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恒隆地產有限公司
HANG LUNG PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00101)

2018 ANNUAL RESULTS

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FINANCIAL HIGHLIGHTS

in HK\$ Million (unless otherwise stated)

RESULTS

	2018	2017	Change
Revenue	9,408	11,199	-16%
Property Leasing	8,181	7,779	5%
Property Sales	1,227	3,420	-64%
Operating Profit	6,822	7,910	-14%
Property Leasing	6,060	5,672	7%
Property Sales	762	2,238	-66%
Net Profit Attributable to Shareholders	8,078	8,124	-1%
Earnings Per Share (HK\$)	\$1.80	\$1.81	-1%
Dividends Per Share (HK\$)	\$0.75	\$0.75	-
Interim (Paid)	\$0.17	\$0.17	-
Final (Proposed)	\$0.58	\$0.58	-

UNDERLYING RESULTS

	2018	2017	Change
Underlying Net Profit Attributable to Shareholders	4,093	5,530	-26%
Underlying Earnings Per Share (HK\$)	\$0.91	\$1.23	-26%

FINANCIAL POSITION

	At December 31		
	2018	2017	Change
Shareholders' Equity	137,561	136,158	1%
Net Assets	143,594	142,245	1%
Net Debt	14,890	2,714	449%
Financial Ratio			
Net Debt to Equity Ratio	10.4%	1.9%	8.5 pts
Debt to Equity Ratio	19.0%	17.4%	1.6 pts
Shareholders' Equity Per Share (HK\$)	\$30.6	\$30.3	1%
Net Assets Per Share (HK\$)	\$31.9	\$31.6	1%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

For the financial year ended December 31, 2018, total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as “Hang Lung Properties”) decreased 16% to HK\$9,408 million due to fewer residential units being sold during the year. Revenue from property leasing increased 5% to HK\$8,181 million. Property sales income dropped 64% to HK\$1,227 million. Total operating profit decreased 14% to HK\$6,822 million.

Underlying net profit attributable to shareholders fell 26% to HK\$4,093 million. After including a revaluation gain on properties, net profit attributable to shareholders decreased 1% to HK\$8,078 million. Correspondingly, earnings per share slightly decreased to HK\$1.80.

Revenue and Operating Profit

	Revenue			Operating Profit		
	2018	2017	Change	2018	2017	Change
	HK\$ Million	HK\$ Million		HK\$ Million	HK\$ Million	
Property Leasing	8,181	7,779	5%	6,060	5,672	7%
Mainland China	4,244	3,958	7%	2,739	2,454	12%
Hong Kong	3,937	3,821	3%	3,321	3,218	3%
Property Sales	1,227	3,420	-64%	762	2,238	-66%
Total	9,408	11,199	-16%	6,822	7,910	-14%

DIVIDEND

The Board of Directors has recommended a final dividend of HK58 cents per share for 2018 (2017: HK58 cents) to be paid by cash on May 21, 2019 to shareholders whose names appeared on the register of members on May 7, 2019. Together with an interim dividend of HK17 cents per share (2017: HK17 cents), the full year dividends for 2018 amounted to HK75 cents per share (2017: HK75 cents).

PROPERTY LEASING

For the financial year ended December 31, 2018, the property leasing performance continued to be resilient as demonstrated by decent revenue and profit growth. Total revenue of our leasing properties grew 5% to HK\$8,181 million. Revenue from our Mainland portfolio increased 7% and that of our Hong Kong portfolio rose 3% year-on-year. These revenue growths were achieved against the backdrop of the Sino-US trade war (Trade War) and other global uncertainties.

In Hong Kong, gross domestic product (GDP) growth for the first three quarters of 2018 was 3.7%. Growth in the retail market has slowed down to 1.4% year-on-year in November 2018 after five consecutive months of double-digit increases. This index was significantly influenced by high-value items. As our properties in Hong Kong are not luxury-driven, we have experienced a steadier growth in sales and rental revenue throughout the year.

In mainland China, GDP growth for 2018 was 6.6%. Despite jitters in the market as a response to the Trade War, the luxury sector has been resilient on the strength of the “bigger” brands, showing healthy and continuous growth since the second half of 2017. This growth was supported by several factors, including the RMB depreciation leading to more domestic spending, the tightened border controls on undeclared imports, and the e-commerce law to combat parallel import “daigou” activity.

Mainland China

Our leasing properties in mainland China performed well in the year. Even though certain areas in Grand Gateway 66 were temporarily closed for renovation, revenue of the entire portfolio increased 4% to RMB3,577 million. A strong growth momentum was built up during the year. Revenue of the mainland properties in RMB terms achieved growth rates at 6% and 2% during the second half and first half of 2018, respectively, compared to a year ago. In particular, revenue of mainland properties outside Shanghai grew 7% for the year, with a 9% growth in the second half of the year. Operating profit rose 8% to RMB2,305 million. Average margin increased three points to 65%.

Our eight malls in mainland China collected 3% more in revenue to RMB2,755 million, or 6% when excluding the renovation impact of Grand Gateway 66. In Shanghai, Plaza 66 maintained a strong growth momentum in both revenue and retail sales after the asset enhancement program

completed in phases since January 2017. The upgrade has not only added value to the asset but also the potential for future rental revenue growth. The revenue growth in Plaza 66 more than compensated for the short-term income disruption caused by the upgrading work at Grand Gateway 66. Outside of Shanghai, all properties, except Forum 66 in Shenyang and Riverside 66 in Tianjin, made good progress in leasing revenue.

Income from our four office towers at Shanghai Plaza 66, Shenyang Forum 66 and Wuxi Center 66 advanced 8% to RMB822 million. The Plaza 66 office towers recorded rental growth amidst keen competition as a result of our rigorous efforts to retain quality tenants and solicit new ones at above average market rents. The office towers at Forum 66 and Center 66 continued to grow in both rental and average occupancy rate. Revenue from all the office towers accounted for 23% of our total mainland China leasing revenue.

