

# Financial Statements

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# Consolidated Statement of Profit or Loss

For the year ended December 31, 2018

	Note	2018	2017	<i>For information purpose only</i>	
		HK\$ Million	HK\$ Million	2018 RMB Million	2017 RMB Million
Revenue	3(a)	<b>10,015</b>	11,774	<b>8,426</b>	10,233
Direct costs and operating expenses		<b>(2,766)</b>	(3,462)	<b>(2,324)</b>	(3,006)
Gross profit		<b>7,249</b>	8,312	<b>6,102</b>	7,227
Other net income	4	<b>100</b>	550	<b>83</b>	472
Administrative expenses		<b>(707)</b>	(656)	<b>(597)</b>	(569)
Operating profit before changes in fair value of properties		<b>6,642</b>	8,206	<b>5,588</b>	7,130
Net increase in fair value of properties	11	<b>4,298</b>	3,085	<b>3,639</b>	2,606
Operating profit after changes in fair value of properties		<b>10,940</b>	11,291	<b>9,227</b>	9,736
Interest income		<b>465</b>	567	<b>390</b>	494
Finance costs		<b>(1,180)</b>	(1,294)	<b>(996)</b>	(1,123)
Net interest expense	5	<b>(715)</b>	(727)	<b>(606)</b>	(629)
Share of profits of joint ventures	12	<b>435</b>	221	<b>366</b>	190
Profit before taxation	3(b) & 6	<b>10,660</b>	10,785	<b>8,987</b>	9,297
Taxation	8(a)	<b>(1,364)</b>	(1,447)	<b>(1,145)</b>	(1,259)
Profit for the year		<b>9,296</b>	9,338	<b>7,842</b>	8,038
Attributable to:					
Shareholders	23	<b>5,285</b>	5,314	<b>4,459</b>	4,571
Non-controlling interests		<b>4,011</b>	4,024	<b>3,383</b>	3,467
		<b>9,296</b>	9,338	<b>7,842</b>	8,038
Earnings per share	10(a)				
Basic		<b>HK\$3.88</b>	HK\$3.90	<b>RMB3.27</b>	RMB3.36
Diluted		<b>HK\$3.88</b>	HK\$3.90	<b>RMB3.27</b>	RMB3.36

The accompanying notes form part of these financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2018

	Note			<i>For information purpose only</i>	
		2018 HK\$ Million	2017 HK\$ Million	2018 RMB Million	2017 RMB Million
<b>Profit for the year</b>		<b>9,296</b>	9,338	<b>7,842</b>	8,038
<b>Other comprehensive income</b>	8(d)				
Items that are or may be reclassified subsequently to profit or loss:					
Exchange difference arising from translation to presentation currency		<b>(3,864)</b>	5,505	<b>2,873</b>	(3,868)
Movement in hedging reserve:					
Effective portion of changes in fair value		<b>(4)</b>	(86)	<b>(7)</b>	(77)
Net amount transferred to profit or loss		<b>(5)</b>	(48)	<b>(1)</b>	(42)
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		<b>3</b>	1	<b>3</b>	1
		<b>(3,870)</b>	5,372	<b>2,868</b>	(3,986)
<b>Total comprehensive income for the year</b>		<b>5,426</b>	14,710	<b>10,710</b>	4,052
<b>Total comprehensive income attributable to:</b>					
Shareholders		<b>3,176</b>	8,198	<b>6,189</b>	2,311
Non-controlling interests		<b>2,250</b>	6,512	<b>4,521</b>	1,741
		<b>5,426</b>	14,710	<b>10,710</b>	4,052

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

At December 31, 2018

	Note	2018	2017	<i>For information purpose only</i>	
		HK\$ Million	HK\$ Million	2018 RMB Million	2017 RMB Million
<b>Non-current assets</b>					
Property, plant and equipment					
Investment properties		<b>144,572</b>	142,406	<b>126,818</b>	119,030
Investment properties under development		<b>31,186</b>	21,592	<b>27,325</b>	18,049
Other property, plant and equipment		<b>213</b>	218	<b>187</b>	182
	11	<b>175,971</b>	164,216	<b>154,330</b>	137,261
Interest in joint ventures	12	<b>4,040</b>	3,650	<b>3,548</b>	3,051
Other assets	13	<b>1,449</b>	1,445	<b>1,273</b>	1,208
Deposits with banks	14	<b>1,853</b>	3,705	<b>1,628</b>	3,097
Deferred tax assets	21(b)	<b>3</b>	2	<b>3</b>	2
		<b>183,316</b>	173,018	<b>160,782</b>	144,619
<b>Current assets</b>					
Cash and deposits with banks	14	<b>10,656</b>	18,518	<b>9,350</b>	15,477
Trade and other receivables	15	<b>2,061</b>	2,078	<b>1,807</b>	1,737
Properties for sale	16	<b>2,463</b>	1,634	<b>2,163</b>	1,366
Assets held for sale	17	<b>101</b>	540	<b>89</b>	451
		<b>15,281</b>	22,770	<b>13,409</b>	19,031
<b>Current liabilities</b>					
Bank loans and other borrowings	18	<b>3,360</b>	3,017	<b>2,947</b>	2,522
Trade and other payables	19	<b>6,411</b>	7,169	<b>5,623</b>	5,992
Finance lease obligations	20	<b>22</b>	19	<b>19</b>	16
Current tax payable	21(a)	<b>581</b>	511	<b>509</b>	427
Liabilities directly associated with the assets held for sale	17	<b>3</b>	2	<b>3</b>	2
		<b>10,377</b>	10,718	<b>9,101</b>	8,959
<b>Net current assets</b>		<b>4,904</b>	12,052	<b>4,308</b>	10,072
<b>Total assets less current liabilities</b>		<b>188,220</b>	185,070	<b>165,090</b>	154,691
<b>Non-current liabilities</b>					
Bank loans and other borrowings	18	<b>27,291</b>	25,022	<b>23,946</b>	20,914
Finance lease obligations	20	<b>298</b>	319	<b>261</b>	267
Deferred tax liabilities	21(b)	<b>9,895</b>	10,173	<b>8,671</b>	8,504
		<b>37,484</b>	35,514	<b>32,878</b>	29,685
<b>NET ASSETS</b>		<b>150,736</b>	149,556	<b>132,212</b>	125,006
<b>Capital and reserves</b>					
Share capital	22	<b>4,065</b>	4,065	<b>3,164</b>	3,164
Reserves	23	<b>82,382</b>	79,072	<b>72,662</b>	66,326
Shareholders' equity		<b>86,447</b>	83,137	<b>75,826</b>	69,490
Non-controlling interests		<b>64,289</b>	66,419	<b>56,386</b>	55,516
<b>TOTAL EQUITY</b>		<b>150,736</b>	149,556	<b>132,212</b>	125,006

**Weber W.P. Lo**

Chief Executive Officer

**H.C. Ho**

Chief Financial Officer

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

HK\$ Million	Shareholders' equity			Total	Non-controlling interests	Total equity
	Share capital (Note 22)	Other reserves (Note 23)	Retained profits (Note 23)			
At January 1, 2017	4,065	2,002	69,658	75,725	62,393	138,118
Profit for the year	-	-	5,314	5,314	4,024	9,338
Exchange difference arising from translation to presentation currency	-	2,958	-	2,958	2,547	5,505
Cash flow hedges: net movement in hedging reserve	-	(75)	-	(75)	(59)	(134)
Net change in fair value of equity investments	-	1	-	1	-	1
Total comprehensive income for the year	-	2,884	5,314	8,198	6,512	14,710
Final dividend in respect of previous year	-	-	(831)	(831)	-	(831)
Interim dividend in respect of current year	-	-	(258)	(258)	-	(258)
Employee share-based payments	-	(37)	85	48	30	78
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	-	255	-	255	(709)	(454)
Dividends paid to non-controlling interests	-	-	-	-	(1,807)	(1,807)
At December 31, 2017 and January 1, 2018	4,065	5,104	73,968	83,137	66,419	149,556
Profit for the year	-	-	<b>5,285</b>	<b>5,285</b>	<b>4,011</b>	<b>9,296</b>
Exchange difference arising from translation to presentation currency	-	<b>(2,105)</b>	-	<b>(2,105)</b>	<b>(1,759)</b>	<b>(3,864)</b>
Cash flow hedges: net movement in hedging reserve	-	<b>(5)</b>	-	<b>(5)</b>	<b>(4)</b>	<b>(9)</b>
Net change in fair value of equity investments	-	<b>1</b>	-	<b>1</b>	<b>2</b>	<b>3</b>
Total comprehensive income for the year	-	<b>(2,109)</b>	<b>5,285</b>	<b>3,176</b>	<b>2,250</b>	<b>5,426</b>
Final dividend in respect of previous year	-	-	<b>(831)</b>	<b>(831)</b>	-	<b>(831)</b>
Interim dividend in respect of current year	-	-	<b>(258)</b>	<b>(258)</b>	-	<b>(258)</b>
Employee share-based payments	-	<b>18</b>	<b>37</b>	<b>55</b>	<b>16</b>	<b>71</b>
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	-	<b>1,168</b>	-	<b>1,168</b>	<b>(2,610)</b>	<b>(1,442)</b>
Dividends paid to non-controlling interests	-	-	-	-	<b>(1,786)</b>	<b>(1,786)</b>
<b>At December 31, 2018</b>	<b>4,065</b>	<b>4,181</b>	<b>78,201</b>	<b>86,447</b>	<b>64,289</b>	<b>150,736</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

