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新鴻基地產發展有限公司
**Sun Hung Kai Properties Limited**

*(Incorporated in Hong Kong with limited liability)*
*(Stock Code: 16)*

# 2018 / 19 Annual Results

## CHAIRMAN'S STATEMENT

I am pleased to present my report to the shareholders.

### RESULTS

The Group's underlying profit attributable to the Company's shareholders for the year ended 30 June 2019, excluding the effect of fair-value changes on investment properties, amounted to HK$32,398 million, compared to HK$30,398 million last year. Underlying earnings per share were HK$11.18, compared to HK$10.49 last year.

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

### DIVIDEND

The directors have recommended the payment of a final dividend of HK$3.70 per share for the year ended 30 June 2019. The dividend will be payable on 21 November 2019. Together with the interim dividend of HK$1.25 per share, the dividend for the full year will be HK$4.95 per share, an increase of 6.5% from last year.

## BUSINESS REVIEW

## Property Sales and Rental Income

### Property Sales

Revenue from property sales for the year under review as recorded in the financial statements, including revenue from joint-venture projects, amounted to HK$41,313 million. Effective from 1 July 2018, the Group has adopted the new accounting standard HKFRS 15 for recognition of property sales. Profit generated from property sales was HK$18,697 million, as compared to HK$16,261 million last year. The Group achieved contracted sales of about HK$65,000 million in attributable terms for the year.

### Rental Income

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

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

## Property Business – Hong Kong

### Land Bank

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

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

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

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

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

## Property Development

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

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

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

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

## Property Investment

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

***Retail portfolio***

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

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

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

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

***Office portfolio***

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

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

The Millennium City cluster in Kowloon East continued to achieve overall positive rental reversion, underpinned by effective tenant mix reshuffles and solid demand from a wide range of tenants for large-floor-plate office space. In the pipeline, two Grade-A office towers comprising about 650,000 square feet of the joint-venture project at 98 How Ming Street in Kwun Tong, together with a 500,000-square-foot mall at its retail podium, will be completed in the financial year 2022/23. This addition will further scale up the Group's presence in premium office leasing in Kowloon East, one of the largest commercial districts in Hong Kong.

## Property Business – Mainland

### Land Bank

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

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

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

### Property Development

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

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

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

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

**<u>Property Investment</u>**

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

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

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

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

## Other Businesses

### Hotels

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

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

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

### Telecommunications and Information Technology

***SmarTone***

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

***SUNeVision***

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

### Infrastructure and Other Businesses

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

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

## Corporate Finance

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

In acknowledgement of its strong financial position and prudent financial disciplines, the Group has consistently been awarded the highest credit ratings among Hong Kong property companies.

Both Moody's and Standard & Poor's have affirmed the Group's A1 and A+ credit ratings respectively, with stable outlooks.

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

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

## Corporate Governance

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

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

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

## Sustainable Development

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

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

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

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

## PROSPECTS

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

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

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

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

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

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

## DIRECTORS AND APPRECIATION

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

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

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

**Kwok Ping-luen, Raymond**
*Chairman & Managing Director*

Hong Kong, 12 September 2019

## ANNOUNCEMENT

The Board of Directors of Sun Hung Kai Properties Limited announces the following audited consolidated figures for the Group for the year ended 30 June 2019 with comparative figures for 2018:-

**Consolidated Income Statement**
**For the year ended 30 June 2019**
*(Expressed in millions of Hong Kong dollars)*

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | 5(a) | **85,302** | 85,644 |
| Cost of sales | | **(40,455)** | (43,752) |
| Gross profit | | **44,847** | 41,892 |
| Other net income | | **740** | 1,156 |
| Selling and marketing expenses | | **(4,791)** | (4,937) |
| Administrative expenses | | **(2,938)** | (2,658) |
| **Operating profit before changes in fair value of investment properties** | 5(a) | **37,858** | 35,453 |
| Increase in fair value of investment properties | | **12,535** | 15,772 |
| **Operating profit after changes in fair value of investment properties** | | **50,393** | 51,225 |
| Finance costs | | **(2,446)** | (1,985) |
| Finance income | | **395** | 368 |
| Net finance costs | 6 | **(2,051)** | (1,617) |
| Share of results (including increase in fair value of investment properties net of deferred tax of HK$2,230 million (2018: HK$6,081 million)) of: | | | |
| Associates | | **445** | 612 |
| Joint ventures | | **5,696** | 9,136 |
| | 5(a) & 9(b) | **6,141** | 9,748 |
| **Profit before taxation** | 7 | **54,483** | 59,356 |
| Taxation | 8 | **(8,474)** | (8,402) |
| **Profit for the year** | 5(a) | **46,009** | 50,954 |
| **Attributable to:** | | | |
| Company's shareholders | | **44,912** | 49,951 |
| Perpetual capital securities holders | | **171** | 174 |
| Non-controlling interests | | **926** | 829 |
| | | **46,009** | 50,954 |
| *(Expressed in Hong Kong dollars)* | | | |
| **Earnings per share based on profit attributable to the Company's shareholders (reported earnings per share)** | 9(a) | | |
| Basic | | **$15.50** | $17.24 |
| Diluted | | **$15.50** | $17.24 |
| **Earnings per share excluding the effects of changes in fair value of investment properties net of deferred tax (underlying earnings per share)** | 9(b) | | |
| Basic | | **$11.18** | $10.49 |
| Diluted | | **$11.18** | $10.49 |

