

To: Business/Property Editor

Date: 21 February 2019  
For immediate release**HYSAN DEVELOPMENT COMPANY LIMITED  
2018 ANNUAL RESULTS****HIGHLIGHTS**

- Satisfactory 2018 results were due to a steady retail market and a robust office sector portfolio performance
- The opening of Lee Garden Three was a meaningful contributor to our results
- Turnover and Recurring Underlying Profit increased by 9.6% and 8.0% respectively
- Reported Profit increase mainly due to changes in fair value of investment properties
- Occupancies of Retail and Office portfolio improved to 98% and 97% respectively

**RESULTS**

		Year ended 31 December		
		2018	2017	
	Notes	HK\$ million	HK\$ million	Change
Turnover	1	3,890	3,548	+9.6%
Recurring Underlying Profit	2	2,536	2,349	+8.0%
Underlying Profit	3	2,536	2,491	+1.8%
Reported Profit	4	6,033	3,636	+65.9%
		HK cents	HK cents	
Basic earnings per share, based on:				
Recurring Underlying Profit	2	242.40	224.68	+7.9%
Underlying Profit	3	242.40	238.26	+1.7%
Reported Profit	4	576.66	347.78	+65.8%
Full-year dividends per share		144.00	137.00	+5.1%
		As at 31 December		
		2018	2017	
		HK\$ million	HK\$ million	
Shareholders' Funds	5	74,431	69,953	+6.4%
		HK\$	HK\$	
Net Asset Value per Share	6	71.12	66.89	+6.3%

**Notes:**

1. **Turnover** comprises gross rental income from leasing of investment properties located in Hong Kong and management fee income from the provision of property management services for the year.
2. **Recurring Underlying Profit** is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature.
3. **Underlying Profit** is arrived at by excluding from Reported Profit unrealised fair value changes on investment properties.
4. **Reported Profit** is the profit attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.
5. **Shareholders' Funds** is the equity attributable to owners of the Company.
6. **Net Asset Value per Share** represents Shareholders' Funds divided by the number of issued shares at year-end.

## **HYSAN DEVELOPMENT 2018 TURNOVER UP 9.6% TO HK\$3,890 MILLION**

### **Results**

Hysan Development Company Limited (Stock Code: 00014) today (21 February 2019) announced the Group's **turnover** was HK\$3,890 million in 2018, representing a year-on-year increase of 9.6% from HK\$3,548 million in 2017.

**Recurring Underlying Profit**, the key measurement of our core leasing business performance, was up 8.0% to HK\$2,536 million (2017: HK\$2,349 million). Our **Underlying Profit** in 2018, was also HK\$2,536 million, up by 8% from 2017 on a normalised basis after excluding the one-off compensation received from a retail tenant in 2017. Basic earnings per share based on Recurring Underlying Profit and Underlying Profit correspondingly rose to HK242.40 cents (2017: HK224.68 cents and HK238.26 cents respectively), up 7.9% and 1.7% respectively.

The Group's **Reported Profit** for 2018 was HK\$6,033 million (2017: HK\$3,636 million). This mainly reflected a fair value gain of HK\$3,532 million (2017: HK\$853 million) on the Group's investment properties' valuation. As at year-end 2018, the valuation of the Group's investment property portfolio increased by 6.9% to HK\$77,442 million (2017: HK\$72,470 million). This reflected a combination of factors: a generally positive rental outlook for our core portfolio, and a number of asset enhancement works completed. The capitalisation rates used in valuing each portfolio remained unchanged from those used as at 31 December 2017.

**Shareholders' Funds** increased by 6.4% to HK\$74,431 million (2017: HK\$69,953 million).

### **Dividends**

A second interim dividend of HK117 cents per share (2017: HK111 cents) was announced. The dividend will be payable in cash. Together with the first interim dividend of HK27 cents per share (2017: HK26 cents), there is an aggregate distribution of HK144 cents per share (2017: HK137 cents). Please see the table for all the relevant dates:

Closure of register of members	Friday, 8 March 2019
Ex-dividend date	Wednesday, 6 March 2019
Latest time to lodge transfer documents	4pm on Thursday, 7 March 2019
Record date for second interim	Friday, 8 March 2019
Second interim dividend payment date	On or about Friday, 22 March 2019

## **Financial Management**

Hysan adhered to a policy of financial prudence and maintained a strong financial position.