*For information purpose only*

RMB Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits	Total		
At January 1, 2017	3,164	6,862	57,849	67,875	55,923	123,798
Profit for the year	-	-	4,571	4,571	3,467	8,038
Exchange difference arising from translation to presentation currency	-	(2,195)	-	(2,195)	(1,673)	(3,868)
Cash flow hedges: net movement in hedging reserve	-	(66)	-	(66)	(53)	(119)
Net change in fair value of equity investments	-	1	-	1	-	1
Total comprehensive income for the year	-	(2,260)	4,571	2,311	1,741	4,052
Final dividend in respect of previous year	-	-	(734)	(734)	-	(734)
Interim dividend in respect of current year	-	-	(218)	(218)	-	(218)
Employee share-based payments	-	(32)	72	40	28	68
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	-	216	-	216	(599)	(383)
Dividends paid to non-controlling interests	-	-	-	-	(1,577)	(1,577)
At December 31, 2017 and January 1, 2018	3,164	4,786	61,540	69,490	55,516	125,006
Profit for the year	-	-	<b>4,459</b>	<b>4,459</b>	<b>3,383</b>	<b>7,842</b>
Exchange difference arising from translation to presentation currency	-	<b>1,733</b>	-	<b>1,733</b>	<b>1,140</b>	<b>2,873</b>
Cash flow hedges: net movement in hedging reserve	-	<b>(4)</b>	-	<b>(4)</b>	<b>(4)</b>	<b>(8)</b>
Net change in fair value of equity investments	-	<b>1</b>	-	<b>1</b>	<b>2</b>	<b>3</b>
Total comprehensive income for the year	-	<b>1,730</b>	<b>4,459</b>	<b>6,189</b>	<b>4,521</b>	<b>10,710</b>
Final dividend in respect of previous year	-	-	<b>(673)</b>	<b>(673)</b>	-	<b>(673)</b>
Interim dividend in respect of current year	-	-	<b>(226)</b>	<b>(226)</b>	-	<b>(226)</b>
Employee share-based payments	-	<b>14</b>	<b>32</b>	<b>46</b>	<b>14</b>	<b>60</b>
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	-	<b>1,000</b>	-	<b>1,000</b>	<b>(2,192)</b>	<b>(1,192)</b>
Dividends paid to non-controlling interests	-	-	-	-	<b>(1,473)</b>	<b>(1,473)</b>
<b>At December 31, 2018</b>	<b>3,164</b>	<b>7,530</b>	<b>65,132</b>	<b>75,826</b>	<b>56,386</b>	<b>132,212</b>

# Consolidated Cash Flow Statement

For the year ended December 31, 2018

	Note			<i>For information purpose only</i>	
		2018 HK\$ Million	2017 HK\$ Million	2018 RMB Million	2017 RMB Million
<b>Operating activities</b>					
Cash generated from operations	24	7,224	10,694	6,104	9,245
Tax paid					
Hong Kong Profits Tax paid		(498)	(1,089)	(420)	(943)
Mainland China Income Tax paid		(622)	(768)	(517)	(670)
<b>Net cash generated from operating activities</b>		<b>6,104</b>	<b>8,837</b>	<b>5,167</b>	<b>7,632</b>
<b>Investing activities</b>					
Payment for property, plant and equipment		(13,014)	(4,251)	(11,091)	(3,633)
Acquisition of subsidiaries	25	(1,200)	(391)	(1,054)	(346)
Net sale proceeds from disposal of property, plant and equipment		161	560	137	485
Net sale proceeds from disposal of assets held for sale		565	–	459	–
Interest received		482	533	403	460
Dividends received from joint ventures		45	51	38	44
Repayment from joint ventures		–	60	–	52
(Advance to)/Repayment of advances from unlisted investee companies		(1)	2	(1)	2
Dividend received from unlisted investments		4	–	3	–
Decrease/(Increase) in bank deposits with maturity greater than 3 months		7,905	(10,677)	6,665	(9,249)
<b>Net cash used in investing activities</b>		<b>(5,053)</b>	<b>(14,113)</b>	<b>(4,441)</b>	<b>(12,185)</b>
<b>Financing activities</b>					
Proceeds from new bank loans and other borrowings	26	11,505	1,744	9,790	1,511
Repayment of bank loans and other borrowings	26	(8,294)	(5,829)	(6,992)	(5,049)
Capital element of finance lease rentals paid	26	(3)	–	(3)	–
Interest and other borrowing costs paid		(1,340)	(1,227)	(1,132)	(1,063)
Interest element of finance lease rentals paid	26	(16)	–	(14)	–
Dividends paid		(1,089)	(1,089)	(899)	(952)
Dividends paid to non-controlling interests		(1,786)	(1,807)	(1,473)	(1,577)
Decrease in non-controlling interests in subsidiaries		(1,442)	(454)	(1,192)	(383)
<b>Net cash used in financing activities</b>		<b>(2,465)</b>	<b>(8,662)</b>	<b>(1,915)</b>	<b>(7,513)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(1,414)</b>	<b>(13,938)</b>	<b>(1,189)</b>	<b>(12,066)</b>
<b>Effect of foreign exchange rate changes</b>		<b>(374)</b>	<b>850</b>	<b>56</b>	<b>(330)</b>
<b>Cash and cash equivalents at January 1</b>		<b>10,490</b>	<b>23,578</b>	<b>8,768</b>	<b>21,164</b>
<b>Cash and cash equivalents at December 31</b>	14	<b>8,702</b>	<b>10,490</b>	<b>7,635</b>	<b>8,768</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## 1 Significant Accounting Policies

### (a) Statement of compliance

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 “Listing Rules”). Significant accounting policies adopted by the Group are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial adoption of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 31.

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 according to note 1(v) as if the presentation currency is Renminbi.



## 1 Significant Accounting Policies (Continued)

### (c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (Note 1(k)).

## 1 Significant Accounting Policies (Continued)

### (d) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the joint ventures' net assets. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. The consolidated statement of profit or loss includes the Group's share of the post-acquisition, post-tax results of the joint ventures for the year, whereas the Group's share of the post-acquisition, post-tax items of the joint ventures' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Unrealized profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

### (e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date.

Goodwill is stated at cost less accumulated impairment losses and is tested regularly for impairment (Note 1(k)).

Any excess of the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date over the cost of a business combination is recognized immediately in profit or loss as a gain on a bargain purchase.

On disposal of an entity, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

## 1 Significant Accounting Policies (Continued)

### (f) Properties

#### 1. *Investment properties and investment properties under development*

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 1(t).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(g).

#### 2. *Properties held for development for sale*

Properties held for development for sale are classified under current assets and stated at the lower of cost and net realizable value. Costs include the acquisition cost of land, aggregate cost of development, borrowing costs capitalized (Note 1(q)) and other direct expenses. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

#### 3. *Completed properties for sale*

Completed properties for sale are classified under current assets and stated at the lower of cost and net realizable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalized (Note 1(q)), attributable to unsold properties. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions, less costs to be incurred in selling the property.

## 1 Significant Accounting Policies (Continued)

### (g) Other property, plant and equipment

1. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (Note 1(k)). Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

### 2. Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) Classification of assets leased to the Group

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred substantially all the risks and benefits of ownership are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

#### (ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**1 Significant Accounting Policies** (Continued)

**(g) Other property, plant and equipment** (Continued)

**2. Leased assets** (Continued)

**(iii) Operating leases charges**

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(h) Depreciation**

**1. Investment properties**

No depreciation is provided for investment properties and investment properties under development.

**2. Other property, plant and equipment**

Depreciation on other property, plant and equipment is calculated to write off the cost, less their estimated residual value, if any, on a straight line basis over their estimated useful lives as follows:

Buildings	50 years or unexpired lease term, whichever is shorter
Furniture and equipment	4 – 20 years
Motor vehicles	5 years

**(i) Investments in equity instruments**

Investments in equity instruments are classified and measured at fair value through profit or loss (i.e. FVTPL) except when the equity investment is not held for trading and an election is made to present the fair value changes in other comprehensive income (i.e. FVTOCI). This election is made on an investment-by-investment basis on initial recognition and is irrevocable. The gains or losses (both on subsequent measurement and derecognition) of investments that are measured at FVTPL are recognized in profit or loss. If the equity investment is designated as at FVTOCI, all gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, except for dividend income that is generally recognized in profit or loss in accordance with the policy set out in note 1(t)(5).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments.

## 1 Significant Accounting Policies (Continued)

### (j) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability or a highly probable forecast transaction, the effective portion of changes in fair value of the hedging instruments is recognized in other comprehensive income and accumulated in a hedging reserve as a separate component of equity. Any ineffective portion of changes in fair value is recognized immediately in profit or loss. The amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

### (k) Impairment of assets

- For property, plant and equipment other than investment properties and investment properties under development, investments in joint ventures, goodwill and investments in subsidiaries in the Company's statement of financial position, an assessment is carried out at the end of each reporting period to determine whether there is objective evidence these assets are impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in profit or loss if the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized. An impairment loss in respect of goodwill is not reversed.
- For trade and other receivables and other financial assets measured at amortized cost (including cash and deposits with banks, advances to unlisted investee companies and amount due from joint ventures), the Group recognizes a loss allowance equal to 12-month expected credit losses unless the balance is a trade receivable or there has been a significant increase in credit risk of the financial asset since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), unless the balances are credit-impaired at the end of the reporting period where expected credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

At the end of each reporting period, the Group assesses whether the balances are credit-impaired (i.e. when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred, such as significant financial difficulty of the debtor).

## 1 Significant Accounting Policies (Continued)

### (k) Impairment of assets (Continued)

The allowance for expected credit losses is presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The adjustment to the allowance for credit losses is recognized in profit or loss, as an impairment or reversal of impairment.

The gross carrying amount is written off to the extent that there is no realistic prospect of recovery. Subsequent recoveries that were previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

### (l) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for credit losses (Note 1(k)), except where the receivables are interest-free loans without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for credit losses (Note 1(k)).

### (m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 1(k).

### (n) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell, except that financial assets, deferred tax assets and investment properties continue to be measured in accordance with the Group's accounting policies.

### (o) Trade and other payables (including contract liabilities)

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the revenue arising from contract with customers within the scope of HKFRS 15, *Revenue from contracts with customers*. A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

## 1 Significant Accounting Policies (Continued)

### (p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see note 1(q)).

### (q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

### (r) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized within trade and other payables at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

Subsequent to initial recognition, the amount initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when expected credit losses on the financial guarantees are determined to be higher than the amount carried in trade and other payables in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).



## 1 Significant Accounting Policies (Continued)

### (r) Financial guarantees issued (Continued)

To determine expected credit losses, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month expected credit loss is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime expected credit loss is measured.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an expected credit loss is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

### (s) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of the money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

#### 1. Sale of properties

##### *Policy applicable on or before December 31, 2017*

Revenue from sale of completed properties is recognized upon the later of the signing of sale and purchase agreements or the issue of occupation permit by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer.

## 1 Significant Accounting Policies (Continued)

### (t) Revenue and other income (Continued)

#### 1. *Sale of properties* (Continued)

##### *Policy applicable from January 1, 2018*

Revenue from sale of completed properties is recognized when the legal assignment is completed, which is the point in time when the buyer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

#### 2. *Rental income*

Rental income under operating leases is recognized on a straight line basis over the terms of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payment receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

#### 3. *Building management fees and other rental related income*

Building management fees and other rental related income are recognized when the related services are rendered.

