

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June, 2018

1. GENERAL

The Company is a public listed limited liability company incorporated in Hong Kong and with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Tsim Sha Tsui Properties Limited, a public listed limited liability company incorporated in Hong Kong and with its shares listed on the Stock Exchange. The address of the registered office and principal place of business of the Company is 12th Floor, Tsim Sha Tsui Centre, Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 48.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 7 "Disclosure Initiative" *(Continued)*

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 45. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 45, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ²

¹ Effective for annual periods beginning on or after 1st January, 2018

² Effective for annual periods beginning on or after 1st January, 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1st January, 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 9 “Financial Instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 30th June, 2018, the Directors of the Company anticipates the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in Note 23: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the fair value gains or losses accumulated in the investments revaluation reserve amounting to HK\$173,425,953 as at 1st July, 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group’s profit or loss and other comprehensive income but will not affect total comprehensive income; and
- Unlisted equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in Note 23: these securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of HKFRS 9, the fair value gain relating to these securities would be adjusted to investments revaluation reserve as at 1st July, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

HKFRS 9 “Financial Instruments” *(Continued)*

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1st July, 2018 would not be significantly different to the accumulated amount recognised under HKAS 39.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations as well as licensing application guidance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

HKFRS 15 “Revenue from Contracts with Customers” *(Continued)*

The Directors of the Company have assessed the impact on application of HKFRS 15 and anticipate an impact on revenue from the sale of properties and the following areas:

- Revenue from sale of properties will be recognised when the customer obtains control of the promised properties in the contract. The Directors of the Company have assessed the impact of the adoption of HKFRS 15 and based on their assessment, this would result in the revenue from sale of certain properties recognised later than it would have been at present.
- The Group has considered all the relevant facts and circumstances in assessing whether the property sales contracts contain significant financing component, including the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transfers the property to the customer and the customer pays for the property and the prevailing interest rates in the relevant market. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers. Accordingly, the Directors of the Company expect that the significant financing component included in the property sales contracts would have potential financial impact on the retained earnings, opening balances of properties under development and deposits received on sales of properties of the Group at 1st July, 2018.
- Currently, the Group expensed off the costs associated with obtaining the property sales contracts with customers. Under the requirement of HKFRS 15, incremental costs of obtaining a contract is eligible for capitalisation as deferred contract costs if they meet certain criteria. Accordingly, the Directors of the Company expect a recognition of deferred contract costs would result an increase in opening retained profits at 1st July, 2018.

In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30th June, 2018, the Group as lessee has non-cancellable operating lease commitments of HK\$36,647,399 as disclosed in Note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. For example, change in use for transfer from properties under development for sale in the ordinary course of business to investment properties could be evidenced by inception of an operating lease to another party. Currently, the Group accounts for such transfer only upon commencement of an operating lease.

The Directors of the Company anticipate that the application of these amendments will result in early recognition of such transfers on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

The Directors anticipate that the application of other new and amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, with the exception of section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to the Hong Kong Companies Ordinance) in the company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 "Consolidated Financial Statements" so far as they apply to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of section 380(6), the Company has departed from section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in Note 3. Those excluded subsidiary undertakings of the Group are disclosed in Note 22. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

A fair value measurement of a non-financial asset takes into account a market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the shareholders of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Allocation of total comprehensive income and expense to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the Company's shareholders and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1st July, 2009 onwards).

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

Where the accounting year end dates of the associates and joint ventures are different from the Group's accounting year end date, their results are accounted for in the Group's financial statements based on their management accounts made up to 30th June each year.

Goodwill arising on acquisitions prior to 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. From 1st July, 2005 onwards, the Group has discontinued amortisation of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Goodwill arising on acquisitions on or after 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is used for impairment as part of the investment. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in joint operations *(Continued)*

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the year in which they arise.

Investment properties under redevelopment are measured at fair value at the end of the reporting period. Construction costs incurred for investment properties under redevelopment are capitalised as part of the carrying amount of the investment properties under redevelopment. Any difference between the fair value of the investment properties under redevelopment and their carrying amounts is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Hotel properties and property, plant and equipment

Hotel properties and property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated amortisation and depreciation and accumulated impairment losses. Amortisation and depreciation are provided to write off the cost of items of property, plant and equipment and hotel properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

For a transfer from investment property carried at fair value to owner-occupied property, the property deemed cost for subsequent accounting shall be its fair value at the date of change in use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Properties under development

Properties under development which are developed in the ordinary course of business are included in current assets at the lower of cost and net realisable value.

The cost of properties under development comprises land costs, construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable expenses incurred during the development period.

Stocks of completed properties

Stocks of completed properties are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the completed properties.

Hotel inventories

Hotel inventories are stated in the consolidated statement of financial position at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessor

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When the Group makes payments for property interests which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “*prepaid lease payments*” in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised by applying an effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of the Group comprise financial assets held for trading. A financial asset is classified as held for trading on initial recognition if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, advances to associates/joint ventures/an investee company, loans receivable, amounts due from associates/joint ventures/non-controlling interests, restricted bank deposits, time deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group also designated debt securities (i.e. club debentures) as available-for-sale financial assets.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity 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 losses at the end of the reporting period subsequent to initial recognition (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For certain categories of financial asset, such as trade receivables and loans receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loans receivable where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or loans receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised by applying an effective interest rate, except for short-term receivables where the recognition of interest would be immediate.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to associates/joint ventures/non-controlling interests, bank and other borrowings and advances from associates/non-controlling interests) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligations specified in the relevant contract are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue represents the fair value of amounts received and receivable from sales of properties and services rendered.

- (a) Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:
- the significant risks and rewards of ownership of the properties are transferred to buyers;
 - neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
 - the amount of revenue can be measured reliably;
 - it is probable that the economic benefits associated with the transaction will flow to the Group; and
 - the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

- (b) Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.
- (c) Property management and service fee income is recognised when the services are rendered.
- (d) Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
- (e) Dividend income from investments including financial assets at fair value through profit or loss and available-for-sale equity instruments is recognised when the shareholders' rights to receive payment have been established.
- (f) Hotel income is recognised when the hotel services are rendered.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit before taxation as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation liabilities are generally recognised for all taxable temporary differences. Deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint arrangements, 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. Deferred taxation assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred taxation assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred taxation liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxation liabilities or deferred taxation assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred taxation liabilities and deferred taxation assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred taxation are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred taxation are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal of interest in a joint arrangement or an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the Company's shareholders are reclassified to profit or loss.

Retirement benefit costs

Payments to the retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgment in applying accounting policies (Continued)

Deferred taxation on investment properties

For the purposes of measuring deferred taxation liabilities or deferred taxation assets arising from investment properties that are measured using the fair value model, the Directors have reviewed investment property portfolios of the subsidiaries, associates and joint ventures of the Group and concluded that the investment properties held by the subsidiaries, associates and joint ventures of the Group in Hong Kong, the People's Republic of China (the "PRC") and Singapore are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties held by the subsidiaries, associates and joint ventures of the Group in Hong Kong and Singapore for those investment properties which are not subject to any income taxes on changes to the fair value of the investment properties upon their sales. However, for those investment properties in the PRC, the deferred taxes on changes in fair value of investment properties are recognised taking into account the Land Appreciation Tax and Enterprise Income Tax payable upon sales of those investment properties in the PRC.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated net realisable value on properties under development

In determining whether allowances should be made for the Group's properties under development, the Group takes into consideration the current market environment and the estimated net realisable value (i.e. the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). An allowance is made if the estimated or actual net realisable value of the properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount of the properties under development is HK\$24,892,353,735 (2017: HK\$23,588,805,558).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance for stocks of completed properties

Management exercises its judgment in making allowance for stocks of completed properties with reference to the existing market environment, the sales performance in previous years and estimated net realisable value of the properties, i.e. the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. A specific allowance for stocks of completed properties is made if the estimated net realisable value of the property is lower than its carrying amount. If the actual net realisable values of the stocks of completed properties are less than expected as a result of change in market condition, material provision for impairment losses may result. The carrying amount of the stocks of completed properties is HK\$2,139,272,389 (2017: HK\$1,266,835,062).

Depreciation on hotel properties

In determining the estimated useful lives of the hotel properties, the management makes reference to the relevant terms of leases of the hotel properties, which are 36 to 96 years. Any changes to the estimated useful lives of the hotel properties may cause a material adjustment to the carrying amount and the depreciation charge within the next financial year.

At 30th June, 2018, the carrying amount of the hotel properties is HK\$1,914,892,089 net of accumulated amortisation and depreciation of HK\$319,000,796 (2017: HK\$1,926,929,883 net of accumulated amortisation and depreciation of HK\$280,715,735). Details of the movements of the hotel properties are disclosed in Note 18.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 30th June, 2018 at their fair value of HK\$62,712,904,952 (2017: HK\$61,360,795,684). The fair value was based on a valuation on these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss. Details of the fair value measurement of investment properties are set out in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

5. REVENUE

	2018 HK\$	2017 HK\$
Sales of properties	5,478,521,456	13,184,908,744
Gross rental income from properties	3,185,878,579	3,068,821,443
Property management and service fee income	1,078,665,248	1,122,069,384
Hotel operations	889,779,489	839,786,627
Interest income from loans receivable	54,410,667	32,306,693
Dividend income		
listed investments	42,756,044	36,921,702
unlisted investments	222,900	49,060,400
	10,730,234,383	18,333,874,993

6. OPERATING SEGMENTS

The Group's operating segments are reported by six operating divisions – property sales, property rental, property management and other services, hotel operations, investments in securities and financing. This is the measure reported to the chief operating decision makers, being the Directors of the Company, for the purposes of resources allocation and performance assessment. No operating segment identified by chief operating decision makers has been aggregated in arriving at the reportable segments of the Group.

Segment Results

For the year ended 30th June, 2018

	The Company and its subsidiaries		Associates and joint ventures		Total	
	External revenue HK\$	Results HK\$	Share of revenue HK\$	Share of results HK\$	Segment revenue HK\$	Segment results HK\$
Property						
Property sales	5,478,521,456	1,310,903,127	3,412,001,416	1,123,803,879	8,890,522,872	2,434,707,006
Property rental	3,185,878,579	2,749,683,860	918,784,593	841,065,965	4,104,663,172	3,590,749,825
	8,664,400,035	4,060,586,987	4,330,786,009	1,964,869,844	12,995,186,044	6,025,456,831
Property management and other services	1,078,665,248	253,447,720	105,281,165	17,045,552	1,183,946,413	270,493,272
Hotel operations	889,779,489	319,580,901	454,169,953	230,774,473	1,343,949,442	550,355,374
Investments in securities	42,978,944	42,978,944	3,900	3,900	42,982,844	42,982,844
Financing	54,410,667	54,410,667	13,900,070	13,900,070	68,310,737	68,310,737
	10,730,234,383	4,731,005,219	4,904,141,097	2,226,593,839	15,634,375,480	6,957,599,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. OPERATING SEGMENTS (Continued)

Segment Assets

As at 30th June, 2018

	The Company and its subsidiaries <i>HK\$</i>	Associates and joint ventures <i>HK\$</i>	Total <i>HK\$</i>
Property			
Property sales	27,202,038,242	6,657,855,467	33,859,893,709
Property rental	63,087,113,133	15,791,275,549	78,878,388,682
	<u>90,289,151,375</u>	<u>22,449,131,016</u>	<u>112,738,282,391</u>
Property management and other services	350,104,760	39,814,762	389,919,522
Hotel operations	3,346,641,739	842,741,581	4,189,383,320
Investments in securities	1,008,099,214	64,959,622	1,073,058,836
Financing	18,300,744,500	22,605,234	18,323,349,734
	<u>113,294,741,588</u>	<u>23,419,252,215</u>	<u>136,713,993,803</u>
Segment assets			
Restricted bank deposits, time deposits, bank balances and cash			22,393,263,693
Taxation recoverable			<u>139,032</u>
Total assets			<u>159,107,396,528</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. OPERATING SEGMENTS (Continued)

Other Information

For the year ended 30th June, 2018

	Property sales HK\$	Property rental HK\$	Property management and other services HK\$	Hotel operations HK\$	Investments in securities HK\$	Financing HK\$	Consolidated HK\$
Amounts included in the measure of segment assets:							
Capital additions							
– Property, plant and equipment	2,107,507	2,268,519	9,843,586	96,735,094	47,693	–	111,002,399
– Investment properties	–	146,671,207	–	–	–	–	146,671,207
– Hotel properties	–	–	–	6,648,685	–	–	6,648,685
Amount regularly reviewed by the chief operating decision makers but not included in the measure of segment profit or loss:							
Change in fair value of investment properties	–	927,408,331	–	–	–	–	927,408,331
Amortisation and depreciation							
– Property, plant and equipment	(1,960,933)	(3,904,411)	(12,183,588)	(56,779,286)	(42,677)	–	(74,870,895)
– Hotel properties	–	–	–	(35,370,584)	–	–	(35,370,584)
– Prepaid lease payments	–	–	–	(19,925,406)	–	–	(19,925,406)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. OPERATING SEGMENTS (Continued)

Segment Results

For the year ended 30th June, 2017

	The Company and its subsidiaries		Associates and joint ventures		Total	
	External revenue	Results	Share of revenue	Share of results	Segment revenue	Segment results
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Property						
Property sales	13,184,908,744	4,425,733,098	1,844,210,544	505,794,186	15,029,119,288	4,931,527,284
Property rental	3,068,821,443	2,679,433,112	855,982,517	782,782,017	3,924,803,960	3,462,215,129
	16,253,730,187	7,105,166,210	2,700,193,061	1,288,576,203	18,953,923,248	8,393,742,413
Property management and other services	1,122,069,384	265,094,596	102,119,681	21,298,371	1,224,189,065	286,392,967
Hotel operations	839,786,627	301,614,452	435,441,227	198,918,004	1,275,227,854	500,532,456
Investments in securities	85,982,102	85,982,102	3,900	3,900	85,986,002	85,986,002
Financing	32,306,693	32,306,693	7,168,473	7,168,473	39,475,166	39,475,166
	18,333,874,993	7,790,164,053	3,244,926,342	1,515,964,951	21,578,801,335	9,306,129,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. OPERATING SEGMENTS (Continued)**Segment Assets**