### **Low Gearing**

- Total Gross Debt: HK\$6,326 million (31 Dec 2017: HK\$6,176 million)
- Net Debt to Equity: 4.7% (31 Dec 2017: 5.0%)

### **Stable Debt Profile**

- Fixed Rate Debt: 75.5% of the total gross debt (31 Dec 2017: 74.9% of the total gross debt)
- Average Debt Maturity: 3.9 years (31 Dec 2017: 4.3 years)
- Capital Market Issuance: 75.5% (31 Dec 2017: 74.9%)
- Average Cost of Finance: 3.6% (2017: 3.4%)

### **Strong Credit Rating**

- Net Interest Coverage: 18.1 times (2017: 17.1 times)
- Moody's: A3; Standard and Poor's: BBB+; Fitch: A-

## COMMENTS BY MS. IRENE YUN LIEN LEE, CHAIRMAN

### Overview

“The local economy experienced healthy expansion in 2018 with a year-on-year growth of 3.7% in the first three quarters of the year. Labour market conditions remained tight, but the residential property market and stock market were less bullish during the second half of the year. Visitor arrivals figures, meanwhile, continued their upward trend, with 17.9% growth in 2018, as compared to the year before (Mainland China visitors increased by 21.0%).”

“Hong Kong’s retail sales saw robust growth of 13.4% in the first half of 2018, while the second half growth of just 4.3% mirrored the slow-down in overall economic growth. Full year 2018 Hong Kong retail sales grew 8.8%. All categories rose when compared to 2017, with Jewellery and Watches, as well as Medicines and Cosmetics among the best performers.”

“2018 was a productive year for Hysan. Footfall in our portfolio saw improvement and our estimated tenant sales growth outperformed Hong Kong’s general retail sales growth. Office rental reversion was robust and occupancy improved. Nevertheless, market challenges persist, from macroeconomic issues to structural changes in tenants’ and consumers’ demands.”

“The Lee Gardens portfolio has many natural advantages: we have a rich and dynamically-curated retail and commercial portfolio set in a unique neighbourhood, which combines the latest high-rise with Hong Kong heritage buildings, enhanced by strong physical, visual and virtual connectivity. These natural attributes, together with our public events, have enabled us to create a strong sense of community.”

### Hysan’s Progress in 2018

“The market challenges we faced in 2018 were not dissimilar to the year before. There were added factors including the macro issues of interest rate hikes, as well as Mainland China’s economic slowdown and Renminbi (RMB) depreciation. These were compounded by the China-U.S. trade tensions.”

“Retail consumers demand experiential and digital offers. Demographic shifts saw “New Hong Kong residents” (those who have settled in Hong Kong in the past decade or so) become a strong and growing spending force. Moreover, generational changes have meant millennials and younger shoppers now seek “new classic” products and services that are personalised, sophisticated and aspirational. Health and wellness as well as lifestyle offerings are high on their agenda. For parents, quality children’s items and experiences are highly coveted.”

“Unique, new and relevant retail offerings are key to attracting top quality office tenants. The demand for “flex” space by companies propelled an increased commitment to forge partnerships with some of the best-known co-working brands. We have constructed a balanced portfolio of co-work tenants to cater to different organisational requirements from multinational institutions to small startups. Lee Gardens portfolio is now home to co-working operators like Spaces, theDesk and Compass. They will soon be joined by another major operator, WeWork.”

“Apart from co-working, traditional Banking and Finance institutions have chosen Lee Gardens for its quality hardware as well as amenities, convenience and vibrant community, all of which are key to staff engagement. Lee Garden Three is now home to a number of top international financial institutions, including Goldman Sachs and Maybank.”

“Lee Garden Three, which officially opened in November 2018, is the perfect catalyst to extend our commitment to lifestyle. The building houses some very unique food and beverage destinations, along with a range of wellness and children’s products that are priority items for this generation of consumers.”

“Our new office tenants in Lee Garden Three, together with a more fluid and diverse office user population from our co-work office tenants located throughout our portfolio, have created a new consumer demographic. This in turn has influenced our retail tenant recruitment strategy and mix. We analyse and curate our portfolio as a holistic offering that feeds on and influences footfall, spending power and the staying power of our consumers within the Lee Gardens neighbourhood. We have introduced new destination restaurants and more drinking elements, all of which have proven popular with our new office tenants. These newcomers are growing into loyal customers of our portfolio’s offerings.”

