



Report of the Directors

The Directors of the Board have pleasure in submitting their report together with the audited consolidated Financial Statements for the year ended December 31, 2018.

Principal Activities

The principal activities of the Company are investment holding, and through its subsidiaries, property investment for rental income, property development for sales and leasing, car park management and property management.

An analysis of the revenue and trading results of the Company and its subsidiaries (collectively referred to as the Group) by operating segments during the financial year is set out in Note 3 to the Financial Statements.

Principal Subsidiaries and Joint Ventures

A list of principal subsidiaries and joint ventures, together with their places of operations and incorporation and particulars of their issued share capital/registered capital is set out in Notes 38 and 39 to the Financial Statements.

Financial Results

The results of the Group for the year ended December 31, 2018 are set out in the consolidated Financial Statements on pages 147 to 213.

Dividends

The Board now recommends a final dividend of HK58 cents per share which, together with the interim dividend of HK17 cents per share paid on September 27, 2018, makes a total of HK75 cents per share in respect of the year ended December 31, 2018. The proposed final dividend, if approved by the shareholders at the AGM on April 30, 2019, will be paid on May 21, 2019 to shareholders whose names appear on the register of members on May 7, 2019.

The Company aims at providing a stable dividend to shareholders. The dividend will reflect the financial performance of the core leasing business. In recommending a dividend, the Company will take into account the return to shareholders and its funding requirements for future business growth.

Business Review

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year along with the material factors underlying its results and financial position are included in the Review of Operations and Financial Review sections from pages 36 to 69 and pages 74 to 83, respectively, of this annual report. A description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Risk Management section from pages 100 to 103. The particulars of important events affecting the Company which have occurred since the end of the financial year 2018, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed in the Review of Operations section from pages 36 to 69 of this annual report.

An analysis of the Group's performance using financial key performance indicators is provided in the Financial Highlights and Financial Review sections from pages 4 to 5 and pages 74 to 83, respectively, of this annual report. A discussion of the Company's environmental policies and performance and an account of the Company's relationships with its key stakeholders are provided in the Sustainable Development section from pages 88 to 95 of this annual report.

Compliance procedures are in place to ensure adherence to relevant laws and regulations, in particular, those which have a significant impact on the Group. The Audit Committee of the Company is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements. Any new enactment of, or changes in, the relevant laws and regulations are communicated through regular legal updates to ensure compliance. The legal updates are circulated to all executive staff to ensure that they are aware of the changes and can disseminate relevant information to their subordinates. Reminders to relevant staff on compliance are also sent out regularly, where necessary. Training is provided, as needs arise, to build awareness.

The Group has set up systems and policies to ensure compliance with the relevant laws and regulations which have a significant impact on the Group in conducting its business, including but not limited to, the Buildings Ordinance, the Residential Properties (First-hand Sales) Ordinance, the Competition Ordinance, the Personal Data (Privacy) Ordinance, the Minimum Wage Ordinance, the Employment Ordinance, and the Occupational Safety and Health Ordinance in Hong Kong; and the Anti-Monopoly Law, the Anti-Unfair Competition Law, the Construction Law, the Labour Law and the Trade Union Law in the People's Republic of China. At a corporate level, the Company also complies with the Listing Rules, the Companies Ordinance and the SFO.

Ten-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 214 and 215.

Major Suppliers and Customers

During the year, both the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined were less than 30% of the total purchases and total revenue of the Group respectively.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at December 31, 2018 amounted to HK\$21,647 million (2017: HK\$23,327 million).

Donations

Donations made by the Group during the year amounted to HK\$15 million (2017: HK\$16 million).

Bank Loans and Other Borrowings

The Company issued green panda bonds of RMB1 billion at par with a tenor of three years during the year to finance the construction of some of the Group's investment properties under development in mainland China.

Particulars of bank loans and other borrowings of the Group as at December 31, 2018 are set out in Note 18 to the Financial Statements.

Borrowing Costs Capitalization

Borrowing costs capitalized by the Group during the year amounted to HK\$251 million (2017: HK\$56 million).

Major Group Properties

Details of major properties of the Group as at December 31, 2018 are set out on pages 67 to 69.



Share Capital

During the year, as a result of the exercise of share options under the Company's share option scheme, 143,000 shares (2017: Nil), fully paid, were issued for a total consideration of HK\$2,482,480 (2017: Nil).

Details of the movement in share capital of the Company during the year are set out in Note 22 to the Financial Statements.