As at 30th June, 2017

	The Company and its subsidiaries HK\$	Associates and joint ventures HK\$	Total HK\$
Property			
Property sales	25,458,675,449	4,217,552,638	29,676,228,087
Property rental	61,706,603,760	14,314,523,327	76,021,127,087
	<u>87,165,279,209</u>	<u>18,532,075,965</u>	<u>105,697,355,174</u>
Property management and other services	355,060,733	31,598,170	386,658,903
Hotel operations	3,333,815,372	806,364,889	4,140,180,261
Investments in securities	1,086,061,729	353,972,482	1,440,034,211
Financing	10,162,182,972	14,905,677	10,177,088,649
	<u>102,102,400,015</u>	<u>19,738,917,183</u>	<u>121,841,317,198</u>
Segment assets			
Restricted bank deposits, time deposits, bank balances and cash			33,142,954,512
Taxation recoverable			<u>281,593,373</u>
Total assets			<u>155,265,865,083</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. OPERATING SEGMENTS (Continued)

Other Information

For the year ended 30th June, 2017

	Property sales HK\$	Property rental HK\$	Property management and other services HK\$	Hotel operations HK\$	Investments in securities HK\$	Financing HK\$	Consolidated HK\$
Amounts included in the measure of segment assets:							
Capital additions							
- Property, plant and equipment	4,294,379	2,394,677	11,058,102	101,530,817	-	-	119,277,975
- Investment properties	-	272,257,969	-	-	-	-	272,257,969
- Hotel properties	-	-	-	1,842,406	-	-	1,842,406
Amount regularly reviewed by the chief operating decision makers but not included in the measure of segment profit or loss:							
Change in fair value of investment properties	-	1,332,948,974	-	-	-	-	1,332,948,974
Amortisation and depreciation							
- Property, plant and equipment	(5,182,812)	(3,667,136)	(11,926,381)	(42,256,801)	(37,908)	-	(63,071,038)
- Hotel properties	-	-	-	(35,199,587)	-	-	(35,199,587)
- Prepaid lease payments	-	-	-	(19,987,443)	-	-	(19,987,443)

Measurement

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 3.

Segment results represent the profit before taxation earned by each segment without allocation of certain other income and other gains or losses, certain administrative expenses and other operating expenses, changes in fair value of investment properties and trading securities, gain on partial disposal of a subsidiary, gain on disposal of investment properties and certain finance income net of finance costs. The profit before taxation earned by each segment also includes the share of results from the Group's associates and joint ventures without allocation of the associates' and joint ventures' certain other income and other gains or losses, certain administrative expenses and other operating expenses, change in fair value of investment properties, gain on disposal of investment properties, finance costs net of finance income and income tax expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. OPERATING SEGMENTS (Continued)**Reconciliation of profit before taxation**

	2018	2017
	HK\$	HK\$
Segment profit	6,957,599,058	9,306,129,004
Change in fair value of investment properties	927,408,331	1,332,948,974
Other income and other gains or losses	705,858,096	218,244,064
Change in fair value of trading securities	279,580	1,947,960
Gain on partial disposal of a subsidiary	7,054,614,889	–
Gain on disposal of investment properties	25,359,937	86,699,964
Administrative expenses and other operating expenses	(872,531,845)	(823,817,835)
Finance income, net	507,550,396	297,858,546
Results shared from associates and joint ventures		
– Other income and other gains or losses	(131,998,448)	32,353,699
– Change in fair value of investment properties	1,518,907,692	810,327,296
– Gain on disposal of investment properties	3,187,350	15,551,855
– Administrative expenses and other operating expenses	(220,714,492)	(287,508,541)
– Finance costs, net	(201,019,182)	(70,504,856)
– Income tax expense	(608,699,507)	(305,875,104)
	359,663,413	194,344,349
Profit before taxation	15,665,801,855	10,614,355,026

During the year ended 30th June, 2018, inter-segment sales of HK\$54,318,404 (2017: HK\$53,643,787) were not included in the segment of “property management and other services”. There were no inter-segment sales in other operating segments. Inter-segment sales were charged at cost plus margin basis as agreed between both parties.

Revenue from major products and services

An analysis of the Group’s revenue for the year from its major products and services is set out in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

6. OPERATING SEGMENTS (Continued)

Geographical information

The Group operates in four principal geographical areas – Hong Kong, the PRC, Singapore and Australia.

The Group's revenue from external customers and share of revenue from associates and joint ventures by location of operations and information about its non-current assets by location of assets, excluding financial instruments, are detailed below:

	The Company's and its subsidiaries' external revenue		Share of revenue from associates and joint ventures		The Group's non-current assets	
	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Hong Kong	8,555,707,572	14,391,696,074	3,873,001,543	2,836,989,735	77,943,804,038	75,618,447,116
The PRC	1,194,935,309	3,011,795,328	811,288,985	185,217,023	6,996,103,900	4,452,827,369
Singapore	979,591,502	930,383,591	–	–	4,209,255,440	4,105,646,964
Australia	–	–	219,850,569	222,719,584	253,925,556	185,198,978
	10,730,234,383	18,333,874,993	4,904,141,097	3,244,926,342	89,403,088,934	84,362,120,427

Information about major customers

There was no customer who individually accounted for over 10% of the total revenue generated from the six operating divisions for both years.

7. FINANCE INCOME

	2018 HK\$	2017 HK\$
Interest income on:		
advances to associates and joint ventures	43,856,575	31,158,927
advance to an investee company	–	797,481
bank deposits	378,474,719	386,417,054
Imputed interest income on non-current interest-free advances to associates and joint ventures	142,769,554	79,563,133
	565,100,848	497,936,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

8. FINANCE COSTS

	2018 HK\$	2017 HK\$
Interest and other finance costs on:		
bank loans	63,792,454	33,250,532
other loans	2,853,709	135,832,076
Imputed interest expense on non-current interest-free advances from associates and non-controlling interests	<u>33,000,508</u>	<u>44,575,328</u>
	99,646,671	213,657,936
Less: Amounts capitalised to properties under development	<u>(46,634,202)</u>	<u>(17,936,109)</u>
	<u>53,012,469</u>	<u>195,721,827</u>

9. SHARE OF RESULTS OF ASSOCIATES

	2018 HK\$	2017 HK\$
Share of results of associates comprises:		
Share of profits of associates	2,937,831,313	1,833,844,571
Share of taxation of associates	<u>(579,454,283)</u>	<u>(287,700,970)</u>
	<u>2,358,377,030</u>	<u>1,546,143,601</u>

The Group's share of results of associates included the Group's share of change in fair value of investment properties of the associates, net of deferred taxation, of HK\$1,165,421,179 (2017: HK\$614,033,643) recognised in the statement of profit or loss of the associates.

10. SHARE OF RESULTS OF JOINT VENTURES

	2018 HK\$	2017 HK\$
Share of results of joint ventures comprises:		
Share of profits of joint ventures	257,125,445	182,339,833
Share of taxation of joint ventures	<u>(29,245,223)</u>	<u>(18,174,134)</u>
	<u>227,880,222</u>	<u>164,165,699</u>

The Group's share of results of joint ventures included the Group's share of change in fair value of investment properties of the joint ventures of HK\$146,251,675 (2017: HK\$93,384,583) recognised in the statement of profit or loss of the joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

12. DIRECTORS' AND CHAIRMAN'S EMOLUMENTS

The emoluments paid or payable to each of the eleven (2017: eleven) Directors of the Company, which include the Chairman, were disclosed pursuant to section 383(1)-(4) of the Hong Kong Companies Ordinance and Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation. Emoluments of the Directors of the Company in respect of their qualifying services including:

2018

	Mr. Robert Ng Chee Siong ^A HK\$ (Notes ii and iii)	Mr. Daryl Ng Win Kong ^A HK\$	Mr. Ringo Chan Wing Kwong ^A HK\$	Ms. Alice Ip Mo Lin ^A HK\$ (Note iii)	Mr. Gordon Lee Ching Keung ^A HK\$	Mr. Sunny Yeung Kwong ^A HK\$ (Note iii)	The Honourable Ronald Joseph Arculli ^A HK\$ (Note iv)	Dr. Allan Zeman ^A HK\$	Mr. Adrian David Li Man-kiu ^A HK\$ (Note v)	Mr. Steven Ong Kay Eng ^A HK\$	Mr. Wong Cho Bau ^A HK\$	Total HK\$
Fees	40,000	30,000	35,000	40,000	20,000	20,000	170,000	310,000	310,000	300,000	170,000	1,445,000
Salaries and other benefits	1,226,887	931,184	4,168,288	5,261,402	5,822,853	5,893,527	-	-	-	-	-	23,304,141
Retirement benefit scheme contributions	18,000	18,000	42,000	24,000	24,000	20,500	-	-	-	-	-	146,500
Discretionary bonus (Note i)	-	741,600	2,078,675	1,486,940	1,381,575	1,685,600	-	-	-	-	-	7,374,390
Total emoluments	1,284,887	1,720,784	6,323,963	6,812,342	7,248,428	7,619,627	170,000	310,000	310,000	300,000	170,000	32,270,031

2017

	Mr. Robert Ng Chee Siong ^A HK\$ (Note ii)	Mr. Daryl Ng Win Kong ^A HK\$	Mr. Ringo Chan Wing Kwong ^A HK\$	Ms. Alice Ip Mo Lin ^A HK\$	Mr. Gordon Lee Ching Keung ^A HK\$	Mr. Sunny Yeung Kwong ^A HK\$	The Honourable Ronald Joseph Arculli ^A HK\$ (Note iv)	Dr. Allan Zeman ^A HK\$	Mr. Adrian David Li Man-kiu ^A HK\$	Mr. Steven Ong Kay Eng ^A HK\$	Mr. Wong Cho Bau ^A HK\$	Total HK\$
Fees	40,000	30,000	35,000	40,000	20,000	13,340	130,000	270,000	270,000	260,000	130,000	1,238,340
Salaries and other benefits	1,226,887	899,460	3,970,650	4,979,238	5,375,430	3,540,906	-	-	-	-	-	19,992,571
Retirement benefit scheme contributions	18,000	18,000	42,000	24,000	24,000	9,000	-	-	-	-	-	135,000
Discretionary bonus (Note i)	-	716,360	894,480	1,379,590	2,128,075	53,510	-	-	-	-	-	5,172,015
Total emoluments	1,284,887	1,663,820	4,942,130	6,422,828	7,547,505	3,616,756	130,000	270,000	270,000	260,000	130,000	26,537,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

12. DIRECTORS' AND CHAIRMAN'S EMOLUMENTS *(Continued)*

Note i: Discretionary bonus is determined primarily based on the performance of each Director and the profitability of the Group.

Note ii: Mr. Robert Ng Chee Siong is also the Chairman of the Company and his emoluments disclosed above include those for services rendered by him as the Chairman. Mr. Ng is also a substantial shareholder of the Company through his trustee interest in shares of the Company in the capacity as one of the co-executors of the estate of the late Mr. Ng Teng Fong.

Note iii: Mr. Robert Ng Chee Siong, Ms. Alice Ip Mo Lin and Mr. Sunny Yeung Kwong retired by rotation and were re-appointed as Executive Directors of the Company on 26th October, 2017.

Note iv: A consultancy fee of HK\$1,666,664 (2017: HK\$1,666,664) was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli is the sole proprietor.

Note v: Mr. Adrian David Li Man-kiu retired by rotation and was re-appointed as an Independent Non-Executive Director of the Company on 26th October, 2017.

Note vi: The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The Non-Executive Director's and Independent Non-Executive Directors' emoluments shown above were for their services as Directors of the Company.

(* Executive Directors)

(* Non-Executive Director)

(* Independent Non-Executive Directors)

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2017: two) are Directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining two (2017: three) individuals disclosed pursuant to the Listing Rules are as follows:

	2018	2017
	HK\$	HK\$
Salaries and other emoluments (including basic salaries, housing allowances and other allowances)	10,333,155	14,169,298
Retirement benefit scheme contributions	48,000	66,000
Discretionary bonus	3,316,195	3,376,200
	13,697,350	17,611,498

Discretionary bonus is determined primarily based on the performance of each employee and the profitability of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

13. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the remaining two (2017: three) individuals were within the following bands:

	Number of individuals	
	2018	2017
HK\$		
5,000,001 – 5,500,000	–	1
6,000,001 – 6,500,000	–	2
6,500,001 – 7,000,000	2	–

For the years ended 30th June, 2018 and 2017, no emoluments were paid by the Group to these five highest paid individuals and the Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no Director waived or agreed to waive any emoluments for both years.

