4 Financial Statements, Valuation and Other Information

Directors' Responsibility for the Financial Statements

The Hong Kong Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to:

(a) select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;

(b) state the reasons for any significant departure from accounting standards; and

(c) prepare the financial statements on the going concern basis, unless it is not appropriate to presume that the Company and the Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HYSAN DEVELOPMENT COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of Hysan Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 121 to 184, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and financial risk management.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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

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

Key Audit Matters continued

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgements and estimates required in determining the fair values.

The Group's investment property portfolio comprises retail, office and residential properties mainly located in Causeway Bay, Hong Kong and is stated at fair value of HK$77,442 million, accounting for approximately 89% of the Group's total assets as at 31 December 2018 with a fair value gain of HK$3,532 million recognised in the consolidated statement of profit or loss for the year then ended.

All of the Group's investment properties are measured using the fair value model based on a valuation performed by an independent qualified professional valuer (the "Valuer"). As disclosed in note 3 of the Notes to the Consolidated Financial Statements section of the consolidated financial statements, in determining the fair values of the Group's investment properties, the Valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates and reversionary income potential of the investment properties in determining the fair values.

How our audit addressed the key audit matter

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

- Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement;
- Evaluating the appropriateness of the Valuer's valuation approaches to assess if they meet the requirements of the HKFRSs and industry norms;
- Challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in Hong Kong; and
- Obtaining the detailed work of the Valuer on selected investment properties to evaluate the accuracy and relevance of key data inputs underpinning the valuation, such as rental income, term of existing leases by comparing them to the existing leases summary of the Group or reversionary income potential by comparing fair market rents estimated by the Valuer against recent lease renewals and evaluating whether capitalisation rates adopted are comparable to the market.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements continued

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

The engagement partner on the audit resulting in the independent auditor's report is Lee Wing Cheong, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 February 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$ million	2017 HK$ million
Turnover	4	**3,890**	3,548
Property expenses		**(523)**	(449)
Gross profit		**3,367**	3,099
Other income	9	**–**	261
Investment income	6	**78**	69
Other gains and losses		**(16)**	–
Administrative expenses		**(227)**	(247)
Finance costs	7	**(222)**	(158)
Change in fair value of investment properties		**3,532**	853
Share of results of associates		**288**	220
Profit before taxation		**6,800**	4,097
Taxation	8	**(481)**	(484)
Profit for the year	9	**6,319**	3,613
Profit for the year attributable to:			
Owners of the Company		**6,033**	3,636
Non-controlling interests		**286**	(23)
		6,319	3,613
Earnings per share (expressed in HK cents)	14		
Basic		**576.66**	347.78
Diluted		**576.39**	347.68

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 HK$ million	2017 HK$ million
Profit for the year		**6,319**	3,613
Other comprehensive (expenses) income	10		
Item that will not be reclassified subsequently to profit or loss:			
Gains on revaluation of properties held for own use		**47**	38
Items that may be reclassified subsequently to profit or loss:			
Net adjustments to hedging reserve		**(5)**	(55)
Share of translation reserve of an associate		**(172)**	240
		(177)	185
Other comprehensive (expenses) income for the year (net of tax)		**(130)**	223
Total comprehensive income for the year		**6,189**	3,836
Total comprehensive income attributable to:			
Owners of the Company		**5,903**	3,859
Non-controlling interests		**286**	(23)
		6,189	3,836

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$ million	2017 HK$ million
Non-current assets			
Investment properties	15	**77,442**	72,470
Property, plant and equipment	16	**747**	751
Investments in associates	18	**3,708**	3,779
Loans to associates	18	**11**	10
Investment in a joint venture	19	**145**	147
Loans to a joint venture	19	**1,062**	982
Fund investment	20	**294**	21
Term notes	21	**–**	228
Other financial assets	22	**1**	2
Other receivables	23	**386**	332
		83,796	78,722
Current assets			
Accounts and other receivables	23	**203**	226
Term notes	21	**227**	509
Other financial assets	22	**–**	1
Time deposits	24	**748**	628
Cash and cash equivalents	24	**2,069**	2,034
		3,247	3,398
Current liabilities			
Accounts payable and accruals	25	**873**	736
Other financial liabilities	22	**–**	1
Deposits from tenants		**331**	389
Amounts due to non-controlling interests	26	**223**	327
Borrowings	27	**300**	150
Taxation payable		**108**	158
		1,835	1,761
Net current assets		**1,412**	1,637
Total assets less current liabilities		**85,208**	80,359
Non-current liabilities			
Borrowings	27	**6,022**	6,035
Other financial liabilities	22	**26**	30
Deposits from tenants		**669**	506
Deferred taxation	28	**854**	787
		7,571	7,358
Net assets		**77,637**	73,001
Capital and reserves			
Share capital	29	**7,718**	7,692
Reserves		**66,713**	62,261
Equity attributable to owners of the Company		**74,431**	69,953
Non-controlling interests		**3,206**	3,048
Total equity		**77,637**	73,001

The consolidated financial statements on pages 121 to 184 were approved and authorised for issue by the Board of Directors on 21 February 2019 and are signed on its behalf by:

Lee Irene Y.L.
Director

Lee T.H. Michael
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company		
	Share capital HK$ million	Share options reserve HK$ million	General reserve HK$ million
As at 1 January 2017	7,673	24	100
Profit for the year	–	–	–
Net losses arising from hedging instruments	–	–	–
Reclassification adjustments for net losses included in profit or loss	–	–	–
Gain on revaluation of properties held for own use	–	–	–
Deferred taxation arising on revaluation of properties held for own use *(note 28)*	–	–	–
Share of translation reserve of an associate	–	–	–
Total comprehensive (expenses) income for the year	–	–	–
Issue of shares under share option schemes	19	(4)	–
Recognition of equity-settled share-based payments	–	4	–
Forfeiture of share options	–	(3)	–
Dividends paid during the year *(note 13)*	–	–	–
Deemed acquisition of additional equity interest in a subsidiary	–	–	(4)
As at 31 December 2017	7,692	21	96
Opening adjustment on HKFRS 9 *(note 2)*	**–**	**–**	**–**
As at 1 January 2018 (restated)	**7,692**	**21**	**96**
Profit for the year	**–**	**–**	**–**
Net losses arising from hedging instruments	**–**	**–**	**–**
Reclassification adjustments for net losses included in profit or loss	**–**	**–**	**–**
Gain on revaluation of properties held for own use	**–**	**–**	**–**
Deferred taxation arising on revaluation of properties held for own use *(note 28)*	**–**	**–**	**–**
Share of translation reserve of an associate	**–**	**–**	**–**
Total comprehensive (expenses) income for the year	**–**	**–**	**–**
Issue of shares under share option schemes	**26**	**(5)**	**–**
Recognition of equity-settled share-based payments	**–**	**4**	**–**
Forfeiture of share options	**–**	**(1)**	**–**
Dividends paid during the year *(note 13)*	**–**	**–**	**–**
As at 31 December 2018	**7,718**	**19**	**96**

Attributable to owners of the Company							
Investments revaluation reserve HK$ million	Hedging reserve HK$ million	Properties revaluation reserve HK$ million	Translation reserve HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total HK$ million
1	12	371	38	59,271	67,490	3,195	70,685
–	–	–	–	3,636	3,636	(23)	3,613
–	(49)	–	–	–	(49)	–	(49)
–	(6)	–	–	–	(6)	–	(6)
–	–	46	–	–	46	–	46
–	–	(8)	–	–	(8)	–	(8)
–	–	–	240	–	240	–	240
–	(55)	38	240	3,636	3,859	(23)	3,836
–	–	–	–	–	15	–	15
–	–	–	–	–	4	–	4
–	–	–	–	3	–	–	–
–	–	–	–	(1,411)	(1,411)	(128)	(1,539)
–	–	–	–	–	(4)	4	–
1	(43)	409	278	61,499	69,953	3,048	73,001
–	**–**	**–**	**–**	**(6)**	**(6)**	**–**	**(6)**
1	**(43)**	**409**	**278**	**61,493**	**69,947**	**3,048**	**72,995**
–	**–**	**–**	**–**	**6,033**	**6,033**	**286**	**6,319**
–	**2**	**–**	**–**	**–**	**2**	**–**	**2**
–	**(7)**	**–**	**–**	**–**	**(7)**	**–**	**(7)**
–	**–**	**56**	**–**	**–**	**56**	**–**	**56**
–	**–**	**(9)**	**–**	**–**	**(9)**	**–**	**(9)**
–	**–**	**–**	**(172)**	**–**	**(172)**	**–**	**(172)**
–	**(5)**	**47**	**(172)**	**6,033**	**5,903**	**286**	**6,189**
–	**–**	**–**	**–**	**–**	**21**	**–**	**21**
–	**–**	**–**	**–**	**–**	**4**	**–**	**4**
–	**–**	**–**	**–**	**1**	**–**	**–**	**–**
–	**–**	**–**	**–**	**(1,444)**	**(1,444)**	**(128)**	**(1,572)**
1	**(48)**	**456**	**106**	**66,083**	**74,431**	**3,206**	**77,637**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$ million	2017 HK$ million
Operating activities			
Profit before taxation		**6,800**	4,097
Adjustments for:			
Other income		**–**	(261)
Net interest income		**(78)**	(69)
Other gains and losses		**16**	–
Loss on disposal of property, plant and equipment		**–**	7
Depreciation of property, plant and equipment		**17**	22
Share-based payment expenses		**4**	4
Finance costs		**222**	158
Change in fair value of investment properties		**(3,532)**	(853)
Share of results of associates		**(288)**	(220)
Operating cash flows before movements in working capital		**3,161**	2,885
Increase in accounts and other receivables		**(102)**	(12)
Increase in accounts payable and accruals		**60**	49
Increase (decrease) in deposits from tenants		**105**	(22)
Cash generated from operations		**3,224**	2,900
Hong Kong Profits Tax paid		**(475)**	(416)
Hong Kong Profits Tax refunded		**2**	6
Net cash from operating activities		**2,751**	2,490
Investing activities			
Payments in respect of investment properties		**(1,239)**	(2,126)
Purchases of property, plant and equipment		**(26)**	(14)
Advance to associates		**(1)**	(10)
Dividends received from an associate		**184**	178
Advance to a joint venture		**(56)**	(63)
Repayment from a joint venture		**–**	998
Payment in respect of fund investment		**(290)**	(21)
Proceeds upon maturity of term notes		**500**	431
Interest received		**58**	38
Additions to time deposits with original maturity over three months		**(1,722)**	(2,647)
Proceeds upon maturity of time deposits with original maturity over three months		**1,602**	3,282
Net cash (used in) from investing activities		**(990)**	46
Financing activities			
Payment of finance costs		**(221)**	(215)
New bank loans	31	**–**	1,410
Repayment of bank loans	31	**–**	(1,540)
Issuance of fixed rate note	31	**300**	–
Repayment of fixed rate note	31	**(150)**	–
Repayment to non-controlling interest of a subsidiary		**(104)**	–
Proceeds on exercise of share options		**21**	15
Dividends paid		**(1,444)**	(1,411)
Dividends paid to non-controlling interests of a subsidiary		**(128)**	(128)
Net cash used in financing activities		**(1,726)**	(1,869)
Net increase in cash and cash equivalents		**35**	667
Cash and cash equivalents as at 1 January		**2,034**	1,367
Cash and cash equivalents as at 31 December	24	**2,069**	2,034