“Our loyalty clubs, too, help enhance the spending and staying power of those who visit the portfolio. Lee Gardens Plus for general shoppers and Club Avenue for VIPs, are gaining considerable traction. Lee Gardens Plus saw its membership more than doubled over the year. Through multiple channels, including a powerful but simple to use app, we have created a platform to appeal to a wider audience. In the meantime, we have also enhanced our offerings and level of service to our VIPs through Club Avenue.”

“In regard to tenant partnership enhancement, the introduction of our regular town-hall meetings and our tenant engagement team have contributed significantly to further strengthen our relationships through tenant-centric win-win events and campaigns. During the year, we held a number of special exclusive events in partnership with tenants to attract high spenders. A close relationship also enabled the successful roll-out of Hysan’s much anticipated paperless e-coupon project.”

“The Lee Gardens area has always had an eclectic mix of different characteristics. In recent times, and especially in 2018, we have been knitting these elements together into a community tapestry of rich contrast and diversity. Cutting edge buildings stand alongside heritage low-rise; premium luxury brands rub shoulders with traditional businesses; multinational financial institutions share buildings with co-working spaces. We leverage and enhance our existing strength in children, health and wellness offerings. In addition, Hysan’s role is to continuously inject new elements into this community to stimulate stakeholder interactions. The earthy scent of our Urban Farm harvest; the glittering giant puppets of the Night Parade; the stream of pop-up stores which surprise and delight shoppers; the heart-warming Hysan95 social media stories about Causeway Bay’s past, present and the future: all these are woven together with our ever-strengthening digital offerings. Our area-wide high-speed Wi-Fi that beams from all our buildings across our entire portfolio; the easy-to-use and environmentally-friendly e-coupons and the forthcoming improved loyalty apps: these too are helping to enrich our community with the very latest technology.”

“The combined power of our diverse office tenant mix, improved retail offerings, robust marketing efforts, burgeoning loyalty clubs, ever-tightening partnerships with tenants, and rich community elements, is contributing to the improvement of the business environment for our retail tenants. The success of our tenants is reflected in satisfactory positive rental reversions in most cases, which in turn has given us the opportunity to take proactive and bold steps to continue to innovate and reposition our portfolio.”

“The founder of our Group, Mr. Lee Hysan bought East Point Hill 95 years ago and renamed it Lee Gardens. From the very beginning his vision was to build a place of entertainment and relaxation, so that families from all walks of life could come to spend the whole day and enjoy the offerings. We have not really deviated from his far-sighted ideals. We would like Lee Gardens to remain a unique and sustainable destination, a community where people would choose to work, live and play, now and for generations to come.”

### **Looking Ahead**

“Hong Kong’s economic growth slowed considerably in the second half of 2018. Waning confidence in both the property and equity markets will be further affected by anticipated headwinds from macro issues in 2019. These include the structural slowdown in China and the trade war between China and the United States.”

“Hysan has implemented a range of measures to weather the uncertainties in the macro-environment, as well as to tackle the structural changes in the retail and office sectors. Lee Garden Three’s completion has added greater impetus to the changes in both sectors of our commercial portfolio. We have a comprehensive plan to continue to curate the Lee Gardens community with the support of our neighbourhood stakeholders. We look forward to another successful year ahead.”

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### **For enquiries, please contact:**

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	<u>Notes</u>	<u>2018</u> <i>HK\$ million</i>	<u>2017</u> <i>HK\$ million</i>
Turnover	3	<b>3,890</b>	3,548
Property expenses		<b>(523)</b>	(449)
Gross profit		<b>3,367</b>	3,099
Other income	6	-	261
Investment income		<b>78</b>	69
Other gains and losses		<b>(16)</b>	-
Administrative expenses		<b>(227)</b>	(247)
Finance costs		<b>(222)</b>	(158)
Change in fair value of investment properties		<b>3,532</b>	853
Share of results of associates		<b>288</b>	220
Profit before taxation		<b>6,800</b>	4,097
Taxation	5	<b>(481)</b>	(484)
<b>Profit for the year</b>	6	<b>6,319</b>	3,613
Profit for the year attributable to:			
Owners of the Company		<b>6,033</b>	3,636
Non-controlling interests		<b>286</b>	(23)
		<b>6,319</b>	3,613
<b>Earnings per share</b> (expressed in HK cents)	7		
Basic		<b>576.66</b>	347.78
Diluted		<b>576.39</b>	347.68