14. INCOME TAX EXPENSE

	2018	2017
	HK\$	HK\$
The charge (credit) comprises:		
Taxation attributable to the Company and its subsidiaries		
Hong Kong Profits Tax		
Provision for the year calculated at 16.5% (2017: 16.5%)	456,120,543	792,389,956
(Over)underprovision in previous years	(1,834,021)	86,042
	454,286,522	792,475,998
Taxation in other jurisdictions		
Provision for the year	170,975,799	378,775,600
(Over)underprovision in previous years	(35,687,177)	1,372,002
Land Appreciation Tax	149,428,145	1,074,994,898
Enterprise Income Tax on disposals of a subsidiary and an associate	692,982,405	–
	977,699,172	1,455,142,500
	1,431,985,694	2,247,618,498
Deferred taxation (Note 33)	199,681,906	260,243,653
	1,631,667,600	2,507,862,151

Taxation in other jurisdictions is provided for in accordance with the respective local tax requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

14. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2018 HK\$	2017 HK\$
Profit before taxation	15,665,801,855	10,614,355,026
Tax charge at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	2,584,857,306	1,751,368,579
Tax effect of share of results of associates and joint ventures	(426,732,447)	(282,201,034)
Tax effect of expenses not deductible for tax purpose	12,526,684	65,960,789
Tax effect of income not taxable for tax purpose	(256,996,607)	(339,605,970)
(Over)underprovision in previous years	(37,521,198)	1,458,044
Tax effect of tax losses not recognised	5,166,967	17,397,431
Tax effect of deductible temporary differences not recognised	37,742,856	30,013,979
Utilisation of tax losses previously not recognised	(12,831,351)	(16,485,008)
Utilisation of deductible temporary differences previously not recognised	(23,205,511)	(31,021,480)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(400,767,244)	235,981,923
Land Appreciation Tax	149,428,145	1,074,994,898
Tax charge for the year	1,631,667,600	2,507,862,151

15. DIVIDENDS

	2018 HK\$	2017 HK\$
Dividends recognised as distribution during the year:		
Final dividend for the year ended 30th June, 2017: HK40 cents (2017: HK38 cents for the year ended 30th June, 2016) per share	2,526,229,908	2,342,439,040
Interim dividend for the year ended 30th June, 2018: HK13 cents (2017: HK13 cents for the year ended 30th June, 2017) per share	838,300,093	813,931,853
Special dividend for the year ended 30th June, 2018: HK45 cents (2017: Nil) per share	2,901,808,013	—
	6,266,338,014	3,156,370,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

15. DIVIDENDS (Continued)

During the year, scrip dividends were offered in respect of the 2017 final dividend, and 2018 interim and special dividends. These scrip alternatives were accepted by certain shareholders, as follows:

	2018 Special dividend HK\$	2018 Interim dividend HK\$	2017 Final dividend HK\$
Dividends:			
Cash	1,224,319,662	353,875,328	718,758,455
Scrip alternatives	1,677,488,351	484,424,765	1,807,471,453
	<u>2,901,808,013</u>	<u>838,300,093</u>	<u>2,526,229,908</u>

A final dividend of HK40 cents (2017: HK40 cents) per share for the year ended 30th June, 2018, totalling HK\$2,641,224,521 based on 6,603,061,302 shares (2017: HK\$2,526,229,908 based on 6,315,574,771 shares), has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming Annual General Meeting. It is expected that the final dividend will be dispatched to shareholders on or about 4th December, 2018.

On 5th December, 2017, the Company issued and allotted a total of 133,807,481 (2017: 96,700,993) ordinary shares at an issue price of HK\$13.508 (2017: HK\$12.512) per ordinary share to the shareholders in lieu of cash for the 2017 final dividend (2017: 2016 final dividend).

On 20th April, 2018, the Company issued and allotted a total of 34,641,359 (2017: 54,560,515) ordinary shares and 119,957,691 (2017: Nil) ordinary shares at an issue price of HK\$13.984 (2017: HK\$13.264) and HK\$13.984 (2017: Nil) per ordinary share to the shareholders in lieu of cash for the 2018 interim and special dividends (2017: 2017 interim dividend) respectively.

16. EARNINGS PER SHARE**(a) Reported earnings per share**

The calculation of the basic earnings per share attributable to the Company's shareholders is based on the following data:

	2018 HK\$	2017 HK\$
Earnings for the purpose of basic earnings per share	<u>13,995,949,179</u>	<u>7,414,672,305</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>6,421,831,449</u>	<u>6,230,934,375</u>

No diluted earnings per share has been presented for the years ended 30th June, 2018 and 2017 as there were no potential ordinary shares outstanding during the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

16. EARNINGS PER SHARE *(Continued)*

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic earnings per share calculated based on the underlying profit attributable to the Company's shareholders of HK\$11,049,981,582 (2017: HK\$5,526,868,895) is also presented, excluding the net effect of changes in fair value of investment properties of the Group, associates and joint ventures and fair value gain on the residual interest arising from the partial disposal of a subsidiary. The denominators used are the same as those detailed above for reported earnings per share. A reconciliation of profit is as follows:

	2018 HK\$	2017 HK\$
Earnings for the purpose of basic earnings per share	<u>13,995,949,179</u>	<u>7,414,672,305</u>
Change in fair value of investment properties	(927,408,331)	(1,332,948,974)
Effect of corresponding deferred taxation charges	36,890,999	34,006,102
Share of results of associates		
– Change in fair value of investment properties	(1,372,656,017)	(716,942,713)
– Effect of corresponding deferred taxation charges	207,234,838	102,909,070
Share of results of joint ventures		
– Change in fair value of investment properties	(146,251,675)	(93,384,583)
	(2,202,190,186)	(2,006,361,098)
Amount attributable to non-controlling interests	<u>18,100,815</u>	<u>118,557,688</u>
Net effect of changes in fair value of investment properties attributable to the Company's shareholders	(2,184,089,371)	(1,887,803,410)
	11,811,859,808	5,526,868,895
Fair value gain on the residual interest arising from the partial disposal of a subsidiary	(761,878,226)	–
Underlying profit attributable to the Company's shareholders	<u>11,049,981,582</u>	<u>5,526,868,895</u>
Underlying earnings per share	<u>1.72</u>	<u>0.89</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

17. INVESTMENT PROPERTIES

	Investment properties in Hong Kong HK\$	Investment properties under redevelopment in Hong Kong HK\$	Investment properties in the PRC HK\$	Investment properties in Singapore HK\$	Total HK\$
FAIR VALUE					
At 1st July, 2016	55,542,433,931	447,000,000	2,038,096,508	1,228,104,750	59,255,635,189
Exchange realignment	–	–	(30,740,494)	(20,022,000)	(50,762,494)
Additions	120,034,999	148,904,951	–	3,318,019	272,257,969
Transfer from properties under development	588,952,755	–	–	–	588,952,755
Transfer from investment properties under redevelopment upon completion	583,948,213	(583,948,213)	–	–	–
Disposals	(37,482,335)	–	–	–	(37,482,335)
Adjustments to construction costs	(1,821,805)	–	1,067,431	–	(754,374)
Increase (decrease) in fair value	<u>1,310,030,020</u>	<u>(11,956,738)</u>	<u>38,193,711</u>	<u>(3,318,019)</u>	<u>1,332,948,974</u>
At 30th June, 2017	58,106,095,778	–	2,046,617,156	1,208,082,750	61,360,795,684
Exchange realignment	–	–	59,902,219	12,671,100	72,573,319
Additions	136,705,321	2,150,806	260,674	7,554,406	146,671,207
Transfer from properties under development	198,492,157	–	43,077,750	–	241,569,907
Transfer to investment properties under redevelopment	(93,000,000)	93,000,000	–	–	–
Disposals	(14,775,062)	–	(11,311,744)	–	(26,086,806)
Adjustments to construction costs	(4,096,460)	–	(5,930,230)	–	(10,026,690)
Increase (decrease) in fair value	<u>837,720,280</u>	<u>(2,150,806)</u>	<u>58,346,063</u>	<u>33,492,794</u>	<u>927,408,331</u>
At 30th June, 2018	<u>59,167,142,014</u>	<u>93,000,000</u>	<u>2,190,961,888</u>	<u>1,261,801,050</u>	<u>62,712,904,952</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

17. INVESTMENT PROPERTIES *(Continued)*

Fair value measurement of investment properties

Fair value hierarchy

The fair value of the Group's investment properties is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "Fair Value Measurement".

All of the Group's investment properties measured at fair value are categorised as Level 3 valuation.

During the years ended 30th June, 2018 and 2017, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

Valuation process and methodologies

The fair values of the Group's investment properties at 30th June, 2018 and 2017 have been arrived at on the basis of valuations carried out as at those dates by Knight Frank Petty Limited and Knight Frank Pte Ltd., firms of independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs. In estimating the fair value of the properties, the highest and the best use of the properties is their current use.

For investment properties under redevelopment, the valuations had been arrived at by adopting direct comparison approach with reference to comparable transactions in the locality and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations had also taken into account the relevant future cost of development, including construction costs, finance costs, professional fees and developer's profit as of completion, which duly reflect the risks associated with the development of the properties.

All of the Group's property interests held under operating lease to earn rentals or for capital appreciation purposes are measured using fair value model and are classified and accounted for as investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

17. INVESTMENT PROPERTIES (Continued)**Fair value measurement of investment properties** (Continued)Level 3 valuation methodologies

Below is a table which presents the significant unobservable input:

Investment properties	Range of capitalisation rates (%)
In Hong Kong	
– Office/Industrial	3% – 6% (2017: 3% – 6%)
– Residential	2% – 6% (2017: 2% – 4%)
– Retail	3% – 6% (2017: 3% – 6%)
Outside Hong Kong	
– Office	4% – 8% (2017: 5% – 8%)

The fair value measurement of investment properties is negatively correlated to the capitalisation rate, which is applied to the prevailing market rent. A slight increase/decrease in the capitalisation rate would result in a significant decrease/increase in fair value and vice versa. In addition, increase in fair value of investment properties is also attributable to the increase in market rental during the year.

Estimated costs to completion, developer's profit and risk margins required are estimated by valuers based on market conditions at 30th June, 2018 for investment properties under redevelopment. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. A slight increase/decrease in costs and decrease/increase in margins would result in a significant decrease/increase in fair value and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

18. HOTEL PROPERTIES

	Leasehold land in Hong Kong <i>HK\$</i>	Hotel property in Hong Kong <i>HK\$</i>	Hotel properties in Singapore <i>HK\$</i>	Total <i>HK\$</i>
COST				
At 1st July, 2016	92,900,000	215,600,000	1,928,747,919	2,237,247,919
Exchange realignment	–	–	(31,444,707)	(31,444,707)
Additions	–	1,842,406	–	1,842,406
	<u>92,900,000</u>	<u>217,442,406</u>	<u>1,897,303,212</u>	<u>2,207,645,618</u>
At 30th June, 2017	92,900,000	217,442,406	1,897,303,212	2,207,645,618
Exchange realignment	–	–	19,598,582	19,598,582
Additions	–	943,448	5,705,237	6,648,685
	<u>92,900,000</u>	<u>218,385,854</u>	<u>1,922,607,031</u>	<u>2,233,892,885</u>
At 30th June, 2018	<u>92,900,000</u>	<u>218,385,854</u>	<u>1,922,607,031</u>	<u>2,233,892,885</u>
AMORTISATION AND DEPRECIATION				
At 1st July, 2016	858,199	1,991,686	246,910,286	249,760,171
Exchange realignment	–	–	(4,244,023)	(4,244,023)
Provided for the year	2,574,596	6,026,594	26,598,397	35,199,587
	<u>3,432,795</u>	<u>8,018,280</u>	<u>269,264,660</u>	<u>280,715,735</u>
At 30th June, 2017	3,432,795	8,018,280	269,264,660	280,715,735
Exchange realignment	–	–	2,914,477	2,914,477
Provided for the year	2,574,596	6,053,743	26,742,245	35,370,584
	<u>6,007,391</u>	<u>14,072,023</u>	<u>298,921,382</u>	<u>319,000,796</u>
At 30th June, 2018	<u>6,007,391</u>	<u>14,072,023</u>	<u>298,921,382</u>	<u>319,000,796</u>
CARRYING VALUES				
At 30th June, 2018	<u>86,892,609</u>	<u>204,313,831</u>	<u>1,623,685,649</u>	<u>1,914,892,089</u>
At 30th June, 2017	89,467,205	209,424,126	1,628,038,552	1,926,929,883

The leasehold land and hotel properties are amortised or depreciated on a straight-line basis over the relevant terms of the leases of 36 to 96 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

19. PROPERTY, PLANT AND EQUIPMENT

	Computer systems HK\$	Furniture, fixtures, equipment and hotel operating equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Total HK\$
COST						
At 1st July, 2016	107,422,507	429,298,604	46,331,531	34,492,285	14,243,880	631,788,807
Exchange realignment	(693,199)	(6,445,184)	(52,829)	(215,779)	(34,218)	(7,441,209)
Additions	11,594,415	96,785,687	4,334,920	4,703,921	1,859,032	119,277,975
Write off	(16,044)	(35,847)	–	–	(11,007)	(62,898)
Disposals	(497,152)	(6,842,205)	–	(2,854,327)	(1,779,264)	(11,972,948)
At 30th June, 2017	117,810,527	512,761,055	50,613,622	36,126,100	14,278,423	731,589,727
Exchange realignment	495,477	4,832,294	13,731	135,794	69,890	5,547,186
Additions	15,187,845	91,085,968	1,105,783	1,591,627	2,031,176	111,002,399
Write off	(1,760)	(19,850)	–	–	(8,248)	(29,858)
Disposals	(2,399,405)	(8,936,579)	–	(1,217,359)	(1,461,616)	(14,014,959)
Disposal of a subsidiary (Note 36)	(5,057,435)	(10,317,601)	(3,905,346)	(2,467,034)	–	(21,747,416)
At 30th June, 2018	126,035,249	589,405,287	47,827,790	34,169,128	14,909,625	812,347,079
DEPRECIATION						
At 1st July, 2016	87,191,973	313,994,810	42,325,103	23,933,080	9,235,092	476,680,058
Exchange realignment	(581,359)	(4,611,695)	(27,274)	(174,925)	(893)	(5,396,146)
Provided for the year	9,436,988	45,165,512	2,459,616	4,388,451	1,620,471	63,071,038
Write off	(19,404)	(28,998)	–	–	(10,666)	(59,068)
Eliminated on disposals	(487,584)	(6,736,170)	–	(2,834,463)	(1,711,692)	(11,769,909)
At 30th June, 2017	95,540,614	347,783,459	44,757,445	25,312,143	9,132,312	522,525,973
Exchange realignment	396,537	3,241,023	6,717	104,999	7,970	3,757,246
Provided for the year	10,334,810	56,915,201	1,763,036	3,911,893	1,945,955	74,870,895
Write off	(1,760)	(19,850)	–	–	(7,848)	(29,458)
Eliminated on disposals	(2,407,039)	(7,701,161)	–	(1,169,562)	(1,447,923)	(12,725,685)
Eliminated on disposal of a subsidiary (Note 36)	(3,396,966)	(6,573,490)	(2,123,472)	(1,993,210)	–	(14,087,138)
At 30th June, 2018	100,466,196	393,645,182	44,403,726	26,166,263	9,630,466	574,311,833
CARRYING VALUES						
At 30th June, 2018	25,569,053	195,760,105	3,424,064	8,002,865	5,279,159	238,035,246
At 30th June, 2017	22,269,913	164,977,596	5,856,177	10,813,957	5,146,111	209,063,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Computer systems	20% – 33 $\frac{1}{3}$ %
Furniture, fixtures, equipment and hotel operating equipment	10% – 33 $\frac{1}{3}$ %
Leasehold improvements	20%
Motor vehicles	20% – 25%
Plant and machinery	10% – 33 $\frac{1}{3}$ %

Included in furniture, fixtures, equipment and hotel operating equipment, the carrying value of HK\$174,566,903 (2017: HK\$136,161,111) as at 30th June, 2018 represents furniture, fixtures and equipment relating to the hotel operations of the Group.