#### 4. *Interest income*

Interest income is recognized as it accrues using the effective interest method.

#### 5. *Dividends*

Dividends are recognized when the right to receive payment is established.

### (u) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

## 1 Significant Accounting Policies (Continued)

### (u) Taxation (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

When investment properties and investment properties under development are carried at their fair value in accordance with the accounting policy set out in note 1(f)(1), the amount of deferred tax recognized is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

### (v) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (functional currency).

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated using the foreign exchange rates ruling at the dates the fair value was determined.

## 1 Significant Accounting Policies (Continued)

### (v) Translation of foreign currencies (Continued)

The results and financial position of all operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
2. income and expenses are translated at the exchange rates approximating the exchange rates ruling at the dates of the transactions; and
3. all resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

### (w) Related parties

1. A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
2. An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (1).
  - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 1 Significant Accounting Policies (Continued)

### (x) Segment reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. For disclosure purpose, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics and nature of the regulatory environment, or single operating segments which are disclosable separately because they cannot be aggregated or they exceed quantitative thresholds.

### (y) Employee benefits

#### 1. Short term employee benefits and contributions to defined contribution retirement schemes

Salaries, annual bonuses, paid annual leave, the cost of non-monetary benefits and obligation for contributions to defined contribution retirement schemes, including those payables in mainland China and Hong Kong under relevant legislation, are accrued in the year in which the associated services are rendered by employees of the Group.

#### 2. Share-based payments

The fair value of share options granted to employees is measured at grant date, taking into account the terms and conditions upon which the options were granted, and is expensed on a straight line basis over the vesting period taking into account the probability that the options will vest, with a corresponding increase in equity (employee share-based compensation reserve).

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the employee share-based compensation reserve).

At the time when the share options are exercised, the related employee share-based compensation reserve is transferred to share capital. If the options expire or lapse after the vesting period, the related employee share-based compensation reserve is transferred directly to retained profits.

## 2 Changes in Accounting Policies

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, 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 Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The key changes to the Group's accounting policies resulting from the adoption of HKFRS 15 are summarized below.

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.

## 2 Changes in Accounting Policies (Continued)

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

### (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.

### **Transition**

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.

## 2 Changes in Accounting Policies (Continued)

### Impacts on the consolidated financial statements

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.

#### (i) Consolidated statement of profit or loss (extract)

HK\$ Million	Impact of changes in accounting policies		
	Amounts reported in accordance with HKFRS 15	Estimated impact of the adoption of HKFRS 15	Hypothetical amounts under HKAS 18
<b>For the year ended December 31, 2018</b>			
Other net income	100	2	102
Net increase in fair value of properties	4,298	(2)	4,296

#### (ii) Consolidated statement of financial position (extract)

HK\$ Million	Impact of changes in accounting policies		
	Amounts reported in accordance with HKFRS 15	Estimated impact of the adoption of HKFRS 15	Hypothetical amounts under HKAS 18
<b>At December 31, 2018</b>			
<b>Assets</b>			
Trade and other receivables	2,061	3	2,064
Assets held for sale	101	(3)	98

#### (iii) 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.



### 3 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, deferred tax 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:

HK\$ Million	2018	2017
<b>Under the scope of HKAS 17, Leases:</b>		
Rental income	7,803	7,454
<b>Under the scope of HKFRS 15, Revenue from contracts with customers:</b>		
Sales of completed properties	1,231	3,420
Building management fees and other rental related income	981	900
	<b>2,212</b>	4,320
	<b>10,015</b>	11,774

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date to its building management fees and other rental related income as the Group recognizes revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

The Group has also applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date to its revenue from sales of completed properties as the performance obligation is part of a contract that has an original expected duration of one year or less.

### 3 Revenue and Segment Information (Continued)

#### (b) Revenue and results by segments

HK\$ Million	Revenue		Profit before taxation	
	2018	2017	2018	2017
<b>Segment</b>				
Property leasing				
– Mainland China	<b>4,686</b>	4,372	<b>3,034</b>	2,734
– Hong Kong	<b>4,098</b>	3,982	<b>3,450</b>	3,340
	<b>8,784</b>	8,354	<b>6,484</b>	6,074
Property sales				
– Hong Kong	<b>1,231</b>	3,420	<b>765</b>	2,238
Segment total	<b>10,015</b>	11,774	<b>7,249</b>	8,312
Other net income			<b>100</b>	550
Administrative expenses			<b>(707)</b>	(656)
Operating profit before change in fair value of properties			<b>6,642</b>	8,206
Net increase in fair value of properties			<b>4,298</b>	3,085
– property leasing in Hong Kong			<b>3,993</b>	3,352
– property leasing in mainland China			<b>305</b>	(267)
Net interest expense			<b>(715)</b>	(727)
– interest income			<b>465</b>	567
– finance costs			<b>(1,180)</b>	(1,294)
Share of profits of joint ventures			<b>435</b>	221
Profit before taxation			<b>10,660</b>	10,785

## Notes to the Financial Statements

### 3 Revenue and Segment Information (Continued)

#### (c) Total assets by segments

HK\$ Million	Total assets	
	2018	2017
<b>Segment</b>		
Property leasing		
– Mainland China	<b>109,121</b>	101,283
– Hong Kong	<b>68,910</b>	64,479
	<b>178,031</b>	165,762
Property sales		
– Hong Kong	<b>2,464</b>	2,166
Segment total	<b>180,495</b>	167,928
Interest in joint ventures	<b>4,040</b>	3,650
Other assets	<b>1,449</b>	1,445
Deferred tax assets	<b>3</b>	2
Cash and deposits with banks	<b>12,509</b>	22,223
Assets held for sale	<b>101</b>	540
Total assets	<b>198,597</b>	195,788

### 4 Other Net Income

HK\$ Million	2018	2017
Gain on disposal of investment properties	<b>71</b>	464
Gain on disposal of assets held for sale	<b>27</b>	–
Dividend income from unlisted investments	<b>4</b>	–
Ineffectiveness on cash flow hedges	<b>(1)</b>	(5)
Net exchange (loss)/gain	<b>(1)</b>	89
Others	<b>–</b>	2
	<b>100</b>	550

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

## 5 Net Interest Expense

HK\$ Million	2018	2017
Interest income on bank deposits	465	567
Interest expense on bank loans and other borrowings	1,350	1,225
Finance charges on finance leases obligations	16	8
Other borrowing costs	65	117
Total borrowing costs	1,431	1,350
Less: Borrowing costs capitalized (Note)	(251)	(56)
Finance costs	1,180	1,294
Net interest expense	(715)	(727)

Note:

The borrowing costs were capitalized at an average rate of 4.8% (2017: 4.8%) per annum to properties under development.

## 6 Profit Before Taxation

HK\$ Million	2018	2017
Profit before taxation is arrived at after charging:		
Cost of properties sold	374	938
Staff costs, including employee share-based payments of HK\$71 million (2017: HK\$78 million)	1,658	1,509
Depreciation	46	44
Auditors' remuneration		
– audit services	13	13
– non-audit services	4	5
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK\$2,300 million (2017: HK\$2,280 million), including contingent rentals of HK\$432 million (2017: HK\$381 million)	6,484	6,074

## Notes to the Financial Statements

### 7 Emoluments of Directors and Senior Management

The Nomination and Remuneration Committee consists of three Independent Non-Executive Directors. The Committee makes recommendation to the Board on the Non-Executive Directors' and Independent Non-Executive Directors' remuneration packages and determines the remuneration package of individual Executive Directors. The emoluments of Executive Directors are determined by their scope of responsibility and accountability, and performance, taking into consideration of the Group's performance and profitability, market practice and prevailing business conditions, etc.

#### (a) Directors' emoluments

Details of directors' emoluments are summarized below:

HK\$ Million							
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Gratuity	The Group's contributions to retirement scheme	2018	2017
<b>Executive Directors</b>							
Ronnie C. Chan	1.9	27.0	8.1	-	2.7	39.7	39.6
Weber W. P. Lo (Appointed on May 16, 2018)	0.9	11.3	13.8	-	0.6	26.6	-
H. C. Ho	1.4	5.2	3.2	-	0.4	10.2	10.4
Adriel W. Chan	1.4	5.5	2.7	-	0.4	10.0	9.3
<b>Non-Executive Directors</b>							
Gerald L. Chan	0.7	-	-	-	-	0.7	0.7
George K. K. Chang	0.9	-	-	-	-	0.9	0.9
Roy Y. C. Chen	0.7	-	-	-	-	0.7	0.7
<b>Independent Non-Executive Directors</b>							
Simon S. O. Ip	1.1	-	-	-	-	1.1	1.1
P. W. Liu	1.0	-	-	-	-	1.0	1.0
L. C. Tsui	0.9	-	-	-	-	0.9	0.9
Martin C. K. Liao	0.8	-	-	-	-	0.8	0.8
<b>Ex-Director</b>							
Philip N. L. Chen (Retired as executive director on July 16, 2018)	0.7	13.9	-	40.0	1.0	55.6	36.7
<b>2018</b>	<b>12.4</b>	<b>62.9</b>	<b>27.8</b>	<b>40.0</b>	<b>5.1</b>	<b>148.2</b>	102.1
2017	12.2	60.2	24.6	-	5.1	102.1	

## 7 Emoluments of Directors and Senior Management (Continued)

### (b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, all (2017: four) are existing or retired directors of the Company whose emoluments are disclosed in note 7(a). The emoluments in respect of the remaining one individual in 2017 are as follows:

HK\$ Million	2017
Salaries, allowances and benefits in kind	5.3
Discretionary bonuses	2.1
The Group's contributions to retirement scheme	0.2
	<b>7.6</b>

- (c) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of Hang Lung Properties Limited (HLP), details of which are disclosed in note 28(b).

## 8 Taxation in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

- (a) Taxation in the consolidated statement of profit or loss represents:

HK\$ Million	2018	2017
Current tax		
Hong Kong Profits Tax	<b>493</b>	723
Under-provision in prior years	<b>8</b>	-
	<b>501</b>	723
Mainland China Income Tax	<b>698</b>	648
Total current tax	<b>1,199</b>	1,371
Deferred tax		
Changes in fair value of properties	<b>63</b>	(4)
Other origination and reversal of temporary differences	<b>102</b>	80
Total deferred tax (Note 21(b))	<b>165</b>	76
Total income tax expense	<b>1,364</b>	1,447

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.

- (b) Share of joint ventures' taxation for the year ended December 31, 2018 of HK\$25 million (2017: HK\$30 million) is included in the share of profits of joint ventures.