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<u>Notes</u>	<u>2018</u> <i>HK\$ million</i>	<u>2017</u> <i>HK\$ million</i>
<b>Profit for the year</b>		<b>6,319</b>	3,613
<b>Other comprehensive (expenses) income</b>	8		
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>			
Gains on revaluation of properties held for own use		<b>47</b>	38
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>			
Net adjustments to hedging reserve		<b>(5)</b>	(55)
Share of translation reserve of an associate		<b>(172)</b>	240
		<b>(177)</b>	185
Other comprehensive (expenses) income for the year (net of tax)		<b>(130)</b>	223
<b>Total comprehensive income for the year</b>		<b>6,189</b>	3,836
Total comprehensive income attributable to:			
Owners of the Company		<b>5,903</b>	3,859
Non-controlling interests		<b>286</b>	(23)
		<b>6,189</b>	3,836

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<u>Notes</u>	<u>2018</u> <i>HK\$ million</i>	<u>2017</u> <i>HK\$ million</i>
<b>Non-current assets</b>			
Investment properties		77,442	72,470
Property, plant and equipment		747	751
Investments in associates		3,708	3,779
Loans to associates		11	10
Investment in a joint venture		145	147
Loans to a joint venture		1,062	982
Fund investment		294	21
Term notes		-	228
Other financial assets		1	2
Other receivables	10	386	332
		<u>83,796</u>	<u>78,722</u>
<b>Current assets</b>			
Accounts and other receivables	10	203	226
Term notes		227	509
Other financial assets		-	1
Time deposits		748	628
Cash and cash equivalents		2,069	2,034
		<u>3,247</u>	<u>3,398</u>
<b>Current liabilities</b>			
Accounts payable and accruals	11	873	736
Other financial liabilities		-	1
Deposits from tenants		331	389
Amounts due to non-controlling interests		223	327
Borrowings		300	150
Taxation payable		108	158
		<u>1,835</u>	<u>1,761</u>
<b>Net current assets</b>		<u>1,412</u>	<u>1,637</u>
<b>Total assets less current liabilities</b>		<u>85,208</u>	<u>80,359</u>
<b>Non-current liabilities</b>			
Borrowings		6,022	6,035
Other financial liabilities		26	30
Deposits from tenants		669	506
Deferred taxation		854	787
		<u>7,571</u>	<u>7,358</u>
<b>Net assets</b>		<u>77,637</u>	<u>73,001</u>
<b>Capital and reserves</b>			
Share capital		7,718	7,692
Reserves		66,713	62,261
<b>Equity attributable to owners of the Company</b>		<u>74,431</u>	<u>69,953</u>
<b>Non-controlling interests</b>		<u>3,206</u>	<u>3,048</u>
<b>Total equity</b>		<u>77,637</u>	<u>73,001</u>

Notes:

**1. Basis of Preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**2. Principal Accounting Policies**

In the current year, the Group has applied all of the new and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2018.

Other than the new accounting policies adopted upon application of all the new and amendments to HKFRSs, the principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Except as described below, the application of these new and amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

**HKFRS 15 "Revenue from Contracts with Customers"**

In the current year, the Group has applied HKFRS 15 on limited retrospective basis. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations with no material effect on timing and amount of revenues recognised in the consolidated financial statements and balances related to contracts with customers as at 1 January 2018. Additional disclosure required under HKFRS 15 is included in the notes in this announcement.

**HKFRS 9 "Financial Instruments"**

Except for the 2010 versions of HKFRS 9 and the new requirements for hedge accounting issued in 2013 that were early applied by the Group in previous years, the Group has applied the remaining sections of HKFRS 9 and the related consequential amendments to other HKFRSs in the current year, whereas the introduction of new requirements for expected credit losses ("ECL") for financial assets is relevant to the Group.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the requirements for ECL retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

## Summary of financial impact arising from initial application of ECL model under HKFRS 9

As at 1 January 2018, the Directors of the Company reviewed and assessed the Group's existing financial assets at amortised cost for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with HKFRS 9. The results of the assessment and the impact thereof are detailed below.