20. PREPAID LEASE PAYMENTS

	2018	2017
	HK\$	HK\$
The Group's prepaid lease payments comprise:		
Leasehold land for hotel properties outside Hong Kong	<u>1,138,032,068</u>	<u>1,146,237,098</u>
Analysed for reporting purposes as:		
Current assets	20,027,636	19,823,175
Non-current assets	<u>1,118,004,432</u>	<u>1,126,413,923</u>
	<u>1,138,032,068</u>	<u>1,146,237,098</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

21. INTERESTS IN ASSOCIATES/ADVANCES TO ASSOCIATES/AMOUNTS DUE FROM/TO ASSOCIATES

	2018	2017
	HK\$	HK\$
Interests in associates:		
Unlisted shares, at cost	4,570,304,026	3,502,070,373
Share of post-acquisition profits, net of dividends received	15,586,904,158	13,028,707,586
	20,157,208,184	16,530,777,959
Advances to associates	4,261,007,450	5,503,463,258
Less: Allowance	(1,402,210,589)	(1,370,690,341)
	2,858,796,861	4,132,772,917

Included in the cost of investment in associates is goodwill of HK\$142,498,716 (2017: HK\$142,498,716) arising on acquisitions of associates in prior years.

The advances to associates of the Group are unsecured and have no fixed repayment terms. At 30th June, 2018, out of the Group's advances to associates net of allowance, HK\$782,444,019 (2017: HK\$751,685,200) bears interest which is determined based on the cost-of-funds of the Group plus a margin and the remaining balance of HK\$2,076,352,842 (2017: HK\$3,381,087,717) is interest-free. The effective interest rate for imputed interest income for the interest-free loan is determined based on the cost-of-funds of the borrower. In the opinion of the Directors, the Group will not demand for repayment within the next twelve months from the end of the reporting period and the advances are therefore shown as non-current.

As at 30th June, 2018, the Directors reviewed the carrying amounts of the advances to associates. The recoverable amounts of these advances to associates are determined with reference to the Directors' estimate of discounted future cash flows and financial position of these associates as at the end of the reporting period. Accordingly, no further impairment loss was recognised by considering the improvement in financial condition of the respective associates.

The amounts due from associates of the Group classified under current assets are unsecured, interest-free and are expected to be repaid within one year.

The amounts due to associates of the Group classified under current liabilities are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

21. INTERESTS IN ASSOCIATES/ADVANCES TO ASSOCIATES/AMOUNTS DUE FROM/TO ASSOCIATES *(Continued)*

On 19th October, 2015, the Group entered into a disposal agreement with an independent third party (the "Purchaser") for the sale of a wholly-owned subsidiary and assignment of shareholder's loan for an aggregate cash consideration of HK\$3,500,000,000. The wholly-owned subsidiary holds 50% equity interest in an associate of the Group, which indirectly owns 100% interest in a project company which owns, develops and operates a property development project in Chongqing, the PRC. The consideration was fully paid by the Purchaser as at 30th June, 2018. During the year ended 30th June, 2018, the disposal of the subsidiary was completed and a gain on disposal of an associate of approximately HK\$542,000,000 was recognised and included in other income and other gains or losses.

During the year ended 30th June, 2017, 深圳中海信和地產開發有限公司 ("深圳中海信和"), an associate of the Group, completed the process of deregistration. As a result, the Group received a distribution from 深圳中海信和 of HK\$142,024,734 and recorded a gain of HK\$117,360,800 in other income and other gains or losses.

Particulars of the principal associates at 30th June, 2018 and 2017 are set out in Note 49. The associates are accounted for using the equity method in these consolidated financial statements.

Summarised financial information of material associates

Summarised financial information of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

21. INTERESTS IN ASSOCIATES/ADVANCES TO ASSOCIATES/AMOUNTS DUE FROM/TO ASSOCIATES (Continued)**Summarised financial information of material associates** (Continued)Pembroke Development Investments Limited

Pembroke Development Investments Limited is incorporated by the Group and other property developers and operates in Hong Kong. The associate is mainly engaged in property trading in Hong Kong.

	2018	2017
	HK\$	HK\$
Current assets	1,042,056,217	1,427,469,431
Current liabilities	241,377,928	492,042,412

For the year ended 30th June,

	2018	2017
	HK\$	HK\$
Revenue	363,464,706	1,649,252,629
Profit and total comprehensive income for the year	165,251,270	458,989,927
Dividend received from the associate during the year	120,000,000	460,000,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in Pembroke Development Investments Limited recognised in the consolidated financial statements:

	2018	2017
	HK\$	HK\$
Net assets of Pembroke Development Investments Limited	800,678,289	935,427,019
Proportion of the Group's ownership interest in Pembroke Development Investments Limited	40%	40%
Carrying amount of the Group's interest in Pembroke Development Investments Limited	320,271,316	374,170,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

21. INTERESTS IN ASSOCIATES/ADVANCES TO ASSOCIATES/AMOUNTS DUE FROM/TO ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Wide Harvest Investment Limited

Wide Harvest Investment Limited is incorporated by the Group and other property developers and operates in Hong Kong. The associate is mainly engaged in property investment in Hong Kong.

	2018	2017
	HK\$	HK\$
Current assets	50,962,764	39,592,206
Non-current assets	9,791,913,536	9,501,894,865
Current liabilities	3,839,541,260	4,132,412,607
Non-current liabilities	58,262,641	55,851,790

For the year ended 30th June,

	2018	2017
	HK\$	HK\$
Revenue	429,070,291	426,261,645
Profit and total comprehensive income for the year	591,849,725	562,127,184

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wide Harvest Investment Limited recognised in the consolidated financial statements:

	2018	2017
	HK\$	HK\$
Net assets of Wide Harvest Investment Limited	5,945,072,399	5,353,222,674
Proportion of the Group's ownership interest in Wide Harvest Investment Limited	25%	25%
Carrying amount of the Group's interest in Wide Harvest Investment Limited	1,486,268,100	1,338,305,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

21. INTERESTS IN ASSOCIATES/ADVANCES TO ASSOCIATES/AMOUNTS DUE FROM/TO ASSOCIATES (Continued)**Summarised financial information of material associates** (Continued)*Aggregate information of associates that are not individually material*

	2018	2017
	HK\$	HK\$
The Group's share of profit and total comprehensive income for the year	<u>2,144,314,091</u>	<u>1,222,015,834</u>
Aggregate carrying amount of the Group's interests in these associates	<u>18,350,668,768</u>	<u>14,818,301,482</u>

22. INTERESTS IN JOINT VENTURES/ADVANCES TO JOINT VENTURES/AMOUNTS DUE FROM/TO JOINT VENTURES

	2018	2017
	HK\$	HK\$
Interests in joint ventures:		
Unlisted shares	537,365,214	451,525,967
Share of post-acquisition profits, net of dividends received	<u>2,724,678,817</u>	<u>2,756,613,257</u>
	<u>3,262,044,031</u>	<u>3,208,139,224</u>
Advances to joint ventures	<u>10,843,649,095</u>	<u>3,009,904,156</u>

The advances to joint ventures of the Group are unsecured and have no fixed repayment terms. At 30th June, 2018, out of the Group's advances to joint ventures, HK\$8,440,900,729 (2017: HK\$629,647,225) bear interest at effective rate determined based on the cost-of-funds of the Group plus a margin per annum and the remaining balance of HK\$2,402,748,366 (2017: HK\$2,380,256,931) is interest-free. The effective interest rate for imputed interest income is determined based on the cost-of-fund of the borrowers. In the opinion of the Directors, the Group will not demand for repayment within the next twelve months from the end of the reporting period and the advances are therefore shown as non-current.

The amounts due from/to joint ventures of the Group classified under current assets/liabilities are unsecured, interest-free and are expected to be repaid within one year from the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

22. INTERESTS IN JOINT VENTURES/ADVANCES TO JOINT VENTURES/AMOUNTS DUE FROM/TO JOINT VENTURES (Continued)

The Directors are of the opinion that a complete list of all joint ventures will be of excessive length and therefore the following list contains only the particulars of joint ventures at 30th June, 2018 and 2017 which materially affected the results of the year or form a substantial portion of the net assets of the Group. The joint ventures are accounted for using the equity method in these consolidated financial statements.

Name of joint venture	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018	2017	
				%	%	
Direct:						
Rich Century Investment Limited	Hong Kong	Ordinary	HK\$1,000,000	50	50	Property investment
Indirect:						
Asia Bright Development Limited	Hong Kong	Ordinary	HK\$1,000	22.5	–	Investment holding
Best Profile Limited	British Virgin Islands	Ordinary	US\$2	50	–	Investment holding
Empire Funds Limited	Hong Kong	Ordinary	HK\$2	50	50	Property trading
Enterprico Investment Limited	Hong Kong	Ordinary	HK\$100,000	52.5*	52.5*	Loan financing
Famous Empire Properties Limited	Hong Kong	Ordinary	HK\$10,000	50	50	Property trading and investment
Grand Ample Limited	Hong Kong	Ordinary	HK\$1	33.3	33.3	Property development
Grand Apex Limited	Hong Kong	Ordinary	HK\$10	60*	60*	Property development and investment
Grand Site Development Limited	Hong Kong	Ordinary	HK\$2	50	50	Property development and investment
High Crown Holdings Limited	Hong Kong	Ordinary	HK\$1	50	–	Property development
Kam Sheung Road Station Package One (Project Management) Limited	Hong Kong	Ordinary	HK\$1	33.3	–	Project management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

22. INTERESTS IN JOINT VENTURES/ADVANCES TO JOINT VENTURES/AMOUNTS DUE FROM/TO JOINT VENTURES (Continued)

Name of joint venture	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Lee Tung Avenue Management Company Limited	Hong Kong	Ordinary	HK\$2	50	50	Building management
Martin Heritage Management Pty Ltd	Australia	Ordinary	AUD100	50	50	Trustee
Parkland (Hong Kong) Limited	Hong Kong	Ordinary	HK\$10	60*	60*	Hotel development and operation
Precious Heritage Pte. Limited	British Virgin Islands	Ordinary	US\$2	50	50	Investment holding
Sky Asia Properties Limited	Hong Kong	Ordinary	HK\$1	22.5	–	Property development
The Avenue Finance Company Limited	Hong Kong	Ordinary	HK\$2	50	50	Mortgage loan financing
Top Regent Holdings Limited	Hong Kong	Ordinary	HK\$90	33.3	33.3	Investment holding
Tower Beyond Limited	Hong Kong	Ordinary	HK\$2	50	50	Investment holding
Vanguard Insight Limited	Hong Kong	Ordinary	HK\$1	50	50	Investment holding
Wise Link Management Limited	Hong Kong	Ordinary	HK\$2	50	50	Building management
深圳前晉置業有限公司	PRC	Registered	RMB665,000,000	50	50	Property development

* The Company through its subsidiaries holds more than 50% interests in these joint ventures. These joint ventures are considered as subsidiary undertakings under the Hong Kong Companies Ordinance. However, under the respective contractual arrangements, the Group does not control these joint ventures as the decisions about relevant activities require the unanimous consent of the parties sharing the control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

22. INTERESTS IN JOINT VENTURES/ADVANCES TO JOINT VENTURES/AMOUNTS DUE FROM/TO JOINT VENTURES *(Continued)*

Summarised financial information of material joint ventures

Summarised financial information of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

Rich Century Investment Limited

Rich Century Investment Limited is incorporated by the Group and another property developer and operates in Hong Kong. The joint venture is mainly engaged in property investment in Hong Kong.

	2018 HK\$	2017 <i>HK\$</i>
Current assets	27,625,361	35,501,208
Non-current assets	5,290,095,277	5,200,178,625
Current liabilities	1,001,985,691	112,738,631
Non-current liabilities	62,791,509	604,376,831
	For the year ended 30th June,	
	2018 HK\$	2017 <i>HK\$</i>
Revenue	274,747,861	269,360,822
Profit and total comprehensive income for the year	254,379,067	275,502,301
Dividend received from the joint venture during the year	260,000,000	102,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

22. INTERESTS IN JOINT VENTURES/ADVANCES TO JOINT VENTURES/AMOUNTS DUE FROM/TO JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Rich Century Investment Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Rich Century Investment Limited recognised in the consolidated financial statements:

	2018 HK\$	2017 HK\$
Net assets of Rich Century Investment Limited	4,252,943,438	4,518,564,371
Proportion of the Group's ownership interest in Rich Century Investment Limited	50%	50%
	<u>2,126,471,719</u>	<u>2,259,282,186</u>
Consolidation adjustment at Group level	29,000	29,000
Carrying amount of the Group's interest in Rich Century Investment Limited	<u>2,126,500,719</u>	<u>2,259,311,186</u>

Grand Site Development Limited

Grand Site Development Limited is incorporated by the Group and another property developer and operates in Hong Kong. The joint venture is mainly engaged in property development and investment in Hong Kong.