## Consolidated Statement of Comprehensive Income
## For the year ended 30 June 2019

*(Expressed in millions of Hong Kong dollars)*

| | **2019** | 2018 |
|---|---|---|
| **Profit for the year** | **46,009** | 50,954 |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Translation difference on foreign operations | **(3,522)** | 2,127 |
| Cash flow hedge | | |
| - fair value gains recognized directly in reserves during the year | **105** | - |
| Available-for-sale investments | | |
| - fair value gains recognized directly in reserves during the year | **-** | 427 |
| - fair value gains transferred to consolidated income statement on disposal | **-** | (1) |
| | **-** | 426 |
| Debt securities at fair value through other comprehensive income | | |
| - fair value gains recognized directly in reserves during the year | **2** | - |
| Share of other comprehensive (loss)/income of associates and joint ventures | **(605)** | 441 |
| **Items that will not be reclassified to profit or loss:** | | |
| Equity securities at fair value through other comprehensive income | | |
| - fair value losses recognized directly in reserves during the year | **(253)** | - |
| Share of other comprehensive (loss)/income of an associate | **(88)** | 225 |
| **Other comprehensive (loss)/income for the year** | **(4,361)** | 3,219 |
| **Total comprehensive income for the year** | **41,648** | 54,173 |
| **Total comprehensive income for the year attributable to:** | | |
| Company's shareholders | **40,659** | 53,109 |
| Perpetual capital securities holders | **171** | 174 |
| Non-controlling interests | **818** | 890 |
| | **41,648** | 54,173 |

## Consolidated Statement of Financial Position
## As at 30 June 2019

*(Expressed in millions of Hong Kong dollars)*

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **386,612** | 369,477 |
| Property, plant and equipment | | **35,862** | 34,587 |
| Associates | | **6,014** | 5,570 |
| Joint ventures | | **67,737** | 66,197 |
| Financial investments | | **3,313** | 3,384 |
| Intangible assets | | **4,445** | 4,976 |
| Other non-current assets | | **4,764** | 6,171 |
| | | **508,747** | 490,362 |
| **Current assets** | | | |
| Properties for sale | | **196,107** | 177,367 |
| Inventories | | **356** | 440 |
| Trade and other receivables | **10** | **22,811** | 20,363 |
| Financial investments | | **1,103** | 859 |
| Bank deposits and cash | | **22,038** | 26,095 |
| | | **242,415** | 225,124 |
| **Current liabilities** | | | |
| Bank and other borrowings | | **(9,168)** | (12,646) |
| Trade and other payables | **11** | **(28,699)** | (30,825) |
| Deposits received on sales of properties | | **(16,983)** | (12,230) |
| Current tax payable | | **(11,052)** | (10,551) |
| | | **(65,902)** | (66,252) |
| **Net current assets** | | **176,513** | 158,872 |
| **Total assets less current liabilities** | | **685,260** | 649,234 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | | **(85,838)** | (78,788) |
| Deferred tax liabilities | | **(23,328)** | (21,660) |
| Other non-current liabilities | | **(275)** | (354) |
| | | **(109,441)** | (100,802) |
| **NET ASSETS** | | **575,819** | 548,432 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **70,683** | 70,612 |
| Reserves | | **495,722** | 468,486 |
| **Shareholders' equity** | | **566,405** | 539,098 |
| **Perpetual capital securities** | | **3,813** | 3,887 |
| **Non-controlling interests** | | **5,601** | 5,447 |
| **TOTAL EQUITY** | | **575,819** | 548,432 |

## Notes to the Consolidated Financial Statements

*(Expressed in millions of Hong Kong dollars)*

### 1. Basis of Preparation

The financial information relating to the years ended 30 June 2019 and 2018 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. The Company has delivered the consolidated financial statements for the year ended 30 June 2018 to the Registrar of Companies and will deliver the consolidated financial statements for the year ended 30 June 2019 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

### 2. Application of New and Amendments to HKFRSs

In the current year, the Group has adopted a number of new and amendments to HKFRSs issued by the HKICPA that are first effective for the Group's financial year beginning 1 July 2018. Except for HKFRS 9, Financial Instruments and HKFRS 15, Revenue from Contracts with Customers, the adoption of these new or amended HKFRSs does not have a material effect on the Group's financial statements.

The Group has to change its accounting policies with effect from 1 July 2018 as a result of adopting HKFRS 9 and HKFRS 15. In initially applying these two new standards, the Group has taken transitional provisions and methods not to restate comparative information for prior years and recognized the cumulative effects as adjustments to the opening balance of the Group's equity at 1 July 2018. The comparative information continues to be reported under the accounting policies prevailing prior to 1 July 2018. The overall effect of adopting these two standards was an increase of HK$224 million (HKFRS 9: HK$180 million; and HKFRS 15: HK$44 million) in the opening balance of the Group's equity at 1 July 2018. Details of the changes in accounting policies and effects are explained in Note 3.

The Group has not applied any new standard or amendment that is not effective for the current year.