Mainland China Property Leasing Portfolio

City and Name of Property	Revenue (RMB Million)			Occupancy Rate [*]	
	2018	2017	Change	Mall	Office
Shanghai Plaza 66	1,554	1,409	10%	99%	95%
Shanghai Grand Gateway 66	803	883	-9% #	79% #	N/A
Shenyang Palace 66	162	155	5%	88%	N/A
Shenyang Forum 66	216	213	1%	93%	88%
Jinan Parc 66	292	271	8%	96%	N/A
Wuxi Center 66	252	219	15%	89%	86%
Tianjin Riverside 66	179	181	-1%	90%	N/A
Dalian Olympia 66	119	99	20%	79%	N/A
Total	3,577	3,430	4%		
<i>Total in HK\$ Million equivalent</i>	4,244	3,958	7%		

About 19% of leasable area was temporarily void for major asset upgrading.

* All occupancy rates stated therein were as of December 31, 2018.

● *Shanghai Plaza 66*

Total revenue of Plaza 66 increased 10% to RMB1,554 million, resulting from the strong performance of both the mall and office towers.

After completion of the asset enhancement program in 2017, the Plaza 66 mall has successfully anchored its leading market position as the Home to Luxury, capturing the upswing in luxury sales and then converting it into strong growth in both revenue and retail sales. In September 2018, a brand-new customer relationship management program, HOUSE 66, was launched at the mall. HOUSE 66 is dedicated to providing customers with unique and personalized services, allowing us to establish a more personal and enduring relationship with our loyal customers. As a result, the Plaza 66 mall reported an encouraging performance for the year, with revenue and retail sales advancing 12% and 13% respectively. The mall was almost fully let at the end of 2018.

The Plaza 66 offices recorded a 7% revenue growth to RMB622 million driven by new lettings and expansion by existing tenants. The enhancement works for Office Tower Two were completed during the year. Overall occupancy rate increased six points to 95%.

- *Shanghai Grand Gateway 66 (Mall only)*

The performance of Grand Gateway 66 was affected by the three-year upgrading program which commenced in 2017. Revenue of the mall declined 9% to RMB803 million, but was flat when excluding the renovation impact.

The first phase of the upgrade works covering the entire North Building was finished and the refurbished building re-opened in September 2018. More than 80 brands were recruited, comprising a good mix of fashion & accessories, food & beverage, and lifestyle & entertainment tenants. Among the notable brands, 18 were making their debut in Shanghai, or even their first appearance in the Mainland. The renovated cinema with about 1,500 seats in 11 houses re-opened, equipped with the world's leading visual and audio technologies to offer audiences superb experiences. The second phase of the upgrade program commenced in July 2018, covering the bulk of the South Building including the transformation of the mall's main entrance and its basement and the building of a linkage with Metro Link 9. The works are expected to be completed in stages starting in late 2019.

To maintain the mall's vibrant ambience and business continuity for key tenants during the renovation, innovative promotional campaigns and customer experience activities were launched and many exclusive pop-up stores were introduced. Retail sales dropped 3% on a like-for-like basis when excluding the impact of the renovation.

- *Shenyang Palace 66*

The Palace 66 mall continued to report a steady growth in revenue, collecting 5% more in revenue to RMB162 million. More sporting and popular lifestyle fashion brands were brought in during the year, with many trend-setting, emerging and lifestyle brands making their first appearance in the mall. Occupancy rate was 88%. Retail sales rose 7%.

- *Shenyang Forum 66*

Total revenue of Forum 66 increased 1% to RMB216 million driven by the rise in income from the office tower, which was partly offset by the drop in revenue from the mall.

Income of the office tower at Forum 66 advanced 15% to RMB117 million. Occupancy rate increased by eight points to 88%. The six floors in the high zone of the tower, representing 14% of leasable area, were available for leasing from July 2018. The conversion of the top 19 floors of the office tower into a Conrad hotel is progressing. The hotel, expected to open in the second half of 2019, will become a focal point for business and social gatherings in the city.

Revenue of the mall decreased 11% as our efforts to reshuffle tenants and diversify the trade mix continued. Retail sales at the mall fell 1%. During the year, more lifestyle and family-related elements were introduced to meet the needs of the local market, boosting the occupancy rate by 10 points to 93%.

- *Jinan Parc 66*

The Parc 66 mall reported healthy growth in the year. Income increased 8% to RMB292 million. Occupancy rate rose two points to 96%. Retail sales jumped 18%. During the year, the trade mix of the mall was further enhanced with several first-in-town brands brought in, more non-conventional shopping, entertainment and lifestyle elements introduced, and food & beverage brands upgraded. In December 2018, our new customer relationship management program, HOUSE 66, was launched in Parc 66 following its successful debut in Shanghai Plaza 66.

- *Wuxi Center 66*

Revenue of Center 66 picked up remarkably well in the year. Total income of the entire property increased 15% to RMB252 million even though 9% of the mall's leasable area was temporarily closed for construction of the second office tower.

Income of the mall increased 19% driven by positive rental reversions and rising occupancy, which rose to 89% at the end of 2018. Retail sales surged 20%. The 9% of the mall closed because of construction of the second office tower will re-open in the middle of 2019. That area will become the podium of the second office tower and house a new cinema as well as more luxury brands and quality food & beverage tenants.

Income from the office tower increased 8% to RMB83 million also driven by the growth in average occupancy over the year. Well received by multinational and national corporations including renowned financial institutions, this tower out-performed other Grade A offices in Wuxi in both occupancy and effective rent. Leasing activities for the second tower have commenced with good progress made. The tower will be ready for handing over to tenants in the second half of 2019.

- *Tianjin Riverside 66*

Revenue of the Riverside 66 mall slipped 1% to RMB179 million as the mall has been undergoing a tenant mix refinement after completion of the first lease term introduced at its opening in 2014. Occupancy rate improved one point to 90%. During the year, more lifestyle and entertainment tenants, including a cinema with 570 seats, were introduced, offering a more comprehensive experience to customers. Retail sales decreased 8% due to competition from new malls opening in the city during the year.

- *Dalian Olympia 66*

The Olympia 66 mall made good progress in building up occupancy and increasing footfall in the year. Revenue surged 20% to RMB119 million driven by increase in occupancy, which rose to 79% at the end of 2018. Year 2018 was the second consecutive year that the mall recorded a double-digit rental growth. Retail sales jumped 36%, with the main contribution coming from the business growth of trendy lifestyle and food & beverage tenants.

