

## INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

**德勤**

**TO THE MEMBERS OF  
TSIM SHA TSUI PROPERTIES LIMITED**  
尖沙咀置業集團有限公司  
*(incorporated in Hong Kong with limited liability)*

### OPINION

We have audited the consolidated financial statements of Tsim Sha Tsui Properties Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 102 to 224, which comprise the consolidated statement of financial position as at 30th June, 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30th June, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT *(Continued)*

### KEY AUDIT MATTERS *(Continued)*

#### Key audit matter

##### Recognition of revenue from sales of properties

We identified the recognition of revenue from sales of properties as a key audit matter as it is quantitatively significant to the consolidated financial statements as a whole, combined with judgment involved in determining the appropriate point to recognise revenue from sales of properties with reference to the criteria set out in Note 3 "Revenue recognition" to the consolidated financial statements.

The Group's revenue from sales of properties for the year ended 30th June, 2018 amounted to HK\$5,478,521,456, which is disclosed in Note 5 to the consolidated financial statements, representing 50.8% of the Group's total revenue.

##### Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgments associated with the determination of the fair value.

The Group's investment properties are located in Hong Kong, elsewhere in the People's Republic of China and Singapore. As at 30th June, 2018, the Group's investment properties amounted to HK\$62,712,904,952 and represented 39.2% of the Group's total assets.

All of the Group's investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers (the "Valuers"). The valuations are dependent on capitalisation rate which is the significant unobservable input that involves management's significant judgment. Details of the valuation techniques and significant unobservable input used in the valuations are disclosed in Note 17 to the consolidated financial statements.

#### How our audit addressed the key audit matter

Our procedures in relation to recognition of revenue from sales of properties included:

- Testing the Group's internal controls over revenue recognition, including the timing of revenue recognition;
- Checking, on a sampling basis, the terms regarding the timing of completion of sales transactions as set out in the sale and purchase agreements and corresponding permits and other approval documents issued by the relevant government authorities to assess the progress of the transfer of risks and rewards of ownership of properties to buyers; and
- Checking, on a sampling basis, the settlement of considerations for the property sales and evaluating the management's assessment of possibility of default of the buyers after taking into account the market conditions and performance.

Our procedures in relation to the valuation of the investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuers;
- Obtaining an understanding of the valuation process and techniques adopted by the Valuers to assess if they are consistent with industry norms;
- Obtaining the valuation reports and meeting with the Valuers to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data used by the management and the Valuers by comparing them, on a sampling basis, to where relevant, existing tenancy profiles, publicly available information of similar comparable properties and our knowledge of the real estate industry; and
- Checking arithmetical accuracy of calculations.

## INDEPENDENT AUDITOR'S REPORT *(Continued)*

### KEY AUDIT MATTERS *(Continued)*

#### Key audit matter

##### **Net realisable value of properties under development and stocks of completed properties**

We identified the determination of the net realisable value ("NRV") of the Group's properties under development and stocks of completed properties as a key audit matter due to the significant judgments involved in the determination of the NRV and the estimation of future cost to completion by the management of the Group.

The Group's properties under development and stocks of completed properties are stated at the lower of cost and NRV. As at 30th June, 2018, the Group's properties under development and stocks of completed properties amounted to HK\$24,892,353,735 and HK\$2,231,970,767 respectively.

As disclosed in Note 4 to the consolidated financial statements, the NRV is determined with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion for properties under development and the estimated costs necessary to make the sale.

#### How our audit addressed the key audit matter

Our procedures in relation to the NRV of the properties under development and stocks of completed properties included:

- Challenging the assumptions and judgments applied by management in estimating the NRV including evaluating the accuracy of management's prior period estimation;
- Evaluating the reasonableness of the management's estimation of the future costs to completion for the properties under development, on a sampling basis, by comparing them to the actual development costs of similar completed properties of the Group and comparing to the relevant market information; and
- Assessing the appropriateness of the selling price estimated by the management, on a sampling basis, by comparing the estimated selling price to recent market prices in the same projects or comparable properties, based on the current market conditions in the real estate industry and our knowledge of the Group's business.

## **INDEPENDENT AUDITOR'S REPORT** *(Continued)*

### **OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT *(Continued)*

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT *(Continued)*

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ip Chiu Yin.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
30th August, 2018