## 3. Changes in Accounting Policies

### (a) HKFRS 9, Financial Instruments

HKFRS 9 replaces HKAS 39, Financial Instruments: Recognition and Measurement. It introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 July 2018 in accordance with the transitional provisions. Differences between the previous reported carrying amounts and the new carrying amounts under HKFRS 9 at 1 July 2018 are recognized as adjustments to the opening balance of retained profits or reserves as at 1 July 2018. Comparative information is not restated.

The Group has been impacted by HKFRS 9 in relation to changes in classification and measurement by an associated company of its financial assets. This resulted in a HK$180 million increase in the opening balance of the Group’s equity and a corresponding increase in the carrying amount of the Group’s interest in this associated company at 1 July 2018.

Further details of the nature and effects of the changes to the previous accounting policies are set out below and in Note 3(c).

*Key changes to the Group’s accounting policies*

HKFRS 9 has no significant impact on the Group’s accounting policies related to financial liabilities. While hedge accounting requirements are revised under HKFRS 9, there are no significant changes to the Group’s current practices on hedge accounting. The Group’s existing hedge accounting relationships designated under HKAS 39 have met the hedge effectiveness requirements and are regarded as continuing hedging relationships in accordance with HKFRS 9. The key changes to the Group’s accounting policies are on the classification and measurement, and impairment of the Group’s financial assets, as further explained below:

(i) Classification and measurement of financial assets

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVTPL”). These superseded the previous HKAS 39’s categories of held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Effective on 1 July 2018, the Group's financial assets are classified into the following measurement categories:

– Financial assets measured at amortized cost

  Financial assets measured at amortized cost represent those assets which are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. These comprise primarily loans and receivables, trade receivables and certain debt investments.

– Debt investments measured at FVOCI

  Debt investments are measured at FVOCI when they are held for both collection of contractual cash flows and for selling the assets, where those assets' cash flows represent solely payments of principal and interest. Changes in fair value are recognized in other comprehensive income ("OCI"). When the investment is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to and recognized in profit or loss.

– Equity investments measured at FVOCI

  Equity investments measured at FVOCI represent those investments which are not held for trading and for which the Group irrevocably makes an election on initial recognition to designate them to be measured at FVOCI such that subsequent changes in fair value are recognized in OCI. When the investment is derecognized, the cumulative gain or loss previously recognized in OCI is transferred to retained profits and is not reclassified to profit or loss.

– Financial assets measured at FVTPL

  Financial assets which do not meet the criteria for being measured at amortized cost or FVOCI as described above are measured at FVTPL. These include derivative financial assets and equity investments, unless they are eligible for and designated at FVOCI by the Group on initial recognition. Changes in fair value of these financial assets are recognized in profit or loss.

*(Expressed in millions of Hong Kong dollars)*

The following table shows the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018. The measurement categories for the Group's financial liabilities remain the same.

| | Original (HKAS 39) | | New (HKFRS 9) | |
|---|---|---|---|---|
| | Measurement Category | Carrying Amount | Measurement Category | Carrying Amount |
| Bank deposits and cash | Amortized cost | 26,095 | Amortized cost | 26,095 |
| Trade and other receivables | Amortized cost | 13,026 | Amortized cost | 13,026 |
| Loan receivables | Amortized cost | 7,008 | Amortized cost | 7,008 |
| Held-to-maturity debt securities | Amortized cost | 559 | Amortized cost | 559 |
| Debt securities | Available-for-sale, | | FVOCI | 366 |
| | at fair value | 702 | FVTPL[1] | 336 |
| Equity securities | Available-for-sale, | | FVOCI[2] | 2,243 |
| | at fair value | 2,340 | FVTPL[1] | 97 |
| Financial assets at fair value through profit or loss | FVTPL | 642 | FVTPL | 642 |
| Derivative financial instruments | FVTPL | 205 | FVTPL | 205 |
| Total financial assets | | 50,577 | | 50,577 |

(1) Certain available-for-sale debt securities (HK$336 million) and equity securities (HK$97 million) are mandatorily measured at FVTPL under HKFRS 9. While there is no change in the carrying amounts under HKFRS 9 and, therefore, no impact on the Group's equity, the related cumulative fair value gains of HK$7 million were reclassified from investment revaluation reserve to retained profits on 1 July 2018.

(2) Equity securities of HK$2,243 million were designated to be measured at FVOCI as these securities are held for strategic purpose.

(ii) Impairment of financial assets

HKFRS 9 requires recognition of impairment provisions based on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. It replaces the incurred loss model under HKAS 39, and applies to financial assets measured at amortized costs, debt investments measured at FVOCI and contract assets. The impairment methodology used depends on whether there has been a significant increase in credit risk since initial recognition. For trade receivables and contract assets, the Group applies the simplified approach to recognize lifetime expected credit losses. The application of the new impairment requirements has not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

### (b) HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 11, Construction Contracts and HKAS 18, Revenue which covers contracts for goods and services. The core principle of HKFRS 15 is that revenue is recognized when a performance obligation is satisfied by transferring control of a promised good or service to a customer. Depending on the nature and terms of the contract, control may transfer at a point in time or over time. Where customer contracts contain more than one performance obligation, HKFRS 15 requires entities to apportion revenue from contract between individual performance obligations on a relative standalone selling price basis. The standard also sets out criteria for capitalization of incremental cost of obtaining a contract.