Hong Kong

Total revenue and operating profit from the leasing of our matured Hong Kong properties both reported mild growth of 3% to HK\$3,937 million and HK\$3,321 million, respectively, in spite of the high base. Overall rental margin was 84%. With our efforts made during the past few years in asset enhancement and improvement of tenancy profile, a solid foundation has been laid for sustainable growth in future years.

Hong Kong Property Leasing Portfolio

	Revenue (HK\$ Million)			Occupancy Rate*
	2018	2017	Change	
Commercial	2,326	2,261	3%	95%
Office and Industrial / Offices	1,286	1,257	2%	94%
Residential & Serviced Apartments	325	303	7%	85%
Total	3,937	3,821	3%	

* All occupancy rates stated therein were as of December 31, 2018.

● *Commercial*

The performance of our Hong Kong commercial portfolio was steady with revenue advancing 3% to HK\$2,326 million, mainly driven by the positive rental reversions of our major tenants in recent years. Riding on the positive momentum of the retail market, total retail sales of our malls rose 9% year-on-year. Occupancy fell one point to 95% because of the renovation at The Peak Galleria, but was up three points when excluding the closed area.

The **Causeway Bay portfolio** collected 4% more in revenue to HK\$634 million. During the year, Kingston, which represents 25% of the retail space of our Causeway Bay portfolio, fully re-opened in the first quarter, marking the completion of the three-year major asset enhancement initiative of Fashion Walk. The rejuvenation has created a vibrant, integrated hub of fashion and lifestyle shopping and experiences, providing an all-new selection of shops ranging from active sports brands to chic modern furniture stores, as well as acclaimed gourmet choices. Retail sales of our tenants in Causeway Bay grew 9% year-on-year.

Revenue of **Kornhill Plaza in Hong Kong East** increased 6% as a result of an enhanced trade mix. The property was fully let. Retail sales increased 5% driven by the good performance of the anchor tenants, including AEON STYLE and Grand Kornhill Cinema.

Revenues of **Grand Plaza and Gala Place in Mongkok** rose 2%. Both properties were fully let. New healthcare and lifestyle tenants were added to cater for the aspirations of style-seekers and the younger generation. At the same time, more brand-new dining concepts were introduced to further enrich the gourmet options. These initiatives have made the two properties into shopping magnets for both locals and tourists. Total retail sales increased 24% year-on-year.

Income of **Amoy Plaza in Kowloon East** advanced 5% due to positive rental reversions and the opening of a cinema in August 2018. The cinema, UA Amoy, has more than 600 seats in three houses, offering a unique entertainment experience in the neighborhood with its stylish design, 4D technology, and food & beverage offerings. Continuing the tenant upgrade, more culinary choices were added to satisfy customers' pursuit of novelty and diversity.

During the year, **The Peak Galleria** continued its major renovation. The program enhances its hardware, overall ambience and shopping experience with new shopping, entertainment and food & beverage options for discerning customers and tourists alike. To expedite the renovation, the whole of The Peak Galleria has been closed since October 2018. While the first phase is expected to be completed for re-opening in the summer of 2019, certain restaurants are targeted to start operations in the first quarter of 2019.

- *Offices*

The Hong Kong office portfolio recorded a 2% revenue growth to HK\$1,286 million mainly attributable to continuing positive rental reversions. Overall occupancy rate slipped one point to 94%. Our offices in Central and Mongkok achieved revenue growth of 4% and 7%, respectively, but income from those in Causeway Bay dropped 3%. The Hong Kong office rental amount accounted for 33% of our total leasing income in Hong Kong.

The refurbishment of Gala Place in Mongkok, covering the façade, elevator lobbies and car park of the office tower, commenced in 2018 to maintain the property's competitiveness. The entire program is scheduled to be completed in 2019 and minimal adverse impact on our revenue is expected.

- *Residential and Serviced Apartments*

Revenue of the apartments advanced 7% to HK\$325 million mainly attributable to the higher occupancy at Kornhill Apartments and The Summit.

PROPERTY SALES

As the residential market of Hong Kong remained active with rising prices in the first half of 2018, we continued to sell down our remaining inventory. During the year, three semi-detached houses at 23-39 Blue Pool Road (2017: one house) and nine units of The Long Beach apartments (2017: 226 units) were sold. Revenue from property sales amounted to HK\$1,227 million, down 64% because far fewer residential units were sold compared with a year ago. Profit from property sales decreased 66% to HK\$762 million. Overall profit margin was 62%.

During the year, we disposed of 39 car parking spaces held as investment properties at The Long Beach. Total gain on disposal of HK\$71 million was recorded as part of other income in the statement of profit or loss for the year ended December 31, 2018.

In addition, we sold the remaining apartments and car parking spaces at Garden Terrace in two transactions. One transaction was made in April 2018, with completion in July 2018 and the other was made in December 2018 with completion in April 2019. According to accounting rules, these properties were reclassified as assets held for sale at the reporting dates at valuation with reference to selling price. A gain of HK\$82 million was included as part of the fair value gain of investment properties in 2018, compared to the valuation at December 31, 2017.

PROPERTY REVALUATION

The total value of our investment properties amounted to HK\$136,676 million as of December 31, 2018, comprising the value of the Hong Kong portfolio and the mainland China portfolio of HK\$66,065 million and HK\$70,611 million, respectively. Our investment properties were revalued by Savills, an independent valuer, as at December 31, 2018.

An overall revaluation gain of HK\$4,170 million, representing a 3% growth in valuation, was recorded in 2018 (2017: HK\$2,599 million). Properties in Hong Kong and the Mainland recorded a revaluation gain of HK\$3,852 million and HK\$318 million respectively.

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated value of investment properties under development was HK\$31,186 million. They comprised mainland China projects in Kunming, Wuhan, Hangzhou and the remaining phases of the developments in Shenyang and Wuxi. The portfolio consists of malls, office towers, hotels and serviced apartments.

The construction work at Kunming Spring City 66 is progressing as planned. Located at the center of Kunming's Central Business District, Spring City 66 is the city's only large-scale complex connected to the metro interchange station. This mixed-use development, covering a total gross floor area of 432,000 square meters, will comprise a premier mall, a Grade A office tower, serviced apartments and car parking spaces. The mall and the office tower were topped out in September 2018. Leasing activities for the mall have commenced with encouraging responses. More than 70% of the leasable area has been committed, including for some key anchor tenants. Both the mall and the office tower are planned to open in the second half of 2019.