Significant Accounting Policies

For the year ended 31 December 2018

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

The principal accounting policies adopted are as follows:

1. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity attributable to owners of the Company therein.

Total comprehensive income and expenses of a subsidiary are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of parties sharing control.

The results, assets and liabilities of associate or joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associate or joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associate or joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

2. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE continued

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When an objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its associate or joint venture, profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of the interests in the associate or joint venture that are not related to the Group.

3. INVESTMENT PROPERTIES

Investment properties are properties held to earn rental and/or for capital appreciation including properties under redevelopment for such proposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under redevelopment are capitalised as part of the carrying amount of the investment properties under redevelopment. Investment properties under redevelopment are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under redevelopment and their carrying amount is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Any revaluation increase arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in the properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

5. IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of their assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, except for certain properties which are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

6. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value except for accounts receivables arising from contract with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(a) Classification of financial assets

Debt instruments and hybrid contracts that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at FVTPL on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost and is included in the investment income as disclosed in note 6 of the Notes to the Consolidated Financial Statements section.

6. FINANCIAL INSTRUMENTS continued

Financial assets continued

(a) Classification of financial assets continued

(ii) Financial assets at FVTPL

Financial assets at FVTPL include derivatives that are not designated and effective as hedging instruments, club debentures and fund investment.

Investments in equity instruments are classified as FVTPL, unless the Group designates such investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition.

Debt instruments that do not meet the amortised cost criteria (see (a) above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria may be designated as at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in other gains and losses. Fair value is determined in the manner described in note 4 of the Financial Risk Management section.

The Group has not designated any debt instrument as at FVTPL or reclassified any debt instruments to or from FVTPL since the application of the 2010 version of the Hong Kong Financial Reporting Standard ("HKFRS") 9 "Financial Instruments".

Interest income on debt instruments at FVTPL is included in the other gains or losses described above.

(b) Impairment of financial assets

Impairment under HKAS 39 prior to 1 January 2018

Financial assets subsequently measured at amortised cost are assessed for indicators of impairment at the end of the reporting period. These financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after their initial recognition, the estimated future cash flows have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all categories with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

6. FINANCIAL INSTRUMENTS continued

Financial assets continued

(b) Impairment of financial assets continued

Impairment under HKAS 39 prior to 1 January 2018 continued

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment under Expected Credit Losses ("ECL") model at and after 1 January 2018

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on both quantitative and qualitative information combined with current conditions and forward-looking analysis. The Group evaluates the financial instruments on a collective basis, taking into account the instrument type, maturity date, and other relevant information with reference to the default rates of the counter parties of the instruments.

The Group recognises lifetime ECL for accounts receivables. The ECL on these assets are assessed individually for debtors with significant balances. For financial assets at amortised cost, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Measurement and recognition of ECL

The measurement of ECL is a function of probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the discount rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payment to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial assets unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of account receivables, term notes and loans to a joint venture where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

6. FINANCIAL INSTRUMENTS continued

Financial assets continued

(c) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, except for a financial asset that is classified as FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

(a) Classification and measurement

Financial liabilities and equity instruments issued by a group entity are classified as financial liabilities or equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into (i) financial liabilities at FVTPL and (ii) other financial liabilities subsequently measured at amortised cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for financial liabilities, other than those financial liabilities at FVTPL, of which the interest expense is included in other gains or losses.

(ii) Financial liabilities at FVTPL

Financial liabilities at FVTPL, representing those as held for trading, comprise derivatives that are not designated and effective as hedging instruments.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

(iii) Financial liabilities at amortised cost

Financial liabilities (including accounts payable and accruals, amounts due to non-controlling interests and borrowings) are subsequently measured at amortised cost, using the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in finance costs as disclosed in note 7 of the Notes to the Consolidated Financial Statements section.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to repurchase the Company's own equity instruments is deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contract is measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/the amount of obligation determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (before application of HKFRS 9 on 1 January 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

6. FINANCIAL INSTRUMENTS continued

Financial liabilities and equity instruments continued

(b) Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments and hedging

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 22 of the Notes to the Consolidated Financial Statements section.

Derivatives are initially recognised at fair value at the date a derivative contract is entered and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Note 22 of the Notes to the Consolidated Financial Statements section sets out details of the fair values of the derivative instruments used for hedging purposes.

(a) Cash flow hedges

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in other gains or losses.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item.

Upon discontinuation of the hedging relationship of a cash flow hedge, any cumulative gain or loss accumulated in hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

(b) Discontinuation of hedges

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

7. REVENUE RECOGNITION

The Group recognises revenue from the following major sources:

- Leasing of investment properties
- Provision of property management services

The Group's accounting policies for rental income are included under "Leases" and accounting policies for revenue from property management services are as below:

Prior to 1 January 2018
Revenue is measured at the fair value of the consideration received or receivable.

Management fee income is recognised when services are rendered.

Upon application of HKFRS 15 at 1 January 2018 and after
Revenue is measured at the fair value of the consideration received or receivable.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue 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.

A performance obligation represents goods and services (or a bundle of goods or services) that are distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue from provision of property management services is recognised over time.

8. LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Contingent rent is recognised when earned. For early termination of leases, surrender compensation from tenant is recognised in profit or loss only upon fulfilment of all conditions set out in the surrender agreement.

9. FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in translation reserve.

10. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

11. RETIREMENT BENEFIT COSTS

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

12. TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, and interests in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

12. TAXATION continued

(b) Deferred tax continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property”, such properties’ value is presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 “Income Taxes” (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

13. EQUITY-SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

14. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

1. GENERAL

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Shareholder Information" section of the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are property investment, management and development.

These consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied all of the new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2018. Except as described below, the application of these new and amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

HKFRS 15 "Revenue from Contracts with Customers"

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

HKFRS 9 "Financial Instruments"

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

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

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement". Accounting policies resulting from application of HKFRS 9 are disclosed in the "Significant Accounting Policies" section.

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

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

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") continued

New and amendments to HKFRSs that are mandatorily effective for the current year continued

HKFRS 9 "Financial Instruments" continued

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

[5] Effective for annual periods beginning on or after a date to be determined.

Except for the new HKFRS mentioned below, the Directors of the Company anticipate that the application of these new standards, amendments and interpretations to HKFRSs will have no material impact on the Group's accounting policies, results and financial position.

The Group intends to elect the practical expedient not to reassess whether a contract is or contains a lease as at the date of initial application of HKFRS 16. The Group currently considers refundable deposits received of HK$1,000 million as at 31 December 2018 as obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of deposits may be adjusted to amortised cost upon application of HKFRS 16. Adjustments to refundable deposits received would be considered as advance lease payments from lessees. The Group expects that application of the HKFRS 16 will have no material impact to the net assets of the Group as at 1 January 2019 (date of initial application of HKFRS 16) for leases in which the Group is the lessor.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in the "Significant Accounting Policies" section, the management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

At the end of the reporting period, the Group's investment properties are stated at fair value of HK$77,442 million (2017: HK$72,470 million) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates and reversionary income potential taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In relying on the valuation, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions.