The Group has elected the cumulative catch-up method for transition to the new standard, recognizing the cumulative effect of the initial application of HKFRS 15 only to contracts that had not been completed on 1 July 2018 as an adjustment to the opening balance of the Group's equity at 1 July 2018, without restating comparative information.

The adoption of HKFRS 15 has resulted in a HK$44 million increase in the opening balance of the Group's equity at 1 July 2018, which is mainly attributable to changes in accounting policies adopted by SmarTone on revenue recognition for multiple-element arrangements in telecommunication services contracts and capitalization of certain incremental costs associated with obtaining a contract.

Further details of the nature and effects of the changes to the previous accounting policies are set out below and in Note 3(c).

*Key changes to the Group's accounting policies*

The impact of HKFRS 15 to the Group is mainly on revenue recognition for sales of properties in Hong Kong and multiple-element arrangements in telecommunication services contracts, and on accounting for costs to obtain a contract. The standard does not have a material impact on how the Group recognizes rental revenue from leasing of properties, and revenue from hotel, transport infrastructure and logistics, data centre and other businesses.

(i) Revenue recognition for sales of properties

The Group has assessed that revenue from property sales in Hong Kong and Mainland China will continue to be recognized at a point in time rather than over time, after taking into consideration the terms of the contracts, applicable laws and regulatory requirements.

In previous years, the Group recognized revenue from sales of properties when significant risks and rewards of ownership of the completed property (where relevant occupation permit has been issued) have passed to the customer. Effective from 1 July 2018, revenue from sales of properties is generally recognized when the control over the ownership or physical possession of the completed property is transferred to the customer, which is the point in time when the Group satisfies its performance obligations. This change in accounting policy has resulted in the Group's revenue from sales of properties in Hong Kong being recognized later than it would have been under the previous accounting policy. As disclosed in Note 3(c)(ii), recognition of revenue of HK$15,168 million and operating profit of HK$7,223 million from property sales in Hong Kong has been deferred to the next financial year as a result of applying the new accounting policy.

No adjustments to the opening balance of the Group's equity at 1 July 2018 have been made on the initial application of HKFRS 15 as the Group did not have contracts that were not completed under HKAS 18 before 1 July 2018.

HKFRS 15 has no significant impact on the Group's existing accounting policies on revenue recognition for sales of properties in the Mainland.

(ii) Revenue recognition for multiple-element arrangements in telecommunication services contracts

The amount of revenue recognized for each performance obligation is determined by considering the standalone selling prices or estimated fair values of each of the services element and handset devices element provided within the bundled contracts. Previously, revenue allocation was made using the residual value method.

(iii) Incremental costs to obtain a contract

HKFRS 15 requires the incremental costs of obtaining a contract to be capitalized if they are recoverable, and amortized over the contract period. Previously, these costs incurred in telecommunication services contracts were expensed as incurred.

*(Expressed in millions of Hong Kong dollars)*

(iv) Presentation of contract assets and liabilities

The adoption of HKFRS 15 resulted in changes in presentation of certain assets and liabilities arising from contract with customers. Under HKFRS 15, a contract asset arises when the Group transfers a good or performs a service in the contract before receiving consideration from the customer. A contract asset is transferred to a receivable when the right to receive the consideration becomes unconditional. Conversely, a contract liability arises if amounts received from a customer exceed revenue recognized for a contract or when advance payment is received from a customer before a good or service is transferred. Contract liabilities arising from advance payments from customers in relation to contracts of sales of properties are recognized as "Deposits received on sales of properties" and presented as a separate line item under current liabilities in the consolidated statement of financial position. Contract assets and other contract liabilities are presented under "Trade and other receivables" and "Trade and other payables" in the consolidated financial statements.

## (c) Effects on adoption of HKFRS 9 and HKFRS 15

(i) The table below shows the amount by which each individual line item in the consolidated statement of financial position at 1 July 2018 is affected by the adoption of HKFRS 9 and HKFRS 15. Line items that were not affected have not been included:

| Consolidated statement of financial position (extract) | 30 June 2018 Before the effects of adopting new HKFRSs | Effects of adopting HKFRS 9 | Effects of adopting HKFRS 15 | 1 July 2018 |
|---|---|---|---|---|
| Assets | | | | |
| Associates | 5,570 | 180 | - | 5,750 |
| Trade and other receivables | 20,363 | - | 53 | 20,416 |
| Liabilities | | | | |
| Trade and other payables | 30,825 | - | (21) | 30,804 |
| Current tax payable | 10,551 | - | 12 | 10,563 |
| Shareholders' equity | | | | |
| Reserves | 468,486 | 180 | 44 | 468,710 |
| Non-controlling interests | 5,447 | - | 18 | 5,465 |