## Notes to the Financial Statements

### 8 Taxation in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

- (c) Reconciliation between actual tax expense and profit before taxation at applicable tax rates is as follows:

HK\$ Million	2018	2017
Profit before taxation	<b>10,660</b>	10,785
Notional tax on profit before taxation at applicable rates	<b>1,943</b>	1,922
Tax effect of non-taxable income	<b>(714)</b>	(677)
Tax effect of non-deductible expenses	<b>50</b>	55
Tax effect of tax losses utilized and other deductible temporary differences	<b>(111)</b>	(100)
Tax effect of unrecognized tax losses	<b>188</b>	247
Under-provision in prior years	<b>8</b>	–
Actual tax expense	<b>1,364</b>	1,447

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

### 9 Dividends

- (a) Dividends attributable to the year

HK\$ Million	2018	2017
Interim dividend declared and paid of HK19 cents (2017: HK19 cents) per share	<b>258</b>	258
Final dividend of HK61 cents (2017: HK61 cents) per share proposed after the end of the reporting period	<b>831</b>	831
	<b>1,089</b>	1,089

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\$831 million (calculated based on HK61 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\$831 million).

## 10 Earnings Per Share

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

HK\$ Million	2018	2017
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	5,285	5,314
Million	<b>Number of shares</b>	
	2018	2017
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	1,362	1,362

Note:

Diluted earnings per share were the same as the basic earnings per share for the years as there were no dilutive potential ordinary shares in existence during both years.

(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:

HK\$ Million	2018	2017
Net profit attributable to shareholders	5,285	5,314
Effect of changes in fair value of properties	(4,298)	(3,085)
Effect of corresponding deferred tax	63	(4)
Effect of changes in fair value of investment properties of joint ventures	(289)	(92)
	(4,524)	(3,181)
Non-controlling interests	1,870	1,181
	(2,654)	(2,000)
Underlying net profit attributable to shareholders	2,631	3,314

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

	2018	2017
Basic	HK\$1.93	HK\$2.43
Diluted	HK\$1.93	HK\$2.43



Notes to the Financial Statements

## 11 Property, Plant and Equipment

HK\$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2017	133,005	17,282	813	151,100
Exchange adjustment	5,083	1,204	23	6,310
Additions	1,385	3,106	2	4,493
Acquisition of a subsidiary (Note 25)	391	-	-	391
Disposals	(4)	-	(90)	(94)
Net increase in fair value	3,085	-	-	3,085
Transfer to assets held for sale (Note 17)	(539)	-	-	(539)
At December 31, 2017 and January 1, 2018	142,406	21,592	748	164,746
Exchange adjustment	(3,625)	(896)	(15)	(4,536)
Additions (Note 11(a))	1,102	11,085	49	12,236
Disposals	(103)	-	(9)	(112)
Net increase in fair value	4,298	-	-	4,298
Transfer in/(out)	595	(595)	-	-
Transfer to assets held for sale (Note 17)	(101)	-	-	(101)
<b>At December 31, 2018</b>	<b>144,572</b>	<b>31,186</b>	<b>773</b>	<b>176,531</b>
Accumulated depreciation:				
At January 1, 2017	-	-	489	489
Exchange adjustment	-	-	11	11
Charge for the year	-	-	44	44
Written back on disposals	-	-	(14)	(14)
At December 31, 2017 and January 1, 2018	-	-	530	530
Exchange adjustment	-	-	(8)	(8)
Charge for the year	-	-	46	46
Written back on disposals	-	-	(8)	(8)
<b>At December 31, 2018</b>	<b>-</b>	<b>-</b>	<b>560</b>	<b>560</b>
Net book value:				
<b>At December 31, 2018</b>	<b>144,572</b>	<b>31,186</b>	<b>213</b>	<b>175,971</b>
At December 31, 2017	142,406	21,592	218	164,216
Cost or valuation of the property, plant and equipment is made up as follows:				
<b>December 31, 2018</b>				
Valuation	144,572	31,186	-	175,758
Cost	-	-	773	773
	144,572	31,186	773	176,531
December 31, 2017				
Valuation	142,406	21,592	-	163,998
Cost	-	-	748	748
	142,406	21,592	748	164,746

## 11 Property, Plant and Equipment (Continued)

- (a) The additions during the year ended December 31, 2018 included partial payment to Hangzhou Land Resources Bureau for acquiring the land in Xiacheng District, Hangzhou, Zhejiang Province, PRC.

### (b) Fair value measurement of properties

#### (i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment properties under development measured at the end of the reporting period on a recurring basis, categorized into a three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

HK\$ Million	Fair value measurement at December 31, 2018		
	Level 1	Level 2	Level 3
Investment properties	–	144,572	–
Investment properties under development	–	–	31,186

HK\$ Million	Fair value measurement at December 31, 2017		
	Level 1	Level 2	Level 3
Investment properties	–	142,406	–
Investment properties under development	–	–	21,592

The Group's policy is to recognize transfers between levels of fair value hierarchy at the time at which they occur. During the year, other than the transfers from investment properties under development to investment properties upon their completion, there were no transfers between levels of fair value hierarchy (2017: Nil).

The Group's investment properties and investment properties under development 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. Management has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

**11 Property, Plant and Equipment** (Continued)**(b) Fair value measurement of properties** (Continued)**(ii) Valuation techniques and inputs used in Level 2 fair value measurements**

The fair value of the Group's investment properties is determined by using income capitalization approach with reference to current market rents and capitalization rates using market data.

**(iii) Information about Level 3 fair value measurements**

The fair value of investment properties under development in mainland China is determined by using direct comparison approach, with reference to comparable market transactions as available in the market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

- Estimated development costs to be expended to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated development costs or profit margin, the lower the fair value of investment properties under construction.

The main Level 3 unobservable inputs used by the Group are as follows:

The total estimated development costs of each of the Group's investment properties under development ranged from HK\$1.7 billion to HK\$17.2 billion (2017: HK\$1.8 billion to HK\$18.1 billion). The estimates are largely consistent with the budgets developed internally by the Group based on management experience and knowledge of market conditions.

The movements during the year in the balances of these Level 3 fair value measurements are as follows:

HK\$ Million	Investment properties under development – Mainland China	
	2018	2017
At January 1	21,592	17,282
Exchange adjustment	(896)	1,204
Additions	11,085	3,106
Transfer to investment properties	(595)	–
Increase in fair value	–	–
<b>At December 31</b>	<b>31,186</b>	21,592
Total gain for the year included in profit or loss	–	–

Fair value adjustments of investment properties and investment properties under development is recognized in “Net increase in fair value of properties” in the consolidated statement of profit or loss.

## 11 Property, Plant and Equipment (Continued)

- (c) An analysis of net book value of investment properties and investment properties under development is as follows:

HK\$ Million	Investment properties		Investment properties under development	
	2018	2017	2018	2017
In Hong Kong				
– long-term leases (over 50 years)	<b>42,519</b>	40,034	–	–
– medium-term leases (10 to 50 years)	<b>25,825</b>	23,970	–	–
Outside Hong Kong				
– long-term leases (over 50 years)	–	1,241	<b>912</b>	923
– medium-term leases (10 to 50 years)	<b>76,228</b>	77,161	<b>30,274</b>	20,669
	<b>144,572</b>	142,406	<b>31,186</b>	21,592

- (d) The net book value of other property, plant and equipment of the Group included long term leases of HK\$10 million (2017: HK\$10 million) in respect of land and building held in Hong Kong, medium term leases of HK\$5 million (2017: HK\$6 million) and long term leases of HK\$33 million (2017: HK\$37 million) in respect of land and buildings held outside Hong Kong respectively.
- (e) The net book value of investment properties of the Group includes an amount of HK\$557 million (2017: HK\$513 million) in respect of an asset held under a finance lease.
- (f) The Group leases out its properties under operating leases. Leases typically run for an initial period of two to five years, with some having the option to renew, at which time all terms are renegotiated. Long term leases contain rent review or adjustment clauses and the Group has a regular proportion of its leases up for renewal each year. Certain leases include contingent rentals calculated with reference to the revenue of tenants.

Total future minimum lease payments receivable under non-cancellable operating leases in respect of investment properties are as follows:

HK\$ Million	2018	2017
Within 1 year	<b>5,863</b>	5,725
After 1 year but within 5 years	<b>7,279</b>	7,326
After 5 years	<b>921</b>	710
	<b>14,063</b>	13,761

## Notes to the Financial Statements

### 12 Interest in Joint Ventures

HK\$ Million	2018	2017
Share of net assets	3,325	2,935
Amounts due from joint ventures	722	722
Amounts due to joint ventures	(7)	(7)
	4,040	3,650

Amounts due from joint ventures are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next 12 months.

Amounts due to joint ventures are unsecured and interest-free with no fixed terms of repayment.

At December 31, 2018, the Group had financial guarantees payable on demand of an amount not exceeding HK\$500 million issued to a bank in respect of a banking facility granted to a joint venture. This guarantee is not recognized in the Group's statement of financial position as its fair value is considered immaterial and the initial transaction price was nil.

Details of principal joint ventures are set out in note 38. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

HK\$ Million	2018	2017
Non-current assets	4,398	3,808
Current assets	286	182
Non-current liabilities	(1,151)	(890)
Current liabilities	(208)	(165)
Net assets	3,325	2,935

  

HK\$ Million	2018	2017
Revenue	247	237
Profit and total comprehensive income for the year	435	221

### 13 Other Assets

HK\$ Million	2018	2017
Investments in unlisted equity instruments at FVTOCI	109	106
Advances to unlisted investee companies	158	157
Intangible assets (Note)	1,182	1,182
	1,449	1,445

Note:

Intangible assets represent goodwill arising from the Group's additions in equity interests in its subsidiary, HLP, for transactions before July 1, 2009. At the end of the reporting period, an impairment test was performed by comparing the goodwill with its recoverable amount and no impairment was recorded.

### 13 Other Assets (Continued)

The investments in equity securities at FVTOCI comprise the following individual investments:

HK\$ Million	2018	2017
Investment in Ever Light Limited	93	85
Others	16	21
	<b>109</b>	106

The FVTOCI designation was made because the investments are expected to be held for long-term for strategic purposes.