4. TURNOVER

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

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

As at 31 December 2018, the Group has unsatisfied performance obligations in relation to the management fee income from provision of property management services with aggregate amount of the transaction price allocated approximately to HK$930 million subject to any further revision as set out in the existing contracts. Management expects that the revenue from such services are to be recognised in respective time bands similar to the future minimum lease payments that the Group has contracted with tenants as disclosed under note 34 of the Notes to the Consolidated Financial Statements section.

For revenue from provision of property management services recognised over time in Hong Kong, the categories for disaggregation of revenue are consistent with the segment disclosure under note 5 of the Notes to the Consolidated Financial Statements section.

5. SEGMENT INFORMATION

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development and sale of properties

Segment turnover and results

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

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

5. SEGMENT INFORMATION continued

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

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

Segment assets

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

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

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

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

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

5. SEGMENT INFORMATION continued

Other segment information

	Retail HK$ million	Office HK$ million	Residential HK$ million	Property development HK$ million	Consolidated HK$ million
For the year ended 31 December 2018					
Additions to non-current assets	**1,133**	**202**	**28**	**–**	**1,363**
For the year ended 31 December 2017					
Additions to non-current assets	826	22	7	–	855
Additions to investment properties under redevelopment *(Note)*					1,129
					1,984

Note:

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

6. INVESTMENT INCOME

The following is an analysis of investment income:

	2018 HK$ million	2017 HK$ million
Interest income	**44**	51
Imputed interest income on interest-free loan to a joint venture	**29**	28
Reclassification of net losses (gain) from hedging reserve on financial instruments designated as cash flow hedges	**5**	(10)
	78	69

7. FINANCE COSTS

	2018 HK$ million	2017 HK$ million
Finance costs comprise:		
Interest on unsecured bank loans	**33**	22
Interest on unsecured fixed rate notes	**173**	175
Total interest expenses	**206**	197
Other finance costs	**11**	7
Less: amounts capitalised *(Note)*	**–**	(51)
	217	153
Net exchange losses on borrowings	**4**	19
Reclassification of net losses from hedging reserve on financial instruments designated as cash flow hedges	**(2)**	(16)
Medium Term Note Programme expenses	**3**	2
	222	158

Note:

During the year ended 31 December 2017, interest expenses have been capitalised to investment properties under redevelopment at an average interest rate of 3.41 % per annum.

8. TAXATION

	2018 HK$ million	2017 HK$ million
Current tax		
Hong Kong Profits Tax		
– current year	**425**	458
– overprovision in prior years	**(2)**	(2)
	423	456
Deferred tax *(note 28)*	**58**	28
	481	484

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

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2018 HK$ million	2017 HK$ million
Profit before taxation	**6,800**	4,097
Tax at Hong Kong Profits Tax rate of 16.5 %	**1,122**	676
Tax effect of share of results of associates	**(48)**	(36)
Tax effect of expenses not deductible for tax purposes	**40**	245
Tax effect of income not taxable for tax purposes	**(634)**	(393)
Tax effect of estimated tax losses not recognised	**11**	18
Recognition of previously unrecognised tax losses	**(8)**	(24)
Overprovision in prior years	**(2)**	(2)
Taxation for the year	**481**	484

In addition to the amount charged to the consolidated statement of profit or loss, deferred tax relating to the revaluation of the Group's properties held for own use has been charged directly to properties valuation reserve (see note 28 of the Notes to the Consolidated Financial Statements section).

9. PROFIT FOR THE YEAR

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

Note:

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

10. OTHER COMPREHENSIVE (EXPENSES) INCOME

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

Tax effect relating to other comprehensive (expenses) income:

	2018			2017		
	Before-tax amount HK$ million	**Tax expense HK$ million**	**Net-of-tax amount HK$ million**	Before-tax amount HK$ million	Tax expense HK$ million	Net-of-tax amount HK$ million
Gains on revaluation of properties held for own use	**56**	**(9)**	**47**	46	(8)	38
Net adjustments to hedging reserve	**(5)**	**–**	**(5)**	(55)	–	(55)
Share of translation reserve of an associate	**(172)**	**–**	**(172)**	240	–	240
	(121)	**(9)**	**(130)**	231	(8)	223

11. DIRECTORS' EMOLUMENTS

	2018 HK$ million	2017 HK$ million
Directors' fees	**3**	3
Other emoluments		
Basic salaries, housing and other allowances	**8**	7
Bonus *(Notes d & f)*	**14**	13
Share-based payments	**2**	2
	27	25

11. DIRECTORS' EMOLUMENTS continued

The emoluments paid or payable to each of the Directors of the Company for the two years ended 31 December 2018 and 2017, calculated with reference to their employment as Directors of the Company or for provision of other services to the Company and the Group, are set out below:

	Directors' fees HK$'000 *(Note e)*	Basic salaries, housing and other allowances HK$'000 *(Note d)*	Bonus HK$'000 *(Note d)*	Share-based payments HK$'000 *(Note g)*	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2018						
Executive Director *(Note a)*						
Lee Irene Yun-Lien	–	7,694	14,616	1,762	18	24,090
Non-Executive Directors *(Note b)*						
Jebsen Hans Michael	270	–	–	–	–	270
Lee Anthony Hsien Pin	310	–	–	–	–	310
Lee Chien	290	–	–	–	–	290
Lee Tze Hau Michael	280	–	–	–	–	280
Independent Non-Executive Directors *(Note c)*						
Churchouse Frederick Peter	310	–	–	–	–	310
Fan Yan Hok Philip	420	–	–	–	–	420
Lau Lawrence Juen-Yee	260	–	–	–	–	260
Poon Chung Yin Joseph	465	–	–	–	–	465
Wong Ching Ying Belinda *(Note h)*	10	–	–	–	–	10
	2,615	7,694	14,616	1,762	18	26,705

	Directors' fees HK$'000 *(Note e)*	Basic salaries, housing and other allowances HK$'000 *(Note f)*	Bonus HK$'000 *(Note f)*	Share-based payments HK$'000 *(Note g)*	Retirement benefits scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2017						
Executive Director *(Note a)*						
Lee Irene Yun-Lien	–	7,103	13,150	1,872	18	22,143
Non-Executive Directors *(Note b)*						
Jebsen Hans Michael	255	–	–	–	–	255
Lee Anthony Hsien Pin	295	–	–	–	–	295
Lee Chien	275	–	–	–	–	275
Lee Tze Hau Michael	265	–	–	–	–	265
Lau Siu Chuen *(Note i)*	83	–	–	–	–	83
Independent Non-Executive Directors *(Note c)*						
Churchouse Frederick Peter	295	–	–	–	–	295
Fan Yan Hok Philip	405	–	–	–	–	405
Lau Lawrence Juen-Yee	245	–	–	–	–	245
Poon Chung Yin Joseph *(Note j)*	446	–	–	–	–	446
	2,564	7,103	13,150	1,872	18	24,707

11. DIRECTORS' EMOLUMENTS continued

Notes:

(a) The Executive Director's emoluments shown above were for the services in connection with the management of the affairs of the Company and the Group.

(b) The Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.

(c) The Independent Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.

(d) Year 2018:

The Remuneration Committee met in February 2018 to approve the 2018 annual fixed base salary and the annual special fee and determine the 2017 performance-based bonus of the Company's Executive Director.

The annual cash compensations of Lee Irene Yun-Lien, Chairman, remained at HK$15,386,000 based on market benchmark, and the jobholder's experience, qualification, and performance. Annual base salary of Lee Irene Yun-Lien remained unchanged at HK$5,130,000 and annual special fee in recognition of extra responsibilities she assumed was HK$2,564,000 (making up 50 % of the total package).

For the year ended 31 December 2018, the bonus of HK$14,616,000 represented the 2018 bonus approved by the Committee in January 2019.

(e) Last revision of annual Directors' fees for serving on the Board (effective 1 June 2018) were approved by shareholders at the 2018 AGM. Details are set out in Remuneration Committee Report.

Directors' fees are calculated on annual basis and paid semi-annually. For Directors not having served the full year on a position, the fees will be calculated and paid on pro rata basis.

Breakdown of Directors' fees of each of the Directors of the Company for the year ended 31 December 2018 is set out below:

	Board	Audit and Risk Management Committee *(Note k)*	Remuneration Committee	Strategy Committee *(Note l)*	Nomination Committee	**2018 Total**	2017 Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
Executive Director							
Lee Irene Yun-Lien	–	–	–	–	–	**–**	–
Non-Executive Directors							
Jebsen Hans Michael	240	–	–	30	–	**270**	255
Lee Anthony Hsien Pin	240	70	–	–	–	**310**	295
Lee Chien	240	–	–	30	20	**290**	275
Lee Tze Hau Michael	240	–	40	–	–	**280**	265
Lau Siu Chuen *(Note i)*	–	–	–	–	–	**–**	83
Independent Non-Executive Directors							
Churchouse Frederick Peter	240	70	–	–	–	**310**	295
Fan Yan Hok Philip	240	70	60	30	20	**420**	405
Lau Lawrence Juen-Yee	240	–	–	–	20	**260**	245
Poon Chung Yin Joseph *(Note j)*	240	135	40	30	20	**465**	446
Wong Ching Ying Belinda *(Note h)*	10	–	–	–	–	**10**	–
	1,930	345	140	120	80	**2,615**	2,564

(f) Year 2017:

The Remuneration Committee met in February 2017 to approve the 2017 annual fixed base salary and the annual special fee and determine the 2016 performance-based bonus of the Company's Executive Director.