*(Expressed in millions of Hong Kong dollars)*

(ii) The following tables summarize the impact of HKFRS 15 on the consolidated income statement for the year ended 30 June 2019 and the consolidated statement of financial position at 30 June 2019, by comparing the amounts reported under HKFRS 15 with the hypothetical amounts that would have been recognized under the previous accounting standard HKAS 18 if it had been continued to be applied in the current year instead of HKFRS 15. Only line items affected by the adoption of HKFRS 15 are shown:

| | For the year ended 30 June 2019 | | |
|---|---|---|---|
| Consolidated income statement (extract) | As reported in accordance with HKFRS 15 | Estimated effects of adopting HKFRS 15 | Amount reported under HKAS 18 |
| Revenue | 85,302 | 15,241 | 100,543 |
| Cost of sales | (40,455) | (7,163) | (47,618) |
| Selling and marketing expenses | (4,791) | (884) | (5,675) |
| Operating profit before changes in fair value of investment properties | 37,858 | 7,194 | 45,052 |
| Taxation | (8,474) | (1,187) | (9,661) |
| Profit for the year | 46,009 | 6,007 | 52,016 |
| Profit attributable to: | | | |
| Company's shareholders | 44,912 | 6,014 | 50,926 |
| Non-controlling interests | 926 | (7) | 919 |
| Underlying profit attributable to the Company's shareholders | 32,398 | 6,014 | 38,412 |

Based on the previous accounting standard HKAS 18, the Group's revenue, operating profit, profit and underlying profit attributable to the Company's shareholders for the year ended 30 June 2019 would be HK$100,543 million, HK$45,052 million, HK$50,926 million and HK$38,412 million, respectively. The effects of adopting HKFRS 15 were to defer recognition of the Group's revenue, operating profit and profit (and underlying profit) attributable to the Company's shareholders by HK$15,241 million, HK$7,194 million and HK$6,014 million, respectively. These effects, mostly related to property sales in Hong Kong, are analyzed as below:

| | Estimated effects of adopting HKFRS 15 | | |
|---|---|---|---|
| | Hong Kong property sales[(1)] | Others [(2)] | Total |
| Revenue | 15,168 | 73 | 15,241 |
| Operating profit | 7,223 | (29) | 7,194 |
| Profit attributable to the Company's shareholders | 6,031 | (17) | 6,014 |
| Underlying profit attributable to the Company's shareholders | 6,031 | (17) | 6,014 |

*(Expressed in millions of Hong Kong dollars)*

(1) Recognition of revenue from sales of certain residential units in Hong Kong in the aggregate amount of HK$15,168 million, together with operating profit of HK$7,223 million and profit (and underlying profit) attributable to the Company's shareholders of HK$6,031 million attributable to these units, was deferred under HKFRS 15, and will be recognized when property ownership of these units is transferred to the customers in the next financial year.

(2) Other effects mainly related to the Group's telecommunication business arising from reallocation of service revenue of handset bundled plans to handset and accessory sales and recognition of handset subsidy as cost of inventories sold for bundled contracts, and capitalization of customer acquisition costs. The impact on the Group's financial results was minimal.

| | As at 30 June 2019 | | |
|---|---|---|---|
| Consolidated statement of financial position (extract) | As reported in accordance with HKFRS 15 | Estimated effects of adopting HKFRS 15 | Amount reported under HKAS 18 |
| Assets | | | |
| Properties for sale | 196,107 | (7,031) | 189,076 |
| Trade and other receivables | 22,811 | 6,601 | 29,412 |
| Liabilities | | | |
| Trade and other payables | 28,699 | 1,150 | 29,849 |
| Deposits received on sales of properties | 16,983 | (8,700) | 8,283 |
| Current tax payable | 11,052 | 1,175 | 12,227 |
| Shareholders' equity | | | |
| Reserves | 495,722 | 5,970 | 501,692 |
| Non-controlling interests | 5,601 | (25) | 5,576 |

## 4. Future Accounting Development

### HKFRS 16, Leases (effective for the financial year beginning 1 July 2019)

HKFRS 16 requires lessees to recognize most leases on the statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments. The leased assets will be amortized over the term of the leases and the lease liabilities measured at amortized cost with the corresponding depreciation charges and interest cost to be recognized in the income statement. Lessor accounting will remain largely unchanged.

The Group will adopt the cumulative catch-up method for transition to the new standard, recognizing the cumulative effects of the initial application of HKFRS 16 as an adjustment to the opening balance of the Group's equity at 1 July 2019, without restating comparative information.

Adoption of HKFRS 16 is not expected to have a significant impact on the Company's consolidated financial statements.