Wuhan Heartland 66 covers a total gross floor area of 460,000 square meters. This prestigious mixed-use commercial project will house a 177,000-square-meter mall, a Grade A office tower, serviced apartments and car parking spaces. The office tower was topped out in June 2018. The project will be completed in stages starting from 2020. Leasing activities for the mall have commenced.

The conversion of the top 19 floors of the office tower at Shenyang Forum 66 into a Conrad hotel is in progress. This five-star hotel will have 315 keys and a grand ballroom to accommodate more than 500 guests. The hotel lobby will be situated at the highest floor offering a 360-degree panoramic view of Shenyang's skyline. The addition of this hotel will complement the positioning of Forum 66 as the best choice for those seeking high-end shopping, entertainment, business and hospitality experiences. The hotel is expected to open in the second half of 2019.

The construction work for the second office tower at Wuxi Center 66 is progressing as planned. This Grade A office tower, built above the southeastern part of the Center 66 mall, will add 52,000 square meters in gross floor area to our properties available for leasing. Topping out was on June 29, 2018, and interior fitting-out works have commenced. There will be a linkage between the mall and the new tower, and a renowned cinema will be brought in, further enriching the tenant mix and increasing footfall. Leasing activities for the new tower have commenced and the tower will be ready for handing over to tenants in the second half of 2019.

The master plan for the Wuxi Phase Two development has been submitted for government approval. The project includes luxury serviced apartments and a small boutique hotel.

In May 2018, Hang Lung Properties successfully acquired a prime plot of land in Hangzhou for RMB10.7 billion. The site is located in the central business district of Hangzhou with well-established roads, other infrastructure and a large existing catchment area. The acquisition marks a new milestone for our growth in mainland China, as the development of the site will create a strong synergy with our flagship projects in Shanghai and Wuxi in the Yangtze River Delta region. We will develop the premium site into a large-scale and high-end commercial mixed-use complex, comprising a world-class mall and office towers with a maximum floor area of approximately 194,100 square meters above ground. While the architectural design work is continuing and focusing on aesthetic features, we will continue to uphold the highest standards of environmental sustainability to fulfill our mission of “Build to Own and Build to Last”. The project is planned for completion in phases from 2024.

The projects mentioned above represented the majority of Hang Lung Properties’ capital commitments at the reporting date, amounting to HK\$35 billion. They will be completed in phases over a number of years. With a solid base of recurrent income and ample financial resources, we are able to meet the funding requirements of these projects and are well placed to seize further growth opportunities when they arise.

In Hong Kong, we plan to re-develop the Amoycan Industrial Centre (AIC) in Ngau Tau Kok, in which Hang Lung Properties owns almost 85% interests. An application for a Land Compulsory Sale for the remaining interests in AIC was submitted to the Lands Tribunal in December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The major objective of our financial management is to maintain an appropriate capital structure with a high degree of agility. This is to ensure that we will have sufficient financial resources to meet operational needs and planned capital commitments, and to capture investment opportunities for sustaining our long-term growth. To mitigate financial risks, multiple channels of debt financing have also been established. All related risk management, including debt re-financing, foreign exchange exposure and interest rate volatility, etc., are centrally managed and controlled at the corporate level.

- *Liquidity and Financing Management*

The cash flow position and funding needs are closely reviewed and monitored to ensure that Hang Lung Properties has a good degree of financial flexibility and liquidity. This is achieved by keeping sufficient cash resources and maintaining multiple channels of fund-raising in both Hong Kong and mainland China.

As of December 31, 2018, Hang Lung Properties had total cash and bank balances of HK\$12,363 million (December 31, 2017: HK\$22,106 million). All the deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis.

On debt portfolio management, Hang Lung Properties focuses on mitigating the re-financing and interest rate risks by maintaining an appropriate mix of fixed/floating rate borrowings, a staggered debt repayment profile and a diversified source of funding.

In February 2018, Hang Lung Properties was the first Hong Kong property developer to obtain approval from the National Association of Financial Market Institutional Investors (NAFMII) to establish an on-shore green bond issuance platform in mainland China (Green Panda Bonds). The total amount of the facility is RMB10 billion. A debut issuance of Green Panda Bonds of RMB1 billion with a tenor of three years took place in July 2018 to finance the construction of some of our investment properties under development in mainland China.

As of December 31, 2018, total borrowings of Hang Lung Properties amounted to HK\$27,253 million, of which about 54% was denominated in RMB. The higher debt balance against a year ago was due to payments for the various projects under development in mainland China, including the partial land cost for the newly acquired Hangzhou site. The following table shows the composition of our debt portfolio:

	At December 31, 2018		At December 31, 2017	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Floating rate HKD bank loans	255	0.9%	296	1.2%
Floating rate RMB bank loans	13,490	49.5%	11,814	47.6%
Fixed rate bonds	13,508	49.6%	12,710	51.2%
<i>Denominated in USD</i>	7,832	28.7%	7,816	31.5%
<i>Denominated in HKD</i>	4,540	16.7%	4,894	19.7%
<i>Denominated in RMB</i>	1,136	4.2%	-	-
Total borrowings	27,253	100%	24,820	100%

At the reporting date, the average tenor of the entire loan portfolio was 3.3 years (December 31, 2017: 3.4 years). The maturity profile was well staggered and spread over a period of 7 years. Around 78% of the loans were repayable after 2 years.

	At December 31, 2018		At December 31, 2017	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Repayable:				
Within 1 year	2,414	8.8%	2,112	8.5%
After 1 but within 2 years	3,514	12.9%	3,605	14.5%
After 2 but within 5 years	17,900	65.7%	15,981	64.4%
Over 5 years	3,425	12.6%	3,122	12.6%
Total borrowings	27,253	100%	24,820	100%

As of December 31, 2018, Hang Lung Properties' undrawn committed banking facilities amounted to HK\$16,224 million (December 31, 2017: HK\$9,969 million). The available balances of the USD3 billion Medium Term Note Program and the RMB10 billion Green Panda Bonds Program amounted to USD1,411 million and RMB9,000 million respectively, equivalent to HK\$21,297 million in total (December 31, 2017: HK\$10,645 million).