	2018 HK\$	2017 HK\$
Current assets	<u>360,083,929</u>	<u>734,636,759</u>
Non-current assets	<u>1,737,000,000</u>	<u>1,680,650,326</u>
Current liabilities	<u>585,643,705</u>	<u>1,070,224,406</u>
Non-current liabilities	<u>6,549,408</u>	–
	For the year ended 30th June,	
	2018 HK\$	2017 HK\$
Revenue	<u>262,244,434</u>	<u>614,262,446</u>
Profit (loss) and total comprehensive income (expense) for the year	<u>159,828,137</u>	<u>(9,504,923)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

22. INTERESTS IN JOINT VENTURES/ADVANCES TO JOINT VENTURES/AMOUNTS DUE FROM/TO JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Grand Site Development Limited (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Grand Site Development Limited recognised in the consolidated financial statements:

	2018	2017
	HK\$	HK\$
Net assets of Grand Site Development Limited	1,504,890,816	1,345,062,679
Proportion of the Group's ownership interest in Grand Site Development Limited	50%	50%
Carrying amount of the Group's interest in Grand Site Development Limited	752,445,408	672,531,340

Aggregate information of joint ventures that are not individually material

	2018	2017
	HK\$	HK\$
The Group's share of profit and total comprehensive income for the year	20,776,620	31,167,010
Aggregate carrying amount of the Group's interests in these joint ventures	383,097,904	276,296,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

23. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2018	2017
	HK\$	HK\$
Listed investments:		
Equity securities listed in		
Hong Kong	737,093,810	700,385,271
Singapore	175,769,934	214,515,264
	912,863,744	914,900,535
Unlisted securities:		
Equity securities	2,961,578	47,530,795
Club debenture	300,000	300,000
	3,261,578	47,830,795
Total	916,125,322	962,731,330

At the end of the reporting period, all available-for-sale investments are stated at fair value, except for those unlisted securities of which their fair values cannot be measured reliably.

The above unlisted equity securities are investments in unlisted equity securities issued by private entities incorporated in Hong Kong.

24. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

The amounts due from/to non-controlling interests of the Group are unsecured, interest-free and repayable on demand.

25. ADVANCE TO AN INVESTEE COMPANY

At 30th June, 2017, the advance to an investee company of the Group was unsecured, had no fixed repayment terms and bore interest at effective rate determined based on the cost-of-fund of the borrower plus a margin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

26. LONG-TERM LOANS RECEIVABLE

	2018 HK\$	2017 HK\$
Total long-term variable-rate loans receivable	1,904,742,098	1,901,465,426
Less: Current portion shown under current assets	(63,369,452)	(65,055,071)
	<u>1,841,372,646</u>	<u>1,836,410,355</u>

The Group offers loans to buyers of properties sold by the Group and the repayment terms of the loans are specified in the respective loan agreements.

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these debtors.

The carrying amount of loans receivable at 30th June, 2018 is HK\$1,904,742,098 net of accumulated impairment loss of HK\$12,646,510 (2017: carrying amount of HK\$1,901,465,426 net of accumulated impairment loss of HK\$12,646,510).

Variable-rate loans receivable with the following maturity in accordance with the loan agreements:

	2018 HK\$	2017 HK\$
Within one year	63,369,452	65,055,071
In more than one year but not more than five years	287,499,461	256,133,283
In more than five years	1,553,873,185	1,580,277,072
	<u>1,904,742,098</u>	<u>1,901,465,426</u>

The Group's long-term loans receivable are denominated in HK\$ and carry interest rates (which are the contractual interest rates) at prime rate or prime rate plus/minus a margin per annum and are secured by mortgages over the properties acquired by the purchasers. The maturity dates of the balances are ranging from within 1 to 30 years (2017: ranging from within 1 to 30 years).

There were no movements in the allowance for doubtful debts for both years.

At 30th June, 2018 and 2017, no balance has been past due nor impaired. The Group has assessed the creditworthiness, past payment history and subsequent settlement, and considered that the amounts are still recoverable and no further credit provision is required in excess of allowance for doubtful debts. Loans receivable which are neither overdue nor impaired are of good quality. The allowance for doubtful debts made for loans receivable are individually impaired in accordance with the credit policy of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

27. TRADING SECURITIES

Trading securities comprise:

	2018 HK\$	2017 <i>HK\$</i>
Listed investments:		
Equity securities listed in Hong Kong	10,136,342	9,819,582
Equity securities listed elsewhere	313,153	347,883
	<hr/>	<hr/>
Total	10,449,495	10,167,465
	<hr/>	<hr/>

28. TRADE AND OTHER RECEIVABLES

At 30th June, 2018, included in trade and other receivables of the Group are trade receivables (net of allowance for doubtful debts) of HK\$205,530,033 (2017: HK\$205,023,380). Trade receivables mainly comprise rental receivables and properties sales receivables. Rental receivables are billed and payable in advance by tenants. Properties sales receivables are to be settled by the purchasers based on the terms of sales and purchase agreements of property.

	2018 HK\$	2017 <i>HK\$</i>
Trade receivables	227,268,520	227,360,362
Less: Allowance for doubtful debts	(21,738,487)	(22,336,982)
	<hr/>	<hr/>
Other receivables	205,530,033	205,023,380
	808,858,303	1,155,943,141
	<hr/>	<hr/>
	1,014,388,336	1,360,966,521
	<hr/>	<hr/>

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

28. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period. The amounts not yet due represent properties sales receivables. The amounts overdue mainly represent rental receivables billed on a monthly basis and payable by the tenants in advance of the rental periods:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Not yet due	46,456,391	74,852,885
Overdue:		
1 – 30 days	78,437,598	63,902,107
31 – 60 days	37,653,894	20,392,340
61 – 90 days	10,582,561	9,310,193
Over 90 days	32,399,589	36,565,855
	205,530,033	205,023,380

Movements in the allowance for doubtful debts

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Balance at the beginning of the year	22,336,982	20,820,817
Recognition of impairment loss	1,114,139	1,516,165
Amounts written off	(1,712,634)	–
Balance at the end of the year	21,738,487	22,336,982

The allowance for doubtful debts made for trade receivables are individually impaired in accordance with the credit policy of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

28. TRADE AND OTHER RECEIVABLES (Continued)**Ageing of trade receivables which are past due but not impaired**

	2018	2017
	HK\$	HK\$
Overdue within 30 days	78,437,598	63,902,107
Overdue between 31 days and 60 days	37,653,894	20,392,340
Overdue between 61 days and 90 days	10,582,561	9,310,193
Overdue more than 90 days	32,399,589	36,565,855
	159,073,642	130,170,495

For those past due but not impaired receivables, although no collateral is held, the Group has assessed the creditworthiness, past payment history and subsequent settlement, and considers that the amounts are still recoverable and no further credit provision is required in excess of allowance for doubtful debts. Trade receivables overdue more than 90 days amounting to HK\$32,399,589 (2017: HK\$36,565,855) are sufficiently covered by rental deposits received from the respective tenants and no allowance is required for these receivables under the Group's allowance policy.

Trade receivables as at 30th June, 2018 and 2017 which are neither overdue nor impaired are of good quality.

Other receivables mainly comprise receivables in relation to rental, utility and other deposits paid of approximately HK\$173,000,000 (2017: HK\$164,000,000), prepayments for operating expenses of approximately HK\$50,000,000 (2017: HK\$81,000,000), other payment in advance of approximately HK\$202,000,000 (2017: HK\$321,000,000) which is mainly related to property development projects and interest receivables of approximately HK\$155,000,000 (2017: HK\$178,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

29. RESTRICTED BANK DEPOSITS/TIME DEPOSITS/BANK BALANCES AND CASH

Included in restricted bank deposits amounted to HK\$433,239,347 (2017: HK\$1,925,825,433) in total were the proceeds received from sale of properties of certain property projects deposited into designated bank accounts of the Group which were limited to be used for settlement of construction costs of these property projects, interest payment and principal repayment of the corresponding secured bank loans. The remaining balances represent rental income received from certain properties and the usage of which is restricted for settlement of property expenses, interest payment and principal repayment of the corresponding secured bank loans.

The restricted bank deposits, bank balances and time deposits carry floating interest rates, ranging from 0.001% to 3.05% (2017: 0.001% to 2.45%) per annum.

30. TRADE AND OTHER PAYABLES

At 30th June, 2018, included in trade and other payables of the Group are trade payables of HK\$147,047,844 (2017: HK\$133,307,677).

The following is an aged analysis of trade payables presented based on the invoice date at the reporting date:

	2018 HK\$	2017 <i>HK\$</i>
0 – 30 days	83,491,895	99,447,874
31 – 60 days	40,951,949	16,646,528
61 – 90 days	7,500,098	3,213,715
Over 90 days	15,103,902	13,999,560
	147,047,844	133,307,677

Other payables mainly comprise construction cost payable of approximately HK\$983,000,000 (2017: HK\$988,000,000), rental and utilities deposits received of approximately HK\$813,000,000 (2017: HK\$775,000,000), receipt in advance of approximately HK\$3,177,000,000 (2017: HK\$1,471,000,000) which is mainly related to property development projects and rental receipt in advance of approximately HK\$156,000,000 (2017: HK\$171,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

31. BANK AND OTHER BORROWINGS

	2018 HK\$	2017 HK\$
Long-term unsecured bank borrowings		
Within one year	542,532,000	–
More than two years but not exceeding five years	1,656,000,000	1,656,000,000
Long-term secured bank borrowings		
Within one year	177,152,111	–
More than one year but not exceeding two years	–	390,229,161
	2,375,684,111	2,046,229,161
Less: Current portion shown under current liabilities	(719,684,111)	–
Total bank borrowings – due after one year	1,656,000,000	2,046,229,161
Long-term unsecured other borrowings		
Within one year	–	3,875,439,917
Less: Current portion shown under current liabilities	–	(3,875,439,917)
	–	–
Total bank and other borrowings	2,375,684,111	5,921,669,078

All of the Group's bank borrowings carry interest rates (which are also the effective interest rates) at Hong Kong Interbank Offer Rate ("HIBOR") or Singapore Interbank Offer Rate ("SIBOR") plus a margin per annum.

On 21st September, 2012, the Company through a wholly-owned subsidiary, Sino (MTN) Limited issued guarantee notes with an aggregate principal amount of US\$500,000,000 (equivalent to approximately HK\$3,877,250,000) under the US\$1,000,000,000 Medium Term Note Programme (the Programme was increased to US\$2,000,000,000 in April 2013). The notes bear fixed interest rate at 3.25% per annum payable semi-annually in arrears. The notes are guaranteed by the Company. On 21st September, 2017, the notes matured and were fully redeemed by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

32. SHARE CAPITAL

	2018		2017	
	Number of ordinary shares	Share capital HK\$	Number of ordinary shares	Share capital HK\$
Ordinary shares issued and fully paid:				
At 1st July	6,315,574,771	40,590,631,436	6,164,885,263	38,657,017,941
Issue of shares in lieu of cash dividends	288,406,531	3,969,384,569	151,261,508	1,933,613,495
Cancellation upon buy-backs of own shares	(920,000)	–	(572,000)	–
	<u>6,603,061,302</u>	<u>44,560,016,005</u>	<u>6,315,574,771</u>	<u>40,590,631,436</u>
At 30th June – ordinary shares with no par value	6,603,061,302	44,560,016,005	6,315,574,771	40,590,631,436

On 5th December, 2017, the Company issued and allotted a total of 133,807,481 (2017: 96,700,993) ordinary shares at an issue price of HK\$13.508 (2017: HK\$12.512) per ordinary share to the shareholders in lieu of cash for the 2017 final dividend (2017: 2016 final dividend).

On 20th April, 2018, the Company issued and allotted a total of 34,641,359 (2017: 54,560,515) ordinary shares and 119,957,691 (2017: Nil) ordinary shares at an issue price of HK\$13.984 (2017: HK\$13.264) and HK\$13.984 (2017: Nil) per ordinary share, to the shareholders in lieu of cash for the 2018 interim and special dividends (2017: 2017 interim dividend) respectively.

During the year, 920,000 (2017: 572,000) ordinary shares bought back on the Stock Exchange were cancelled.

The shares rank pari passu in all respects with the existing shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

33. DEFERRED TAXATION

The major deferred taxation liabilities and assets recognised and movements thereon during the current and prior reporting periods are as follows:

	Accelerated tax depreciation	Revaluation of investment properties	Undistributed profits of subsidiaries and associates	Tax losses	Others	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st July, 2016	693,021,251	1,206,042,876	77,912,464	(55,384,252)	4,336,301	1,925,928,640
Exchange realignment	–	(18,387,910)	(5,241,308)	–	(1,573,116)	(25,202,334)
Charged (credited) to profit or loss for the year	<u>104,948,401</u>	<u>31,424,277</u>	<u>130,001,534</u>	<u>(620,086)</u>	<u>(5,510,473)</u>	<u>260,243,653</u>
At 30th June, 2017	797,969,652	1,219,079,243	202,672,690	(56,004,338)	(2,747,288)	2,160,969,959
Exchange realignment	–	24,420,317	1,106,190	–	968,154	26,494,661
Charged (credited) to profit or loss for the year	<u>40,386,464</u>	<u>39,856,359</u>	<u>117,730,759</u>	<u>2,017,363</u>	<u>(309,039)</u>	<u>199,681,906</u>
At 30th June, 2018	<u>838,356,116</u>	<u>1,283,355,919</u>	<u>321,509,639</u>	<u>(53,986,975)</u>	<u>(2,088,173)</u>	<u>2,387,146,526</u>

For the purpose of presentation in the consolidated statement of financial position, the deferred taxation assets and liabilities have been offset.

At 30th June, 2018, the Group had unused tax losses of HK\$852,229,709 (2017: HK\$910,906,964) available for offset against future profits. A deferred taxation asset has been recognised in respect of HK\$327,193,788 (2017: HK\$339,420,231) of such losses. No deferred taxation asset has been recognised in respect of the remaining HK\$525,035,921 (2017: HK\$571,486,733) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At 30th June, 2018, the Group had deductible temporary differences of HK\$487,126,230 (2017: HK\$399,021,109). No deferred taxation asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred taxation liabilities have not been recognised was HK\$948,637,734 (2017: HK\$783,523,470). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

34. ADVANCES FROM ASSOCIATES

The advances from associates of the Group are unsecured, interest-free and have no fixed repayment terms. The associates have agreed not to demand repayment within the next twelve months from the end of the reporting period and the advances are therefore shown as non-current. The effective interest rate for imputed interest expense for these interest-free loans is determined based on the cost-of-funds of the Group.