Equity-Linked Agreements

Other than the share option schemes of the Company as disclosed, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Particulars of the share option schemes are set out in note 28 to the Financial Statements and the paragraphs below.

Directors

The Directors of the Board during the year and up to the date of this report are:

Mr. Ronnie C. Chan
Mr. Weber W.P. Lo (appointed on May 16, 2018)
Mr. Ronald J. Arculli
Mr. Nelson W.L. Yuen
Mr. Dominic C.F. Ho
Mr. Philip N.L. Chen
Dr. Andrew K.C. Chan
Prof. H.K. Chang
Ms. Anita Y.M. Fung
Mr. H.C. Ho
Mr. Adriel W. Chan

The brief biographical details of the Directors of the Board are set out on pages 125 to 130. Details of their remuneration are set out in Note 7 to the Financial Statements.

Mr. Philip N.L. Chen retired as Chief Executive Officer and was re-designated as Non-Executive Director on July 16, 2018.

Mr. Weber W.P. Lo, being Executive Board Member newly appointed on May 16, 2018, will retire from the Board at the forthcoming AGM in accordance with article 94 of the Articles of Association and, being eligible, offer himself for re-election.

In accordance with article 103 of the Articles of Association, Mr. Dominic C.F. Ho, Mr. Philip N.L. Chen and Ms. Anita Y.M. Fung will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at <http://www.hanglung.com> under Corporate Governance of the Investor Relations section.

Directors' Service Contracts

No Director of the Board proposed for re-election at the forthcoming AGM has a service contract with the Company, its holding company or any of their respective subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transaction, Arrangement or Contract

Save as disclosed, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of their respective subsidiaries was a party, and in which a Director of the Board or his/her connected entity was materially interested, whether directly or indirectly, subsisted at any time during or at the end of the year.

Permitted Indemnity

Pursuant to the Articles of Association, every Director of the Board or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Companies Ordinance. Such permitted indemnity provision for the benefit of the Directors of the Board was in force during the year and remained in force as of the date of this report.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2018, the interests or short positions of each of the Directors of the Board in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO are as follows:

Name	Capacity	The Company (Long Position)			Hang Lung Group Limited (Long Position)	
		Number of Shares	% of Number of Issued Shares	Number of Shares under Option (Note 2)	Number of Shares	% of Number of Issued Shares
Ronnie C. Chan	Personal	16,330,000	0.36	21,000,000	11,790,000	0.87
Weber W.P. Lo	Personal	–	–	10,000,000	–	–
Ronald J. Arculli	Personal & Corporate	724,346	0.02	–	1,089,975	0.08
Nelson W.L. Yuen	Personal	8,000,000	0.18	6,500,000	–	–
Dominic C.F. Ho	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	24,000,000	–	–
Andrew K.C. Chan	–	–	–	–	–	–
H.K. Chang	–	–	–	–	–	–
Anita Y.M. Fung	–	–	–	–	–	–
H.C. Ho	Personal	–	–	11,700,000	–	–
Adriel W. Chan	Personal & Other ^(Note 1)	2,619,719,340	58.25	2,200,000	498,428,580	36.61

Notes

1. Other interests included 2,619,719,340 shares of the Company and 498,428,580 shares of HLG held/deemed to be held by a trust of which Mr. Adriel W. Chan was a discretionary beneficiary. Accordingly, Mr. Adriel W. Chan was deemed to be interested in such shares under the SFO.



Report of the Directors

2. Movements of Options under the Share Option Schemes of the Company

(i) Share Option Scheme adopted on November 22, 2002

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2018	Lapsed during the Year	As at Dec 31, 2018			
09/01/2008	H.C. Ho	300,000	300,000	-	\$24.20	09/01/2010 : 10% 09/01/2011 : 20% 09/01/2012 : 30% 09/01/2013 : 40%	08/31/2018
12/31/2008	Nelson W.L. Yuen H.C. Ho	8,910,000 300,000	8,910,000 300,000	- -	\$17.36	12/31/2010 : 10% 12/31/2011 : 20% 12/31/2012 : 30% 12/31/2013 : 40%	12/30/2018
02/08/2010	Ronnie C. Chan Nelson W.L. Yuen	6,500,000 6,500,000	- -	6,500,000 6,500,000	\$26.46	02/08/2012 : 10% 02/08/2013 : 20% 02/08/2014 : 30% 02/08/2015 : 40%	02/07/2020
07/29/2010	Philip N.L. Chen	10,000,000	-	10,000,000	\$33.05	07/29/2012 : 10% 07/29/2013 : 20% 07/29/2014 : 30% 07/29/2015 : 40%	07/28/2020
09/29/2010	H.C. Ho	2,000,000	-	2,000,000	\$36.90	09/29/2012 : 10% 09/29/2013 : 20% 09/29/2014 : 30% 09/29/2015 : 40%	09/28/2020
06/13/2011	Ronnie C. Chan Philip N.L. Chen H.C. Ho	4,500,000 4,500,000 3,000,000	- - -	4,500,000 4,500,000 3,000,000	\$30.79	06/13/2013 : 10% 06/13/2014 : 20% 06/13/2015 : 30% 06/13/2016 : 40%	06/12/2021

