial position as at 30 June 2018, 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 2018, 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 judgement, 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 judgement is involved in determining the inputs used in the valuation.

As at 30 June 2018, the Group's investment properties amounted to HK\$369,477 million which represented 51.6% of the Group's total assets. Increase in fair value of investment properties of HK\$15,772 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 judgement, 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 10 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 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.

Independent Auditor's Report

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 17 to the consolidated financial statements, the Group's properties for sale amounted to HK\$177,367 million which represented 24.8% of the Group's total assets, as at 30 June 2018.

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 judgement 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 2018 amounted to HK\$39,795 million, which is disclosed in note 2 to the consolidated financial statements, and represented 46.5% of the Group's revenue.

As disclosed in note 1(f) to the consolidated financial statements, revenue from sale of properties is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, which can be measured reliably; and the significant risks and rewards of ownership of the properties are transferred to the buyers.

Our procedures in relation to revenue recognition of property sales included:

- Obtaining an understanding of 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 significant risks and rewards of ownership of the properties have been transferred to the buyers, on a sample basis, with reference to the occupation permits, completion certificates and other correspondences issued by the relevant government authorities and the terms set out in the sale and purchase agreements; checking the status of the transfer of the properties to the buyers and the settlement of the considerations for the property sales; and evaluating the management's assessment of chance of default by the buyers after taking into account the market conditions and performance.

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 judgement 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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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

13 September 2018

Consolidated Income Statement

For the year ended 30 June 2018
(Expressed in millions of Hong Kong dollars)

	Notes	2018	2017
Revenue	2(a)	85,644	78,207
Cost of sales		(43,752)	(42,433)
Gross profit		41,892	35,774
Other net income		1,156	927
Selling and marketing expenses		(4,937)	(4,708)
Administrative expenses		(2,658)	(2,467)
Operating profit before changes in fair value of investment properties	2(a)	35,453	29,526
Increase in fair value of investment properties		15,772	13,810
Operating profit after changes in fair value of investment properties		51,225	43,336
Finance costs		(1,985)	(1,987)
Finance income		368	278
Net finance costs	3	(1,617)	(1,709)
Share of results (including increase in fair value of investment properties net of deferred tax of HK\$6,081 million (2017: HK\$4,238 million)) of:			
Associates		612	428
Joint ventures		9,136	7,170
	2(a) & 9(b)	9,748	7,598
Profit before taxation	4	59,356	49,225
Taxation	7	(8,402)	(6,750)
Profit for the year	2(a)	50,954	42,475
Attributable to:			
Company's shareholders		49,951	41,782
Perpetual capital securities holders		174	18
Non-controlling interests		829	675
		50,954	42,475
<i>(Expressed in Hong Kong dollars)</i>			
Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)	9(a)		
Basic		\$17.24	\$14.43
Diluted		\$17.24	\$14.43
Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)	9(b)		
Basic		\$10.49	\$8.97
Diluted		\$10.49	\$8.97

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018
(Expressed in millions of Hong Kong dollars)

	2018	2017
Profit for the year	50,954	42,475
Items that may be reclassified subsequently to profit or loss:		
Translation difference on foreign operations	2,127	(926)
Cash flow hedge fair value losses transferred to consolidated income statement	–	2
Available-for-sale investments		
– fair value gains recognized during the year	427	227
– fair value gains transferred to consolidated income statement on disposal	(1)	(35)
	426	192
Share of other comprehensive income/(loss) of associates and joint ventures	441	(274)
Item that will not be reclassified to profit or loss:		
Share of other comprehensive income of an associate	225	43
Other comprehensive income/(loss) for the year	3,219	(963)
Total comprehensive income for the year	54,173	41,512
Total comprehensive income for the year attributable to:		
Company's shareholders	53,109	40,854
Perpetual capital securities holders	174	18
Non-controlling interests	890	640
	54,173	41,512

Consolidated Statement of Financial Position

As at 30 June 2018

(Expressed in millions of Hong Kong dollars)

	Notes	2018	2017
Non-current assets			
Investment properties	10	369,477	337,980
Fixed assets	11	34,587	26,977
Associates	12	5,570	4,724
Joint ventures	13	66,197	59,117
Loan receivables	14	6,013	4,981
Other financial assets	15	3,384	3,375
Intangible assets	16	4,976	5,524
		490,204	442,678
Current assets			
Properties for sale	17	177,367	146,409
Inventories		440	444
Debtors, prepayments and others	18	20,521	17,813
Other financial assets	19	859	798
Bank deposits and cash	20	26,095	31,274
		225,282	196,738
Current liabilities			
Bank and other borrowings	21	(12,646)	(5,390)
Trade and other payables	22	(31,008)	(26,908)
Deposits received on sales of properties		(12,230)	(10,458)
Taxation		(10,551)	(8,216)
		(66,435)	(50,972)
Net current assets			
		158,847	145,766
Total assets less current liabilities			
		649,051	588,444
Non-current liabilities			
Bank and other borrowings	23	(78,788)	(61,936)
Deferred taxation	24	(21,660)	(18,930)
Other long-term liabilities	25	(171)	(215)
		(100,619)	(81,081)
NET ASSETS			
		548,432	507,363
CAPITAL AND RESERVES			
Share capital	26	70,612	70,516
Reserves		468,486	427,699
Shareholders' funds			
		539,098	498,215
Perpetual capital securities	27	3,887	3,910
Non-controlling interests		5,447	5,238
TOTAL EQUITY			
		548,432	507,363

Directors:

Kwok Ping-luen, Raymond

Lui Ting, Victor

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

(Expressed in millions of Hong Kong dollars)

	Notes	2018	2017
Operating activities			
Operating cash inflow	30(a)	36,711	30,903
Changes in working capital	30(a)	(26,402)	7,876
Cash generated from operations	30(a)	10,309	38,779
Interest paid		(2,320)	(2,366)
Bank interest received		371	284
Interest received from investments		135	135
Dividends received from listed investments		123	85
Dividends received from unlisted investments		55	40
Dividends received from associates and joint ventures		2,491	2,717
Hong Kong profits tax paid		(2,530)	(2,771)
Outside Hong Kong tax paid		(1,268)	(1,046)
Net cash from operating activities		7,366	35,857
Investing activities			
Additions to investment properties		(14,362)	(6,473)
Additions to fixed assets		(8,825)	(2,725)
Purchase of an associate		(8)	(71)
Purchase of other financial assets		(79)	(277)
Net repayments from associates and joint ventures		98	1,687
Loans and advances made		(1,578)	(3,813)
Payment of telecommunications licence fees		(62)	(2,501)
Net proceeds from disposal of investment properties		740	582
Proceeds from disposal of fixed assets		9	9
Proceeds from disposal of other financial assets		314	909
Net cash used in investing activities		(23,753)	(12,673)
Financing activities			
Bank and other borrowings raised		37,395	7,952
Repayment of bank and other borrowings		(13,578)	(21,201)
Increase/(decrease) in fundings from non-controlling interests		211	(469)
Decrease in bank deposits maturing after more than three months		3,167	5,949
Decrease in pledged bank deposits		2	–
Proceeds from issue of shares		85	112
Proceeds from issue of shares by a subsidiary		7	–
Purchase of additional interest in a subsidiary		–	(84)
Payment for repurchase of shares by a subsidiary		(266)	(88)
Net proceeds from issue of perpetual capital securities		–	3,862
Buy-back of perpetual capital securities		(20)	–
Dividends paid to shareholders		(12,167)	(11,292)
Dividends paid to non-controlling interests		(591)	(672)
Distributions paid to perpetual capital securities holders		(174)	–
Net cash from/(used in) financing activities		14,071	(15,931)
(Decrease)/increase in cash and cash equivalents		(2,316)	7,253
Cash and cash equivalents at beginning of year		25,074	17,902
Effect of foreign exchange rates changes		277	(81)
Cash and cash equivalents at end of year	30(b)	23,035	25,074