35. ADVANCES FROM NON-CONTROLLING INTERESTS

The advances from non-controlling interests of the Group amounted to HK\$11,018,987 (2017: HK\$9,283,591) are unsecured, bear interest ranging from 1% to 6.25% (2017: 1% to 6.25%) per annum and have no fixed repayment terms. The remaining balance of HK\$1,217,936,165 (2017: HK\$648,096,372) is unsecured, interest-free and have no fixed repayment terms. The non-controlling shareholders have agreed not to demand repayment within the next twelve months from the end of the reporting period and the advances are therefore shown as non-current.

The interest-free advances from non-controlling interests of the Group had been initially reduced to its present value based on management's estimates of future cash payments with a corresponding adjustment of HK\$21,648,550 (2017: HK\$16,180,547) which was regarded as a deemed contribution from the non-controlling interests during the year ended 30th June, 2018. The effective interest rate adopted for measurement at fair value at initial recognition of the advances from non-controlling interests of subsidiaries is determined based on the cost-of-funds of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

36. PARTIAL DISPOSAL OF A SUBSIDIARY

During the year ended 30th June, 2018, the Group disposed of 80% equity interest in 信和置業(成都)有限公司, a wholly-owned subsidiary of the Group, for a consideration of RMB8,767,500,000 (equivalent to approximately HK\$10,510,000,000) to an independent third party as detailed in the Company's announcement dated 7th September, 2017. The disposal was completed on 9th November, 2017 and the residual interest is accounted for as an associate upon completion. The net assets of 信和置業(成都)有限公司 at the date of disposal were as follows:

	<i>HK\$</i>
Net assets disposed of:	
Property, plant and equipment	7,660,278
Properties under development	6,285,311,977
Stocks of completed properties	67,200,692
Amount due from a subsidiary of the Group	1,205,785,467
Trade and other receivables	6,973,772
Taxation recoverable	188,609,418
Bank balances and cash	652,049,234
Trade and other payables	(263,225,794)
Deposits received on sales of properties	(3,041,208,130)
Taxation payable	(882,001)
	5,108,274,913
Fair value of residual interest in an associate	(1,783,533,209)
Reserve released upon partial disposal of a subsidiary	(238,051,292)
Gain on partial disposal of a subsidiary	7,054,614,889
	10,141,305,301
Satisfied by:	
Cash consideration received	10,510,951,530
Expenses incurred for disposal	(369,646,229)
	10,141,305,301
Net cash inflow arising on partial disposal:	
Cash consideration received	10,510,951,530
Less: Bank balances and cash disposed of	(652,049,234)
	9,858,902,296

The subsidiary partially disposed of during the year did not contribute significantly to the revenue, operating results or cash flows to the Group for the year ended 30th June, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

37. JOINT OPERATIONS

The Group has entered into joint venture agreements (“Agreements”) in the form of joint operations to engage in residential/commercial property development, sales and investment in Hong Kong. Under the Agreements, the Group is mainly responsible for the development of the projects.

At 30th June, 2018 and 2017, the aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to interests in joint operations attributable to the Group are as follows:

	2018 HK\$	2017 <i>HK\$</i>
Investment properties	11,016,808,381	10,953,596,871
Other non-current assets	7,724,640	673,864
Current assets	15,230,617,628	7,174,278,092
	<u>26,255,150,649</u>	<u>18,128,548,827</u>
Non-current liabilities	203,235,112	766,057,156
Current liabilities	2,380,161,227	1,631,911,574
	<u>2,583,396,339</u>	<u>2,397,968,730</u>
Income	576,746,499	747,218,419
Expenses	186,840,823	189,035,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

38. PLEDGE OF ASSETS

- (a) At 30th June, 2018, the aggregate facilities of bank loans granted to the Group amounting to approximately HK\$177,638,000 (2017: HK\$391,351,000) were secured by certain of the Group's assets amounting to a total carrying amount of HK\$1,761,551,516 (2017: HK\$1,734,211,954). At the end of the reporting period, all the facilities were utilised by the Group.

Assets with the following carrying amounts have been pledged to secure borrowings of the Group:

	2018	2017
	HK\$	<i>HK\$</i>
Investment properties	249,265,875	212,690,625
Hotel properties	788,325,506	790,349,873
Prepaid lease payments	723,960,135	731,171,456
	<u>1,761,551,516</u>	<u>1,734,211,954</u>

- (b) At 30th June, 2018, shares in certain associates and joint ventures with aggregate investment costs amounting to HK\$52 (2017: HK\$42), advances to certain associates and joint ventures in aggregate carrying amount of approximately HK\$4,354,618,000 (2017: HK\$2,120,580,000) and certain assets of the associates and joint ventures were pledged to or assigned to secure loan facilities made available by banks to such associates and joint ventures. Loan facilities granted to certain associates and joint ventures were jointly guaranteed by the Company and the other shareholders of the associates and joint ventures. Details of the relevant guarantees granted are set out in Note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

39. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had contingent liabilities as follows:

	2018 HK\$	2017 HK\$
Guarantees given to banks in respect of:		
Banking facilities of an associate and joint ventures attributable to the Group		
– Utilised	2,462,157,872	1,263,390,500
– Unutilised	681,000,000	956,609,500
	<u>3,143,157,872</u>	<u>2,220,000,000</u>
Mortgage loans granted to property purchasers	<u>459,943,156</u>	<u>647,461,553</u>

At 30th June, 2018 and 2017, the Group issued corporate financial guarantees to banks in respect of banking facilities granted to an associate and joint ventures. At the end of both reporting periods, the Group did not recognise any liabilities in respect of such corporate financial guarantees as the Directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant.

Guarantees are given to banks with respect to loans procured by the purchasers of the Group's properties. Such guarantees will be released by banks upon completion of the relevant mortgage properties registration. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of default of the parties involved is remote; accordingly, no value has been recognised at the inception of these guarantee contracts and at the end of the each reporting period.

40. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year, net of outgoings of HK\$436,194,719 (2017: HK\$389,388,331), was HK\$2,749,683,860 (2017: HK\$2,679,433,112). Most of the properties held have committed tenants with fixed rental for an average term of two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments, which fall due:

	2018 HK\$	2017 HK\$
Within one year	2,066,734,047	2,213,046,124
In the second to fifth year inclusive	2,077,472,674	2,420,215,949
After five years	75,438,107	126,559,871
	<u>4,219,644,828</u>	<u>4,759,821,944</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

40. OPERATING LEASE ARRANGEMENTS (Continued)**The Group as lessee**

Minimum lease payments paid under operating leases during the year was HK\$43,541,300 (2017: HK\$42,256,845).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018	2017
	HK\$	HK\$
Within one year	26,398,144	36,908,244
In the second to fifth year inclusive	10,249,255	18,009,308
	<u>36,647,399</u>	<u>54,917,552</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties to its related companies. Leases are negotiated for an average term of two years and rentals are fixed for an average term of two years.

41. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group is also required to make contributions to state pension scheme, the Central Provident Fund, based on certain percentages of the monthly salaries of the employees of the Company's subsidiaries operating in Singapore. The Group has no other obligations under this state pension scheme other than the contribution payments.

The eligible employees of the Company's subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant cost of the basic payroll of these employees to the pension schemes to fund the benefits. The Group has no other obligations under this state pension scheme other than the contribution payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

42. PROPERTIES UNDER DEVELOPMENT

At the end of the reporting period, properties under development amounting to approximately HK\$23,474,650,000 (2017: HK\$19,229,128,000) were not expected to be realised within twelve months from the end of the reporting period.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debts, which include bank and other borrowings, advances from associates/non-controlling interests, amounts due to associates/joint ventures/non-controlling interests and equity attributable to the Company's shareholders, comprising issued share capital, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

The management of the Group reviews the capital structure periodically. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new shares issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

There were no changes on the Group's approach to capital risk management during the year.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK\$	2017 HK\$
Financial assets		
Trading securities (fair value through profit or loss)	10,449,495	10,167,465
Available-for-sale investments	916,125,322	962,731,330
Loans and receivables (including cash and cash equivalents)	<u>41,285,356,480</u>	<u>44,041,805,651</u>
Financial liabilities		
Amortised cost	<u>11,563,470,332</u>	<u>12,230,006,167</u>

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, advances to associates/joint ventures/an investee company, available-for-sale investments, loans receivable, trading securities, amounts due from/to associates/joint ventures/non-controlling interests, restricted bank deposits, time deposits, bank balances and cash, trade and other payables, bank and other borrowings and advances from associates/non-controlling interests.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

44. FINANCIAL INSTRUMENTS (Continued)**Financial risk management objectives and policies** (Continued)Market risk

The Group's activities expose the Group primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other equity price. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks. Details of each type of market risks are described as follows:

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amounts of the Group's foreign currency denominated monetary assets (excluding available-for-sale investments) and monetary liabilities at the end of the respective reporting periods are as follows:

	2018	2017
	HK\$	HK\$
Assets		
Renminbi ("RMB")	1,020,886,498	4,275,774,613
United States Dollars ("USD")	1,555,655,122	1,364,228,293
Australian Dollars ("AUD")	587,315,445	1,023,339,076
New Zealand Dollars ("NZD")	24,671,013	26,248,480
	<u>24,671,013</u>	<u>26,248,480</u>
Liabilities		
RMB	506,569,466	491,980,817
	<u>506,569,466</u>	<u>491,980,817</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

44. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation of RMB, AUD and NZD (the "Foreign Currencies") against HK\$, functional currency of the relevant group entities. The exposure of USD against HK\$ is considered insignificant as HK\$ is pegged to USD, therefore is excluded from the sensitivity analysis below.

The sensitivity analysis below has been determined based on the exposure to 5% increase and decrease in the Foreign Currencies against HK\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number indicates an increase in profit for the year where the Foreign Currencies strengthens against HK\$. For a weakening of the Foreign Currencies against HK\$, there would be an equal and opposite impact on the profit.

	2018	2017
	HK\$	HK\$
RMB	21,472,736	157,973,391
AUD	24,520,420	42,724,406
NZD	1,030,015	1,095,874

Certain available-for-sale investments are denominated in foreign currency of the group entities. For available-for-sale investments amounted to HK\$142,792,853 (2017: HK\$181,758,778) as at 30th June, 2018, an increase/a decrease in 5% of Singaporean dollar against the functional currency of the relevant group entities would result in an increase/a decrease of HK\$7,139,643 (2017: HK\$9,087,939) in the Group's investment revaluation reserve.

Interest rate risk

Long-term loans receivable, advances to associates, advances to joint ventures, advance to an investee company, certain trade and other payables and bank borrowings at floating rates expose the Group to cash flow interest rate risk. Advances from non-controlling interests and other borrowings at fixed rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR or SIBOR arising from the bank borrowings and prime rate arising from the loans receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

44. FINANCIAL INSTRUMENTS (Continued)**Financial risk management objectives and policies** (Continued)*Market risk* (Continued)*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate long-term loans receivable, advances to associates, advances to joint ventures, advance to an investee company, certain trade and other payables and bank borrowings. Bank balances are not included in the analysis as the management expects that bank deposit rates do not fluctuate significantly. The analysis is prepared assuming that the change in interest rate had occurred at the end of the respective reporting period and had been applied to the exposure to interest rate risk for these financial assets and financial liabilities in existence at that date and outstanding for the whole year. The 50 basis points represent the best estimation of the possible change in the interest rates over the period until the end of the next reporting period.

At the end of the respective reporting periods, if interest rates had increased/decreased by 50 basis points and all other variables were held constant, the Group's profit for the year would have increased/decreased by HK\$29,418,686 (2017: decreased/increased by HK\$604,666).

Other price risk

The Group is exposed to equity price risk through its investments in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks and returns. The Group's equity price risk is primarily arising from listed equity securities which are mainly concentrated on blue chip stocks quoted in the Stock Exchange and the Singapore Exchange Securities Trading Limited. In this regard, the management considers the Group's exposure to equity price risk is reduced.

Other price risk sensitivity analysis

The following tables show the sensitivity to equity price risk on the available-for-sale investments and trading securities which are carried at fair value at the end of such reporting period. Sensitivity rate of 5% represents management's assessment of the reasonably possible change in equity price while all other variables were held constant.

	2018	2017
	HK\$	HK\$
Available-for-sale investments		
Increase (decrease) in investment revaluation reserve		
– as a result of increase in equity price	45,643,187	45,745,027
– as a result of decrease in equity price	(45,643,187)	(45,745,027)
Trading securities		
Increase (decrease) in profit for the year		
– as a result of increase in equity price	436,266	424,492
– as a result of decrease in equity price	(436,266)	(424,492)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

44. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

At the end of the reporting period, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group is disclosed in Note 39. In order to minimise the credit risk of trade and other receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

With respect to credit risk arising from advances to associates/joint ventures/an investee company and amounts due from associates/joint ventures/non-controlling interests, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment and the Group does not expect to incur a significant loss for uncollected advances to associates/joint ventures/an investee company and amounts due from associates/joint ventures/non-controlling interests.

The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

Other than concentration of credit risk on advances to associates/joint ventures/an investee company and amounts due from associates/joint ventures/non-controlling interests, the Group does not have any other significant concentration of credit risk. Trade receivables and long-term loans receivable consist of a large number of customers and borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

44. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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.