● *Gearing Ratios and Interest Cover*

At the end of 2018, the net debt balance of Hang Lung Properties amounted to HK\$14,890 million (December 31, 2017: HK\$2,714 million). Net debt to equity ratio was 10.4% (December 31, 2017: 1.9%) and debt to equity ratio was 19.0% (December 31, 2017: 17.4%).

For the year ended December 31, 2018, the amount of total gross interest expense incurred was similar to the level a year ago at HK\$1,320 million (2017: HK\$1,258 million). The amount of finance costs charged to the statement of profit or loss for 2018 decreased HK\$133 million to HK\$1,069 million because of a larger amount of interest capitalization for the projects under development.

Interest income for the year was HK\$445 million (2017: HK\$548 million). The decrease was mainly due to a lower average balance of deposits.

The amount of net interest expense for 2018, i.e. the excess of finance costs over interest income, decreased to HK\$624 million (2017: HK\$654 million). The average effective cost of borrowings during the year was 4.9% (2017: 5.1%) given a portfolio of debts comprising 50% in RMB bank loan, 4% in RMB bond, 45% in HKD and USD bond and 1% in HKD bank loan.

Interest cover for 2018 was 7 times (2017: 11 times).

● *Foreign Exchange Management*

The activities of Hang Lung Properties are exposed to foreign currency risks mainly arising from its operations in mainland China and certain bank deposits denominated in RMB held in and relating to mainland China entities. There is also exposure in USD arising from the two USD500 million bonds issued. Appropriate measures have been taken to mitigate the foreign exchange risk exposure.

The currencies of cash and bank balances at the reporting date were as follows:

	At December 31, 2018		At December 31, 2017	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Denominated in:				
HKD	4,673	<i>37.8%</i>	12,761	<i>57.7%</i>
RMB	7,681	<i>62.1%</i>	9,341	<i>42.3%</i>
USD	9	<i>0.1%</i>	4	-
Total cash and bank balances	12,363	<i>100%</i>	22,106	<i>100%</i>

(a) RMB Exposure

The RMB exposure of Hang Lung Properties is mainly derived from two respects of the operations. Firstly, currency translation risk arising from the net assets of our Mainland subsidiaries. Secondly, the RMB deposits held in and relating to mainland China entities which are primarily for the purposes of settling future construction payments in RMB.

As of December 31, 2018, net assets denominated in RMB accounted for about 56% of Hang Lung Properties' total net assets. The re-translation of these net assets denominated in RMB into HKD using the exchange rate as of the reporting date resulted in a re-translation loss of HK\$3,658 million (2017: gain of HK\$5,206 million), as RMB depreciated by about 4.6% against HKD compared to December 31, 2017. The re-translation loss was recognized in other comprehensive income/exchange reserve.

Hang Lung Properties' business operations and projects under development in mainland China are funded by cash inflow from Mainland operations and RMB borrowings, which form a natural hedge against our exposure to exchange rate fluctuation. We have adopted an enterprise risk management approach to mitigate the currency risks and practiced good disciplines of not taking any speculative position on the movement of RMB against HKD. Regular business reviews were made to assess the level of funding needs for our Mainland projects, after taking account of various factors such as regulatory constraints, project development timelines and the business environment. Appropriate modifications to the currency hedging program will be conducted in light of the outcome of the periodic reviews.

(b) USD Exposure

The USD foreign exchange exposure is related to the two USD500 million fixed rate bonds issued, equivalent to HK\$7,832 million at the reporting date. The related currency exchange risk was covered back-to-back by two USD/HKD cross currency swap contracts. The swap contracts were entered into in order to effectively fix the exchange rate between USD and HKD for future interest payments and principal repayments.

The changes in the fair value of both swap contracts did not impact the cash flows and the profit or loss materially as they qualified for cash flow hedge accounting.

- *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as at December 31, 2018.

- *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as at December 31, 2018.

OUTLOOK

Against a backdrop of the Trade War, we maintain a cautiously optimistic view towards both the Hong Kong and Mainland property leasing markets. While our established properties in both Hong Kong and Mainland are expected to deliver sustainable growth, Shanghai Plaza 66 will continue to attain healthy rental growth. The progressive completion of renovation work at Shanghai Grand Gateway 66 and the opening of new properties in Kunming (retail and office tower), Wuxi (the second office tower) and Shenyang (hotel) in the Mainland will provide an impetus for revenue growth.

Our focus for 2019 is to further enhance our customer-centric initiatives in terms of strategic leasing and the sequential launch of HOUSE 66, our customer relationship management program, across the portfolio. HOUSE 66 was successfully launched in September 2018 at Shanghai Plaza 66 and in December 2018 at Jinan Parc 66. The program was greeted with a high degree of enthusiasm by tenants at both properties, increasing membership registrations and spending by members.

Likewise, we will continue to watch, keep pace with, or stay ahead of customer trends, striking a balance between experiential content and conventional retail to increase footfall and sales, thereby optimizing income. We have also deployed new technologies such as mobile applications, mobile payment and smart parking, on top of the ever-improving direct customer services, thereby further enhancing the unique Hang Lung Brand Experience.

Backed by our financial strength, we will continue to enhance assets in both Hong Kong and the Mainland to maintain our competitive edge and may further build our land bank when opportunities arise. Depending on market conditions, there is a possibility that we will continue to sell down the Hong Kong residential units on hand. Meanwhile, projects under development in mainland China will forge ahead as planned.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
 FOR THE YEAR ENDED DECEMBER 31, 2018 (AUDITED)**