The annual cash compensations of Lee Irene Yun-Lien, Chairman, was revised to HK$15,386,000 based on market benchmark, and the jobholder's experience, qualification, and performance. Annual base salary of Lee Irene Yun-Lien was at HK$5,130,000 and annual special fee in recognition of extra responsibilities she assumed was HK$2,564,000 (making up 50 % of the total package).

For the year ended 31 December 2017, the bonus of HK$13,150,000 represented the 2017 bonus of HK$12,693,000 approved by the Committee in February 2018, and adjustments for 2016 bonus accrued in 2016. The performance-based bonus for 2016 approved by the Committee and paid to Executive Director in March 2017 was amounted to HK$10,257,000.

(g) Share-based payments are the fair values of share options granted to Executive Director, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Director exercises the share options or not during the year. Details of the share option schemes are set out in note 37 of the Notes to the Consolidated Financial Statements section.

(h) Wong Ching Ying Belinda was appointed as an Independent Non-Executive Director with effect from 18 December 2018.

(i) Lau Siu Chuen ceased as a Non-Executive Director with effect from the conclusion of the 2017 AGM.

(j) Poon Chung Yin Joseph was appointed as a member of the Strategy Committee with effect from 22 February 2017.

(k) The Audit Committee was renamed as "Audit and Risk Management Committee" with effect from 21 February 2019.

(l) The Strategy Committee was discontinued and assumed by the Board with effect from 1 January 2019.

11. DIRECTORS' EMOLUMENTS continued

There was no arrangement under which a Director waived or agreed to waive any remuneration during both years.

There was no payment to a Director as inducement for Director to join the Group or compensation for the loss of office as a Director in connection with the management of the affairs of any member of the Group during both years.

Details of material interests of the Directors of the Company in transactions, arrangements or contracts entered into by subsidiaries of the Company are disclosed in the Directors' Report.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2017: one) was Director of the Company, details of whose emoluments are included in note 11 of the Notes to the Consolidated Financial Statements section. The emoluments of all of the five individuals with the highest emoluments for the years ended 31 December 2018 and 2017 were as follows:

	2018 HK$ million	2017 HK$ million
Basic salaries, housing and other allowances	**21**	20
Bonus	**20**	17
Share-based payments *(Note)*	**3**	3
	44	40

Note:

Share-based payments are the fair values of share options granted to Executive Director and eligible employees, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Director or eligible employees exercise the share options or not during the year.

Their emoluments are within the following bands:

	Number of individuals	
	2018	2017
HK$4,000,001 to HK$4,500,000	**1**	3
HK$4,500,001 to HK$5,000,000	**2**	1
HK$6,500,001 to HK$7,000,000	**1**	–
HK$22,000,001 to HK$22,500,000	**–**	1
HK$24,000,001 to HK$24,500,000	**1**	–
	5	5

Senior management (for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules")) during the year are Executive Director and other members of senior management of the Group. Their emoluments are within the following bands.

	Number of individuals	
	2018	2017
HK$2,000,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$5,000,000	**3**	5
HK$6,000,001 to HK$7,000,000	**1**	–
HK$22,000,001 to HK$23,000,000	**–**	1
HK$24,000,001 to HK$25,000,000	**1**	–
	7	6

13. DIVIDENDS

(a) Dividends recognised as distribution during the year:

	2018 HK$ million	2017 HK$ million
2018 first interim dividend paid – HK27 cents per share	**283**	–
2017 first interim dividend paid – HK26 cents per share	**–**	272
2017 second interim dividend paid – HK111 cents per share	**1,161**	–
2016 second interim dividend paid – HK109 cents per share	**–**	1,139
	1,444	1,411

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

	2018 HK$ million	2017 HK$ million
Second interim dividend (in lieu of a final dividend) – HK117 cents per share (2017: HK111 cents per share)	**1,224**	1,161

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

14. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

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

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

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

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

14. EARNINGS PER SHARE continued

(b) Adjusted basic and diluted earnings per share

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

For the year ended 31 December 2018

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

For the year ended 31 December 2017

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

Notes:

(a) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature. As there were no such adjustments in 2018, the Recurring Underlying Profit was the same as the Underlying Profit.

(b) The denominators used in calculating the adjusted earnings per share are the same as those detailed above for basic and diluted earnings per share.

15. INVESTMENT PROPERTIES

	2018 HK$ million	2017 HK$ million
Fair Value		
As at 1 January	**72,470**	69,633
Additions	**1,363**	1,984
Transfer from property, plant and equipment	**77**	–
Change in fair value recognised in profit or loss – unrealised	**3,532**	853
As at 31 December	**77,442**	72,470

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Fair value measurements and valuation processes

The fair value of the Group's investment properties as at 31 December 2018 and 2017 and the date of transfer from property, plant and equipment to investment properties has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's investment properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties.

The value of the completed investment properties is derived from the basis of capitalisation of net income with due allowance for the reversionary income potential but without allowances for any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sale comparables.

There has been no change to the valuation technique during the year for completed properties.

All of the fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy. Details of fair value hierarchy are set out as below.

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

Fair value measurements using significant unobservable inputs (Level 3)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of the Group's investment properties by operating and reportable segment.

	Retail HK$ million	Office HK$ million	Residential HK$ million	Investment properties under redevelopment HK$ million	Total HK$ million
As at 1 January 2017	33,082	23,832	7,859	4,860	69,633
Additions	826	22	7	1,129	1,984
Change in fair value recognised in profit or loss – unrealised	(1,994)	1,773	91	983	853
Transfer upon completion	1,274	5,698	–	(6,972)	–
As at 31 December 2017	33,188	31,325	7,957	–	72,470
Additions	**1,133**	**202**	**28**	**–**	**1,363**
Transfer from property, plant and equipment	**77**	**–**	**–**	**–**	**77**
Change in fair value recognised in profit or loss – unrealised	**704**	**2,632**	**196**	**–**	**3,532**
As at 31 December 2018	**35,102**	**34,159**	**8,181**	**–**	**77,442**

15. INVESTMENT PROPERTIES continued

Information about fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for investment properties by operating and reportable segment and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December 2018 HK$ million	Fair value as at 31 December 2017 HK$ million	Valuation techniques	Unobservable inputs	Range/ weighted average of unobservable inputs	Relationship of unobservable inputs to fair value
Retail	**35,102**	33,188	Income capitalisation approach	(i) Capitalisation rate	5.00 % – 5.25 % (2017: 5.00 % – 5.25 %)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK$134 per square foot (2017: HK$132 per square foot)	The higher the market rent, the higher the fair value.
Office	**34,159**	31,325	Income capitalisation approach	(i) Capitalisation rate	4.25 % – 5.00 % (2017: 4.25 % – 5.00 %)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK$58 per square foot (2017: HK$54 per square foot)	The higher the market rent, the higher the fair value.
Residential	**8,181**	7,957	Income capitalisation approach	(i) Capitalisation rate	3.75 % (2017: 3.75 %)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK$37 per square foot (2017: HK$36 per square foot)	The higher the market rent, the higher the fair value.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK$ million *(Note)*	Furniture, fixtures and equipment HK$ million	Computers HK$ million	Motor vehicles HK$ million	Total HK$ million
COST OR VALUATION					
As at 1 January 2017	682	116	60	2	860
Additions	–	3	11	–	14
Disposals	–	(20)	(1)	–	(21)
Surplus on revaluation	40	–	–	–	40
As at 31 December 2017	722	99	70	2	893
Additions	**–**	**17**	**16**	**1**	**34**
Disposals	**–**	**–**	**–**	**(1)**	**(1)**
Transfer to investment properties	**(77)**	**–**	**–**	**–**	**(77)**
Surplus on revaluation	**51**	**–**	**–**	**–**	**51**
As at 31 December 2018	**696**	**116**	**86**	**2**	**900**
Comprising:					
At cost	–	116	86	2	204
At valuation 2018	696	–	–	–	696
	696	116	86	2	900
ACCUMULATED DEPRECIATION					
As at 1 January 2017	–	95	44	1	140
Provided for the year	6	10	6	–	22
Eliminated on disposals	–	(13)	(1)	–	(14)
Eliminated on revaluation	(6)	–	–	–	(6)
As at 31 December 2017	–	92	49	1	142
Provided for the year	**5**	**5**	**7**	**–**	**17**
Eliminated on disposals	**–**	**–**	**–**	**(1)**	**(1)**
Eliminated on revaluation	**(5)**	**–**	**–**	**–**	**(5)**
As at 31 December 2018	**–**	**97**	**56**	**–**	**153**
CARRYING AMOUNTS					
As at 31 December 2018	**696**	**19**	**30**	**2**	**747**
As at 31 December 2017	722	7	21	1	751

16. PROPERTY, PLANT AND EQUIPMENT continued

The above items of property, plant and equipment are depreciated on a straight-line basis over the following terms or at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 40 years
Furniture, fixtures and equipment	20 %
Computers	20 %
Motor vehicles	25 %

Note:

Fair value measurements and valuation processes

The fair value of the Group's leasehold land and buildings in Hong Kong as at 31 December 2018 and 2017 has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's leasehold land and buildings in Hong Kong have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the properties, the management of the Group has considered the highest and best use of the properties. The value was derived from the basis of capitalisation of net income with due allowance for the reversionary income potential but without allowance of any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sale comparables. There has been no change to the valuation technique during the year.