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

(Expressed in millions of Hong Kong dollars)

	Attributable to Company's shareholders					Total	Perpetual capital securities	Non-controlling interests	Total
	Share capital	Capital reserves	Investment revaluation reserve	Exchange reserve	Retained profits				
At 1 July 2016	70,384	856	961	475	396,031	468,707	–	5,801	474,508
Profit for the year	–	–	–	–	41,782	41,782	18	675	42,475
Other comprehensive (loss)/income for the year	–	2	197	(1,170)	43	(928)	–	(35)	(963)
Total comprehensive (loss)/income for the year	–	2	197	(1,170)	41,825	40,854	18	640	41,512
Shares issued on exercise of share options	132	(20)	–	–	–	112	–	–	112
Recognition of equity-settled share-based payments	–	1	–	–	–	1	–	7	8
Share options lapsed	–	(21)	–	–	22	1	–	(1)	–
Final dividend paid	–	–	–	–	(8,107)	(8,107)	–	–	(8,107)
Interim dividend paid	–	–	–	–	(3,185)	(3,185)	–	–	(3,185)
Deemed disposal of subsidiaries	–	–	–	–	–	–	–	(503)	(503)
Adjustments relating to changes in interests in subsidiaries	–	(138)	–	–	–	(138)	–	4	(134)
Dividends paid to non-controlling Interests	–	–	–	–	–	–	–	(710)	(710)
Issue of perpetual capital securities	–	–	–	–	–	–	3,892	–	3,892
Transaction costs for issue of perpetual capital securities	–	–	–	–	(30)	(30)	–	–	(30)
Transfer to capital reserves arising from repurchase of its shares by a subsidiary	–	1	–	–	(1)	–	–	–	–
At 30 June 2017 and 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	70,612	525	1,583	1,813	464,565	539,098	3,887	5,447	548,432

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

1. Basis of Preparation and Principal Accounting Policies

a. Basis of preparation

The 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 below.

b. Standards adopted during the year ended 30 June 2018

There were no new standards adopted in the current year. However, during the year, the Group has applied a number of amendments to HKFRSs which had no significant impact on the Group's financial statements.

c. Future accounting developments

The HKICPA has issued a number of new standards and amendments which are not effective for the financial year ended 30 June 2018 and which have not been adopted in the Group's financial statements. Key changes of new standards that are relevant to the Group are summarized as follows:

HKFRS 9 Financial Instruments

(effective for year ending 30 June 2019)

HKFRS 9 prescribes the rules for classifying and measuring financial assets and liabilities, measuring impairment allowances for financial assets and hedge accounting; it replaces HKAS 39 Financial Instruments: Recognition and Measurement.

HKFRS 9 introduces a new classification and measurement methodology, which requires financial assets to be measured at either amortized cost or fair value according to their contractual cash flow characteristics and the business model under which they are held; a new impairment model, which requires the use of an expected credit loss approach for measuring the impairment allowances for financial assets based on expected losses rather than on incurred losses; and a reformed model for hedge accounting with enhanced disclosures about risk management activities. The classification and measurement of financial liabilities will remain generally the same as in HKAS 39.

The Group has assessed the impact of adopting HKFRS 9 and expects no significant change to the measurement basis arising from the new classification and measurement requirements and that the impairment allowances calculated using the expected loss model will have no material impact on the Group's financial statements.

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

c. *Future accounting developments (cont'd)*

HKFRS 15 Revenue from Contracts with Customers

(effective for year ending 30 June 2019)

HKFRS 15 sets out requirements for revenue recognition from contracts with customers replacing the existing revenue standards, HKAS 18 Revenue and HKAS 11 Construction Contracts. The core principle is to recognize revenue upon the transfer of control of goods or services to customers at an amount that reflects the consideration expected to be received.

On transition to HKFRS 15, the Group will adopt the cumulative catch-up method and elect the practical expedient by applying the new requirements retrospectively only to those contracts that are not considered completed contracts under the existing revenue standards before 1 July 2018. Cumulative effect, if any, of initially applying the standard will be recognized as an adjustment to the opening retained earnings at 1 July 2018 and comparatives are not restated.

The Group has assessed the impact of HKFRS 15 and expects that the transition impact upon the initial adoption of the standard will be insignificant.

HKFRS 16 Leases

(effective for year ending 30 June 2020)

HKFRS 16 requires lessees to recognize most leases on the balance sheet 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 is in the process of analyzing the transitional approaches and practical expedients available and does not currently expect the standard to have a material impact on the Group's financial statements.

d. *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 1(h) and note 1(i) 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.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

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

e. Revenue

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

f. Revenue recognition

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

(i) Property sales

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

(ii) Rental income

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

(iii) Hotel operation

Revenue from hotel operation is recognized upon provision of services.

(iv) Interest income

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

(v) Construction

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

(vi) Dividend income

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

(vii) Use of data centre facilities

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

(viii) Telecommunications

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

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

f. Revenue recognition (cont'd)

(ix) Toll income

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

(x) Department store

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

(xi) Provision of container and cargo handling service

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

(xii) Others

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

g. 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.

h. Associates

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

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

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

i. 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 other comprehensive income less any identified impairment loss.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

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

i. Joint arrangements (cont'd)

(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.

j. 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.

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

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

(ii) Goodwill

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

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

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

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

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

j. Intangible assets (cont'd)

(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.

k. Financial assets, financial liabilities and equity

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

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

k. Financial assets, financial liabilities and equity (cont'd)

(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 other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gains or losses previously recognized in other comprehensive income 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.

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

l. Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognized at fair value on the date derivative contracts are entered into and are subsequently remeasured at their fair value.

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

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

Changes in the fair values of derivative financial instruments that are not designated for hedge accounting are recognized in profit or loss.

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

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

l. Derivative financial instruments and hedge accounting (cont'd)

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

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

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

m. Properties

(i) Investment properties

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

Investment properties are carried at fair value based on valuations performed by independent qualified valuers on a market value basis related to individual properties, and separate values are not attributed to land and buildings. Changes in fair values are recognized in 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.

(ii) Hotel properties

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

(iii) Properties pending/under development for sale

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

(iv) Stocks of completed properties for sale

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

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

m. Properties (cont'd)

(v) Other properties

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

n. Depreciation

(i) Hotel properties

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

(ii) Properties under development

No depreciation is provided on properties under development.

(iii) Network equipment

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

(iv) Other properties

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

(v) Other fixed assets

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

o. Borrowings and borrowing costs

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

p. 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.