### 14 Cash and Deposits with Banks

HK\$ Million	2018	2017
Cash at banks	1,032	1,452
Time deposits recoverable within 1 year	9,624	17,066
	<b>10,656</b>	18,518
Time deposits recoverable after 1 year	1,853	3,705
Cash and deposits with banks in the consolidated statement of financial position	12,509	22,223
Less: Bank deposits with maturity greater than 3 months	(3,807)	(11,733)
Cash and cash equivalents in the consolidated cash flow statement	<b>8,702</b>	10,490

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 2.5% (2017: 2.4%) per annum. The currencies of cash and deposits with banks at the year end date were as follows:

HK\$ Million	2018	2017
Hong Kong Dollars	4,737	12,805
Hong Kong Dollars equivalent of:		
Renminbi	7,757	9,408
United States Dollars	15	10
	<b>12,509</b>	22,223

After deducting cash and deposits from bank loans and other borrowings, the net debt position of the Group at the end of the reporting period was as follows:

HK\$ Million	2018	2017
Bank loans and other borrowings (Note 18)	30,651	28,039
Less: Cash and deposits	(12,509)	(22,223)
Net debt	<b>18,142</b>	5,816

## Notes to the Financial Statements

### 15 Trade and Other Receivables

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

HK\$ Million	2018	2017
Not past due or less than 1 month past due	14	511
1 – 3 months past due	5	6
More than 3 months past due	2	3
	<b>21</b>	520

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which are calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for expected credit losses is therefore insignificant. The details on the Group's credit policy are set out in note 30(c).

- (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).

### 16 Properties for Sale

HK\$ Million	2018	2017
Completed properties for sale located in Hong Kong		
– long-term leases (over 50 years)	1,234	1,557
– medium-term leases (10 to 50 years)	22	73
	<b>1,256</b>	1,630
Completed properties for sale located outside Hong Kong		
– medium-term leases (10 to 50 years)	4	4
Properties held for development for sale located in Hong Kong		
– medium-term leases (10 to 50 years)	1,203	–
	<b>2,463</b>	1,634

## 17 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.

HK\$ Million	2018	2017
Investment properties	101	539
Properties for sale	-	1
Assets held for sale	101	540
Deposits received	-	2
Deferred tax liabilities	3	-
Liabilities directly associated with the assets held for sale	3	2

The balance at December 31, 2017 represented items as below:

- a disposal group relating 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; and
- investment properties of certain commercial units, kindergarten premise and car parking spaces at Bayview Garden in Hong Kong which were disposed of in April 2018.

The investment properties were stated at fair value with reference to the agreed selling prices as stated in the sale and purchase agreements and the fair value measurement of the properties was classified as Level 2 valuation (see note 11(b)(i)) as there was no significant unobservable input.



## 18 Bank Loans and Other Borrowings

At the end of the reporting period, bank loans and other borrowings were unsecured and repayable as follows:

HK\$ Million	2018	2017
<b>Bank loans</b> (Note (a))		
Within 1 year or on demand	3,408	2,647
After 1 year but within 2 years	3,630	4,859
After 2 years but within 5 years	7,729	6,383
Over 5 years	2,463	1,485
	<b>17,230</b>	15,374
<b>Other borrowings</b> (Note (b))		
Within 1 year or on demand	-	375
After 1 year but within 2 years	435	-
After 2 years but within 5 years	12,178	10,779
Over 5 years	970	1,650
	<b>13,583</b>	12,804
	<b>30,813</b>	28,178
Less: unamortized front end fees	(162)	(139)
<b>Total bank loans and other borrowings</b>	<b>30,651</b>	28,039
Amount due within 1 year included under current liabilities	(3,360)	(3,017)
	<b>27,291</b>	25,022

- (a) All bank loans are interest-bearing at rates ranging from 1.2% to 5.7% (2017: 1.0% to 5.3%) per annum during the year.

Certain of the Group's borrowings are attached with financial covenants which require that at any time, the Group's consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels. During the year, all these covenants have been complied with by the Group.

At December 31, 2018, the Group had HK\$20,984 million (2017: HK\$15,009 million) committed undrawn banking facilities.

- (b) The Group has a USD3 billion (2017: USD3 billion) Medium Term Note Program and a RMB10 billion (2017: Nil) green bond program. These bonds were issued with coupon rates ranging from 2.95% to 5.00% (2017: 2.95% to 4.75%) per annum.

## 19 Trade and Other Payables

HK\$ Million	2018	2017
Creditors and accrued expenses (Note (a))	3,786	4,669
Contract liabilities (Note (b))	56	–
Deposits received (Note (c))	2,569	2,500
	<b>6,411</b>	7,169

(a) Creditors and accrued expenses include retention money payable of HK\$323 million (2017: HK\$460 million) which is not expected to be settled within one year.

(b) Contract liabilities represent building management fees and other rental related income received in advance of HK\$56 million (January 1, 2018: HK\$42 million). Upon the adoption of HKFRS 15, such receipts in advance are re-classified from creditors and accrued expenses to contract liabilities.

Building management fees and other rental related charges are due for payment on the first day of the service period. The fees and charges received before the payment due date are classified as contract liabilities and recognized as revenue when the services are rendered.

(c) In the amount of deposits received, HK\$1,507 million (2017: HK\$1,384 million) are not expected to be settled within one year.

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

HK\$ Million	2018	2017
Due within 3 months	1,992	2,063
Due after 3 months	866	1,977
	<b>2,858</b>	4,040

## 20 Finance Lease Obligations

The minimum lease payments under finance lease and their present values are as follows:

HK\$ Million	2018			2017		
	Present value of minimum lease payments	Interest expense in future periods	Total minimum lease payments	Present value of minimum lease payments	Interest expense in future periods	Total minimum lease payments
Payable within 1 year	22	–	22	19	–	19
Payable after 1 year but within 5 years	79	12	91	81	12	93
Payable after 5 years	219	175	394	238	200	438
	<b>320</b>	<b>187</b>	<b>507</b>	338	212	550

## 21 Taxation in the Consolidated Statement of Financial Position

### (a) Current taxation

HK\$ Million	<b>2018</b>	2017
Hong Kong Profits Tax	<b>262</b>	259
Mainland China Income Tax	<b>319</b>	252
	<b>581</b>	511

### (b) Deferred taxation

HK\$ Million	<b>2018</b>	2017
Deferred tax liabilities	<b>9,895</b>	10,173
Deferred tax assets	<b>(3)</b>	(2)
Net deferred tax liabilities	<b>9,892</b>	10,171

The components of deferred tax liabilities/(assets) recognized in the consolidated statement of financial position and the movements during the year are as follows:

HK\$ Million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Future benefit of tax losses	Others	Total
At January 1, 2017	1,754	7,655	(2)	65	9,472
Exchange adjustment	91	531	-	1	623
Charged/(Credited) to profit or loss (Note 8(a))	108	(4)	(40)	12	76
At December 31, 2017 and January 1, 2018	1,953	8,182	(42)	78	10,171
Exchange adjustment	<b>(69)</b>	<b>(373)</b>	-	<b>1</b>	<b>(441)</b>
Charged/(Credited) to profit or loss (Note 8(a))	<b>118</b>	<b>63</b>	<b>(24)</b>	<b>8</b>	<b>165</b>
Transfer to liabilities directly associated with assets held for sale (Note 17)	<b>(3)</b>	-	-	-	<b>(3)</b>
<b>At December 31, 2018</b>	<b>1,999</b>	<b>7,872</b>	<b>(66)</b>	<b>87</b>	<b>9,892</b>

Included in "Others" are mainly deferred tax liabilities recognized in respect of undistributed profits of foreign investment enterprises in mainland China.

## 21 Taxation in the Consolidated Statement of Financial Position (Continued)

### (c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK\$7,087 million (2017: HK\$6,470 million) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilized is not probable at December 31, 2018. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in mainland China expire five years after the relevant accounting year end date.

## 22 Share Capital

Movement of the Company's ordinary shares is set out below:

	2018		2017	
	Number of shares Million	Amount of share capital HK\$ Million	Number of shares Million	Amount of share capital HK\$ Million
Ordinary shares, issued and fully paid	1,362	4,065	1,362	4,065

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

## Notes to the Financial Statements

### 23 Reserves

#### (a) The Group

HK\$ Million	Other reserves							Retained profits	Total reserves
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	General reserve	Other capital reserve	Total		
At January 1, 2017	(1,641)	–	67	442	275	2,859	2,002	69,658	71,660
Profit for the year	–	–	–	–	–	–	–	5,314	5,314
Exchange difference arising from translation to presentation currency	2,958	–	–	–	–	–	2,958	–	2,958
Cash flow hedges: net movement in hedging reserve	–	(75)	–	–	–	–	(75)	–	(75)
Net change in fair value of equity investments	–	–	1	–	–	–	1	–	1
Total comprehensive income for the year	2,958	(75)	1	–	–	–	2,884	5,314	8,198
Final dividend in respect of previous year	–	–	–	–	–	–	–	(831)	(831)
Interim dividend in respect of current year	–	–	–	–	–	–	–	(258)	(258)
Employee share-based payments	–	–	–	(37)	–	–	(37)	85	48
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	255	255	–	255
At December 31, 2017 and January 1, 2018	1,317	(75)	68	405	275	3,114	5,104	73,968	79,072
Profit for the year	–	–	–	–	–	–	–	5,285	5,285
Exchange difference arising from translation to presentation currency	(2,105)	–	–	–	–	–	(2,105)	–	(2,105)
Cash flow hedges: net movement in hedging reserve	–	(5)	–	–	–	–	(5)	–	(5)
Net change in fair value of equity investments	–	–	1	–	–	–	1	–	1
Total comprehensive income for the year	(2,105)	(5)	1	–	–	–	(2,109)	5,285	3,176
Final dividend in respect of previous year	–	–	–	–	–	–	–	(831)	(831)
Interim dividend in respect of current year	–	–	–	–	–	–	–	(258)	(258)
Employee share-based payments	–	–	–	18	–	–	18	37	55
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	1,168	1,168	–	1,168
<b>At December 31, 2018</b>	<b>(788)</b>	<b>(80)</b>	<b>69</b>	<b>423</b>	<b>275</b>	<b>4,282</b>	<b>4,181</b>	<b>78,201</b>	<b>82,382</b>

## 23 Reserves (Continued)

### (a) The Group (Continued)

The retained profits of the Group at December 31, 2018 included HK\$631 million (2017: HK\$623 million) in respect of statutory reserves of the subsidiaries in mainland China.

The exchange reserve of the Group comprises exchange differences arising from the translation of the financial statements of the Group's operations in mainland China.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss (Note 1(j)).

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments measured at FVTOCI (Note 1(i)).

The employee share-based compensation reserve comprises the fair value of share options granted which are not yet exercised, as explained in note 1(y).