### *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the effect of ECL model under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Loans to a joint venture <i>HK\$ million</i>	Term notes <i>HK\$ million</i>	Retained profits <i>HK\$ million</i>
Closing balance as at 31 December 2017 - HKAS 39	982	737	61,499
Remeasurement Impairment under ECL model	(5)	(1)	(6)
Opening balance as at 1 January 2018 – HKFRS 9	977	736	61,493

Loss allowance for financial assets at amortised cost mainly comprise of loans to a joint venture, and term notes, which is assessed on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK\$6 million has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including loans to a joint venture, and term notes as at 31 December 2017 reconcile to the opening carrying amount as at 1 January 2018 is as follows:

	Loss allowance for	
	Loans to a joint venture <i>HK\$ million</i>	Term notes <i>HK\$ million</i>
As at 31 December 2017	-	-
Amount remeasured through opening retained profits	5	1
As at 1 January 2018	5	1

The Group concluded that the probability of default of the time deposits, financial guarantee contracts and counterparty banks are insignificant and accordingly, no allowance for credit losses is provided as at 1 January 2018.

### **3. Turnover**

Turnover represents gross rental income from leasing of investment properties and management fee income from provision of property management services for the year.

The Group's principal activities are property investment, management and development, and its turnover and results are principally derived from investment properties located in Hong Kong.

As at 31 December 2018, the Group has unsatisfied performance obligations in relation to the management fee income from provision of property management services with aggregate amount of the transaction price allocated approximately to HK\$930 million subject to any further revision as set out in the existing contracts. Management expects that the revenue from such services are to be recognised in respective time bands similar to the future minimum lease payments that the Group has contracted with tenants.

For revenue from provision of property management services recognised over time in Hong Kong, the categories for disaggregation of revenue are consistent with the segment information disclosed in note 4.

### **4. Segment Information**

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance, the Group's operating and reportable segments are as follows:

Retail segment – leasing of space and related facilities to a variety of retail and leisure operators

Office segment – leasing of high quality office space and related facilities

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development and sale of properties

### **Segment turnover and results**

The following is an analysis of the Group's turnover and results by operating and reportable segment.

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<b>For the year ended</b>					
<b>31 December 2018</b>					
<b>Turnover</b>					
Leasing of investment properties	1,764	1,492	251	-	3,507
Provision of property management service	159	196	28	-	383
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment revenue	1,923	1,688	279	-	3,890
Property expenses	(275)	(190)	(58)	-	(523)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment profit	1,648	1,498	221	-	3,367
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Investment income					78
Other gains and losses					(16)
Administrative expenses					(227)
Finance costs					(222)
Change in fair value of investment properties					3,532
Share of results of associates					288
					<hr/>
<b>Profit before taxation</b>					<b>6,800</b>
					<hr/> <hr/>
<b>For the year ended</b>					
<b>31 December 2017</b>					
<b>Turnover</b>					
Leasing of investment properties	1,781	1,210	236	-	3,227
Provision of property management service	144	149	28	-	321
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Segment revenue</b>	1,925	1,359	264	-	3,548
Property expenses	(253)	(142)	(54)	-	(449)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Segment profit</b>	1,672	1,217	210	-	3,099
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Other income					261
Investment income					69
Administrative expenses					(247)
Finance costs					(158)
Change in fair value of investment properties					853
Share of results of associates					220
					<hr/>
<b>Profit before taxation</b>					<b>4,097</b>
					<hr/> <hr/>

All of the segment turnover reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, investment income, other gains and losses, administrative expenses (including central administrative costs and directors' emoluments), finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

### **Segment assets**

The following is an analysis of the Group's assets by operating and reportable segment.