All of the fair value measurements of the Group's leasehold land and buildings in Hong Kong were categorised into Level 3 of the fair value hierarchy. Details of fair value hierarchy are set out as below.

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

Information about fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for the Group's leasehold land and buildings in Hong Kong and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Unobservable inputs	Range/ weighted average of unobservable inputs	Relationship of unobservable inputs to fair value
	2018 HK$ million	2017 HK$ million				
Leasehold land and buildings in Hong Kong	**696**	722	Income capitalisation approach	(i) Capitalisation rate	4.25 % – 5.25 % (2017: 4.25 % – 5.25 %)	The higher the capitalisation rate, the lower the fair value.
				(ii) Market rent per month	HK$68 per square foot (2017: HK$62 per square foot)	The higher the market rent, the higher the fair value.

The gains of HK$56 million (2017: HK$46 million) arising on revaluation have been recognised in other comprehensive income and accumulated in properties revaluation reserve.

Had the Group's land and buildings been measured on at historical cost less subsequent accumulated depreciation, their carrying amounts would have been HK$161 million (2017: HK$243 million) at the end of the reporting period.

Furniture, fixtures and equipment of the Group include assets carried at cost of HK$47 million (2017: HK$34 million) and accumulated depreciation of HK$32 million (2017: HK$29 million) in respect of assets held for leasing out under operating leases. Depreciation charges in respect of those assets for the year amounted to HK$3 million (2017: HK$2 million).

17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the principal subsidiaries of the Company as at 31 December 2018 and 2017:

Name of subsidiary	Place of incorporation/ operation	Issued share capital	Proportion of ownership interests/ voting rights held by the Company		Principal activities
			directly	indirectly	
Admore Investments Limited	Hong Kong	HK$2	100 %	–	Investment holding
Alpha Ace Limited	Hong Kong	HK$1	–	100 %	Property development
Bamboo Grove Recreational Services Limited	Hong Kong	HK$2	–	100 %	Resident club management
Barrowgate Limited	Hong Kong	HK$10,000	–	65.36 %	Property investment
Earn Extra Investments Limited	Hong Kong	HK$1	–	100 %	Property investment
HD Investment Limited	British Virgin Islands	HK$1	–	100 %	Investment holding
HD Treasury Limited	Hong Kong	HK$2	100 %	–	Treasury operation
Hysan China Holdings Limited	British Virgin Islands	HK$1	100 %	–	Investment holding
Hysan Corporate Services Limited	Hong Kong	HK$2	100 %	–	Provision of corporate services
Hysan Leasing Company Limited	Hong Kong	HK$2	100 %	–	Leasing administration
Hysan (MTN) Limited	British Virgin Islands/ Hong Kong	US$1	100 %	–	Treasury operation
Hysan Property Management Limited	Hong Kong	HK$2	100 %	–	Property management
Hysan Treasury Limited	Hong Kong	HK$2	100 %	–	Treasury operation
Kwong Hup Holding Limited	British Virgin Islands	HK$1	100 %	–	Investment holding
Kwong Wan Realty Limited	Hong Kong	HK$1,000	100 %	–	Property investment
Lee Theatre Realty Limited	Hong Kong	HK$10	–	100 %	Property investment
Leighton Property Company Limited	Hong Kong	HK$2	–	100 %	Property investment
Minsal Limited	Hong Kong	HK$2	100 %	–	Property investment
Main Rise Development Limited	Hong Kong	HK$2	–	100 %	Investment holding
Mariner Bay Limited	British Virgin Islands/ Hong Kong	US$1	–	100 %	Investment holding
Mondsee Limited	Hong Kong	HK$2	100 %	–	Property investment
OHA Property Company Limited	Hong Kong	HK$2	–	100 %	Property investment
Perfect Win Properties Limited	Hong Kong	HK$2	–	100 %	Property investment
Silver Nicety Company Limited	Hong Kong	HK$20	–	100 %	Property investment

The Directors of the Company are of the opinion that a complete list of all subsidiaries and their particulars will be of excessive length and therefore the above table contains only those subsidiaries which materially contribute to the net income of the Group or hold a material portion of the assets or liabilities or otherwise are operating subsidiaries of the Company. Other than unsecured fixed rate notes issued by Hysan (MTN) Limited ("Hysan MTN") as disclosed in note 27 of the Notes to the Consolidated Financial Statements section, none of the subsidiaries had issued any debt securities at the end of the reporting period.

17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY continued

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Barrowgate Limited

	2018 HK$ million	2017 HK$ million
Current assets	**347**	699
Non-current assets	**9,886**	9,427
Current liabilities	**(785)**	(1,160)
Non-current liabilities	**(193)**	(166)
Equity attributable to owners of the Company	**6,049**	5,752
Non-controlling interests	**3,206**	3,048
Turnover	**584**	628
Profit (loss) and total comprehensive income (expenses) for the year	**825**	(62)
Profit (loss) and total comprehensive income (expenses) attributable to owner of the Company	**539**	(40)
Profit (loss) and total comprehensive income (expenses) attributable to the non-controlling interests	**286**	(22)
Dividends paid to non-controlling interests	**128**	128
Net cash inflows from operating activities	**347**	400
Net cash inflows (outflows) from investing activities	**380**	(571)
Cash outflows from financing activities	**(670)**	(370)
Net cash inflows (outflows)	**57**	(541)

18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES

	2018 HK$ million	2017 HK$ million
Cost of unlisted investments	**2**	2
Share of post-acquisition profits and other comprehensive income, net of dividends received	**3,706**	3,777
	3,708	3,779
Loans to associates classified as:		
Non-current assets	**11**	10

The balances of loans to associates are unsecured, interest-free and have no fixed repayment terms. The Directors of the Company are of the opinion that the Group will not demand repayment from the associates within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets.

18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES continued

The Directors of the Company are of the opinion that a complete list of all associates will be of excessive length and the Group summarises details of the Group's material associate as at 31 December 2018 and 2017 as follows:

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Class of share held/ registered capital	Effective interest held by the Group	Principal activities
Country Link Enterprises Limited *(Note)*	Private limited company	Hong Kong	Ordinary share of HK$5,000,000	26.3 %	Investment holding
Shanghai Kong Hui Property Development Co., Ltd. *(Note)*	Sino-Foreign equity joint venture	The PRC	US$165,000,000#	24.7 %	Property development and leasing
Shanghai Grand Gateway Plaza Property Management Co., Ltd. *(Note)*	Sino-Foreign equity joint venture	The PRC	US$140,000#	23.7 %	Property management

Fully paid-up registered capital

Note:

Shanghai Kong Hui Property Development Co., Ltd. and Shanghai Grand Gateway Plaza Property Management Co., Ltd. are non-wholly owned subsidiaries of Country Link Enterprises Limited, together known as "Country Link".

The summarised consolidated financial information in respect of the Group's material associate is set out below. The summarised consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs. All of the Group's associates are accounted for using the equity method in the Group's consolidated financial statements.

Country Link

	2018 HK$ million	2017 HK$ million
Current assets	**1,953**	2,179
Non-current assets	**18,292**	18,328
Current liabilities	**(1,001)**	(991)
Non-current liabilities	**(4,214)**	(4,234)
Turnover	**1,397**	1,432
Profit for the year	**1,195**	897
Other comprehensive (expenses) income for the year	**(699)**	974
Total comprehensive income for the year	**496**	1,871
Group's share of results of an associate for the year	**294**	220
Group's share of other comprehensive (expense) income of an associate for the year	**(172)**	240
Dividends received from the associate during the year	**184**	178

18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES continued

Country Link continued

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in the associate that is material to the Group recognised in the consolidated financial statements:

	2018 HK$ million	2017 HK$ million
Net assets of the associate	15,030	15,282
Non-controlling interests of the associate	(887)	(901)
Net assets of the associate after deducting non-controlling interests of the associate	14,143	14,381
Proportion of the Group's ownership interest in the associate	26.3%	26.3 %
Group's share of net assets of the associate	3,720	3,784
Others	(5)	(5)
Carrying amount of the Group's interest in the associate	3,715	3,779

19. INVESTMENT IN A JOINT VENTURE AND LOANS TO A JOINT VENTURE

Details of the Group's investment in and loans to a joint venture are as follow:

	2018 HK$ million	2017 HK$ million
Investment in a joint venture		
Unlisted shares, at cost	–	–
Deemed capital contribution in a joint venture *(Note a)*	145	147
	145	147
Loans to a joint venture classified as:		
Non-current assets *(Note b)*	1,062	982

Notes:

(a) The deemed capital contribution in a joint venture represents the fair value adjustments in relation to the loan to a joint venture at initial recognition based on the estimated timing on future cash flows.