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

q. 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 other comprehensive income.

r. Deferred taxation

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

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

s. 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.

t. 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.

u. 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.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. Segment Information

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

(a) Segment revenue and results

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

For the year ended 30 June 2018

	The Company and its subsidiaries		Associates and joint ventures		Combined revenue	Consolidated results
	Revenue	Results	Share of revenue	Share of results		
Property sales						
Hong Kong	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 operation	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
Other businesses	8,003	1,786	357	67	8,360	1,853
	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

2. Segment Information (cont'd)

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

For the year ended 30 June 2017

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

Results from property sales include selling and marketing expenses of HK\$770 million (2017: HK\$735 million) and HK\$181 million (2017: HK\$48 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively. The corresponding property sales revenue is recognized in subsequent financial years.

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

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

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

2. Segment Information (cont'd)

(b) Segment assets and liabilities

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

	The Company and its subsidiaries	Associates and joint ventures	Total assets	Total liabilities
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 operation	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)
Other businesses	15,296	1,088	16,384	(4,934)
	610,142	71,767	681,909	(41,625)
Bank deposits and cash			26,095	-
Other financial assets			4,243	-
Bank and other borrowings			-	(91,434)
Unallocated corporate assets/(liabilities)			3,239	(1,784)
Taxation			-	(10,551)
Deferred taxation			-	(21,660)
Total assets/(liabilities)			715,486	(167,054)
At 30 June 2017				
Property development				
Hong Kong	140,464	1,591	142,055	(16,979)
Mainland China	16,510	5,573	22,083	(5,473)
Singapore	-	99	99	-
	156,974	7,263	164,237	(22,452)
Property investment				
Hong Kong	251,967	40,971	292,938	(3,748)
Mainland China	87,983	5,943	93,926	(2,096)
Singapore	-	4,824	4,824	-
	339,950	51,738	391,688	(5,844)
Hotel operation	16,831	1,345	18,176	(504)
Telecommunications	7,822	-	7,822	(1,915)
Transport infrastructure and logistics	3,669	3,163	6,832	(646)
Other businesses	11,734	332	12,066	(4,043)
	536,980	63,841	600,821	(35,404)
Bank deposits and cash			31,274	-
Other financial assets			4,173	-
Bank and other borrowings			-	(67,326)
Unallocated corporate assets/(liabilities)			3,148	(2,177)
Taxation			-	(8,216)
Deferred taxation			-	(18,930)
Total assets/(liabilities)			639,416	(132,053)

2. 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	
	2018	2017	2018	2017
Property investment for rental	–	–	14,655	6,784
Hotel operation	375	387	6,509	1,036
Telecommunications	934	927	563	2,801
Transport infrastructure and logistics	368	366	36	31
Other businesses	304	232	1,832	1,343
Unallocated corporate assets	26	27	–	2
	2,007	1,939	23,595	11,997

(d) Geographical information

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

	2018	2017
Hong Kong	76,283	68,060
Mainland China	8,647	9,747
Others	714	400
	85,644	78,207

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

	2018			2017		
	The Company and its subsidiaries	Associates and joint ventures	Consolidated	The Company and its subsidiaries	Associates and joint ventures	Consolidated
Hong Kong	309,736	53,817	363,553	279,576	47,025	326,601
Mainland China	99,085	12,295	111,380	90,665	11,893	102,558
Singapore	–	4,965	4,965	–	4,923	4,923
Others	219	690	909	240	–	240
	409,040	71,767	480,807	370,481	63,841	434,322
Loan receivables			6,013			4,981
Other financial assets			3,384			3,375
Total non-current assets			490,204			442,678

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

3. Net Finance Costs

	2018	2017
Interest expenses	2,383	2,352
Notional non-cash interest accretion	23	32
Less: Amount capitalized	(421)	(397)
	1,985	1,987
Interest income on bank deposits	(368)	(278)
	1,617	1,709

Finance costs have been capitalized for properties under development at rates ranging from 2.49% to 5.28% (2017: 2.54% to 5.84%) per annum.

Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of asset retirement obligations and contractual obligations of telecommunications licence recognized in the 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.

4. Profit Before Taxation

	2018	2017
Profit before taxation is arrived at		
after charging:		
Cost of properties sold	21,205	21,756
Cost of inventories sold	6,001	4,531
Depreciation and amortization of hotel properties	324	321
Depreciation of other properties, plant and equipment	1,139	1,104
Amortization of intangible assets (included in cost of sales)	544	514
Impairment of intangible assets	4	3
Operating lease rentals for land and buildings, transmission sites and leased lines	1,647	1,615
Staff costs (including directors' emoluments and retirement schemes contributions)	7,881	7,455
Share-based payments	3	8
Auditors' remuneration	23	22
Fair value losses on financial assets at fair value through profit or loss	–	53
Loss on disposal of fixed assets	16	5
and crediting:		
Dividend income from:		
listed investments	123	91
unlisted investments	55	40
Interest income from debt securities	77	94
Profit on disposal of available-for-sale investments	4	82
Profit on disposal of financial assets at fair value through profit or loss	30	22
Fair value gains on financial assets at fair value through profit or loss	68	–

5. 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	Note	Salaries, allowances and benefits		Discretionary bonuses	Retirement scheme contributions	(Note b) Share-based payments	2018 Total emoluments	2017 Total emoluments
		Fees						
Executive Directors								
Kwok Ping-luen, Raymond		0.55	2.55	0.38	0.24	–	3.72	3.50
Wong Chik-wing, Mike		0.30	12.87	9.96	0.95	–	24.08	22.39
Lui Ting, Victor		0.30	10.43	13.21	0.95	–	24.89	23.48
Kwok Kai-fai, Adam		0.30	5.92	2.87	0.02	–	9.11	8.18
Kwok Kai-wang, Christopher		0.34	3.55	3.33	0.02	–	7.24	4.67
Kwong Chun		0.30	3.36	3.20	–	–	6.86	6.50
Tung Chi-ho, Eric		0.34	8.19	10.15	0.70	–	19.38	19.13
Fung Yuk-lun, Allen		0.50	6.98	11.10	0.35	0.39	19.32	18.66
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
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	a	0.10	–	–	–	–	0.10	–
Total 2018		7.99	53.85	54.20	3.23	0.39	119.66	111.47
Total 2017		7.86	50.23	49.31	3.13	0.94		

The above analysis included four (2017: four) individuals whose emoluments were among the five highest pay in the Group.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

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

Details of the emoluments paid to the remaining one (2017: one) individual are:

	2018	2017
Salaries, allowances and benefits in kind	7.29	7.01
Discretionary bonuses	10.60	9.95
Retirement scheme contributions	0.67	0.65
	18.56	17.61

Number of employees whose emoluments fell within:

Emoluments Band		Number of employees	Number of employees
HK\$M	HK\$M		
17.5	– 18.0	–	1
18.5	– 19.0	1	–
		1	1

(a) Mr. Fan Hung-ling, Henry was appointed as an Independent Non-Executive Director on 1 March 2018.

(b) Share-based payments are the fair values of share options granted to employees (including directors), which are determined at the date of grant and expensed over the vesting period.