(ii) Share Option Scheme adopted on April 18, 2012

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2018	Granted during the Year	As at Dec 31, 2018			
06/04/2013	Ronnie C. Chan Philip N.L. Chen H.C. Ho Adriel W. Chan	4,500,000 4,500,000 3,000,000 200,000	- - - -	4,500,000 4,500,000 3,000,000 200,000	\$28.20	06/04/2015 : 10% 06/04/2016 : 20% 06/04/2017 : 30% 06/04/2018 : 40%	06/03/2023
12/05/2014	Ronnie C. Chan Philip N.L. Chen H.C. Ho Adriel W. Chan	2,750,000 2,500,000 1,850,000 150,000	- - - -	2,750,000 2,500,000 1,850,000 150,000	\$22.60	12/05/2016 : 10% 12/05/2017 : 20% 12/05/2018 : 30% 12/05/2019 : 40%	12/04/2024
08/10/2017	Ronnie C. Chan Philip N.L. Chen H.C. Ho Adriel W. Chan	2,750,000 2,500,000 1,850,000 1,850,000	- - - -	2,750,000 2,500,000 1,850,000 1,850,000	\$19.98	08/10/2019 : 10% 08/10/2020 : 20% 08/10/2021 : 30% 08/10/2022 : 40%	08/09/2027
05/16/2018	Weber W.P. Lo	-	10,000,000	10,000,000	\$18.98	05/16/2020 : 10% 05/16/2021 : 20% 05/16/2022 : 30% 05/16/2023 : 40%	05/15/2028

Save as disclosed above, none of the Directors of the Board had, as at December 31, 2018, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

Other than as stated above, at no time during the year was the Company, its holding company or any of their respective subsidiaries a party to any arrangement to enable the Directors of the Board to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2018, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Note	Number of Shares or Underlying Shares Held (Long Position)	% of Number of Issued Shares (Long Position)
Chan Tan Ching Fen	1	2,619,719,340	58.25
Cole Enterprises Holdings (PTC) Limited	1	2,619,719,340	58.25
Merssion Limited	1	2,619,719,340	58.25
Adriel W. Chan	1	2,619,719,340	58.25
Hang Lung Group Limited	2	2,591,386,240	57.62
Prosperland Housing Limited	3	1,267,608,690	30.60
Purotat Limited	3	354,227,500	8.55
First Eagle Investment Management, LLC	4	269,741,697	5.99

Notes

1. These shares were the same parcel of shares held by controlled corporations of Merssion Limited which was held under a trust. As Ms. Chan Tan Ching Fen was the founder, Cole Enterprises Holdings (PTC) Limited was the trustee and Mr. Adriel W. Chan was a discretionary beneficiary of the trust, they were deemed to be interested in such shares under the SFO.

The controlled corporations included HLG in which Merssion Limited had 36.61% interests. Accordingly, the 2,591,386,240 shares held by HLG through its subsidiaries were included in the 2,619,719,340 shares.

2. These shares were held by the wholly-owned subsidiaries of HLG.

3. These companies were wholly-owned subsidiaries of HLG. Their interests were included in the 2,591,386,240 shares held by HLG.

4. These shares were held in the capacity of investment manager.

Save as disclosed above, as at December 31, 2018, no other interests or short positions in the shares or underlying shares of the Company required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.



Related Party Transactions

Details of the material related party transactions undertaken in the usual course of business are set out in Note 29 to the Financial Statements. None of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

Management Contracts

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

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.

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 104 to 124.

Auditor

The consolidated Financial Statements for the year ended December 31, 2018 have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Company until the conclusion of the next AGM is to be proposed at the forthcoming AGM.

By Order of the Board

Margaret Ka Man Yan

Company Secretary

Hong Kong, January 30, 2019