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$	1 – 3 months HK\$	3 months to 1 year HK\$	1 – 2 years HK\$	2 – 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
2018								
Trade and other payables								
– non-interest bearing	N/A	2,570,913,539	75,326,191	315,639,948	1,143,856,335	188,300,783	4,294,036,796	4,294,036,796
– variable rate	5.00	1,794,989	-	-	-	-	1,794,989	1,794,989
Other liabilities								
– non-interest bearing	1.95	2,364,969,972	36,094,469	-	2,511,109,116	-	4,912,173,557	4,880,935,449
– fixed rate	4.46	40,930	81,861	368,373	11,018,987	-	11,510,151	11,018,987
Borrowings								
– variable rate	2.50	5,402,880	10,805,761	973,130,530	43,085,058	1,703,154,857	2,735,579,086	2,375,684,111
Financial guarantee contracts	N/A	459,943,156	-	-	1,703,157,872	1,440,000,000	3,603,101,028	-
		<u>5,403,065,466</u>	<u>122,308,282</u>	<u>1,289,138,851</u>	<u>5,412,227,368</u>	<u>3,331,455,640</u>	<u>15,558,195,607</u>	<u>11,563,470,332</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

44. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$	1 – 3 months HK\$	3 months to 1 year HK\$	1 – 2 years HK\$	2 – 5 years HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
2017								
Trade and other payables								
– non-interest bearing	N/A	1,135,080,920	47,331,499	587,959,573	956,763,711	181,351,436	2,908,487,139	2,908,487,139
– variable rate	5.00	14,330,723	–	–	–	–	14,330,723	14,330,723
Other liabilities								
– non-interest bearing	2.89	1,646,855,946	55,962,725	–	1,706,415,474	–	3,409,234,145	3,376,235,636
– fixed rate	3.21	24,820	49,639	223,378	9,283,591	–	9,581,428	9,283,591
Borrowings								
– variable rate	1.15	1,954,313	3,908,626	17,588,819	412,807,832	1,692,519,845	2,128,779,435	2,046,229,161
– fixed rate	3.25	10,723,827	3,887,973,827	–	–	–	3,898,697,654	3,875,439,917
Financial guarantee contracts	N/A	647,461,553	–	–	–	2,220,000,000	2,867,461,553	–
		<u>3,456,432,102</u>	<u>3,995,226,316</u>	<u>605,771,770</u>	<u>3,085,270,608</u>	<u>4,093,871,281</u>	<u>15,236,572,077</u>	<u>12,230,006,167</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. At the end of the reporting period, financial guarantee contracts are measured at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

44. FINANCIAL INSTRUMENTS (Continued)**Fair value measurements**

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors have to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable.

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Available-for-sale investments	912,863,744	914,900,535
Trading securities:		
Equity securities listed in Hong Kong	10,136,342	9,819,582
Equity securities listed elsewhere	313,153	347,883
Total	923,313,239	925,068,000

Fair values of financial instruments

The fair values of the Level 1 financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices in an active market.

The Directors consider that the carrying amounts of financial assets and liabilities classified as current assets or liabilities and recorded at amortised costs in the consolidated financial statements approximate their fair values as these financial instruments are short-term in nature. For non-current financial assets and liabilities which are interest-free, the Directors consider that their carrying amounts approximate their fair values as their carrying amounts are discounted using the relevant effective interest rates which approximated to the prevailing borrowing rates. For non-current financial assets and liabilities which bear interest at fixed interest rates, these rates approximated to the prevailing borrowing rates of the respective group entities and accordingly, the Directors consider that their carrying amounts approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest and other finance costs payable HK\$	Advances from associates HK\$	Amounts due to associates HK\$	Amounts due to joint ventures HK\$	Advances from non-controlling interests HK\$	Amounts due to non-controlling interests HK\$	Bank and other borrowings HK\$	Total HK\$
At 1st July, 2017	3,773,119	1,025,320,593	1,646,848,617	7,329	657,379,963	55,962,725	5,921,669,078	9,310,961,424
Financing cash flows	(67,749,307)	240,227,440	(487,730,057)	58,616	573,428,003	(19,868,256)	(3,552,467,500)	(3,314,101,061)
Finance costs	64,188,562	13,204,772	-	-	19,795,736	-	2,457,601	99,646,671
Fair value adjustments	-	(16,817,962)	-	-	(21,648,550)	-	-	(38,466,512)
Foreign exchange translation	-	-	-	-	-	-	4,024,932	4,024,932
Partial disposal of a subsidiary (Note 36)	-	-	1,205,785,467	-	-	-	-	1,205,785,467
At 30th June, 2018	212,374	1,261,934,843	2,364,904,027	65,945	1,228,955,152	36,094,469	2,375,684,111	7,267,850,921

46. RELATED PARTY DISCLOSURES

The Group had the following transactions with related parties:

(a) Related companies

	2018 HK\$	2017 HK\$
Service fees received (Note i)	210,288,474	193,074,787
Rental paid (Note i)	46,211,799	41,888,216
Consultancy fee paid (Note ii)	1,666,664	1,666,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

46. RELATED PARTY DISCLOSURES (Continued)**(b) Associates and joint ventures**

	2018	2017
	HK\$	HK\$
Service fees paid (Note i)	33,224,064	34,722,091
Administrative fees received (Note iii)	48,388,274	47,777,318
Interest income received (Note iv)	43,856,575	31,158,927

Note i: Mr. Robert Ng Chee Siong, Director and the controlling shareholder of the Company, was interested in these transactions as he holds controlling interests and directorships of the related companies. These related party transactions also constitute continuing connected transactions and have complied with the requirements of Chapter 14A of The Listing Rules, details of which are disclosed on pages 92 to 95 in the Directors' report.

Note ii: The consultancy fee was paid to Ronald Arculli and Associates, of which The Honourable Ronald Joseph Arculli, Non-Executive Director of the Company, is a sole proprietor. This also constitutes an exempted connected transaction under Chapter 14A of the Listing Rules.

Note iii: Included in the administrative fees received, HK\$48,291,074 (2017: HK\$47,680,118) represent administrative fees received from associates and joint ventures in which Mr. Robert Ng Chee Siong has controlling interests and directorships. These related party transactions also constitute exempted connected transactions under Chapter 14A of the Listing Rules.

Note iv: Included in the interest income received, HK\$33,401,725 (2017: HK\$23,068,996) represent interest income received from associates and joint ventures in which Mr. Robert Ng Chee Siong has controlling interests and/or directorships. These related party transactions also constitute exempted connected transactions under Chapter 14A of the Listing Rules.

Included in the advances to associates, amounts due to associates, advances from associates, amounts due from associates and advances to joint ventures, HK\$2,886,817,277 (2017: HK\$3,304,153,045), HK\$3,213,455 (2017: HK\$2,161,407), HK\$836,113,402 (2017: HK\$616,780,853), HK\$170,787,769 (2017: HK\$172,118,098) and HK\$664,027,133 (2017: HK\$487,767,023) represent the balances respectively with the associates and joint ventures in which Mr. Robert Ng Chee Siong, Director and the controlling shareholder of the Company, has controlling interests and directorships. The advances are provided by the shareholders of the associates and joint ventures on a several and proportional basis. Other than the aforesaid, details of the outstanding balances with associates, joint ventures and non-controlling interests at the end of the reporting period are set out in the Group's consolidated statement of financial position and in Notes 21, 22, 24, 34 and 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

46. RELATED PARTY DISCLOSURES *(Continued)*

In addition, as set out in Notes 38 and 39, the Group has granted guarantees and pledged certain assets to banks for facilities granted to the associates and joint ventures.

Apart from the transactions disclosed above, there were no other transactions, arrangements or 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 of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

Compensation of key management personnel

The remuneration of Directors during the year was as follows:

	2018	2017
	HK\$	HK\$
Short-term benefits	32,123,531	26,402,926
Retirement benefit scheme contributions	146,500	135,000
	32,270,031	26,537,926

The remuneration of the Directors is determined by Remuneration Committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

47. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY**Statement of financial position of the Company**

	2018	2017
	HK\$	HK\$
Non-current assets		
Investments in subsidiaries (Note)	448,441,989	448,441,989
Interests in associates (Note)	557,179,242	515,829,723
Available-for-sale investments	826,065,321	874,066,233
	1,831,686,552	1,838,337,945
Current assets		
Trading securities	10,449,495	10,167,465
Amounts due from subsidiaries	63,688,701,443	62,196,412,845
Trade and other receivables	3,297,079	4,750,184
Time deposits, bank balances and cash	1,971,772	1,231,299
	63,704,419,789	62,212,561,793
Current liabilities		
Trade and other payables	9,798,623	9,396,231
Amount due to a subsidiary	361,496,454	361,274,581
Amounts due to associates	81,452,853	77,494,445
	452,747,930	448,165,257
Net current assets	63,251,671,859	61,764,396,536
Total assets less current liabilities	65,083,358,411	63,602,734,481
Capital and reserves		
Share capital	44,560,016,005	40,590,631,436
Reserves	20,523,342,406	23,012,103,045
Total equity	65,083,358,411	63,602,734,481

Note: Investments in subsidiaries and interests in associates are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries and associates are accounted for by the Company on the basis of dividends received and receivable.

Approved and authorised for issue by the Board of Directors on 30th August, 2018 and are signed on its behalf by:

Robert NG Chee Siong
Chairman

Daryl NG Win Kong
Deputy Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

47. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(Continued)*

Reserve movements of the Company

	Investment revaluation reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st July, 2016	(48,277,079)	22,484,744,376	22,436,467,297
Profit for the year	–	3,561,261,540	3,561,261,540
Gain on fair value change of available-for-sale investments	178,515,189	–	178,515,189
Net comprehensive income for the year	178,515,189	3,561,261,540	3,739,776,729
Cancellation upon repurchase of own shares	–	(7,770,088)	(7,770,088)
Final dividend – 2016	–	(2,342,439,040)	(2,342,439,040)
Interim dividend – 2017	–	(813,931,853)	(813,931,853)
At 30th June, 2017	130,238,110	22,881,864,935	23,012,103,045
Profit for the year	–	3,814,064,114	3,814,064,114
Loss on fair value change of available-for-sale investments	(24,285,819)	–	(24,285,819)
Net comprehensive (expense) income for the year	(24,285,819)	3,814,064,114	3,789,778,295
Cancellation upon repurchase of own shares	–	(12,200,920)	(12,200,920)
Final dividend – 2017	–	(2,526,229,908)	(2,526,229,908)
Interim dividend – 2018	–	(838,300,093)	(838,300,093)
Special dividend – 2018	–	(2,901,808,013)	(2,901,808,013)
At 30th June, 2018	105,952,291	20,417,390,115	20,523,342,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 30th June, 2018 and 2017 which materially affected the results or assets and liabilities of the Group.