(b) The loans to a joint venture are unsecured and have no fixed repayment terms. As at 31 December 2018, except for the loans to a joint venture with aggregate carrying amounts of HK$120 million (2017: HK$63 million) which are carrying variable rates ranging from 2.73 % to 4.24 % (2017: 2.36 % to 3.00 %) per annum, the remaining loan to a joint venture of the Group is interest-free. The Directors of the Company are of the opinion that the Group will not demand repayment of the loans from the joint venture within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets. The effective interest rate for imputed interest income on the interest-free portion is determined based on the cost of fund of the borrower per annum.

19. INVESTMENT IN A JOINT VENTURE AND LOANS TO A JOINT VENTURE continued

Details of the Group's joint venture as at 31 December 2018 and 2017 are as follows:

Name of joint venture	Place of incorporation and operation	Class of share held	Effective ownership interest and voting rights held by the Group	Principal activities
Strongbod Limited *(Note a)*	British Virgin Islands	Ordinary shares of US$10	60% *(Note b)*	Investment holding
Gainwick Limited *(Note a)*	Hong Kong	Ordinary share of HK$1	60% *(Note b)*	Property development and investment

Notes:

(a) Gainwick Limited is a wholly owned subsidiary of Strongbod Limited, together known as "Strongbod".

(b) Pursuant to the shareholder's agreement dated 5 December 2016, entered into by the Group, the joint venture partner and Strongbod, decisions on all relevant business and operation activities of Strongbod require unanimous board approval from directors of Strongbod appointed by the Group and those appointed by the joint venture partner. Therefore, the Group recognised the investment in Strongbod as a joint venture.

The summarised consolidated financial information in respect of the Group's material joint venture is set out below. The summarised consolidated financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with HKFRSs. The joint venture is accounted for using the equity method in the Group's consolidated financial statements. There was no material share of post-acquisition profits and other comprehensive income in both years.

Strongbod

	2018 HK$ million	2017 HK$ million
Current assets	**3,618**	3,513
Current liabilities	**17**	11
Non-current liabilities	**3,601**	3,502

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in the joint venture that is material to the Group recognised in the consolidated financial statements:

	2018 HK$ million	2017 HK$ million
Net assets of the joint venture	**–**	–
Proportion of the Group's ownership interest in the joint venture	**60%**	60%
Group's share of net assets of the joint venture	**–**	–
Add: Deemed capital contribution in the joint venture	**145**	147
Carrying amount of the Group's interest in the joint venture	**145**	147

20. FUND INVESTMENT

The balance represents the Group's interest in a fund investment as limited partner. The fund investment engages in property investment in Hong Kong and overseas projects. The fund investment is classified as fair value through profit or loss ("FVTPL").

21. TERM NOTES

	2018 HK$ million	2017 HK$ million
Term notes, at amortised cost, comprise:		
– Debt securities listed in Hong Kong	**196**	604
– Debt securities listed in overseas	**31**	102
– Unlisted debt securities	**–**	31
Total	**227**	737
Analysed for reporting purposes as:		
Current assets	**227**	509
Non-current assets	**–**	228
	227	737

As at 31 December 2018, the effective yield of the debt securities ranged from 1.81 % to 2.09 % (2017: 1.81 % to 2.60 %) per annum, payable quarterly, semi-annually or annually, and the securities will mature from January 2019 to July 2019 (2017: from January 2018 to July 2019). At the end of the reporting period, none of these assets were past due but not impaired.

Details of the impairment assessment of term notes for the year ended 31 December 2018 are set out in the Financial Risk Management section.

22. OTHER FINANCIAL ASSETS/LIABILITIES

	Current		Non-current	
	2018 HK$ million	2017 HK$ million	2018 HK$ million	2017 HK$ million
Other financial assets				
Derivatives under hedge accounting:				
Cash flow hedges				
– Forward foreign exchange contracts	**–**	1	**–**	1
Financial assets measured at FVTPL:				
Club debenture	**–**	–	**1**	1
Total	**–**	1	**1**	2
Other financial liabilities				
Derivatives under hedge accounting:				
Cash flow hedges				
– Forward foreign exchange contracts	**–**	1	**–**	–
– Cross currency swap	**–**	–	**26**	30
Total	**–**	1	**26**	30

22. OTHER FINANCIAL ASSETS/LIABILITIES continued

(a) Cash flow hedges

Foreign currency risk

During the year, the Group used forward foreign exchange contracts and cross currency swap to manage its foreign currency exposure. The principal terms of the forward foreign exchange contracts and cross currency swap have been negotiated to match the major terms of the respective designated hedged items and the management considers that the hedges are highly effective.

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding forward foreign exchange contracts and cross currency swap at the end of the reporting period are as follows:

Hedging instruments

	2018					2017				
	Average exchange rate*	Foreign currency	Notional amount million	Notional amount HK$ million	Fair value HK$ million	Average exchange rate*	Foreign currency	Notional amount million	Notional amount HK$ million	Fair value HK$ million
Forward foreign exchange contracts										
Sell US dollars ("USD") *(Note a)*										
Within 1 year	**7.7996**	**USD**	**28**	**218**	**–**	7.8021	USD	42	329	–
More than 1 year but not exceeding 5 years	**–**	**–**	**–**	**–**	**–**	7.7996	USD	28	218	1
	7.7996	**USD**	**28**	**218**	**–**	7.8011	USD	70	547	1
Cross currency swap										
Hedging interest and principal of USD fixed rate notes *(Note b)*										
More than 1 year but not exceeding 5 years	**7.7519**	**USD**	**300**	**2,326**	**(26)**	7.7519	USD	300	2,326	(30)
Total				**2,544**	**(26)**				2,873	(29)

* Average exchange rate represented the average exchange rate of HKD versus respective currencies weighted by the notional amounts of the contracts or the swap.

Notes:

(a) The Group used HK$218 million (2017: HK$547 million) forward foreign exchange contracts to hedge the foreign exchange rate risk of part of the principal amount of term notes denominated in USD at their respective maturity dates.

(b) The Group used HK$2,326 million (2017: HK$2,326 million) cross currency swap to convert USD interest and principal of US$300 million (2017: US$300 million) fixed rate notes into HKD.

22. OTHER FINANCIAL ASSETS/LIABILITIES continued

(a) Cash flow hedges continued

Foreign currency risk continued

Hedged items

	Carrying amount of the hedged item				Cash flow hedge reserves	
	Assets		Liabilities			
	2018 HK$ million	2017 HK$ million	**2018 HK$ million**	2017 HK$ million	**2018 HK$ million**	2017 HK$ million
USD term notes	**218**	548	**–**	–	**2**	1
USD fixed rate notes	**–**	–	**2,344**	2,338	**(50)**	(44)

The hedging ineffectiveness for the years ended 31 December 2018 and 2017 was insignificant.

	Change in the value of the hedging instrument recognised in other comprehensive income		Amount reclassified from the cash flow hedge reserve to profit or loss		Line item affected in profit or loss because of the reclassification
	2018 HK$ million	2017 HK$ million	**2018 HK$ million**	2017 HK$ million	
Forward foreign exchange contracts	**1**	(6)	**(5)**	10	Investment income
Cross currency swap	**1**	(43)	**(2)**	(16)	Finance costs

The fair values of forward foreign exchange contracts and cross currency swap are measured using quoted forward exchange rates and yield curves from quoted interest rates matching maturities of the contracts and swap.

(b) Financial assets measured at FVTPL

Club debenture

Amount represented investment in unlisted club debenture. The Group's investment in unlisted club debenture has been classified as financial assets measured at FVTPL.

23. ACCOUNTS AND OTHER RECEIVABLES

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

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

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

24. TIME DEPOSITS/CASH AND CASH EQUIVALENTS

Time deposits, cash and cash equivalents include bank deposits carrying effective interest rates ranging from 0.20% to 3.40% (2017: 0.15% to 2.56%) per annum.

For the year ended 31 December 2018, the Group performed impairment assessment on time deposits and bank balances and concluded that the probability of default of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

25. ACCOUNTS PAYABLE AND ACCRUALS

	2018 HK$ million	2017 HK$ million
Accounts payable	**257**	215
Interest payable	**74**	74
Other payables	**542**	447
	873	736

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

26. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests are unsecured, interest-free and repayable on demand.

27. BORROWINGS

The analysis of the carrying amounts of borrowings is as follows:

	Current		Non-current	
	2018 HK$ million	2017 HK$ million	**2018 HK$ million**	2017 HK$ million
Unsecured bank loans	**–**	–	**1,532**	1,550
Unsecured fixed rate notes	**300**	150	**4,490**	4,485
	300	150	**6,022**	6,035

In the current year, the average cost of finance of the Group's total borrowings calculated based on their contracted interest rates was 3.6% (2017: 3.3%) per annum. To manage the foreign exchange risks, the Group used certain derivative to hedge part of the borrowings, which resulted in the Group's average cost of finance to be 3.6% (2017: 3.4%) per annum. As at 31 December 2018, the floating rate debt ratio relative to gross total debt after considering the hedges was 24.5% (2017: 25.1%).