6. Staff Retirement Schemes

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

As required by the municipal or provincial social insurance laws and regulations, the Group made contributions to the pension insurance managed by the local municipal governments in Mainland China. The rates of contributions in general ranged from 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\$356 million (2017: HK\$330 million). Forfeited contributions for the year of HK\$2 million (2017: HK\$2 million) were used to reduce the existing level of contributions.

7. Taxation

	2018	2017
Company and subsidiaries		
Current taxation		
Hong Kong profits tax	4,612	3,728
(Over)/under provision in prior years	(98)	19
	4,514	3,747
Tax outside Hong Kong	1,555	1,344
(Over)/under provision in prior years	(4)	9
	1,551	1,353
	6,065	5,100
Deferred taxation charge		
Changes in fair value of investment properties	1,783	1,134
Other origination and reversal of temporary differences	554	516
	2,337	1,650
	8,402	6,750

- (a) Hong Kong profits tax is provided at the rate of 16.5% (2017: 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:

	2018	2017
Profit before share of results of associates, joint ventures and taxation	49,608	41,627
Tax at Hong Kong profits tax rate of 16.5% (2017: 16.5%)	8,185	6,869
Effect of different tax rates of subsidiaries operating outside Hong Kong	2,093	1,474
Net effect of non-deductible expenses and non-taxable income	(2,035)	(1,769)
Utilization of tax losses not previously recognized	(82)	(83)
Tax losses and other temporary differences not recognized	344	223
(Over)/under provision in prior years	(102)	28
Others	(1)	8
Tax expenses	8,402	6,750

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

8. Dividends

	2018	2017
Dividends recognized as distribution during the year:		
2017 final dividend of HK\$3.00 per share based on 2,897 million shares (2017: 2016 final dividend of HK\$2.80 per share based on 2,895 million shares)	8,690	8,107
2018 interim dividend of HK\$1.20 per share based on 2,897 million shares (2017: HK\$1.10 per share based on 2,896 million shares)	3,477	3,185
	12,167	11,292

9. Earnings Per Share

(a) Reported earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to the Company's shareholders of HK\$49,951 million (2017: HK\$41,782 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,896,750,825 (2017: 2,895,499,978) shares. The diluted earnings per share is based on 2,896,919,542 (2017: 2,895,669,589) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 168,717 (2017: 169,611) 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\$30,398 million (2017: HK\$25,965 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

	2018	2017
Profit attributable to the Company's shareholders as shown in the consolidated income statement	49,951	41,782
Increase in fair value of investment properties		
Subsidiaries	(15,772)	(13,810)
Associates	(90)	(22)
Joint ventures	(6,162)	(4,373)
Effect of corresponding deferred tax charges		
Subsidiaries	1,783	1,134
Joint ventures	171	157
Non-controlling interests	82	63
Unrealized fair value gains of investment properties net of deferred tax	(19,988)	(16,851)
Fair value gains realized on disposal of investment properties net of deferred tax	435	1,034
Net effect of changes in fair value of investment properties	(19,553)	(15,817)
Underlying profit attributable to the Company's shareholders	30,398	25,965

10. Investment Properties

(a) Movement during the year

	Completed	Under development	Total
Valuation			
At 1 July 2016	275,477	43,040	318,517
Additions	828	5,956	6,784
Transfer upon completion	4,616	(4,616)	–
Transfer from properties for sale	4	–	4
Disposals	(295)	–	(295)
Transfer to other properties	(141)	–	(141)
Redesignate from properties for sale	–	187	187
Exchange difference	(557)	(329)	(886)
Increase in fair value	12,142	1,668	13,810
At 30 June 2017 and 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			
– other properties	(66)	–	(66)
– properties for sales	–	(924)	(924)
Exchange difference	1,487	846	2,333
Increase in fair value	14,820	952	15,772
At 30 June 2018	314,398	55,079	369,477

(b) Investment properties valuation

The Group's investment properties were valued at their fair values at 30 June 2018 and 30 June 2017 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 position 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.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

10. 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	
	2018	2017	2018	2017
Completed				
Hong Kong	253,765	237,246	5.1%	5.2%
Mainland China	60,633	54,828	6.6%	6.6%
	314,398	292,074		
Under development				
Hong Kong	20,082	13,312	3.6%	4.0%
Mainland China	34,997	32,594	6.7%	6.6%
	55,079	45,906		

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\$367 million (2017: HK\$289 million).
- (d) Gross rental income and direct operating expenses from investment properties during the year amounted to HK\$18,637 million (2017: HK\$17,295 million) and HK\$3,978 million (2017: HK\$3,755 million) respectively.

11. Fixed Assets

Movement during the year

	Properties					Total
	Hotel properties	under development	Other properties	Network equipment	Other fixed assets	
Cost						
At 1 July 2016	13,490	6,655	6,049	5,520	5,123	36,837
Additions	35	1,800	3	433	655	2,926
Cost adjustment	(53)	–	–	–	–	(53)
Transfer from						
– other properties	–	–	–	–	1	1
– completed investment properties	–	–	141	–	–	141
Transfer to						
– other fixed assets	–	–	(1)	–	–	(1)
– properties for sale	–	–	–	–	(16)	(16)
Disposals	–	–	–	(95)	(126)	(221)
Exchange difference	(19)	(17)	–	–	(1)	(37)
At 30 June 2017 and 1 July 2017	13,453	8,438	6,192	5,858	5,636	39,577
Additions	54	7,609	–	462	815	8,940
Transfer upon completion	–	(2,225)	1,671	–	554	–
Transfer from completed investment properties	–	–	66	–	–	66
Disposals	(1)	–	–	(252)	(94)	(347)
Exchange difference	46	46	2	–	14	108
At 30 June 2018	13,552	13,868	7,931	6,068	6,925	48,344
Accumulated depreciation						
At 1 July 2016	3,256	–	1,896	2,636	3,603	11,391
Charge for the year	321	–	136	569	399	1,425
Disposals	–	–	–	(88)	(120)	(208)
Transfer to properties for sale	–	–	–	–	(4)	(4)
Exchange difference	(2)	–	–	–	(2)	(4)
At 30 June 2017 and 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	3,907	–	2,199	3,421	4,230	13,757
Net book value at 30 June 2018	9,645	13,868	5,732	2,647	2,695	34,587
Net book value at 30 June 2017	9,878	8,438	4,160	2,741	1,760	26,977

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

12. Associates

	2018	2017
Unlisted shares, at cost less impairment loss	28	28
Hong Kong listed shares, at cost	1,273	983
Share of post-acquisition reserves	4,251	3,695
	5,552	4,706
Amounts due from associates	18	18
	5,570	4,724
Market value of Hong Kong listed shares	3,628	3,757

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:

	2018	2017
Investment properties	2,375	2,198
Other non-current assets	4,525	3,838
Current assets	1,403	1,428
Current liabilities	(883)	(872)
Non-current liabilities	(1,868)	(1,886)
Net assets	5,552	4,706
Revenue	3,217	3,036
Fair value changes of investment properties net of related deferred tax	90	22
Profit for the year	612	428

Particulars regarding principal associates are set out in the section headed "Principal Associates" of the Annual Report 2018.