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
Direct:						
Best Result Environmental Services Limited	Hong Kong	Ordinary	HK\$2	100	100	Cleaning services
Fu King Investment Limited	Hong Kong	Ordinary	HK\$1,000,000	100	100	Investment holding
Glorypark Limited	Hong Kong	Ordinary	HK\$1,000	100	100	Property investment
Hong Kong Elite Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
King Chance Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Investment holding
Serenity Park Building Management Limited	Hong Kong	Ordinary	HK\$10	100	100	Building management
Sharp Rise Company Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading
Sing-Ho Finance Company Limited	Hong Kong	Ordinary	HK\$30,000,000	100	100	Financing
Sino (MTN) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Notes issuer
Sino (Xiamen) Realty Development Co., Ltd. (Note i)	PRC	Registered	HK\$290,000,000	100	100	Property development, trading and investment
Sino Administration Services Limited	Hong Kong	Ordinary	HK\$3	100	100	Administration services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
Direct: (Continued)						
Sino Estates Management Limited	Hong Kong	Ordinary	HK\$6,500,000	100	100	Building management
Sino Estates Services Limited	Hong Kong	Ordinary	HK\$20	100	100	Building management
Sino Land (Fuzhou) Co., Ltd. (Note i)	PRC	Registered	HK\$50,000,000	100	100	Property investment
Sino Security Services Limited	Hong Kong	Ordinary	HK\$2	100	100	Security services
World Ace Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Indirect:						
Ackerley Estates Limited	Hong Kong	Ordinary	HK\$20,000,000	100	100	Property investment
Active Success Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Advance Profit Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Alfaso Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property investment
Allways Success Finance Limited	Hong Kong	Ordinary	HK\$10	100	100	Mortgage loan financing
Ample Way Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Apex Speed Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Asian View Development Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Beauty Plaza Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Benefit Bright Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Best Origin Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Best Wisdom Development Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Bestone Limited	Hong Kong	Ordinary	HK\$2	100	100	Property development
Bright Land Development Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Brighton Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property development
Capital Faith (Hong Kong) Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Central Wisdom Limited	Hong Kong	Ordinary	HK\$2	100	100	Property development
Century Link (Hong Kong) Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Century Profit Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Champion Asia Investments Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Champion Rise Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Champion Top Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property development
Cheer Asia Development Limited	Hong Kong	Ordinary	HK\$1	100	100	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Cheer Result Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Cheer View Holdings Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Citywalk Management Company Limited	Hong Kong	Ordinary	HK\$2	100	100	Building management
Citywalk 2 Management Company Limited	Hong Kong	Ordinary	HK\$2	100	100	Building management
Corinthia By The Sea Finance Company Limited	Hong Kong	Ordinary	HK\$1	60	60	Mortgage loan financing
Corinthia By The Sea Property Management Limited	Hong Kong	Ordinary	HK\$1	60	60	Building management
Deveron (SL) Secretaries Limited	Hong Kong	Ordinary	HK\$1	100	–	Secretarial services
Dragon (Hong Kong) Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
e.Sino Company Limited	Hong Kong	Ordinary	HK\$2	100	100	Investment holding
Elegant Lane Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Elite Land Development Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Entertainment City Limited	Hong Kong	Ordinary	HK\$4,500,000	100	100	Property investment
Ever Champion Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Excel Wisdom Development Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Falcon City Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Falcon Land Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Famous General Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Famous Palace Properties Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property investment
Far Gain Limited	Hong Kong	Ordinary	HK\$10,000	100	100	Property investment
Forlink Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Fortune Glory Investments Limited	Hong Kong	Ordinary	HK\$1	100	100	Property investment
Free Champion Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Full Fair Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Fullerton Hotels & Resorts Pte. Ltd.	Singapore	Ordinary	S\$10,000	100	100	Management services
Fung Yuen Construction Company Limited	Hong Kong	Ordinary	HK\$1,000,000	100	100	Building construction
Global Honest Finance Limited	Hong Kong	Ordinary	HK\$2	100	100	Mortgage loan financing
Globaland Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018	2017	
				%	%	
<i>Indirect: (Continued)</i>						
Golden Leaf Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property investment
Good Champion Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Grace Rays Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Grand Creator Investment (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$10	60	60	Investment holding
Grand Creator Investment Limited	Hong Kong	Ordinary	HK\$2	60	60	Property trading
Grand Empire Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Project management
Grand Rise Investments Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Grand Start Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Investment holding
Grandeal Limited	Hong Kong/ PRC	Ordinary	HK\$2	100	100	Property trading
Handsome Lift Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Property investment
Hang Hau Station (Project Management) Limited	Hong Kong	Ordinary	HK\$2	60	60	Project management
Harley Investments Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Harvest Sun Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Harvestrade Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property trading and investment
HCP Hong Kong Fully Co Ltd	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Property investment
Hickson Limited	Hong Kong	Ordinary	HK\$20	100	100	Property investment
High Elite Finance Limited	Hong Kong	Ordinary	HK\$2	100	100	Mortgage loan financing
High Elite Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Jade Bird Development Limited	Hong Kong	Ordinary	HK\$100,000	100	100	Property trading and investment
Jade Line Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Jade Mate Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Jade Pine Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property investment
Jet Fame (Hong Kong) Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Jet Rise Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Jet Union Development Limited	Hong Kong	Ordinary	HK\$1	60	60	Property trading and investment
Joint Prospect Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Joint Rise Development Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Joy Rise Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
King Century Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
King Regent Limited	Hong Kong	Ordinary	HK\$1	85	85	Property trading and investment
Kingdom Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Kingsfield International Investments Limited	Hong Kong	Ordinary	HK\$1	100	100	Property investment
Land Success Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Lucky Fortress Inc.	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Share investment
Mayfair By The Sea I Finance Company Limited	Hong Kong	Ordinary	HK\$1	85	85	Mortgage loan financing
Mega Sino Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Investment holding
Megaform Development Limited	Hong Kong	Ordinary	HK\$1	100	–	Financing
Morbest Profits Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Share investment
Multipurpose Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property trading and investment
New Realm Enterprises Limited	British Virgin Islands	Ordinary	US\$1	100	100	Investment holding
Nice Scene International Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Ocean Treasure (Hong Kong) Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Octerworth Enterprises Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property investment
Olympian City 1 (Project Management) Limited	Hong Kong	Ordinary	HK\$2	100	100	Project management
Olympian City 2 Finance Company Limited	Hong Kong	Ordinary	HK\$1,000	100	100	Mortgage loan financing
Olympian City 2 (Project Management) Limited	Hong Kong	Ordinary	HK\$2	100	100	Project management
Orient Field Holdings Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Orient Harvest International Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading
Pacific Asia Limited	Hong Kong	Ordinary	HK\$1	100	–	Property development
Pacific Shine Limited	Hong Kong	Ordinary	HK\$1	100	–	Property development
Park Summit Commercial Management Company Limited	Hong Kong	Ordinary	HK\$1	100	100	Building management
Peace Success Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading
Perfect Green Supplies Company Limited	Hong Kong	Ordinary	HK\$1	100	100	Cleaning services
Perfect Sun Properties Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Precious Land Pte. Limited	Singapore	Ordinary	S\$2	100	100	Property investment
Precious Quay Pte. Ltd.	Singapore	Ordinary	S\$10,000	100	100	Hotel operation and property investment
Precious Treasure Pte Ltd	Singapore	Ordinary	S\$20,000,000	100	100	Hotel operation and property investment
Premium Living Limited	Hong Kong	Ordinary	HK\$2	100	100	Premium living services
Pridegate (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Property investment
Prime Harvest (Administration Services) Limited	Hong Kong	Ordinary	HK\$2	100	100	Consultant services provider
Prime Harvest Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Primewin Properties Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Rainbow City Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Rankchief Company Limited	Hong Kong	Ordinary	HK\$200	100	100	Property trading
Real Maker Development Limited	Hong Kong	Ordinary	HK\$200,000	90	90	Property investment
Regal Crown Development Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Regent Profit Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Region One Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Rich Tact International (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Property investment
Rich Treasure Investments Limited	Hong Kong	Ordinary	HK\$1	100	100	Mortgage loan financing
Rickson Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Investment holding
Roystar Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Investment holding
Ruddiman Trading Company Limited	Hong Kong	Ordinary	HK\$100,000	100	100	Investment holding
Saky Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Property investment
Sheen Honour Limited	Hong Kong	Ordinary	HK\$1	100	100	Property investment
Shine Harvest International Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
Sidak Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property investment
Silver Palm Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Silver Target Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Sincere Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property development
Sino Fortune Garden Inc.	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Share investment
Sino Land Finance Limited	Hong Kong	Ordinary	HK\$2	100	100	Deposit placing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Sino Land (Guangzhou) Company Limited (Note i)	PRC	Registered	US\$3,200,000	100	100	Property investment
Sino Land (Zhangzhou) Company Limited (Note i)	PRC	Registered	HK\$374,150,000	100	100	Property development, trading and investment
Sino Land Investment (Holdings) Ltd.	Cayman Islands/ Hong Kong	Ordinary	US\$6,000,000	100	100	Investment holding
Sky Target (Hong Kong) Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Sky Vision Development Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Smart Champion (Hong Kong) Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Standard Union Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Share investment
Star Talent Development Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Success One Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Sunfairs International Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Investment holding
Sunny Force Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Sunrise Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Super One Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Thousand Growth Development Limited	Hong Kong	Ordinary	HK\$20,000	100	100	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
Timeshare Development (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Property investment
Top Gallant Limited	Hong Kong	Ordinary	HK\$1	100	100	Property trading and investment
Top Harmony Development Limited	Hong Kong	Ordinary	HK\$10	60	–	Property development
Top Oasis Limited	Hong Kong	Ordinary	HK\$1	80	80	Property development
Trans China Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Triple Reach International (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Property investment
Triumph One Limited	Hong Kong	Ordinary	HK\$10,000	100	100	Property trading and investment
Union Century (Hong Kong) Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Union Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading
Union Harvest Investments Limited	Hong Kong	Ordinary	HK\$2	100	100	Property development
Union Rich Development Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Union Score Investments Limited	Hong Kong	Ordinary	HK\$10	90	90	Property development
Union Top Properties Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Union Vision Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018 %	2017 %	
<i>Indirect: (Continued)</i>						
United Link Investments Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Vantage Plus Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$100	85	85	Investment holding
Vasilon Pte Ltd	Singapore	Ordinary	S\$2	100	100	Investment holding
Victory Top Properties Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Vision Land Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development
Vista Commercial Management Company Limited	Hong Kong	Ordinary	HK\$2	100	100	Building management
Weiland Development Company Limited	Hong Kong	Ordinary	HK\$33,140,000	100	100	Property investment
Well Growth International Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Investment holding
Well Victory Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Wellord Investments Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Wendia Limited	Hong Kong	Ordinary	HK\$20	100	100	Property investment
Will Glory Company (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Property investment
Win Chanford Enterprises Limited	Hong Kong	Ordinary	HK\$1,000,000	52.6	52.6	Property investment
Win Harvest (HK) Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of shares held	Issued share/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
				2018	2017	
				%	%	
<i>Indirect: (Continued)</i>						
Winchamp Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Winning Limited	Hong Kong	Ordinary	HK\$1	100	100	Investment holding
Wisdom Power Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	100	Investment holding
Wise Century Limited	Hong Kong	Ordinary	HK\$2	100	100	Property investment
Wise Grand Limited	Hong Kong	Ordinary	HK\$1	52.6	52.6	Property investment
Wise Mate Limited	Hong Kong	Ordinary	HK\$2	100	100	Property trading and investment
World Empire Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	100	Property investment
World Talent (Hong Kong) Limited	Hong Kong	Ordinary	HK\$1	100	100	Property development

Notes:

- i. *Wholly foreign owned enterprises established in the PRC.*
- ii. *Other than guarantee notes issued by Sino (MTN) Limited which matured and were fully redeemed on 21st September, 2017 by the Company as disclosed in Note 31, none of the subsidiaries had issued any debt securities at 30th June, 2018 and 2017.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

49. PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of all associates will be of excessive length and therefore the following list contains only the particulars of associates at 30th June, 2018 and 2017 which materially affected the results of the year or form a substantial portion of the net assets of the Group.

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities	
			2018		2017		
			Directly %	Indirectly %	Total %		Total %
Ace Glory Limited	Hong Kong	Ordinary	–	25	25	25	Property trading and investment
Astoria Estate Management Company Limited	Hong Kong	Ordinary	–	50	50	50	Building management
Best Profit Limited	Hong Kong	Ordinary	–	50	50	50	Property investment
Beverhill Limited	Hong Kong	Ordinary	–	20	20	20	Property investment
Boatswain Enterprises Limited	Hong Kong	Ordinary	–	20	20	20	Property investment
Brisbane Trading Company Limited	Hong Kong	Ordinary and non-voting deferred	–	50	50	50	Property trading
Century Rise Limited	Hong Kong	Ordinary	–	50	50	50	Property trading and investment
Cheer City Properties Limited	Hong Kong	Ordinary	–	20	20	20	Property investment
C.H.K.C. Building Management Limited	Hong Kong	Ordinary	–	25	25	25	Building management
Cosmos Door Limited	Hong Kong	Ordinary	–	50	50	50	Property investment
Credit World Limited	Hong Kong	Ordinary	–	20	20	20	Property trading
Direct Win Development Limited	Hong Kong	Ordinary	–	33.3	33.3	33.3	Property trading
Dramstar Company Limited	Hong Kong	Ordinary	–	22	22	22	Property trading

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

49. PRINCIPAL ASSOCIATES (Continued)

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities	
			2018		2017		
			Directly %	Indirectly %	Total %		
Eternal Honest Finance Company Limited	Hong Kong	Ordinary	–	50	50	50	Mortgage loan financing
Finedale Industries Limited	Hong Kong	Ordinary	–	33.3	33.3	33.3	Property investment
Full Raise International Limited	British Virgin Islands/ Hong Kong	Ordinary	–	25	25	25	Investment holding
Gloryland Limited	Hong Kong	Ordinary	–	33.3	33.3	33.3	Property investment
Grace Sign Limited	Hong Kong	Ordinary	–	30	30	30	Property trading
Grand Palisades Finance Company Limited	Hong Kong	Ordinary	–	20	20	20	Mortgage loan financing
Great Maker Limited	Hong Kong	Ordinary	–	30	30	30	Property development
Greenroll Limited	Hong Kong	Ordinary	–	30	30	30	Hotel operation
Hua Qing Holdings Pte Ltd	Singapore	Ordinary	–	23.5	23.5	23.5	Investment holding
Island Resort Estate Management Company Limited	Hong Kong	Ordinary	–	45	45	45	Building management
Lead Bright Finance Limited	Hong Kong	Ordinary	–	20	20	20	Mortgage loan financing
Lead Bright Limited	Hong Kong	Ordinary	–	20	20	20	Property trading
Million Success Limited	Hong Kong	Ordinary	–	25	25	25	Property investment
More Treasure Company Limited	Hong Kong	Ordinary	–	25	25	25	Property investment
Murdoch Investments Inc.	British Virgin Islands/ Hong Kong	Ordinary	–	45	45	45	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

49. PRINCIPAL ASSOCIATES (Continued)

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities	
			2018		2017		
			Directly %	Indirectly %	Total %		
Nimble Limited	British Virgin Islands/ Hong Kong	Ordinary	–	45	45	45	Investment holding
Pacific Bond Limited	Hong Kong	Ordinary	–	35	35	35	Property trading and investment
Pembroke Development Investments Limited	British Virgin Islands/ Hong Kong	Ordinary and non-voting deferred	–	40	40	40	Property trading
Providence Bay Finance Company Limited	Hong Kong	Ordinary	–	35	35	35	Mortgage loan financing
Providence Bay Property Management Company Limited	Hong Kong	Ordinary	–	35	35	35	Building management
Providence Peak Finance Company Limited	Hong Kong	Ordinary	–	25	25	25	Mortgage loan financing
Providence Peak Property Management Company Limited	Hong Kong	Ordinary	–	25	25	25	Building management
Pui Hay Enterprises Limited	Hong Kong	Ordinary	–	50	50	50	Property trading
Sea Dragon Limited	Hong Kong	Ordinary	–	30	30	30	Property investment
Silver Link Investment Limited	Hong Kong	Ordinary	–	45	45	45	Property trading and investment
Sino Parking Services Limited	Hong Kong	Ordinary	50	–	50	50	Carpark operation
Sino Real Estate Agency Limited	Hong Kong	Ordinary	50	–	50	50	Real estate agency

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2018

49. PRINCIPAL ASSOCIATES (Continued)

Name of associate	Place of incorporation/ establishment/ operation	Class of shares held	Proportion of nominal value of issued share capital/registered capital held by the Company			Principal activities	
			2018		2017		
			Directly %	Indirectly %	Total %		
Tat Lee Construction Company Limited	Hong Kong	Ordinary	25	–	25	25	Building construction
Teamer International Limited	Hong Kong	Ordinary	–	35	35	35	Property trading
The Coronation Estates Management Limited	Hong Kong	Ordinary	–	45	45	45	Building management
The Graces – Providence Bay Finance Company Limited	Hong Kong	Ordinary	–	50	50	50	Mortgage loan financing
The Graces – Providence Bay Property Management Company Limited	Hong Kong	Ordinary	–	50	50	50	Building management
The Hermitage Estates Management Limited	Hong Kong	Ordinary	–	50	50	50	Building management
Union King (Hong Kong) Limited	Hong Kong	Ordinary	–	45	45	45	Property investment
United Best Hong Kong Limited	Hong Kong	Ordinary	–	40	40	40	Property development
Victory World Limited	Hong Kong	Ordinary	–	50	50	50	Property trading and investment
Wide Harvest Investment Limited	Hong Kong	Ordinary	–	25	25	25	Property investment
Wisekey Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	–	50	50	50	Investment holding
中海信和(成都)物業發展有限公司	PRC	Registered	–	20	20	20	Property development and trading
信和置業(成都)有限公司 (Note 36)	PRC	Registered	–	20	20	100	Property development and trading