The general reserve was derived from retained profits and is distributable.

The other capital reserve represents any difference between the cost of the additional investment and the carrying amount of the net assets acquired at the date of exchange when acquiring an additional non-controlling interest in an existing subsidiary.

### (b) The Company

HK\$ Million	General reserve	Retained profits	Total reserves
At January 1, 2017	862	13,520	14,382
Profit and total comprehensive income for the year	-	2,790	2,790
Final dividend in respect of previous year	-	(831)	(831)
Interim dividend in respect of current year	-	(258)	(258)
At December 31, 2017 and January 1, 2018	862	15,221	16,083
Profit and total comprehensive income for the year	-	<b>1,926</b>	<b>1,926</b>
Final dividend in respect of previous year	-	<b>(831)</b>	<b>(831)</b>
Interim dividend in respect of current year	-	<b>(258)</b>	<b>(258)</b>
<b>At December 31, 2018</b>	<b>862</b>	<b>16,058</b>	<b>16,920</b>

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2018 was HK\$16,920 million (2017: HK\$16,083 million).

## Notes to the Financial Statements

### 23 Reserves (Continued)

#### (c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and to secure access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its leveraging ratio (net debt to equity and debt to equity) and cash flow requirements, taking into account its future financial obligations and commitments. Net debt represents bank loans and other borrowings less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

The Group has a net debt position as of December 31, 2018 (Note 14). Net debt to equity ratio and debt to equity ratio as of December 31, 2018 were 12.0% (2017: 3.9%) and 20.3% (2017: 18.7%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 24 Cash Generated from Operations

HK\$ Million	2018	2017
Profit before taxation	<b>10,660</b>	10,785
Adjustments for:		
Gain on disposal of investment properties	<b>(71)</b>	(464)
Gain on disposal of assets held for sale	<b>(27)</b>	-
Ineffectiveness on cash flow hedges	<b>1</b>	5
Interest income on bank deposits	<b>(465)</b>	(567)
Dividend income from unlisted investments	<b>(4)</b>	-
Finance costs	<b>1,180</b>	1,294
Depreciation	<b>46</b>	44
Loss on disposal of other property, plant and equipment	<b>1</b>	-
Net increase in fair value of properties	<b>(4,298)</b>	(3,085)
Share of profits of joint ventures	<b>(435)</b>	(221)
Employee share-based payments	<b>71</b>	78
Decrease in properties for sale	<b>371</b>	739
(Increase)/Decrease in trade and other receivables	<b>(16)</b>	1,987
Increase/(Decrease) in creditors and accrued expenses and contract liabilities	<b>70</b>	(109)
Increase in deposits received	<b>140</b>	208
Cash generated from operations	<b>7,224</b>	10,694

## 25 Acquisition of Subsidiaries

During the year, the Group acquired a group comprising several subsidiaries. The fair values of assets acquired and liabilities assumed were as follows:

HK\$ Million	2018 (Note)	2017
Investment properties	-	391
Loan from the vendor of the acquired companies	(787)	-
Trade and other receivables	96	1
Properties for sale	1,200	-
Trade and other payables	-	(1)
Net assets acquired	509	391
Acquisition of a loan from the vendor of the acquired companies	787	-
Total consideration	1,296	391
Less: consideration payable in future included in trade and other payables (Note)	(96)	-
Cash outflow on acquisition	1,200	391

Note:

According to the terms and conditions of the sale and purchase agreement, the consideration payable will be settled when the trade and other receivables balance amounting to HK\$96 million is received by the Group.

## 26 Reconciliation of Liabilities Arising from Financing Activities

HK\$ Million	2018			2017		
	Bank loans and other borrowings (Note 18)	Finance lease obligations (Note 20)	Total	Bank loans and other borrowings (Note 18)	Finance lease obligations (Note 20)	Total
At January 1	28,039	338	28,377	31,119	-	31,119
Cash flows	3,211	(19)	3,192	(4,085)	-	(4,085)
Non-cash changes:						
New finance leases	-	-	-	-	318	318
Unwind of discount and amortization of transaction costs	49	16	65	101	8	109
Exchange adjustment	(648)	(15)	(663)	904	12	916
<b>At December 31</b>	<b>30,651</b>	<b>320</b>	<b>30,971</b>	28,039	338	28,377



## 27 Commitments

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

HK\$ Million	2018	2017
Contracted for	14,267	12,686
Authorized but not contracted for	20,568	22,952
	<b>34,835</b>	35,638

The above commitments include mainly the land costs and construction related costs to be incurred in respect of the Group's development of its properties in various cities in mainland China.

## 28 Employee Benefits

### (a) Retirement benefits

The Group operates a defined contribution provident fund scheme for its employees. The assets of the scheme are held separately from those of the Group by an independent corporate trustee and managed by professional fund managers.

Contributions are made by both the employer and the employees at a certain percentage of employees' basic salaries, the percentage varying with their length of service. When an employee leaves the scheme prior to his or her interest in the Group's contributions being fully vested, forfeited contributions are refunded to the Group. Total contributions made by the Group for the year amounted to HK\$34 million (2017: HK\$31 million) and forfeited sums refunded to the Group amounted to HK\$3 million (2017: HK\$4 million).

A master trust Mandatory Provident Fund Scheme (the "MPF Scheme") is operated by an independent service provider. Mandatory contributions are made by both the employer and the employees at 5% of the employees' monthly relevant income, up to a limit of HK\$30,000. The Group's contributions will be fully and immediately vested in the employees' accounts as their accrued benefits in the scheme. Total MPF contributions made by the Group for the year amounted to HK\$7 million (2017: HK\$7 million).

As the Group's provident fund scheme is an MPF Exempted Occupational Retirement Scheme (the "ORSO Scheme"), eligibility for membership of the ORSO and MPF schemes is identical. New employees are offered a one-off option to join either the ORSO or the MPF scheme.

Staff in the Company's subsidiaries operating in mainland China are members of a retirement benefits scheme (the "Mainland RB Scheme") operated by the local municipal government in mainland China. The only obligation of the subsidiaries in mainland China is to contribute a certain percentage of their payroll to Mainland RB Scheme to fund the retirement benefits. The local municipal government in mainland China undertakes to assume the retirement benefits obligations of all existing and future retired employees of subsidiaries in mainland China. Total contributions made by subsidiaries in mainland China for the year amounted to HK\$68 million (2017: HK\$59 million).

## 28 Employee Benefits (Continued)

### (b) Equity compensation benefits

The share option scheme adopted by the Company's subsidiary, HLP, on November 22, 2002 (the "2002 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 18, 2012 (the "2012 Share Option Scheme", together with the 2002 Share Option Scheme are referred to as the "Schemes"). No further options shall be offered under the 2002 Share Option Scheme, but in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2012 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

The purposes of the Schemes are to enable HLP to grant options to selected participants as incentives or rewards for their contributions to HLP group, to attract skilled and experienced personnel, to incentivize them to remain with HLP group and to motivate them to strive for the future development and expansion of HLP group by providing them with the opportunity to acquire equity interests in HLP.

Under the Schemes, the board of directors of HLP is authorized to grant options to selected participants, including employees and directors of any company in HLP group, subject to the terms and conditions such as performance targets as the board of directors of HLP may specify on a case-by-case basis or generally. The exercise price of the options is determined by the board of directors of HLP at the time of grant, and shall not be less than the higher of the nominal value of HLP shares, the closing price of HLP shares at the date of grant and the average closing price of HLP shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of HLP shares subject to each option are determined by the board of directors of HLP at the time of grant.

As of the date of this report, the total number of HLP shares available for issue under the 2012 Share Option Scheme is 235,846,253 shares, representing 5.24% of the total number of issued shares of HLP. The total number of HLP shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant in any 12-month period shall not exceed 1% of HLP shares in issue.

## Notes to the Financial Statements

### 28 Employee Benefits (Continued)

#### (b) Equity compensation benefits (Continued)

The movements of share options of HLP during the year are as follows:

##### (i) 2002 Share Option Scheme

Date granted	Number of share options			Outstanding on December 31, 2018	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2018	Exercised	Forfeited/ Lapsed			
April 1, 2008 to December 31, 2008	12,372,000	(143,000)	(12,229,000)	-	April 1, 2009 to December 30, 2018	17.36 – 27.90
February 8, 2010 to June 1, 2010	13,380,000	-	-	<b>13,380,000</b>	February 8, 2012 to May 31, 2020	26.46 – 27.27
July 29, 2010 to June 13, 2011	31,210,000	-	(220,000)	<b>30,990,000</b>	July 29, 2012 to June 12, 2021	30.79 – 36.90
Total	56,962,000	(143,000)	(12,449,000)	<b>44,370,000</b>		

All the above options may vest after one/two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were cancelled during the year.

During the year, 340,000 (2017: 140,000) options were forfeited upon cessations of grantee's employments and 12,109,000 (2017: 19,040,000) options lapsed due to the expiry of the period for exercising the options.

Movements in the number of share options of HLP outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	27.71	56,962,000	26.99	76,142,000
Exercised	17.36	(143,000)	-	-
Forfeited	26.05	(340,000)	30.79	(140,000)
Lapsed	18.47	(12,109,000)	24.83	(19,040,000)
Outstanding at December 31	30.28	44,370,000	27.71	56,962,000
Exercisable at December 31	30.28	44,370,000	27.71	56,962,000

No share options were exercised by the directors during the year. The weighted average closing price of the shares of HLP immediately before the dates of exercise by the employees during the year was HK\$18.60.

The weighted average closing share price of HLP at the dates of exercise for share options during the year was HK\$18.64.

## 28 Employee Benefits (Continued)

### (b) Equity compensation benefits (Continued)

#### (i) 2002 Share Option Scheme (Continued)

The weighted average remaining contractual life of HLP options outstanding at the end of the reporting period was 1.8 years (2017: 2.4 years).

#### (ii) 2012 Share Option Scheme

Date granted	Number of share options			Outstanding on December 31, 2018	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2018	Granted	Forfeited/ Lapsed			
June 4, 2013	28,218,000	-	(868,000)	<b>27,350,000</b>	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	25,412,000	-	(1,790,000)	<b>23,622,000</b>	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	43,310,000	-	(3,815,000)	<b>39,495,000</b>	August 10, 2019 to August 9, 2027	19.98
May 16, 2018	-	10,000,000	-	<b>10,000,000</b>	May 16, 2020 to May 15, 2028	18.98
Total	96,940,000	10,000,000	(6,473,000)	<b>100,467,000</b>		

All the above options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options of HLP were exercised or cancelled during the year.