	Note	2018	2017	<i>For information purpose only</i>	
		HK\$ Million	HK\$ Million	2018 RMB Million	2017 RMB Million
Revenue	2(a)	9,408	11,199	7,914	9,735
Direct costs and operating expenses		(2,586)	(3,289)	(2,173)	(2,856)
Gross profit		6,822	7,910	5,741	6,879
Other net income	3	93	549	78	471
Administrative expenses		(637)	(580)	(539)	(503)
Operating profit before changes in fair value of properties		6,278	7,879	5,280	6,847
Net increase in fair value of properties		4,170	2,599	3,531	2,194
Operating profit after changes in fair value of properties		10,448	10,478	8,811	9,041
Interest income		445	548	373	477
Finance costs		(1,069)	(1,202)	(902)	(1,043)
Net interest expense	4	(624)	(654)	(529)	(566)
Share of profits of joint ventures		97	78	82	68
Profit before taxation	2(b) & 5	9,921	9,902	8,364	8,543
Taxation	6(a)	(1,269)	(1,352)	(1,114)	(1,176)
Profit for the year		8,652	8,550	7,250	7,367
Attributable to:					
Shareholders		8,078	8,124	6,763	6,998
Non-controlling interests		574	426	487	369
		8,652	8,550	7,250	7,367
Earnings per share	8(a)				
Basic		HK\$1.80	HK\$1.81	RMB1.50	RMB1.56
Diluted		HK\$1.80	HK\$1.81	RMB1.50	RMB1.56

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2018 (AUDITED)**

	Note	2018	2017	<i>For information purpose only</i>	
		HK\$ Million	HK\$ Million	2018 RMB Million	2017 RMB Million
Profit for the year		8,652	8,550	7,250	7,367
Other comprehensive income	<i>6(b)</i>				
Items that are or may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation to presentation currency		(3,658)	5,206	2,801	(3,718)
Movement in hedging reserve:					
Effective portion of changes in fair value		(4)	(86)	(7)	(77)
Net amount transferred to profit or loss		(5)	(48)	(1)	(42)
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		8	-	7	-
		(3,659)	5,072	2,800	(3,837)
Total comprehensive income for the year		4,993	13,622	10,050	3,530
Total comprehensive income attributable to:					
Shareholders		4,703	12,803	9,565	3,162
Non-controlling interests		290	819	485	368
		4,993	13,622	10,050	3,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2018 (AUDITED)

	Note			<i>For information purpose only</i>	
		2018 HK\$ Million	2017 HK\$ Million	2018 RMB Million	2017 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	136,676	134,444	119,895	112,374
Investment properties under development	9	31,186	21,592	27,325	18,049
Other property, plant and equipment		216	220	189	184
		168,078	156,256	147,409	130,607
Interest in joint ventures		1,330	1,277	1,168	1,067
Other assets		93	85	82	71
Deposits with banks		1,853	3,705	1,628	3,097
		171,354	161,323	150,287	134,842
Current assets					
Cash and deposits with banks		10,510	18,401	9,222	15,379
Trade and other receivables	10	2,046	2,036	1,794	1,702
Properties for sale		2,442	1,612	2,145	1,347
Assets held for sale	12	101	214	89	179
		15,099	22,263	13,250	18,607
Current liabilities					
Bank loans and other borrowings		2,414	2,112	2,116	1,765
Trade and other payables	11	5,974	6,673	5,236	5,579
Finance lease obligations		22	19	19	16
Current tax payable		533	483	470	404
Liabilities directly associated with the assets held for sale	12	3	2	3	2
		8,946	9,289	7,844	7,766
Net current assets		6,153	12,974	5,406	10,841
Total assets less current liabilities		177,507	174,297	155,693	145,683
Non-current liabilities					
Bank loans and other borrowings		24,839	22,708	21,792	18,980
Finance lease obligations		298	319	261	267
Deferred tax liabilities		8,776	9,025	7,690	7,527
		33,913	32,052	29,743	26,774
NET ASSETS		143,594	142,245	125,950	118,909
Capital and reserves					
Share capital		39,915	39,912	37,433	37,431
Reserves		97,646	96,246	83,231	76,390
Shareholders' equity		137,561	136,158	120,664	113,821
Non-controlling interests		6,033	6,087	5,286	5,088
TOTAL EQUITY		143,594	142,245	125,950	118,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial information relating to the years ended December 31, 2018 and 2017 included in this announcement of annual results does not constitute the statutory annual consolidated financial statements of Hang Lung Properties Limited (the “Company”) and its subsidiaries (collectively the “Group”) for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622). The Company has delivered the consolidated financial statements for the year ended December 31, 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended December 31, 2018 in due course. The Company’s auditor has reported on the consolidated financial statements for both years. The auditor’s reports were unqualified and they did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group. Except for HKFRS 15, *Revenue from contracts with customers*, the adoption of these new or amended HKFRSs does not have significant impact on the Group's financial statements. The Group has early adopted the complete version of HKFRS 9, *Financial instruments*, since January 1, 2017.

The significant accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2017, except for the changes summarized below.

1. Basis of preparation (Continued)

Impact of adoption of HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. HKFRS 15 replaces the previous revenue standard, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services.

HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The five steps are as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The core principle of HKFRS 15 is that revenue is recognized 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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

1. Basis of preparation (Continued)

(i) Timing of revenue recognition

Previously the Group recognized revenue from property sales upon the later of the signing of the sale and purchase agreement and the issue of occupation permit by the relevant government authorities, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognized when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

The adoption of HKFRS 15 would result in the revenue from sale of completed properties recognized later than it would have been under the previous accounting policy.

(ii) Presentation of contract assets and liabilities

Under the scope of HKFRS 15, a receivable is recognized only if the Group has an unconditional right to consideration. If the Group recognizes the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognized when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognizes the related revenue.

Previously, for sales of completed properties, contract balances due from customers were presented in the statement of financial position under “trade and other receivables” when the revenue was recognized for the reasons explained in paragraph (i) above before the Group was being unconditionally entitled to the consideration, while there were no contract balances relating to receipts in advance from customers.

1. Basis of preparation (Continued)

The Group has elected to use the cumulative effect transition method and has recognized the cumulative effect of the initial application of HKFRS 15 as an adjustment to the opening balance of equity at January 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before January 1, 2018.

No adjustments to the opening balance of equity at January 1, 2018 have been made on the initial application of HKFRS 15 as the Group did not have contracts that were not completed before January 1, 2018 but would materially affect the opening balance of equity.

The following tables summarize the estimated impact of the adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended December 31, 2018, by comparing the amounts reported under HKFRS 15 with estimates of the hypothetical amounts that would have been recognized under HKAS 18 if it had continued to be applied in 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15.