## Notes to the Consolidated Financial Statements

*(Expressed in millions of Hong Kong dollars)*

### 5. Segment Information

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

(a) Segment revenue and results

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

**For the year ended 30 June 2019**

| | The Company and its subsidiaries | | Associates and joint ventures | | | |
|---|---|---|---|---|---|---|
| | Revenue | Results | Share of revenue | Share of results | Combined revenue | Consolidated results |
| Property sales | | | | | | |
| Hong Kong | 36,518 | 16,372 | 23 | 23 | 36,541 | 16,395 |
| Mainland China | 2,055 | 1,105 | 2,717 | 1,197 | 4,772 | 2,302 |
| | 38,573 | 17,477 | 2,740 | 1,220 | 41,313 | 18,697 |
| Property rental | | | | | | |
| Hong Kong | 16,555 | 12,741 | 3,143 | 2,632 | 19,698 | 15,373 |
| Mainland China | 4,035 | 3,310 | 631 | 436 | 4,666 | 3,746 |
| Singapore | - | - | 713 | 559 | 713 | 559 |
| | 20,590 | 16,051 | 4,487 | 3,627 | 25,077 | 19,678 |
| Hotel operations | 4,786 | 1,180 | 896 | 253 | 5,682 | 1,433 |
| Telecommunications | 8,415 | 823 | - | - | 8,415 | 823 |
| Transport infrastructure and logistics | 4,261 | 1,341 | 3,574 | 409 | 7,835 | 1,750 |
| Data centre operations | 1,561 | 765 | - | - | 1,561 | 765 |
| Other businesses | 7,116 | 1,186 | 415 | 56 | 7,531 | 1,242 |
| | 85,302 | 38,823 | 12,112 | 5,565 | 97,414 | 44,388 |
| Other net income | | 740 | | 30 | | 770 |
| Unallocated administrative expenses | | (1,705) | | - | | (1,705) |
| Operating profit before changes in fair value of investment properties | | 37,858 | | 5,595 | | 43,453 |
| Increase in fair value of investment properties | | 12,535 | | 2,418 | | 14,953 |
| Operating profit after changes in fair value of investment properties | | 50,393 | | 8,013 | | 58,406 |
| Net finance costs | | (2,051) | | (497) | | (2,548) |
| Profit before taxation | | 48,342 | | 7,516 | | 55,858 |
| Taxation | | | | | | |
| - Group | | (8,474) | | - | | (8,474) |
| - Associates | | - | | (62) | | (62) |
| - Joint ventures | | - | | (1,313) | | (1,313) |
| Profit for the year | | 39,868 | | 6,141 | | 46,009 |

*(Expressed in millions of Hong Kong dollars)*

For the year ended 30 June 2018

| | The Company and its subsidiaries | | Associates and joint ventures | | | |
|---|---|---|---|---|---|---|
| | Revenue | Results | Share of revenue | Share of results | Combined revenue | Consolidated results |
| Property sales | | | | | | |
| Hong Kong | 35,699 | 13,914 | 26 | 22 | 35,725 | 13,936 |
| Mainland China | 4,096 | 1,428 | 2,099 | 886 | 6,195 | 2,314 |
| Singapore | - | - | 23 | 11 | 23 | 11 |
| | 39,795 | 15,342 | 2,148 | 919 | 41,943 | 16,261 |
| Property rental | | | | | | |
| Hong Kong | 15,494 | 12,026 | 3,012 | 2,523 | 18,506 | 14,549 |
| Mainland China | 3,917 | 3,196 | 540 | 338 | 4,457 | 3,534 |
| Singapore | - | - | 719 | 564 | 719 | 564 |
| | 19,411 | 15,222 | 4,271 | 3,425 | 23,682 | 18,647 |
| Hotel operations | 4,438 | 1,227 | 895 | 243 | 5,333 | 1,470 |
| Telecommunications | 9,988 | 847 | - | - | 9,988 | 847 |
| Transport infrastructure and logistics | 4,009 | 1,379 | 3,382 | 409 | 7,391 | 1,788 |
| Data centre operations | 1,304 | 668 | - | - | 1,304 | 668 |
| Other businesses | 6,699 | 1,118 | 357 | 67 | 7,056 | 1,185 |
| | 85,644 | 35,803 | 11,053 | 5,063 | 96,697 | 40,866 |
| Other net income | | 1,156 | | 157 | | 1,313 |
| Unallocated administrative expenses | | (1,506) | | - | | (1,506) |
| Operating profit before changes in fair value of investment properties | | 35,453 | | 5,220 | | 40,673 |
| Increase in fair value of investment properties | | 15,772 | | 6,252 | | 22,024 |
| Operating profit after changes in fair value of investment properties | | 51,225 | | 11,472 | | 62,697 |
| Net finance costs | | (1,617) | | (475) | | (2,092) |
| Profit before taxation | | 49,608 | | 10,997 | | 60,605 |
| Taxation | | | | | | |
| - Group | | (8,402) | | - | | (8,402) |
| - Associates | | - | | (60) | | (60) |
| - Joint ventures | | - | | (1,189) | | (1,189) |
| Profit for the year | | 41,206 | | 9,748 | | 50,954 |

Results from property sales include selling and marketing expenses of HK$518 million (2018: HK$770 million) and HK$144 million (2018: HK$181 million) that relate to pre-sale of property projects in Hong Kong and Mainland China, respectively.

Other businesses comprise revenue and profit derived from other activities including property management, department store operations and financial services.

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

*(Expressed in millions of Hong Kong dollars)*

(b) Geographical information

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

| | **2019** | 2018 |
|---|---|---|
| Hong Kong | **78,175** | 76,283 |
| Mainland China | **6,678** | 8,647 |
| Others | **449** | 714 |
| | **85,302** | 85,644 |

## 6. Net Finance Costs

| | **2019** | 2018 |
|---|---|---|
| Interest expenses | **2,982** | 2,383 |
| Notional non-cash interest accretion | **17** | 23 |
| Less : Amount capitalized | **(553)** | (421) |
| | **2,446** | 1,985 |
| Interest income on bank deposits | **(395)** | (368) |
| | **2,051** | 1,617 |