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<b>As at 31 December 2018</b>					
<b>Segment assets</b>	<b>35,112</b>	<b>34,160</b>	<b>8,185</b>	<b>1,207</b>	<b>78,664</b>
Investments in and loans to associates					3,719
Fund investment					294
Other assets					4,366
Consolidated assets					<u><u>87,043</u></u>
<b>As at 31 December 2017</b>					
<b>Segment assets</b>	33,195	31,325	7,961	1,129	73,610
Investments in and loans to associates					3,789
Fund investment					21
Other assets					4,700
Consolidated assets					<u><u>82,120</u></u>

Segment assets represented the investment properties and accounts receivable of each segment, and investment in and loans to a joint venture under property development segment without allocation of property, plant and equipment, investments in and loans to associates, fund investment, term notes, other financial assets, other receivables, time deposits, and cash and cash equivalents. This is the measure reported to the chief operating decision maker of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit.

No segment liabilities analysis is presented as the Group's liabilities are monitored on a group basis.

Other than the investment in an associate, which operates in the People's Republic of China with carrying amounts of HK\$3,715 million (2017: HK\$3,779 million), all the Group's assets are located in Hong Kong.

**Other segment information**

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<b>For the year ended</b>					
<b>31 December 2018</b>					
Additions to non-current assets	<b>1,133</b>	<b>202</b>	<b>28</b>	-	<b><u>1,363</u></b>
<b>For the year ended</b>					
<b>31 December 2017</b>					
Additions to non-current assets	826	22	7	-	855
Additions to investment properties under redevelopment ( <i>Note</i> )					<u>1,129</u>
					<b><u>1,984</u></b>

*Note:*

*The investment properties under redevelopment were completed during the year ended 31 December 2017.*

**5. Taxation**

	<b><u>2018</u></b> <b><i>HK\$ million</i></b>	<b><u>2017</u></b> <b><i>HK\$ million</i></b>
Current tax		
Hong Kong Profits Tax		
- current year	<b>425</b>	458
- overprovision in prior years	<b>(2)</b>	(2)
	<b><u>423</u></b>	<u>456</u>
Deferred tax	<b>58</b>	28
	<b><u>481</u></b>	<u>484</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

## 6. Profit For The Year

	<u>2018</u> <i>HK\$ million</i>	<u>2017</u> <i>HK\$ million</i>
Profit for the year has been arrived at after charging (crediting):		
Other income ( <i>Note</i> )	-	(261)
Auditor's remuneration	<u>3</u>	<u>3</u>
Depreciation of property, plant and equipment	<u>17</u>	<u>22</u>
Gross rental income from investment properties including contingent rentals of HK\$81 million (2017: HK\$48 million)	<b>(3,507)</b>	(3,227)
Less:		
- Direct operating expenses arising from properties that generated rental income	498	400
- Direct operating expenses arising from properties that did not generate rental income	<u>25</u>	<u>49</u>
	<u><b>(2,984)</b></u>	<u>(2,778)</u>
Staff costs (including directors' emoluments)	<u>245</u>	<u>271</u>
Share of income tax of associates (included in share of results of associates)	<u>122</u>	<u>94</u>

*Note:*

The amount represented a one-off early surrender compensation received from a tenant which has been recognised as compensation income under other income during the year ended 31 December 2017 at the date of fulfilment of all conditions set out in the surrender agreement.

## 7. Earnings Per Share

(a) Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<u>Earnings</u>	
	<u>2018</u> <i>HK\$ million</i>	<u>2017</u> <i>HK\$ million</i>
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>6,033</u>	<u>3,636</u>

	<u>Number of shares</u>	
	<u>2018</u>	<u>2017</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,046,189,778</b>	1,045,495,841
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>501,942</u>	<u>283,181</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,046,691,720</b></u>	<u>1,045,779,022</u>

In both years, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares.

(b) Adjusted basic and diluted earnings per share

For the purpose of assessing the performance of the Group's principal activities, the management is of the view that the profit for the year attributable to the owners of the Company should be adjusted in the calculation of basic and diluted earnings per share as follows:

**For the year ended 31 December 2018**

	<u>Profit</u> <i>HK\$ million</i>	<u>Basic earnings per share</u> <i>HK cents</i>	<u>Diluted earnings per share</u> <i>HK cents</i>
Profit for the year attributable to owners of the Company	6,033	576.66	576.39
Change in fair value of investment properties	(3,532)	(337.60)	(337.44)
Effect of non-controlling interests' shares	144	13.76	13.76
Share of change in fair value of investment properties (net of deferred taxation) of associates	(96)	(9.18)	(9.18)
Imputed interest income on interest-free loan to a joint venture	(29)	(2.77)	(2.77)
Other gains and losses	16	1.53	1.53
<b>Underlying Profit</b>	<u>2,536</u>	<u>242.40</u>	<u>242.29</u>
<b>Recurring Underlying Profit</b>	<u>2,536</u>	<u>242.40</u>	<u>242.29</u>