13. Joint Ventures

	2018	2017
Unlisted shares, at cost less impairment loss	3,097	3,097
Share of post-acquisition reserves	54,995	47,863
	58,092	50,960
Amounts due from joint ventures	8,105	8,157
	66,197	59,117

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\$619 million (2017: HK\$627 million) which are interest bearing at market rates.

13. Joint Ventures (cont'd)

The Group's effective interest in the revenue, results, assets and liabilities of its joint ventures are summarized below:

	2018	2017
Investment properties	74,938	67,906
Other non-current assets	4,253	4,197
Current assets	16,768	15,467
Current liabilities	(13,805)	(12,734)
Non-current liabilities	(24,062)	(23,876)
Net assets	58,092	50,960
Revenue	7,836	7,897
Fair value changes of investment properties net of related deferred tax	5,991	4,216
Profit for the year	9,136	7,170

Particulars regarding principal joint ventures are set out in the section headed "Principal Joint Ventures" of the Annual Report 2018.

14. Loan Receivables

	2018	2017
Loan receivables	7,008	5,430
Less: Amount due within one year included under current assets	(995)	(449)
	6,013	4,981

Loan receivables include mortgage loan receivables which are secured on properties and repayable by monthly instalments with various tenors not more than 25 years (2017: 25 years) at the year end date and carry interest at rates with reference to banks' lending rates.

As at 30 June 2018, 0.6% (2017: 0.6%) of loan receivables have been overdue but not impaired, of which 100% (2017: 97%) are aged less than three months since the due dates. These relate to a number of independent customers for whom the creditworthiness, collateral and subsequent settlement after reporting date are assessed and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of loan receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against loan receivables directly. The balance and movement of the impairment allowance as at 30 June 2018 and 30 June 2017 are not significant.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

15. Other Financial Assets

	2018	2017
Held-to-maturity debt securities, at amortized cost		
Listed in Hong Kong (Market value: HK\$439 million (2017: HK\$593 million))	440	582
Listed overseas (Market value: HK\$40 million (2017: HK\$82 million))	40	81
	480	663
Available-for-sale investments, at fair value		
Listed in Hong Kong	1,880	1,686
Listed overseas	689	729
Unlisted investments	335	297
	2,904	2,712
	3,384	3,375

16. Intangible Assets

	Concession assets	Telecommunications licences	Goodwill	Total
Cost				
At 1 July 2016	6,934	2,492	151	9,577
Additions	–	2,287	–	2,287
At 30 June 2017, 1 July 2017 and 30 June 2018	6,934	4,779	151	11,864
Accumulated amortization and impairment				
At 1 July 2016	4,631	1,188	4	5,823
Amortization	259	255	–	514
Impairment	–	–	3	3
At 30 June 2017 and 1 July 2017	4,890	1,443	7	6,340
Amortization	258	286	–	544
Impairment	–	–	4	4
At 30 June 2018	5,148	1,729	11	6,888
Net book value at 30 June 2018	1,786	3,050	140	4,976
Net book value at 30 June 2017	2,044	3,336	144	5,524

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.

16. Intangible Assets (cont'd)

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 long-term 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.

17. Properties for Sale

	2018	2017
Stock of completed properties for sale	44,350	34,903
Properties pending/under development for sale	133,017	111,506
	177,367	146,409

18. Debtors, Prepayments and Others

	Notes	2018	2017
Debtors, deposits and prepayments		18,925	16,880
Deposits for acquisition of properties		302	176
Amounts due from customers for contract works	18a	94	93
Short-term loans		995	449
Derivative financial instruments	18b	205	215
		20,521	17,813

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

Included in debtors, prepayments and others of the Group are trade debtors of HK\$11,196 million (2017: HK\$9,376 million), of which 91% (2017: 88%) are aged less than 60 days, 1% (2017: 2%) between 61 to 90 days and 8% (2017: 10%) more than 90 days.

As at 30 June 2018, 18% (2017: 19%) of trade debtors are past due but not impaired, of which 70% (2017: 69%) are aged less than three months since the due dates. These relate to a number of independent customers for whom there is no recent history of default and there has not been a significant change in credit quality and the amounts are still considered recoverable.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The balance and movement of the impairment allowance as at 30 June 2018 and 30 June 2017 are not significant.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

18. Debtors, Prepayments and Others (cont'd)

18a. Amounts due from/(to) customers for contract works

	Notes	2018	2017
Contract costs incurred plus recognized profits less recognized losses		1,702	2,406
Less: Progress billings		(1,613)	(2,314)
		89	92
Represented by:			
Due from customers included in current assets	18	94	93
Due to customers included in current liabilities	22	(5)	(1)
		89	92

18b. Derivative financial instruments

	Notes	2018		2017	
		Assets	Liabilities	Assets	Liabilities
Fair value hedges	18 & 22				
– interest rate swaps		67	193	151	165
– currency swaps		113	–	57	2
		180	193	208	167
Not designated as accounting hedges					
– interest rate swap		25	–	7	–
– forward foreign exchange contracts		–	7	–	4
		25	7	7	4
		205	200	215	171

At the year end date, the Group had outstanding interest rate swaps and currency swaps designated as fair value hedges analyzed as follows:

	Notional principal amount	
	2018	2017
Fixed-to-floating interest rate swaps maturing		
Within one year	1,558	–
After one year, but within five years	2,793	3,918
After five years	300	300
	4,651	4,218
Currency swaps maturing		
After one year, but within five years	6,979	3,877
After five years	–	3,102
	6,979	6,979

18. Debtors, Prepayments and Others (cont'd)

18b. Derivative financial instruments (cont'd)

The fixed-to-floating interest rate swaps converted the fixed rates to floating rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a weighted average margin of 0.98% (2017: 1.11%) per annum. The swaps are measured at fair value at the year end date and the decrease in fair value during the year in the amount of HK\$54 million (2017: HK\$166 million) along with the corresponding change in fair value of the hedged borrowings attributable to the hedged risk of the same amount has been recognized in consolidated income statement.

At the year end date, the Group had certain outstanding interest rate swaps and forward foreign exchange contracts in the total notional amount of HK\$4,015 million (2017: HK\$4,015 million) that are not designated as accounting hedges and the increase in fair value during the year in the amount of HK\$15 million (2017: HK\$3 million) is recognized in consolidated income statement.

19. Other Financial Assets

	2018	2017
Financial assets at fair value through profit or loss		
Listed in Hong Kong	633	578
Listed overseas	9	83
	642	661
Available-for-sale investments, at fair value		
Listed in Hong Kong	90	–
Listed overseas	37	98
Unlisted investments	11	–
	138	98
Held-to-maturity debt securities, at amortized cost		
Listed in Hong Kong (Market value: HK\$79 million (2017: Nil))	79	–
Listed overseas (2017 Market value: HK\$40 million)	–	39
	79	39
	859	798

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

20. Bank Deposits and Cash

Deposits with banks are interest bearing at prevailing market rates. About 45% (2017: 61%) of the Group's bank deposits and cash are denominated in Hong Kong dollars, 44% (2017: 32%) in Renminbi and 11% (2017: 7%) in US dollars.