## 7. Profit before Taxation

| | **2019** | 2018 |
|---|---|---|
| Profit before taxation is arrived at | | |
| after charging: | | |
| Cost of properties sold | **18,073** | 21,205 |
| Cost of inventories sold | **4,912** | 6,001 |
| Depreciation | **1,617** | 1,463 |
| Amortization of intangible assets (included in cost of sales) | **544** | 544 |
| Amortization of contract acquisition costs | **751** | - |
| Impairment of intangible assets | **4** | 4 |
| Operating lease rentals for land and buildings, transmission sites and leased lines | **1,855** | 1,647 |
| Staff costs (including directors' emoluments and retirement schemes contributions) | **8,511** | 7,881 |
| Share-based payments | **19** | 3 |
| Auditors' remuneration | **24** | 23 |
| Loss on disposal of financial assets at fair value through profit or loss | **24** | - |
| Fair value losses on financial assets at fair value through profit or loss | **22** | - |
| Loss on disposal of property, plant and equipment | **34** | 16 |
| and crediting: | | |
| Dividend income from equity securities | **154** | 178 |
| Interest income from financial investments | **84** | 77 |
| Profit on disposal of available-for-sale investments | **-** | 4 |
| Profit on disposal of financial assets at fair value through profit or loss | **-** | 30 |
| Fair value gains on financial assets at fair value through profit or loss | **-** | 68 |

*(Expressed in millions of Hong Kong dollars)*

## 8. Taxation

| | **2019** | 2018 |
|---|---|---|
| Current tax expenses | | |
| Hong Kong profits tax | **4,822** | 4,612 |
| Under/(over) provision in prior years | **6** | (98) |
| | **4,828** | 4,514 |
| Tax outside Hong Kong | **1,280** | 1,555 |
| Under/(over) provision in prior years | **1** | (4) |
| | **1,281** | 1,551 |
| | **6,109** | 6,065 |
| Deferred tax expenses | | |
| Changes in fair value of investment properties | **1,856** | 1,783 |
| Other origination and reversal of temporary differences | **509** | 554 |
| | **2,365** | 2,337 |
| | **8,474** | 8,402 |

Hong Kong profits tax is provided at the rate of 16.5% (2018: 16.5%) based on the estimated assessable profits for the year. Tax outside Hong Kong is calculated at the rates applicable in the relevant jurisdictions.

## 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$44,912 million (2018: HK$49,951 million).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 2,897,232,781 (2018: 2,896,750,825) shares. The diluted earnings per share is based on 2,897,292,613 (2018: 2,896,919,542) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 59,832 (2018: 168,717) shares deemed to be issued at no consideration if all outstanding options had been exercised.

*(Expressed in millions of Hong Kong dollars)*

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to the Company's shareholders of HK$32,398 million (2018: HK$30,398 million), excluding the net effect of changes in the valuation of investment properties. A reconciliation of profit is as follows:

| | **2019** | 2018 |
|---|---|---|
| Profit attributable to the Company's shareholders as shown in the consolidated income statement | **44,912** | 49,951 |
| Increase in fair value of investment properties | | |
| Subsidiaries | **(12,535)** | (15,772) |
| Associates | **(63)** | (90) |
| Joint ventures | **(2,355)** | (6,162) |
| Effect of corresponding deferred tax expenses | | |
| Subsidiaries | **1,856** | 1,783 |
| Joint ventures | **188** | 171 |
| Non-controlling interests | **48** | 82 |
| Unrealized fair value gains of investment properties net of deferred tax | **(12,861)** | (19,988) |
| Fair value gains realized on disposal of investment properties net of deferred tax | **347** | 435 |
| Net effect of changes in fair value of investment properties | **(12,514)** | (19,553) |
| Underlying profit attributable to the Company's shareholders | **32,398** | 30,398 |

## 10. Trade and Other Receivables

Included in trade and other receivables of the Group are trade receivables of HK$7,896 million (2018: HK$11,196 million), of which 86% (2018: 88%) are aged less than 30 days, 4% (2018: 3%) between 31 to 60 days, 2% (2018: 1%) between 61 to 90 days and 8% (2018: 8%) more than 90 days.

## 11. Trade and Other Payables

Included in trade and other payables of the Group are trade payables of HK$2,909 million (2018: HK$2,837 million), of which 50% (2018: 56%) are aged less than 30 days, 19% (2018: 17%) between 31 to 60 days, 5% (2018: 2%) between 61 to 90 days and 26% (2018: 25%) more than 90 days.

## FINANCIAL REVIEW

### Review of Operating Results

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

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

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

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

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

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

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

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

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

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

**Financial Resources and Liquidity**

**(a) Capital management, net debt and gearing**

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

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

The Group's strong financial strength allows it to continue raising long-term financing at competitive rates, thus reducing the overall cost of capital. The Group's financial position remains sound with a low debt leverage and high interest cover. Gearing ratio as at 30 June 2019, calculated on the basis of net debt to shareholders' equity of the Company, was 12.9% compared to 12.1% a year ago. Interest coverage was 14.6 times, measured by the ratio of operating profit to total net interest expenses including those capitalized for the current year.

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

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

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

With ample committed banking facilities in place, continuous cash inflow from property sales and a solid base of recurrent income, the Group has adequate financial resources for its funding requirements and is well positioned to take advantage of investment opportunities when they arise.

**(b) Treasury policies**

The Group adopts a prudent policy in cash and debt management. The entire Group's financing and treasury activities are centrally managed and controlled at the corporate level. As at 30 June 2019, about 81% of the Group's bank and other borrowings were raised through its wholly-owned finance subsidiaries and the remaining 19% through its operating subsidiaries.