(a) Consolidated statement of profit or loss (Extract)

	Impact of changes in accounting policies		
	Amounts reported in accordance with HKFRS 15 HK\$ Million	Estimated impact of the adoption of HKFRS 15 HK\$ Million	Hypothetical amounts under HKAS 18 HK\$ Million
For the year ended December 31, 2018			
Other net income	93	2	95
Net increase in fair value of properties	4,170	(2)	4,168

1. Basis of preparation (Continued)

(b) Consolidated statement of financial position (Extract)

	Impact of changes in accounting policies		
	Amounts reported in accordance with HKFRS 15 HK\$ Million	Estimated impact of the adoption of HKFRS 15 HK\$ Million	Hypothetical amounts under HKAS 18 HK\$ Million
At December 31, 2018			
Assets			
Trade and other receivables	2,046	3	2,049
Assets held for sale	101	(3)	98

(c) Consolidated cash flow statement

The adoption of HKFRS 15 has no impact to the net cash flow from operating, investing and financing activities on the consolidated cash flow statement.

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared on the same basis as 2017.

2. Revenue and segment information

The Group manages its businesses according to the nature of services and products provided. Management has determined three reportable operating segments for the measurement of performance and the allocation of resources. The segments are property leasing in mainland China, property leasing in Hong Kong and property sales in Hong Kong.

Property leasing segments include property leasing operation. The Group's investment properties portfolio, which mainly consists of retail, office, residential, serviced apartments and carparks, are primarily located in mainland China and Hong Kong. Property sales segment includes development and sale of the Group's trading properties in Hong Kong.

Management evaluates performance primarily based on profit before taxation.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, cash and deposits with banks and assets held for sale. The investment properties of the Group are included in segment assets at their fair values whilst the changes in fair value of properties are not included in segment profits. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

	2018	2017
	HK\$ Million	HK\$ Million
Under the scope of HKAS 17, Leases:		
Rental income	<u>7,344</u>	<u>7,015</u>
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Sales of completed properties	1,227	3,420
Building management fees and other rental related income	<u>837</u>	<u>764</u>
	<u>2,064</u>	<u>4,184</u>
	<u>9,408</u>	<u>11,199</u>

2. Revenue and segment information (Continued)

(b) Revenue and results by segments

<u>Segment</u>	<u>Revenue</u>		<u>Profit before taxation</u>	
	2018	2017	2018	2017
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property leasing				
- Mainland China	4,244	3,958	2,739	2,454
- Hong Kong	3,937	3,821	3,321	3,218
	8,181	7,779	6,060	5,672
Property sales				
- Hong Kong	1,227	3,420	762	2,238
Segment total	9,408	11,199	6,822	7,910
Other net income			93	549
Administrative expenses			(637)	(580)
Operating profit before changes in fair value of properties			6,278	7,879
Net increase in fair value of properties			4,170	2,599
- Property leasing in Hong Kong			3,852	2,855
- Property leasing in mainland China			318	(256)
Net interest expense			(624)	(654)
- Interest income			445	548
- Finance costs			(1,069)	(1,202)
Share of profits of joint ventures			97	78
Profit before taxation			9,921	9,902

2. Revenue and segment information (Continued)

(c) Total assets by segments

	Total assets	
	2018	2017
	HK\$ Million	HK\$ Million
<u>Segment</u>		
Property leasing		
- Mainland China	103,489	95,414
- Hong Kong	66,634	62,361
	170,123	157,775
Property sales		
- Hong Kong	2,443	2,129
Segment total	172,566	159,904
Interest in joint ventures	1,330	1,277
Other assets	93	85
Cash and deposits with banks	12,363	22,106
Assets held for sale	101	214
Total assets	186,453	183,586

3. Other net income

	2018	2017
	HK\$ Million	HK\$ Million
Gain on disposal of investment properties	71	464
Gain on disposal of assets held for sale	25	-
Ineffectiveness on cash flow hedge	(1)	(5)
Net exchange (loss) / gain	(1)	89
Others	(1)	1
	93	549

Others mainly comprised forfeiture of unclaimed dividends and net gain or loss on disposal of other property, plant and equipment.

4. Net interest expense

	2018	2017
	HK\$ Million	HK\$ Million
Interest income on bank deposits	<u>445</u>	<u>548</u>
Interest expense on bank loans and other borrowings	1,271	1,164
Finance charges on finance lease obligations	16	8
Other borrowing costs	<u>33</u>	<u>86</u>
Total borrowing costs	1,320	1,258
Less: Borrowing costs capitalized	<u>(251)</u>	<u>(56)</u>
Finance costs	<u>1,069</u>	<u>1,202</u>
Net interest expense	<u>(624)</u>	<u>(654)</u>

5. Profit before taxation

	2018	2017
	HK\$ Million	HK\$ Million
Profit before taxation is arrived at after charging:		
Cost of properties sold	373	938
Staff costs, including employee share-based payments of HK\$71 million (2017: HK\$78 million)	1,568	1,427
Depreciation	<u>45</u>	<u>43</u>

6. Taxation

- (a) Provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax mainly represents mainland China Corporate Income Tax calculated at 25% (2017: 25%) and mainland China withholding income tax calculated at the applicable rates. A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of foreign investment enterprises in mainland China earned after January 1, 2008.

	2018	2017
	HK\$ Million	HK\$ Million
Current tax		
Hong Kong Profits Tax	482	715
Under-provision in prior years	7	1
	489	716
Mainland China Income Tax	635	588
Total current tax	1,124	1,304
Deferred tax		
Changes in fair value of properties	66	(1)
Other origination and reversal of temporary differences	79	49
Total deferred tax	145	48
Total income tax expense	1,269	1,352

- (b) There is no tax effect relating to the components of the other comprehensive income for the year.

7. Dividends

(a) Dividends attributable to the year

	2018	2017
	HK\$ Million	HK\$ Million
Interim dividend declared and paid of HK17 cents (2017: HK17 cents) per share	765	765
Final dividend of HK58 cents (2017: HK58 cents) per share proposed after the end of the reporting period	2,609	2,609
Total dividends attributable to the year	<u>3,374</u>	<u>3,374</u>

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

- (b) The final dividend of HK\$2,609 million (calculated based on HK58 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2017 was approved and paid in the year ended December 31, 2018 (2017: HK\$2,608 million).