21. Bank and Other Borrowings

	Note	2018	2017
Unsecured bank overdrafts		185	156
Long-term bank and other borrowings due within one year	23	12,461	5,234
		12,646	5,390

22. Trade and Other Payables

	Notes	2018	2017
Creditors and accrued expenses		29,404	25,548
Amounts due to customers for contract works	18a	5	1
Amounts due to non-controlling interests		1,399	1,188
Derivative financial instruments	18b	200	171
		31,008	26,908

Included in trade and other payables of the Group are trade creditors of HK\$2,837 million (2017: HK\$2,320 million), of which 73% (2017: 67%) are aged less than 60 days, 2% (2017: 5%) between 61 to 90 days and 25% (2017: 28%) more than 90 days.

The amounts due to non-controlling interests are interest free, unsecured and have no fixed terms of repayment.

23. Bank and Other Borrowings

	2018	2017
Unsecured bank overdrafts	185	156
Long-term bank and other loans	91,249	67,170
	91,434	67,326

23. Bank and Other Borrowings (cont'd)

The maturity of the Group's long-term bank and other loans are as follows:

	Note	2018	2017
Secured bank loans repayable			
Within one year		266	256
After one year, but within two years		266	456
After two years, but within five years		789	829
After five years		29	35
		1,350	1,576
Unsecured bank loans repayable			
Within one year		7,883	4,748
After one year, but within two years		8,944	5,523
After two years, but within five years		37,903	23,537
After five years		2,446	1,514
		57,176	35,322
Bonds and notes repayable			
Within one year		4,312	230
After one year, but within two years		506	4,332
After two years, but within five years		21,389	14,674
After five years		6,516	11,036
		32,723	30,272
		91,249	67,170
Less: Amount due within one year included under current liabilities	21	(12,461)	(5,234)
		78,788	61,936

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	
	2018	2017	2018	2017
Secured bank loans	1,084	1,320	1,084	1,320
Unsecured bank loans	49,293	30,574	49,213	30,468
Bonds and notes	28,411	30,042	27,774	30,192
	78,788	61,936	78,071	61,980

- (a) As at 30 June 2018, the Group had entered into fixed-to-floating interest rate swaps in the aggregate notional amount of HK\$4,651 million (2017: HK\$4,218 million) to hedge the fair value interest rate risk of certain fixed interest rate borrowings; and currency swaps in the aggregate notional amount of HK\$6,979 million (2017: HK\$6,979 million) to hedge principal repayment of foreign currency debt (see note 18b). The carrying amount of these borrowings comprises items measured at amortized cost and an element of changes in fair value attributable to the hedged risks.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

23. Bank and Other Borrowings (cont'd)

- (b) Secured bank loans related to bank borrowings of the Group's subsidiaries which are secured by way of legal charges over certain of its assets and business undertakings.
- (c) The above bank loans are repayable on various dates up to September 2031 (2017: September 2031) and carry interest, after hedging where appropriate, at effective rate per annum of 2.82% (2017: 2.14%).
- (d) The bonds and notes are repayable on various dates up to September 2027 (2017: June 2027), unsecured and carry interest, after hedging where appropriate, at effective rate per annum of 3.50% (2017: 3.44%).
- (e) The carrying amount of the gross borrowings by currency (after currency swaps) is as follows:

	2018	2017
Hong Kong dollars	68,052	45,373
US dollars	11,366	11,571
Renminbi	12,016	10,382
	91,434	67,326

24. Deferred Taxation

The components of the carrying amount of deferred tax balances and the movements during the year are as follows:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Others	Total
At 1 July 2016	5,191	12,407	(281)	93	17,410
Charged/(credited) to consolidated income statement	438	1,100	127	(15)	1,650
Exchange difference	(15)	(118)	3	–	(130)
At 30 June 2017 and 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	6,231	15,524	(150)	55	21,660

At the year end date, the Group has unrecognized tax losses and deductible temporary differences of HK\$4,372 million (2017: HK\$5,226 million), of which HK\$183 million (2017: HK\$161 million) of tax losses will expire at various dates up to 2023 (2017: 2022). Recognition of these unrecognized tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

25. Other Long-Term Liabilities

	2018	2017
Asset retirement and other obligations	43	47
Contractual obligations for telecommunications licences	128	168
	171	215

26. Share Capital

	2018		2017	
	Number of shares in million	Amount	Number of shares in million	Amount
Issued and fully paid:				
Ordinary shares				
At beginning of year	2,896	70,516	2,895	70,384
Share issued on exercise of share options	1	96	1	132
At end of year	2,897	70,612	2,896	70,516

During the year ended 30 June 2018, 825,000 (2017: 1,133,000) shares were issued on exercise of share options.

27. 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.

During the year, the Group bought back US\$3 million senior perpetual capital securities for a total consideration of HK\$20 million.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

28. 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 2018.

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:

Date of grant	Exercise price	Exercisable period	Number of share options				
			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)	–	–

Movements in share options to subscribe for ordinary shares in the Company under the Old Scheme during the year ended 30 June 2017 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2017
11 July 2011	HK\$116.90	11.7.2012 to 10.7.2016	1,088,000	–	–	(1,088,000)	–
11 July 2012	HK\$96.15	11.7.2013 to 10.7.2017	877,000	–	(806,000)	(40,000)	31,000
			1,965,000	–	(806,000)	(1,128,000)	31,000
Weighted average exercise prices (HK\$)			107.64	–	96.15	116.16	96.15

- (b) Details of share options exercised
Share options exercised during the year resulted in 31,000 (2017: 806,000) shares being issued. The related weighted average share price at the time of exercise was HK\$115.64 (2017: HK\$116.82) per share.

28. 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 2018 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			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

Movements in share options to subscribe for ordinary shares in the Company under the New Scheme during the year ended 30 June 2017 are as follows:

Date of grant	Exercise price	Exercisable period	Number of share options				
			At 1 July 2016	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	At 30 June 2017
12 July 2013	HK\$102.30	12.7.2014 to 11.7.2018	843,000	–	(211,000)	(10,000)	622,000
11 July 2014	HK\$106.80	11.7.2015 to 10.7.2019	1,072,000	–	(116,000)	(10,000)	946,000
			1,915,000	–	(327,000)	(20,000)	1,568,000
Weighted average exercise prices (HK\$)			104.82	–	103.90	104.55	105.01

- (b) Details of share options exercised
Share options exercised during the year resulted in 794,000 (2017: 327,000) shares being issued. The related weighted average share price at the time of exercise was HK\$130.33 (2017: HK\$118.46) per share.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

29. Parent Company Statement of Financial Position

	Notes	2018	2017
Non-current assets			
Subsidiaries	29(a)	31,367	30,161
Current assets			
Amounts due from subsidiaries		167,639	160,854
Debtors, prepayments and others		–	3
Bank deposits and cash		39	36
		167,678	160,893
Current liabilities			
Trade and other payables		(45)	(42)
		167,633	160,851
NET ASSETS			
		199,000	191,012
CAPITAL AND RESERVES			
Share capital	26	70,612	70,516
Reserves	29(b)	128,388	120,496
SHAREHOLDERS' FUNDS			
		199,000	191,012

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 2018.
- (b) The movement of reserves during the year are as follows:

	Capital reserve	Retained profits	Total
At 1 July 2016	5,358	108,743	114,101
Transfer to share capital upon shares issued on exercise of share options	(20)	–	(20)
Recognition of equity-settled share-based payments	1	–	1
Share options lapsed	(21)	–	(21)
Profit for the year	–	17,727	17,727
Final dividend paid for the year ended 30 June 2016	–	(8,107)	(8,107)
Interim dividend paid for the year	–	(3,185)	(3,185)
At 30 June 2017 and 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	5,306	123,082	128,388

Reserves of the Company available for distribution to equity shareholders of the Company as at 30 June 2018 amounted to HK\$123,082 million (2017: HK\$115,178 million).