The closing price of HLP shares immediately before the date of grant during the year was HK\$19.14.

During the year, 6,473,000 (2017: 4,524,000) options were forfeited upon cessations of the grantees' employments.

Movements in the number of share options of HLP outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	<b>23.06</b>	<b>96,940,000</b>	25.49	57,704,000
Granted	<b>18.98</b>	<b>10,000,000</b>	19.98	43,760,000
Forfeited	<b>21.81</b>	<b>(6,473,000)</b>	24.26	(4,524,000)
Outstanding at December 31	<b>22.73</b>	<b>100,467,000</b>	23.06	96,940,000
Exercisable at December 31	<b>26.29</b>	<b>41,523,200</b>	26.46	24,554,400

**28 Employee Benefits** (Continued)

**(b) Equity compensation benefits** (Continued)

**(ii) 2012 Share Option Scheme** (Continued)

The weighted average remaining contractual life of options of HLP outstanding at the end of the reporting period was 6.9 years (2017: 7.7 years).

The fair value of share options granted was estimated at the date of grant using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. In respect of the share options granted during the year, the fair value, terms and conditions, and assumptions are as follows:

Fair value at grant date	HK\$2.84
HLPL share price at grant date	HK\$18.98
Exercise price	HK\$18.98
Risk-free interest rate	2.14%
Expected life (in years)	6
Expected volatility	23.86%
Expected dividends per share	HK\$0.75

The expected volatility is based on the historical volatility and the expected dividends per share are based on historical dividends. Changes in the above assumptions could materially affect the fair value estimate.

**(iii)** The directors of the Company, who were also directors of HLP, during the year held share options of HLP. The related charge recognized for such options for the year ended December 31, 2018, estimated in accordance with the Group's accounting policy in note 1(y)(2) was as follows:

- (1) Mr. Ronnie C. Chan, HK\$5.2 million (2017: HK\$6.6 million);
- (2) Mr. Weber W.P. Lo, HK\$4.9 million (2017: Nil);
- (3) Mr. H.C. Ho, HK\$3.5 million (2017: HK\$4.4 million);
- (4) Mr. Adriel W. Chan, HK\$1.6 million (2017: HK\$0.4 million); and
- (5) Mr. Philip N.L. Chen, HK\$4.8 million (retired on July 16, 2018 but remained as director of HLP) (2017: HK\$7.0 million).

## 29 Material Related Party Transactions

Except for the emoluments to directors and key management personnel disclosed in notes 7 and 28(b) and the transactions and balances already disclosed elsewhere in the financial statements, the Group did not have any material related party transactions in its ordinary course of business.

None of the above related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 30 Financial Risk Management Objectives and Policies

Exposure to interest rate, liquidity, credit and currency risks arises in the normal course of the Group's business. The Group has policies and practices approved by management as described below in managing these risks.

### (a) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and floating rate bank borrowings. Interest rate trends and movements are closely monitored and, if appropriate, existing borrowings will be replaced with new bank facilities when favorable pricing opportunities arise. In addition, the Group maintains the Medium Term Note Program and a green bond program which facilitate the Group to mitigate future interest rate volatility and re-financing risks.

The interest rates of interest-bearing financial assets and liabilities are disclosed in notes 14 and 18.

Based on the simulations performed at year end in relation to the Group's bank deposits and borrowings, it was estimated that the impact of a 100 basis-point increase in market interest rates from the rates applicable at the year end date, with all other variables held constant, would decrease (2017: increase) the Group's profit after taxation and total equity by approximately HK\$50 million (2017: HK\$65 million).

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- changes in market interest rates affect the interest income and interest expense of floating rate financial instruments and bank borrowings; and
- all other financial assets and liabilities are held constant.

The analysis was performed on the same basis for 2017.

## Notes to the Financial Statements

### 30 Financial Risk Management Objectives and Policies (Continued)

#### (b) Liquidity risk

The Group manages its surplus cash centrally and the liquidity risk of the Company and its subsidiaries at the corporate level. The objective is to ensure that an adequate amount of cash and committed bank facilities are available to meet all funding requirements. Significant flexibility is achieved through diverse sources of committed credit lines for capturing future expansion opportunities.

HK\$ Million	Contractual undiscounted cash flow					
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	30,651	36,074	4,788	5,296	21,821	4,169
Trade and other payables	6,411	6,411	4,580	908	766	157
Finance lease obligations	320	507	22	22	69	394
<b>At December 31, 2018</b>	<b>37,382</b>	<b>42,992</b>	<b>9,390</b>	<b>6,226</b>	<b>22,656</b>	<b>4,720</b>

HK\$ Million	Contractual undiscounted cash flow					
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	28,039	32,470	4,194	5,904	19,020	3,352
Trade and other payables	7,169	7,169	5,325	1,029	707	108
Finance lease obligations	338	550	19	22	71	438
<b>At December 31, 2017</b>	<b>35,546</b>	<b>40,189</b>	<b>9,538</b>	<b>6,955</b>	<b>19,798</b>	<b>3,898</b>

### 30 Financial Risk Management Objectives and Policies (Continued)

#### (c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables with tenants and deposits held with reputable banks and financial institutions.

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.

Surplus cash is placed with reputable banks and financial institutions in accordance with pre-determined limits based on credit ratings and other factors to minimize concentration risk.

The Group does not provide any financial guarantee which would expose the Group to material credit risk.

There are no significant concentrations of credit risk within the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group measures loss allowances for trade receivables with tenants in accordance with note 1(k). The allowance for expected credit losses is insignificant.

#### (d) Currency risk

The Group adopts a conservative risk management policy to manage foreign currency exposure. The level of hedge is decided through cost and benefit analysis with reference to prevailing market situation. If appropriate, the Group may use derivative financial instruments solely for hedging purposes. These derivatives reduce the uncertainty of interest payments and principal repayments of foreign currency debts and can be entered into on or after the issuance of a foreign currency debt.

Currency risk arises from assets and liabilities denominated in a currency other than the functional currency of the Group's entities to which they related. The Group has bonds outstanding amounting to USD1,000 million (2017: USD1,000 million). The currency risk arising from the USD denominated bonds is hedged by back-to-back USD/HKD cross currency swaps, at exchange rate of 7.75 HKD/USD and fixed interest rates ranging from 4.395% to 4.715% per annum. These swaps will mature in 2021 and 2022.



## Notes to the Financial Statements

### 30 Financial Risk Management Objectives and Policies (Continued)

#### (d) Currency risk (Continued)

The Group has designated the cross currency swaps in their entirety as the hedging instruments of the foreign currency risk arising from the USD denominated bonds. The table below summarizes the effect of the hedge accounting:

Notional amount of hedging instruments HK\$ Million	Carrying amounts of hedging instruments - assets/(liabilities) HK\$ Million	Line items in the statement of financial position where hedging instruments are included	Change in fair value used for measuring hedge ineffectiveness		Hedge ineffectiveness* recognized in profit or loss - other net loss HK\$ Million	Change in fair value of hedging instruments recognized in other comprehensive income HK\$ Million	Amount reclassified from hedging reserve to profit or loss that are charged/(credited) to	
			Hedging instruments HK\$ Million	Hedged items HK\$ Million			Finance costs HK\$ Million	Other net loss HK\$ Million
<b>2018</b>								
7,750	1	Trade and other receivables	(5)	(4)	(1)	(4)	11	(16)
	(10)	Trade and other payables						
<b>2017</b>								
7,750	7	Trade and other receivables	(91)	(86)	(5)	(86)	12	(60)
	(3)	Trade and other payables						

\* The hedge ratio is determined to be 1:1 as all critical terms were matched. However, as the cross currency swaps were not entered into on January 1, 2017 (the date designated as the hedging instruments), ineffectiveness arose as terms of cross currency swaps were not exactly the same as the market position of the bonds.

The Group engages in property development and investments in mainland China through its local subsidiaries whose net assets are exposed to currency risk. In addition, the Group has Renminbi deposits of RMB6,804 million (2017: RMB7,863 million), for which there are currency risks but which are held to meet its ongoing Renminbi payment obligations in relation to its development projects in mainland China. Where appropriate, the Group seeks to minimize its exposure to currency risk in mainland China through borrowings denominated in Renminbi.

Management estimated that a 5% (2017: 5%) appreciation/depreciation of Renminbi against Hong Kong dollar would increase/decrease the Group's equity attributable to shareholders by HK\$2,376 million (2017: HK\$2,175 million).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2017.

## 30 Financial Risk Management Objectives and Policies (Continued)

### (e) Fair value

The fair value of the Group's financial instruments are measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

### (i) *Financial assets and liabilities measured at fair value*

#### *Derivative financial instruments – cross currency swaps*

The fair value of cross currency swaps as of December 31, 2018 of HK\$1 million (2017: HK\$7 million) recorded under "Trade and other receivables" and HK\$10 million (2017: HK\$3 million) recorded under "Trade and other payables" in Level 2 is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

#### *Investment in equity instruments*

The fair value of non-publicly traded equity investments as of December 31, 2018 of HK\$109 million (2017: HK\$106 million) in Level 3 is determined by reference to the net asset value of these investments.

#### *Transfers of instruments between the three-level fair value hierarchy*

During the year, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3 (2017: Nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

### (ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as of December 31, 2017 and 2018.

## 31 Significant Accounting Estimates and Judgments

### Key sources of estimation uncertainty

Notes 11(b), 28(b) and 30(e) contain information about the assumptions and their risk relating to valuation of investment properties and investment properties under development, fair value of share options granted and derivative financial instruments. Other key sources of estimation uncertainty are as follows:

#### (a) *Properties held for sale*

The Group determines the net realizable value of unsold properties based on estimation of future selling price less costs to be incurred in relation to the sale, with reference to the prevailing market data and market survey reports available from independent property valuers.

#### (b) *Income taxes*

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

#### (c) *Recognition of deferred tax assets*

The amount of the deferred tax assets included in the consolidated statement of financial position of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgments based on the assessment of future financial performance, the amount of future taxable profits and the timing of when these will be realized.