For the year ended 31 December 2017

	<u>Profit</u> HK\$ million	Basic earnings per share HK cents	Diluted earnings per share HK cents
Profit for the year attributable to owners of the Company	3,636	347.78	347.68
Change in fair value of investment properties	(853)	(81.59)	(81.56)
Effect of non-controlling interests' shares	(253)	(24.20)	(24.19)
Share of change in fair value of investment properties (net of deferred taxation) of associates	(11)	(1.05)	(1.05)
Imputed interest income on interest-free loan to a joint venture	(28)	(2.68)	(2.68)
Underlying Profit	<u>2,491</u>	<u>238.26</u>	<u>238.20</u>
One-off early surrender compensation income (net of effect of taxation and non-controlling interests' shares)	(142)	(13.58)	(13.58)
Recurring Underlying Profit	<u><u>2,349</u></u>	<u><u>224.68</u></u>	<u><u>224.62</u></u>

Notes:

- (1) *Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature. As there were no such adjustments in 2018, the Recurring Underlying Profit was the same as the Underlying Profit.*
- (2) *The denominators used in calculating the adjusted earnings per share are the same as those detailed above for basic and diluted earnings per share.*

## 8. Other Comprehensive (Expenses) Income

	<u>2018</u> HK\$ million	<u>2017</u> HK\$ million
Other comprehensive (expenses) income comprises:		
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>		
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	56	46
Deferred taxation arising on revaluation	(9)	(8)
	<u>47</u>	<u>38</u>
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
Derivatives designated as cash flow hedges:		
Net gains (losses) arising during the year	2	(49)
Reclassification adjustments for net losses included in profit or loss	(7)	(6)
	<u>(5)</u>	<u>(55)</u>
Share of translation reserve of an associate	<u>(172)</u>	<u>240</u>
	<u>(177)</u>	<u>185</u>
Other comprehensive (expenses) income for the year (net of tax)	<u>(130)</u>	<u>223</u>

## 9. Dividends

(a) Dividends recognised as distribution during the year:

	<u>2018</u> HK\$ million	<u>2017</u> HK\$ million
2018 first interim dividend paid – HK27 cents per share	283	-
2017 first interim dividend paid – HK26 cents per share	-	272
2017 second interim dividend paid – HK111 cents per share	1,161	-
2016 second interim dividend paid – HK109 cents per share	-	1,139
	<u>1,444</u>	<u>1,411</u>

(b) Dividends declared after the end of the reporting period:

	<u>2018</u> HK\$ million	<u>2017</u> HK\$ million
Second interim dividend (in lieu of a final dividend) - HK117 cents per share (2017: HK111 cents per share)	<u>1,224</u>	<u>1,161</u>

The second interim dividend is not recognised as a liability as at 31 December 2018 because it has been declared after the end of the reporting period. It will be payable in cash.

## 10. Accounts and Other Receivables

	<u>2018</u> <i>HK\$ million</i>	<u>2017</u> <i>HK\$ million</i>
Accounts receivable	15	11
Interest receivable	46	44
Prepayments in respect of investment properties	228	283
Other receivables and prepayments	300	220
Total	<u>589</u>	<u>558</u>
Analysed for reporting purposes as:		
Current assets	203	226
Non-current assets	386	332
	<u>589</u>	<u>558</u>

Rents from leasing of investment properties are normally received in advance. At the end of the reporting period, accounts receivable of the Group with carrying amount of HK\$15 million (2017: HK\$11 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

At the end of the reporting period, HK\$5 million (2017: HK\$3 million) of the accounts receivable were past due but not impaired as the accounts receivable are generally fully covered by the deposits from corresponding tenants.

## 11. Accounts Payable and Accruals

	<u>2018</u> <i>HK\$ million</i>	<u>2017</u> <i>HK\$ million</i>
Accounts payable	257	215
Interest payable	74	74
Other payables	542	447
	<u>873</u>	<u>736</u>

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$175 million (2017: HK\$157 million) were aged less than 90 days.