30. Notes to Consolidated Statement of Cash Flows

(a) Reconciliation of operating profit to cash generated from operations

	2018	2017
Operating profit before changes in fair value of investment properties	35,453	29,526
Depreciation and amortization	2,007	1,939
Profit on disposal of investment properties	(367)	(289)
Loss on disposal of fixed assets	16	5
Profit on disposal of available-for-sale investments	(4)	(82)
Dividend income from investments	(178)	(115)
Interest income	(109)	(136)
Share-based payments	3	8
Other non-cash items	(11)	3
Exchange difference	(99)	44
Operating cash inflow	36,711	30,903
Decrease in properties for sale	6,257	11,066
Additions to properties pending development for sale	(35,957)	(13,541)
Decrease in inventories	4	152
(Increase)/decrease in debtors, prepayments and others	(2,335)	6,770
Decrease/(increase) in financial assets at fair value through profit or loss	19	(88)
Increase in trade and other payables	3,838	35
Increase in deposits received on sales of properties	1,772	3,482
Changes in working capital	(26,402)	7,876
Cash generated from operations	10,309	38,779

(b) Analysis of the balance of cash and cash equivalents at end of year

	2018	2017
Bank deposits and cash	26,095	31,274
Bank overdrafts	(185)	(156)
	25,910	31,118
Less: Bank deposits maturing after more than three months	(2,870)	(6,037)
Less: Pledged bank deposits	(5)	(7)
	23,035	25,074

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

30. Notes to Consolidated Statement of Cash Flows (cont'd)

(c) Reconciliation of liabilities arising from financing activities

	Bank and other loans	Amounts due to non- controlling interests	Total
At 1 July 2016	80,608	1,588	82,196
Cash flows	(13,249)	(469)	(13,718)
Adjustment due to fair value change of financial instruments	(166)	–	(166)
Net exchange difference	(23)	–	(23)
Other non-cash movements	–	69	69
At 30 June 2017 and 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	91,249	1,399	92,648

31. 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:

	2018	2017
Investment properties	19,108	18,310
Stocks of completed properties for sale	174	167
Properties pending development for sale	548	85
	19,830	18,562
Trade and other payables	338	314
Taxation	78	90
Deferred taxation	164	154
	580	558
Revenue	939	928
Expenses	216	210

32. 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:

	Notes	Associates		Joint ventures	
		2018	2017	2018	2017
Interest income	a	–	–	32	38
Rental income	b	–	–	2	2
Rental expenses	b	1	1	57	55
Other revenue from services rendered	c	107	144	66	30
Purchase of goods and services	c	–	–	488	557

- (a) The outstanding balances with associates and joint ventures at the year end date are disclosed in notes 12 and 13 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 5.

33. 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:

	2018	2017
(a) Capital commitments in respect of investment properties and other fixed assets		
Contracted but not provided for	4,117	4,214
Authorized but not contracted for	468	555
(b) The Group's share of capital commitments of joint ventures		
Contracted but not provided for	592	1,289
Authorized but not contracted for	34	40

- (c) Guarantees given to banks and financial institutions for the borrowings of joint ventures of HK\$1,313 million (2017: HK\$1,500 million) and other guarantees of HK\$4 million (2017: HK\$4 million).

The Group has not recognized any deferred income of the above guarantees for joint ventures as their fair value cannot be reliably measured and their transaction price was nil.

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(Expressed in millions of Hong Kong dollars)

34. 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:

	2018	2017
Not later than one year	15,703	15,166
Later than one year but not later than five years	18,335	16,841
Later than five years	2,109	1,816
	36,147	33,823

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:

	2018	2017
Not later than one year	1,382	1,224
Later than one year but not later than five years	1,646	1,394
Later than five years	554	704
	3,582	3,322

35. Charges of Assets

At the year end date, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK\$5 million (2017: HK\$7 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\$1,929 million (including bank deposits and cash of HK\$56 million) (2017: HK\$2,144 million (including bank deposits and cash of HK\$16 million)) have been charged to secure their bank borrowings.

36. 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 carried out by independent qualified valuers. The valuations are dependent on certain estimates, including fair market rents and appropriate capitalization rates, allowing for 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.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

37. Financial Risk Management

The Group's major financial instruments include investments, amounts due from associates and joint ventures, loan receivables, trade debtors, bank deposits and cash, trade creditors, bank and other borrowings and other long-term liabilities. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments are managed by the Group's financial management policies and practices described below:

(a) Foreign currency risk

Foreign currency exposure does not pose a significant risk for the Group as most of the Group's assets, operational cash flows and borrowings are mainly denominated in Hong Kong dollars. The Group aims to minimize its currency risk using forward contracts where feasible and cost effective. The Group's primary foreign currency exposures arise mainly from the property development and investment activities in Mainland China and Singapore, whose net assets are exposed to foreign currency translation risk. Where appropriate, the Group seeks to finance these investments through borrowings denominated in the relevant foreign currencies. Exchange differences arising from the translation of the net investment in these Mainland China and Singapore subsidiaries, associates and 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 currency swaps to hedge the currency risks associated with its borrowings. Foreign currency exposure of the Group's other monetary assets/liabilities is minimal.

At 30 June 2018, it is estimated that a 10% increase/decrease in exchange rate of Hong Kong dollars against all other currencies, with all other variables held constant, would increase/decrease the profit before taxation for the year by approximately HK\$205 million (2017: HK\$320 million). The other comprehensive income would be decreased/increased by HK\$122 million (2017: HK\$64 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.

37. Financial Risk Management (cont'd)

(b) Interest rate risk (cont'd)

The Group's borrowings are principally arranged on a floating rate basis. When appropriate, interest rate swaps are used to hedge and manage its long-term interest rate exposure. Speculative derivative transactions are strictly prohibited.

As at 30 June 2018, it is estimated that an increase/a decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the profit before taxation for the year by approximately HK\$291 million (2017: HK\$73 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 2017.

(c) Price risk

The Group is exposed to price risk through the Group's certain available-for-sale investments and other financial assets that are measured at fair value at each year end date with reference to the quoted market prices. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

As at 30 June 2018, it is estimated that an increase/a decrease of 10% in equity 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\$60 million and HK\$271 million, respectively (2017: HK\$61 million and HK\$252 million, respectively).

(d) Credit risk

The Group's credit risk is primarily attributable to trade debtors, loan receivables, derivative financial instruments and deposits with banks and financial institutions.

The Group's trade debtors mainly arise from sale of properties developed by the Group and rent receivables from tenants. Occasionally, long term loans are provided to purchasers of the Group's properties and carry interest at rates with reference to banks' lending rates. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each year end date to ensure that adequate impairment loss is made for irrecoverable amounts.