## 32 Company-Level Statement of Financial Position

At December 31, 2018

HK\$ Million	Note	2018	2017
<b>Non-current assets</b>			
Interest in subsidiaries	33	21,579	20,705
<b>Current assets</b>			
Cash and deposits with banks		5	1
<b>Current liabilities</b>			
Trade and other payables		16	15
<b>Net current liabilities</b>			
		(11)	(14)
<b>Total assets less current liabilities</b>			
		21,568	20,691
<b>Non-current liabilities</b>			
Amounts due to subsidiaries	33(b)	583	543
<b>NET ASSETS</b>			
		20,985	20,148
<b>Capital and reserves</b>			
Share capital	22	4,065	4,065
Reserves	23	16,920	16,083
<b>TOTAL EQUITY</b>			
		20,985	20,148

**Weber W.P. Lo**  
Chief Executive Officer

**H.C. Ho**  
Chief Financial Officer

## Notes to the Financial Statements

### 33 Interest in Subsidiaries

HK\$ Million	2018	2017
Unlisted shares, at cost	181	181
Amounts due from subsidiaries (Note (a))	21,398	20,524
	<b>21,579</b>	20,705

Details of principal subsidiaries are set out in note 37.

The following table lists out the information relating to HLP in which the Group has material non-controlling interest (NCI). The summarized financial information presented below represents the amounts before any inter-company elimination.

HK\$ Million	2018	2017
NCI percentage at the end of the reporting period	42.4%	44.3%
Non-current assets	171,354	161,323
Current assets	15,099	22,263
Current liabilities	(8,946)	(9,289)
Non-current liabilities	(33,913)	(32,052)
Net assets	143,594	142,245
Carrying amount of NCI	58,326	60,318
Revenue	9,408	11,199
Profit for the year	8,652	8,550
Total comprehensive income for the year	4,993	13,622
Profit allocated to NCI	3,425	3,599
Dividend paid to NCI	1,470	1,513
Net cash flow:		
generated from operating activities	5,738	8,557
used in investing activities	(5,259)	(14,323)
used in financing activities	(1,926)	(8,087)

- (a) Amounts due from subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next 12 months.
- (b) Amounts due to subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current liabilities as they are not expected to be repaid within the next 12 months.

### 34 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2018

The Group has not early applied the following amendments and new standards which have been issued by the HKICPA but are not yet effective for the year ended December 31, 2018.

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	January 1, 2019
Annual Improvements to HKFRSs	2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28	Long-term interest in associates and joint ventures	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

### 35 Comparative Figures

The Group has initially applied HKFRS 15 at January 1, 2018. Under the transition method chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

### 36 Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 30, 2019.

## Notes to the Financial Statements

### 37 Principal Subsidiaries

At December 31, 2018

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Akihiro Company Limited	2	100	100	Property development & leasing	Hong Kong
Antonis Limited*	10,000	57.6	–	Property leasing	Hong Kong
AP City Limited	2	57.6	–	Property leasing	Hong Kong
AP Joy Limited	2	57.6	–	Property development & leasing	Hong Kong
AP Properties Limited				Property development & leasing	Hong Kong
'A' shares	34	57.6	–		
'B' shares	6	57.6	–		
AP Star Limited*	2	57.6	–	Investment holding	Hong Kong
AP Success Limited	2	57.6	–	Property leasing	Hong Kong
AP Universal Limited*	2	57.6	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	57.6	–	Property leasing	Hong Kong
AP World Limited	2	57.6	–	Property development & leasing	Hong Kong
Bayliner Investment Ltd.*	US\$1	100	100	Investment holding	British Virgin Islands
Believecity Limited*	2	100	–	Investment holding & securities trading	Hong Kong
Bonna Estates Company Limited	1,000,000	57.6	–	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	57.6	–	Property leasing	Hong Kong
Cokage Limited*	2	100	100	Investment holding	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	56.1	–		
'B' share	1	57.6	–		
Country First Enterprises Limited	2	100	–	Investment holding	Hong Kong
Country Link Enterprises Limited	5,000,000	58.1	–	Investment holding	Hong Kong
Curicao Company Limited*	2	100	–	Investment holding	Hong Kong
Dokay Limited*	2	57.6	–	Property leasing	Hong Kong
Dynamia Company Limited	2	100	100	Property development & leasing	Hong Kong

## 37 Principal Subsidiaries (Continued)

At December 31, 2018

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	100	–		
'B' share	1	57.6	–		
Easegood Enterprises Limited	2	57.6	–	Investment holding	Hong Kong
Ever Brilliant Investment Limited	2	100	100	Investment holding	Hong Kong
Fu Yik Company Limited*	3	57.6	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	57.6	–	Investment holding	Hong Kong
Glory View Properties Limited*	2	100	100	Property leasing	Hong Kong
Gowily Limited	2	57.6	–	Property leasing	Hong Kong
Grand Centre Limited	4	57.6	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	57.6	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	62,163,123	57.6	–		
'B' shares	6,000,000	57.6	–		
Great Cheer Development Limited	2	100	100	Property development	Hong Kong
Hang Chui Company Limited	2	57.6	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	57.6	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	57.6	–	Property leasing	Hong Kong
Hang Kong Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Kwok Company Limited*	10,000	57.6	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	57.6	–	Management services	Hong Kong
Hang Lung (China) Limited	2	100	100	Investment holding	Hong Kong
Hang Lung (Dalian) Limited	1	57.6	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited	1	57.6	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited	1	57.6	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited	1	57.6	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	57.6	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited	2	57.6	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	57.6	–	Investment holding	Hong Kong



## Notes to the Financial Statements

### 37 Principal Subsidiaries (Continued)

At December 31, 2018

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Hang Lung (Wuhan) Limited	1	57.6	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	57.6	–	Investment holding	Hong Kong
Hang Lung Enterprises Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Financial Services Limited	2	100	100	Financial services	Hong Kong
Hang Lung Gala Place Limited (formerly known as Hang Lung Park-In Limited)	2	57.6	–	Property leasing	Hong Kong
Hang Lung Investments Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Project Management Limited*	10,000	57.6	–	Project management	Hong Kong
Hang Lung Properties Limited	4,497,575,670	57.6	–	Investment holding	Hong Kong
Hang Lung Property Management Limited*	100,000	57.6	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	57.6	–	Property agencies	Hong Kong
Hang Lung Treasury Limited	2	100	100	Financial services	Hong Kong
Hebo Limited	2	100	100	Property development	Hong Kong
HL Enterprises Limited*	2	100	100	Investment holding	Hong Kong
HL Mortgage (HTG) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NH) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NP) Limited*	2	100	100	Financial services	Hong Kong
HLP (China) Administrative Limited	1	57.6	–	Management services	Hong Kong
HLP (China) Limited	2	57.6	–	Investment holding	Hong Kong
HLP Finance Limited <sup>#</sup>	US\$1	57.6	–	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	57.6	–	Financial services	Hong Kong
HLP Treasury Limited	2	57.6	–	Financial services	Hong Kong
HLP Treasury Services Limited*	2	57.6	–	Financial services	Hong Kong
Hoi Sang Limited*	2	57.6	–	Investment holding	Hong Kong

## 37 Principal Subsidiaries (Continued)

At December 31, 2018

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Kindstock Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	57.6	–	Property development	Hong Kong
Luckyson Investments Limited	10,000	100	–	Investment holding	Hong Kong
Lungsun Mortgage (PV) Limited*	20	89.7	–	Financial services	Hong Kong
Mansita Limited*	2	57.6	–	Property leasing	Hong Kong
Modalton Limited	2	57.6	–	Property leasing	Hong Kong
Nikco Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	57.6	–	Property leasing	Hong Kong
Passion Success Limited*	1	57.6	–	Investment holding	Hong Kong
Pocaliton Limited	2	57.6	–	Property leasing	Hong Kong
Prosperland Housing Limited	1,560,000	100	100	Investment holding	Hong Kong
Purotat Limited*	2	100	100	Investment holding	Hong Kong
Rago Star Limited	2	57.6	–	Property leasing	Hong Kong
Scotat Limited	2	89.7	–	Investment holding	Hong Kong
Stanman Properties Limited	20	100	100	Property development & leasing	Hong Kong
Stocket Limited	2	57.6	–	Property leasing	Hong Kong
Success Cosmos Development Limited*	2	100	100	Property development	Hong Kong
Superlane Development Limited	1,000	57.6	–	Property development & investment	Hong Kong
Tegraton Limited	2	57.6	–	Property leasing	Hong Kong
Topnic Limited	2	100	100	Property leasing	Hong Kong
Total Select Limited	1	57.6	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	57.6	–	Property leasing	Hong Kong
Yangli Limited*	2	57.6	–	Property leasing	Hong Kong
Yee Fly Investment Limited*	1,000	100	100	Investment holding & securities trading	Hong Kong

## Notes to the Financial Statements

### 37 Principal Subsidiaries (Continued)

At December 31, 2018

Wholly Foreign Owned Enterprises in mainland China	Registered Capital	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB4,136,877,355	57.6	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,267,500,000	57.6	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB4,850,000,000	57.6	–	Property development	Mainland China
Kunming Hang Ying Properties Ltd.	RMB5,887,321,800	57.6	–	Property development	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB6,040,096,324	57.6	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US\$385,000,000	57.6	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US\$349,990,000	57.6	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK\$4,229,600,000	57.6	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB4,241,746,261	57.6	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB576,716,180	57.6	–	Property development	Mainland China

  

Equity Joint Ventures in mainland China	Registered Capital (US\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	55.8	–	Property development & leasing	Mainland China
Shanghai Heng Cheng Real Estate Development Co., Ltd.	17,766,000	70	–	Property development	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	54.6	–	Property development & leasing	Mainland China

# Operated in Hong Kong

\* Not audited by KPMG

The above list gives the principal subsidiaries of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

## 38 Principal Joint Ventures

At December 31, 2018

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Daily Win Development Limited	400	25	-	Property leasing	Hong Kong
Hang Hing Mortgage (TH) Limited	2	50	-	Financial services	Hong Kong
Hang Lung-Hakuyosha Dry Cleaning Limited	519,000	50	-	Dry and laundry cleaning	Hong Kong
Metro Classic Holdings Limited	US\$1	20	-	Property development	British Virgin Islands
Metro Trade International Limited	US\$60	20	-	Property development	British Virgin Islands
Newfoundworld Finance Limited	100,000	20	-	Financial services	Hong Kong
Newfoundworld Holdings Limited	2,000,000	20	-	Investment holding	Hong Kong
Newfoundworld Investment Holdings Limited	US\$5	20	-	Investment holding	British Virgin Islands
Newfoundworld Limited	2,000,000	20	-	Property development	Hong Kong
Pure Jade Limited	1,000,000	20	-	Property development	Hong Kong
Star Play Development Limited	3	19.2	-	Property leasing	Hong Kong

The above companies are not audited by KPMG.

The above list gives the principal joint ventures of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.