8. Earnings per share

- (a) The calculation of basic and diluted earnings per share is based on the following data:

	2018	2017
	HK\$ Million	HK\$ Million
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	<u>8,078</u>	<u>8,124</u>

8. Earnings per share (Continued)

(a) (Continued)

	Number of shares	
	2018	2017
	Million	Million
Weighted average number of shares used in calculating basic earnings per share	4,498	4,498
Effect of dilutive potential shares – share options	-	1
Weighted average number of shares used in calculating diluted earnings per share	4,498	4,499

(b) The underlying net profit attributable to shareholders which excluded changes in fair value of properties net of related deferred tax and non-controlling interests, is calculated as follows:

	2018	2017
	HK\$ Million	HK\$ Million
Net profit attributable to shareholders	8,078	8,124
Effect of changes in fair value of properties	(4,170)	(2,599)
Effect of corresponding deferred tax	66	(1)
Effect of changes in fair value of investment properties of joint ventures	(48)	(25)
	(4,152)	(2,625)
Non-controlling interests	167	31
	(3,985)	(2,594)
Underlying net profit attributable to shareholders	4,093	5,530

The earnings per share based on underlying net profit attributable to shareholders are:

	2018	2017
Basic	HK\$0.91	HK\$1.23
Diluted	HK\$0.91	HK\$1.23

9. Investment properties and investment properties under development

(a) Addition

During the year, additions to investment properties and investment properties under development amounted to HK\$12,113 million (2017: HK\$4,429 million). The additions included partial payment to Hangzhou Land Resources Bureau for acquiring the land in Xiacheng District, Hangzhou, Zhejiang Province, PRC.

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of December 31, 2018 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

10. Trade and other receivables

- (a) Included in trade and other receivables are trade receivables (based on the due date) with the following aging analysis:

	2018	2017
	HK\$ Million	HK\$ Million
Not past due or less than 1 month past due	13	510
1 - 3 months past due	4	6
More than 3 months past due	2	3
	19	519

The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk. The allowance for expected credit losses is insignificant.

- (b) Included in other receivables of the Group is a deposit of land acquisition in mainland China of HK\$285 million (2017: HK\$299 million).

11. Trade and other payables

Included in trade and other payables are trade creditors with the following aging analysis:

	2018	2017
	HK\$ Million	HK\$ Million
Due within 3 months	1,737	1,759
Due after 3 months	850	1,768
	<u>2,587</u>	<u>3,527</u>

12. Assets held for sale

On December 14, 2018, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of a wholly owned subsidiary together with its subsidiary and the related shareholder's loan. The assets held by the subsidiaries were a residential unit and several car parking spaces at Garden Terrace in Hong Kong. The completion of the transaction is scheduled to take place in April 2019.

On December 28, 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of a car parking space at The Long Beach in Hong Kong. The completion of the transaction is scheduled to take place in February 2019.

Accordingly, the following assets and liabilities are presented as a disposal group / assets held for sale.

	2018	2017
	HK\$ Million	HK\$ Million
Investment properties	101	213
Properties for sale	-	1
Assets held for sale	<u>101</u>	<u>214</u>
Deposits received	-	2
Deferred tax liabilities	3	-
Liabilities directly associated with the assets held for sale	<u>3</u>	<u>2</u>

12. Assets held for sale (Continued)

The disposal group at December 31, 2017 was related to the retail arcade and some car parking spaces at Carmel-on-the-Hill in Hong Kong held by certain subsidiaries which were disposed of in January 2018.

The investment properties were stated at fair value with reference to the agreed selling prices as stated in the sale and purchase agreements.

OTHER INFORMATION

Employees

As at December 31, 2018, the number of employees was 4,648 (comprising 1,199 Hong Kong employees and 3,449 mainland China employees). The total employee costs for the year ended December 31, 2018, amounted to HK\$1,568 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review the remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Company has share option schemes for the executives and provides professional and high-quality training for all employees.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

Compliance with Corporate Governance Code

During the year, the Company complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Audit Committee

The annual results for the year ended December 31, 2018, have been reviewed by the Audit Committee of the Company. Hang Lung Properties' consolidated financial statements have been audited by the Company's auditor, KPMG, and it has issued an unmodified opinion.

Book Close Dates

For ascertaining shareholders' right to attend and vote at the Annual General Meeting (AGM)

Book close dates (both days inclusive)	April 25 to 30, 2019
Latest time to lodge transfers	4:30 pm on April 24, 2019
Record date	April 30, 2019
AGM	April 30, 2019

For ascertaining shareholders' entitlement to the proposed final dividend

Book close date	May 7, 2019
Latest time to lodge transfers	4:30 pm on May 6, 2019
Record date	May 7, 2019
Final dividend payment date	May 21, 2019

On Behalf of the Board

Ronnie C. Chan

Chairman

Hong Kong, January 30, 2019

As of the date of this announcement, the board of directors of the Company comprises the following directors:

Executive Directors: Mr. Ronnie C. CHAN, Mr. Weber W.P. LO, Mr. H.C. HO and Mr. Adriel W. CHAN

Non-Executive Director: Mr. Philip N.L. CHEN

Independent Non-Executive Directors: Mr. Ronald J. ARCULLI, Mr. Nelson W.L. YUEN, Mr. Dominic C.F. HO, Dr. Andrew K.C. CHAN, Prof. H.K. CHANG and Ms. Anita Y.M. FUNG

GLOSSARY

Financial Terms

Finance costs: Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized

Total borrowings: Total of bank loans & other borrowings, net of unamortized other borrowing costs

Net debt: Total borrowings net of cash and deposits with banks

Net profit attributable to shareholders: Profit for the year (after tax) less amounts attributable to non-controlling interests

Underlying net profit attributable to shareholders: Net profit attributable to shareholders excluded changes in fair value of properties net of related deferred tax and non-controlling interests

Financial Ratios

Basic earnings per share	=	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$	Debt to equity	=	$\frac{\text{Total borrowings}}{\text{Total equity}}$
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Net assets per share	=	$\frac{\text{Net assets}}{\text{Weighted average number of shares in issue during the year}}$	Net debt to equity	=	$\frac{\text{Net debt}}{\text{Total equity}}$
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Interest cover	=	$\frac{\text{Operating profit before changes in fair value of properties}}{\text{Finance costs on borrowings before capitalization less interest income}}$
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