Counterparty exposure from derivatives is managed, together with that from deposits and bank account balances, with credit limit that reflect published credit ratings and monitored on a regular basis to ensure there is no significant risk to any individual counterparty.

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 33, the Group does not provide any other guarantee which would expose the Group to material credit risk.

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

37. 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.

As at 30 June 2018	Notes	Total contractual					
		Carrying amount	undiscounted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	22	29,404	29,407	24,979	2,558	1,655	215
Amounts due to non-controlling interests	22	1,399	1,399	1,399	–	–	–
Bank and other borrowings	21 & 23	91,434	102,558	15,609	12,306	64,543	10,100
Other long-term liabilities	25	171	206	–	62	144	–
Derivative financial instruments	18b	200	211	26	21	163	1
		122,608	133,781	42,013	14,947	66,505	10,316

As at 30 June 2017	Notes	Total contractual					
		Carrying amount	undiscounted cash flow	Up to 1 year	> 1 year to 2 years	> 2 years to 5 years	> 5 years
Creditors and accrued expenses	22	25,548	25,550	20,560	3,401	1,495	94
Amounts due to non-controlling interests	22	1,188	1,188	1,188	–	–	–
Bank and other borrowings	21 & 23	67,326	75,951	7,264	12,104	42,801	13,782
Other long-term liabilities	25	215	263	–	62	163	38
Derivative financial instruments	18b	171	182	(11)	(1)	190	4
		94,448	103,134	29,001	15,566	44,649	13,918

(f) Fair value measurement of financial instruments

Available-for-sale investments that are stated at quoted market prices are classified within level 1 of the three-level fair value hierarchy. These comprised all listed investments and certain unlisted investments that are measured at quoted prices that are observable in active markets.

Fair values of most unlisted available-for-sale investments 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.

37. Financial Risk Management (cont'd)

(f) Fair value measurement of financial instruments (cont'd)

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

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

The carrying amounts of mortgage loan receivables, which carry variable interest rates and reprice with reference to market changes, approximate their fair values.

The carrying amounts of other financial assets and liabilities in the consolidated financial statements are not materially different from their fair values.

The following tables present the carrying value of financial instruments that are measured at fair value at end of reporting date, 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 2018

	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale investments				
Listed in Hong Kong	1,970	–	–	1,970
Listed overseas	726	–	–	726
Unlisted investments	11	7	328	346
Financial assets at fair value through profit or loss				
Listed in Hong Kong	633	–	–	633
Listed overseas	9	–	–	9
Derivative financial instruments				
Interest rate swaps	–	92	–	92
Currency swaps	–	113	–	113
	3,349	212	328	3,889
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	–	193	–	193
Forward foreign exchange contracts	–	7	–	7
	–	200	–	200

Notes to the Consolidated Financial Statements

(Expressed in millions of Hong Kong dollars)

37. Financial Risk Management (cont'd)

(f) Fair value measurement of financial instruments (cont'd)

As at 30 June 2017

	Level 1	Level 2	Total
Financial assets			
Available-for-sale investments			
Listed in Hong Kong	1,686	–	1,686
Listed overseas	827	–	827
Unlisted investments	11	8	19
Financial assets at fair value through profit or loss			
Listed in Hong Kong	578	–	578
Listed overseas	83	–	83
Derivative financial instruments			
Interest rate swaps	–	158	158
Currency swaps	–	57	57
	3,185	223	3,408
Financial liabilities			
Derivative financial instruments			
Interest rate swaps	–	165	165
Currency swaps	–	2	2
Forward foreign exchange contracts	–	4	4
	–	171	171

The change in level 3 financial instruments for the year is as follows:

At 1 July 2017	–
Financial assets at cost less impairment remeasured at fair value	213
Additions	37
Change in fair value recognized in other comprehensive income during the year	78
At 30 June 2018	328

38. Capital Management

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business and to continue to provide returns for shareholders while maintaining a prudent level of financial leverage.

The Group actively reviews and monitors its capital structure on a regular basis to maintain a healthy net debt-to-shareholders' funds ratio. For this purpose the Group defines net debt as total borrowings less bank deposits and cash. Shareholders' funds comprise share capital and reserves attributable to the Company's shareholders as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt-to-shareholders' funds ratios at the year end were as follows:

	2018	2017
Secured bank loans	1,350	1,576
Unsecured bank and other loans	90,084	65,750
Total borrowings	91,434	67,326
Less: Bank deposits and cash	(26,095)	(31,274)
Net debt	65,339	36,052
Shareholders' funds	539,098	498,215
Net debt-to-shareholders' funds ratio	12.1%	7.2%

39. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

40. Approval of the Consolidated Financial Statements

The consolidated financial statements set out on pages 161 to 220 were approved by the board of directors on 13 September 2018.

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 2018 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	73.94	Provision of data centre, facilities management and value-added services, installation and maintenance services and the renting of investment properties	232,541,233
SmarTone Telecommunications Holdings Limited (Listed in Hong Kong)	3	70.98	Mobile telephone system operation	112,426,928
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 development and investment	2
Antanpark Limited	1	100	Property investment	US\$1
Antinio Investments Limited	1	100	Property investment	US\$1
Artsland Properties Investment Limited	1	100	Property investment	US\$1
Assured Outcome Limited	1	100	Property investment	US\$1
Barnard Enterprises Limited	1	75	Property investment	US\$100
Beauty Marble Investment Limited		100	Property investment	2

Name	Note	Total		Activities	Issued Share Capital/ Registered Capital* (HK\$)
		Attributable Equity Interest Held by the Company (%)			
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 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	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 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 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 and investment	2
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
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

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
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 development and investment	1
Great Assets Global Limited	1	100	Property investment	US\$1
Group Allied Limited		100	Property development 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
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
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

Name	Note	Total		Activities	Issued Share Capital/ Registered Capital* (HK\$)
		Attributable Equity Interest Held by the Company (%)			
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		100		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	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*
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*

Principal Subsidiaries

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
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 I) Ltd.	6c	100	Property investment	US\$214,482,000*
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	5,7	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
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
True Vantage Global Limited	1	100	Property investment	US\$1
Tsi Mai Company Limited		100	Property investment	200

Name	Note	Total Attributable Equity Interest Held by the Company (%)	Activities	Issued Share Capital/ Registered Capital* (HK\$)
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
Well Success Capital Investment Limited		90	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 2018 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
+ First Star Development Limited		50	Property development	Ordinary
+ Glorious Concrete (BVI) Limited	4	50	Manufacturer of precast	Ordinary
+ Glorious Concrete (H.K.) Limited		50	Manufacturer of ready mixed concrete	Ordinary
## Green Valley Landfill, Limited		20	Landfill waste disposal facility	Ordinary
## Guangzhou Fujing Properties Development Co., Ltd.	3	33.3	Property development	Registered capital
# 廣州宏城廣場房地產開發有限公司	6	50	Property investment	Registered capital
# Hangzhou Runhong Properties Limited	5	40	Property development	Registered capital
IFC Development Limited	1	50	Property investment	Ordinary
Jade Land Resources Limited		25	Property trading and investment	Ordinary
# Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited		50	Godown operation	Ordinary
+ Newfoundland Investment Holdings Limited	1	20	Investment holding	Ordinary
## Orchard Turn 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 2018 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	37.36	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.*