The Group's foreign exchange exposure was small given both its large asset base and operational cash flow are primarily denominated in Hong Kong dollars, which is the Group's presentation currency. The Group may borrow in foreign currencies to finance its operations in Hong Kong, which exposes the Group to currency risk. When appropriate, the Group may enter into cross currency interest rate swaps to hedge the currency risks associated with these borrowings. As at 30 June 2019, about 78% of the Group's total borrowings were denominated in Hong Kong dollars (after cross currency interest rate swaps) and 9% in US dollars, which were raised for financing the Group's business operations in Hong Kong while the remaining 13% were mostly in Renminbi and for financing the construction cost of property projects in the Mainland. The Group is exposed to currency translation risk arising from translating the financial statements of foreign subsidiaries and joint ventures, which are mostly in Mainland China. Land acquisition costs for the Mainland projects are principally financed by capital injection funded by the Group's equity and internally generated funds. On-going business operations in the Mainland are financed through internal resources and borrowings in Renminbi as natural hedges to minimize the Group's exposure to exchange rate risk. The Group has not entered into foreign currency derivatives to hedge the translation risk exposure of its net investments in Mainland China. As at 30 June 2019, approximately 19% of the Group's net assets were denominated in Renminbi. During the year, the translation of foreign operations into the Group's presentation currency has resulted in a decrease of HK$4 billion in the exchange reserve recorded under shareholders' equity.

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

The Group maintained an appropriate combination of fixed and floating rate borrowings to mitigate interest rate risk. As at 30 June 2019, about 62% of the Group's total borrowings were on floating rate basis including those borrowings that were converted from fixed rate basis to floating rate basis through interest rate swaps, and 38% were on fixed rate basis.

As at 30 June 2019, the Group has entered into certain interest rate swaps, cross currency interest rate swaps and forward foreign exchange contracts in the aggregate notional amount of HK$18,312 million to manage its interest rate risk and currency risk exposures. The use of derivative instruments is strictly controlled and solely for managing the Group's underlying financial exposures for its core business operations. It is the Group's policy not to enter into derivative and structured product transactions for speculative purposes.

As at 30 June 2019, about 37% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 48% in Renminbi, and 15% in US dollars. The Renminbi deposits were held by the Mainland subsidiaries for meeting the funding needs of their Mainland projects.

**Charges of Assets**

As at 30 June 2019, certain bank deposits of the Group's subsidiaries in the aggregate amount of HK$5 million were pledged for securing guarantees issued by the banks. Additionally, certain assets of the Group's subsidiaries with an aggregate carrying value of HK$1,681 million have been charged as security for bank borrowings. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

**Contingent Liabilities**

As at 30 June 2019, the Group had contingent liabilities in respect of guarantees for bank borrowings of certain joint ventures and other guarantees in the aggregate amount of HK$2,106 million (30 June 2018: HK$1,317 million).

## EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES OF THE GROUP

As at 30 June 2019, the Group employed more than 37,500 employees. The related employees' costs before reimbursements for the year amounted to approximately HK$11,968 million. Compensation for the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. A share option scheme is in place to provide appropriate long-term incentive to the key staff of the Group. Details of the share option scheme of the Company are set out in the section headed "Share Option Schemes" of the Annual Report.

## BASIS OF DETERMINING EMOLUMENT TO DIRECTORS

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

## DIVIDEND

The Board of Directors of the Company (the “Board”) has decided to recommend the payment of a final dividend of HK$3.70 per share (2018: HK$3.45 per share) for the year ended 30 June 2019. Including the interim dividend of HK$1.25 per share paid on 21 March 2019, the total dividend for the year ended 30 June 2019 amounts to HK$4.95 per share (2018: HK$4.65 per share).

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

## ANNUAL GENERAL MEETING

The 2019 Annual General Meeting will be held on Thursday, 7 November 2019 and the Notice of the 2019 Annual General Meeting will be published and despatched to the Shareholders in due course.

## CLOSURE OF REGISTER OF MEMBERS

(1) For the purpose of ascertaining Shareholders’ entitlement to attend and vote at the 2019 Annual General Meeting, the register of members of the Company will be closed from Monday, 4 November 2019 to Thursday, 7 November 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 Annual General Meeting, Shareholders must lodge all transfer documents accompanied by the relevant share certificates (together the “Share Transfer Documents”) for registration not later than 4:30 p.m. on Friday, 1 November 2019.

(2) For the purpose of ascertaining Shareholders’ entitlement to the proposed final dividend, the register of members of the Company will be closed on Wednesday, 13 November 2019, during which no transfer of shares will be registered. In order to establish entitlements to the proposed final dividend, Shareholders must lodge the Share Transfer Documents for registration not later than 4:30 p.m. on Tuesday, 12 November 2019.

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## AUDIT AND RISK MANAGEMENT COMMITTEE

The annual results for the year ended 30 June 2019 have been reviewed by the Audit and Risk Management Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, and it has issued an unmodified opinion.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 30 June 2019, the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that there is no separation of the roles of chairman and chief executive as required under Code Provision A.2.1. However, the powers and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management. In addition, there are three Non-Executive Directors and nine Independent Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place.

## ANNUAL REPORT

The 2018/19 annual report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.shkp.com, and printed copies will be sent to the Shareholders before the end of October 2019.

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

Hong Kong, 12 September 2019

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