(a) Unsecured bank loans

The unsecured bank loans of HK$1,532 million (2017: HK$1,550 million) are guaranteed as to principal and interest by the Company and are repayable, based on the scheduled repayment dates set out in the respective loan agreement, as follows:

	2018 HK$ million	2017 HK$ million
More than 1 year, but not exceeding 2 years	**–**	500
More than 2 years, but not exceeding 5 years	**1,532**	1,050
	1,532	1,550

All the Group's unsecured bank loans are variable-rate borrowings with effective interest rates (which were also equal to contracted interest rates) at 3.09% (2017: 1.97%) per annum at the end of the reporting period. Interest rates of the loans are normally re-fixed at every one to three months.

27. BORROWINGS continued

(b) Unsecured fixed rate notes

	2018 HK$ million	2017 HK$ million
Within 1 year	**300**	150
More than 1 year, but not exceeding 2 years	**565**	300
More than 2 years, but not exceeding 5 years	**3,277**	1,094
More than 5 years	**648**	3,091
	4,790	4,635

Details of the Group's unsecured fixed rate notes as at 31 December 2018 and 2017 are as follows:

Principal amount	Contracted interest rate per annum	Coupon payment term	Issue date	Maturity date
HK$165 million	5.38%	annual basis	September 2008	September 2020
HK$400 million	3.78%	quarterly basis	August 2010	August 2020
HK$200 million	4.00%	annual basis	September 2010	September 2025
HK$200 million	3.70%	quarterly basis	October 2010	October 2022
HK$150 million*	3.86%	quarterly basis	May 2011	May 2018
HK$404 million	4.10%	annual basis	December 2011	December 2023
HK$331 million	4.00%	quarterly basis	January 2012	January 2022
HK$300 million	3.90%	quarterly basis	March 2012	March 2019
HK$150 million	4.50%	annual basis	March 2012	March 2027
US$300 million	3.50%	semi-annual basis	January 2013	January 2023
HK$300 million**	3.66%	quarterly basis	November 2018	November 2025

* Only applicable to the year ended 31 December 2017.

** Only applicable to the year ended 31 December 2018.

All the unsecured fixed rate notes were issued by Hysan MTN, a wholly-owned subsidiary of the Company. The notes are guaranteed as to principal and interest by the Company and bear an effective interest rate equal to their respective contracted interest rate.

As detailed in note 22 of the Notes to the Consolidated Financial Statements section, during the years ended 31 December 2018 and 2017, cross currency swap was used to hedge or manage the foreign exchange rate risks of the Group's USD fixed rate notes.

28. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$ million	Revaluation of properties HK$ million	Tax losses HK$ million	Total HK$ million
As at 1 January 2017	679	72	–	751
Charge (credit) to profit or loss *(note 8)*	125	(1)	(96)	28
Charge to other comprehensive income	–	8	–	8
As at 31 December 2017	804	79	(96)	787
Charge (credit) to profit or loss *(note 8)*	**97**	**(1)**	**(38)**	**58**
Charge to other comprehensive income	**–**	**9**	**–**	**9**
As at 31 December 2018	**901**	**87**	**(134)**	**854**

At the end of the reporting period, the Group has unused estimated tax losses of HK$1,437 million (2017: HK$1,243 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$815 million (2017: HK$580 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$622 million (2017: HK$663 million) due to the unpredictability of future profit streams and the tax losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares	Share capital HK$ million
Ordinary shares, issued and fully paid:		
As at 1 January 2017	1,045,328,359	7,673
Issue of shares under share option schemes	496,532	19
As at 31 December 2017	1,045,824,891	7,692
Issue of shares under share option schemes	**677,000**	**26**
As at 31 December 2018	**1,046,501,891**	**7,718**

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$ million	2017 HK$ million
Non-current assets		
Property, plant and equipment	**–**	–
Investments in subsidiaries	**1,696**	1,318
Other financial assets	**1**	1
Amounts due from subsidiaries	**4,152**	3,735
	5,849	5,054
Current assets		
Other receivables	**4**	3
Amounts due from subsidiaries	**10,131**	10,309
Cash and cash equivalents	**1**	11
	10,136	10,323
Current liabilities		
Other payables and accruals	**64**	60
Amounts due to subsidiaries	**2,753**	2,288
	2,817	2,348
Net current assets	**7,319**	7,975
Net assets	**13,168**	13,029
Capital and reserves		
Share capital *(note 29)*	**7,718**	7,692
Reserves	**5,450**	5,337
Total equity	**13,168**	13,029

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 21 February 2019 and are signed on its behalf by:

Lee Irene Y.L.
Director

Lee T.H. Michael
Director

30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY continued

Movement in the Company's reserve

	Share options reserve HK$ million	General reserve HK$ million *(Note a)*	Retained profits HK$ million	Total HK$ million
As at 1 January 2017	24	100	5,094	5,218
Issue of shares under share option schemes	(4)	–	–	(4)
Recognition of equity-settled share-based payments	4	–	–	4
Forfeiture of share option	(3)	–	3	–
Profit and total comprehensive income for the year	–	–	1,530	1,530
Dividends paid during the year *(note 13)*	–	–	(1,411)	(1,411)
As at 31 December 2017	21	100	5,216	5,337
Issue of shares under share option schemes	**(5)**	**–**	**–**	**(5)**
Recognition of equity-settled share-based payments	**4**	**–**	**–**	**4**
Forfeiture of share option	**(1)**	**–**	**1**	**–**
Profit and total comprehensive income for the year	**–**	**–**	**1,558**	**1,558**
Dividends paid during the year *(note 13)*	**–**	**–**	**(1,444)**	**(1,444)**
As at 31 December 2018	**19**	**100**	**5,331**	**5,450**

Notes:

(a) General reserve was set up from the transfer of retained profits.

(b) The Directors of the Company considered that the application of the new and amendments to HKFRSs that are effective for the Company's financial year beginning on 1 January 2018 have no material impact on the Company's results and financial position.

The Company's reserves available for distribution to its owners as at 31 December 2018 amounted to HK$5,431 million (2017: HK$5,316 million), being its general reserve and retained profits at that date.

31. RECONCILIATION OF ASSETS/LIABILITIES RELATING TO FINANCING ACTIVITIES

	2018 HK$ million	2017 HK$ million
Net debt *(Note a)*	**(3,505)**	(3,523)
Other financial liability *(Note b)*	**(26)**	(30)
Interest payable	**(74)**	(74)
Amounts due to non-controlling interests	**(223)**	(327)
	(3,828)	(3,954)

31. RECONCILIATION OF ASSETS/LIABILITIES RELATING TO FINANCING ACTIVITIES continued

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Cash and cash equivalent HK$ million	Time deposits HK$ million	Other financial asset/ liability HK$ million	Bank loans HK$ million	Fixed rate notes HK$ million	Interest payable HK$ million	Amounts due to non-controlling interests HK$ million	Total HK$ million
As at 1 January 2017	1,367	1,263	11	(1,680)	(4,613)	(75)	(327)	(4,054)
Cash flows, net	667	(635)	–	130	–	196	–	358
Other non-cash changes:								
Foreign exchange adjustments	–	–	19	–	(19)	–	–	–
Fair value adjustments	–	–	(57)	–	–	–	–	(57)
Interest expenses	–	–	(3)	–	(3)	(195)	–	(201)
As at 31 December 2017	2,034	628	(30)	(1,550)	(4,635)	(74)	(327)	(3,954)
Cash flows, net	**35**	**120**	**–**	**–**	**(148)**	**212**	**104**	**323**
Other non-cash changes:								
Foreign exchange adjustments	**–**	**–**	**5**	**–**	**(5)**	**–**	**–**	**–**
Fair value adjustments	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**1**
Interest expenses	**–**	**–**	**(2)**	**(6)**	**(2)**	**(212)**	**–**	**(222)**
Others	**–**	**–**	**–**	**24**	**–**	**–**	**–**	**24**
As at 31 December 2018	**2,069**	**748**	**(26)**	**(1,532)**	**(4,790)**	**(74)**	**(223)**	**(3,828)**

Notes:

(a) Net debt represents borrowings less time deposits, cash and cash equivalent as disclosed under note 5 of the Financial Risk Management section.

(b) Other financial asset/liability represents the hedging instrument (cross currency swap) that was used to hedge against the foreign exchange rate risk arising from financing activities.

32. RETIREMENT BENEFITS PLANS

With effect from 1 December 2000, the Group set up an Enhanced Mandatory Provident Fund Scheme (the "Enhanced MPF Scheme"), a defined contribution scheme, for all qualifying employees. The Enhanced MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under Section 124(1) of the Mandatory Provident Fund Schemes (General) Regulation.

Pursuant to the rules of the Enhanced MPF Scheme, the Group's contributions to the plan are based on fixed percentages of members' salaries, ranging from 5% of MPF relevant income to 15% of basic salary. Members' mandatory contributions are fixed at 5% of MPF relevant income, in compliance with MPF legislation.

Total contributions made by the Group during the year amounted to HK$9 million (2017: HK$7 million).

33. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments in respect of its investment properties, property, plant and equipment and subscription to a fund investment as limited partner:

	2018 HK$ million	2017 HK$ million
(a) Capital commitment:		
Contracted but not provided for investment properties and property, plant and equipment	**655**	1,233
(b) Other commitment:		
Subscription to a fund investment as limited partner	**74**	369

34. LEASE COMMITMENTS

At the end of the reporting period, the Group as lessor had contracted with tenants for the following future minimum lease payments:

	2018 HK$ million	2017 HK$ million
Within one year	**3,180**	3,065
In the second to fifth year inclusive	**4,960**	4,754
Over five years	**857**	53
	8,997	7,872

Operating lease payments represent rentals receivable by the Group from leasing of its investment properties. Typically, leases are negotiated and rentals are fixed for lease term of one to three years. Certain leases include contingent rentals calculated with reference to turnover of the tenants.

At the end of the reporting period, the Group as lessee had no commitment under non-cancellable operating lease.

35. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions and balances with related parties

During the year, the Group has transaction with related party including imputed interest income on interest-free loan to a joint venture as disclosed under note 6 of the Notes to the Consolidated Financial Statements sections. At the end of the reporting period, the Group has several balances with related parties including loans to associates and loans to a joint venture as disclosed under note 18 and note 19 of the Notes to the Consolidated Financial Statements section. The Group has also granted guarantees to banks for facilities granted to a joint venture as disclosed under note 36 of the Notes to the Consolidated Financial Statements section. During the year ended 31 December 2017, the Group acquired 100% equity interests in a company from a related party, a wholly-owned subsidiary of Lee Hysan Company Limited ("LHC") for aggregate cash consideration of HK$75 million.

In addition, the Group has the following transactions with other related parties during the year and has the following balances with them at the end of the reporting period:

	Gross rental income received from Year ended 31 December		Amount due to non-controlling interests As at 31 December	
	2018 HK$ million	2017 HK$ million	2018 HK$ million	2017 HK$ million
Related company controlled by a shareholder *(Note a)*	**–**	3	**–**	–
Related companies controlled by the Directors of the Company *(Note b (i) & (ii))*	**41**	41	**64**	94
Non-controlling shareholder of a subsidiary *(Note c (i) & (ii))*	**30**	29	**159**	233
Director *(Note d)*	**–**	1	**–**	–

Notes:

(a) The sum of transactions represents the aggregate gross rental income received from Atlas Corporate Management Limited, an indirect wholly-owned subsidiary of LHC. As at 31 December 2017, LHC holds 41.42% beneficial interest and has significant influence over the Company.

(b) (i) The sum of transactions represents the aggregate gross rental income received from related companies where the Directors of the Company have controlling interests over these related companies.

(ii) The balance represents outstanding loan advanced to a non-wholly owned subsidiary of the Company, Barrowgate by Jebsen Capital Limited, a wholly-owned subsidiary of Jebsen and Company, of which Jebsen Hans Michael is a director and a controlling shareholder, as shareholders' loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.

(c) (i) The transaction represents the gross rental income received from Hang Seng Bank Limited ("Hang Seng"), the intermediate holding company of Imenson Limited ("Imenson") and The Hongkong and Shanghai Banking Corporation Limited, the holding company of Hang Seng. Imenson is a non-controlling shareholder with significant influence over Barrowgate.

(ii) The balance represents outstanding loan advanced to Barrowgate by Imenson, as shareholders' loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.

(d) The transactions represents the gross rental income received from a Director of the Company.

35. RELATED PARTY TRANSACTIONS AND BALANCES continued

(b) Compensation of key management personnel

The remuneration of Directors and other members of senior management of the Group are as follows:

	2018 HK$ million	2017 HK$ million
Directors' fees, salaries and other short-term employee benefits	**48**	43
Share-based payments	**3**	3
Retirement benefits scheme contributions	**1**	–
	52	46

The remuneration of the Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

36. CONTINGENT LIABILITY

At the end of the reporting period, the Group had contingent liabilities as follows:

	2018 HK$ million	2017 HK$ million
Guarantees given to banks in respect of:		
Banking facilities of a joint venture attributable to the Group:		
– Utilised	**999**	999
– Unutilised	**2,001**	2,001
	3,000	3,000

During the year ended 31 December 2017, the Group issued corporate financial guarantees to banks in respect of banking facilities granted to a joint venture. The fair value of the financial guarantee contracts at its initial recognition is insignificant.

Other than the financial guarantees as disclosed above, several funding undertakings have also been provided by the Group to the extent not having been financed by drawdown made under the relevant banking facilities of the joint venture in relation to the completion of the underlying project of the joint venture.

Details of the impairment assessment of financial guarantees for the year ended 31 December 2018 is set out in the Financial Risk Management section.

37. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme

The 2005 Scheme

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005, which has a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme.

The purpose of the 2005 Scheme is to provide an incentive for employees of the Company and its wholly-owned subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

Under the 2005 Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any wholly-owned subsidiaries (including Executive Director) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

37. SHARE-BASED PAYMENT TRANSACTIONS continued

(a) Equity-settled share option scheme continued

The 2005 Scheme continued

The maximum number of shares in respect of which options may be granted under the 2005 Scheme and any other share option scheme of the Company shall not exceed such number of shares as required under the Listing Rules, currently being 10% of the shares in issue as at 10 May 2005, the date of the AGM approving the 2005 Scheme (being 104,996,365 shares).

The maximum entitlement of each participant under the 2005 Scheme must not during any 12-month period exceed such number of shares as required under the Listing Rules (which is 1% of the total shares in issue as at the date of shareholder approval, being 10,499,636 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant. Consideration on each grant of option is HK$1 and is required to be paid within 30 days from the date of grant of options, with full payment for exercise price to be made on exercise of the relevant options.

The New Scheme

The Company adopted the New Scheme (together with the 2005 Scheme are referred to as the "Schemes") at its AGM held on 15 May 2015, which has a term of 10 years and will expire on 14 May 2025. Terms of the New Scheme are substantially the same as those under the 2005 Scheme.

The purpose of the New Scheme is to provide an incentive for employees of the Company and its subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

Under the New Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any subsidiaries (including Executive Director) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed such number of shares as required under the Listing Rules, currently being 10% of the shares in issue as at 15 May 2015, the date of the AGM approving the New Scheme (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval by its shareholders in general meeting for "refreshing" the 10% limit under the scheme. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (or such number of shares as required under the Listing Rules). No options may be granted if such grant will result in this 30% limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not during any 12-month period exceed such number of shares as required under the Listing Rules (which is 1% of the total shares in issue as at the date of shareholder approval, being 10,638,966 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant. Consideration on each grant of option is HK$1 and is required to be paid within 30 days from the date of grant of options, with full payment for exercise price to be made on exercise of the relevant options.

During the year, a total of 956,200 (2017: 727,000) share options were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option will be granted under the 2005 Scheme.

(b) Grant and vesting structures

Under the Company's current policy, grants will be made on a periodic basis. For the Schemes, the exercise period is 10 years and vesting period is 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. Size of grant will be determined by reference to base salary multiple and job grades. A clear performance criterion will be a key driver. The Board will review the grant and vesting structures from time to time.

37. SHARE-BASED PAYMENT TRANSACTIONS continued

(c) Movement of share options

The following table discloses movements of the Company's share options held by the Director and eligible employees during the current year:

Name	Date of grant	Exercise price HK$	Exercise period *(Note a)*	Balance as at 1.1.2018	Changes during the year: Granted	Changes during the year: Exercised	Changes during the year: Cancelled/ lapsed *(Note b)*	Balance as at 31.12.2018
2005 Scheme								
Executive Director								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	**87,000**	**–**	**–**	**–**	**87,000**
	7.3.2013	39.92	7.3.2014 – 6.3.2023	**265,000**	**–**	**–**	**–**	**265,000**
	10.3.2014	32.84	10.3.2015 – 9.3.2024	**325,000**	**–**	**–**	**–**	**325,000**
	12.3.2015	36.27	12.3.2016 – 11.3.2025	**300,000**	**–**	**–**	**–**	**300,000**
Eligible employees *(Note c)*	31.3.2009	13.30	31.3.2010 – 30.3.2019	**59,000**	**–**	**(59,000)** *(Note d)*	**–**	**–**
	31.3.2010	22.45	31.3.2011 – 30.3.2020	**70,334**	**–**	**(20,334)** *(Note e)*	**–**	**50,000**
	31.3.2011	32.00	31.3.2012 – 30.3.2021	**54,000**	**–**	**(22,000)** *(Note f)*	**–**	**32,000**
	30.3.2012	31.61	30.3.2013 – 29.3.2022	**105,334**	**–**	**(35,334)** *(Note g)*	**–**	**70,000**
	28.3.2013	39.20	28.3.2014 – 27.3.2023	**153,000**	**–**	**(51,000)** *(Note h)*	**(17,000)**	**85,000**
	31.3.2014	33.75	31.3.2015 – 30.3.2024	**154,000**	**–**	**(108,000)** *(Note i)*	**–**	**46,000**
	31.3.2015	34.00	31.3.2016 – 30.3.2025	**204,667**	**–**	**(138,333)** *(Note j)*	**(3,667)**	**62,667**
				1,777,335	**–**	**(434,001)**	**(20,667)**	**1,322,667**

37. SHARE-BASED PAYMENT TRANSACTIONS continued

(c) Movement of share options continued

Name	Date of grant	Exercise price HK$	Exercise period *(Note a)*	Balance as at 1.1.2018	Changes during the year: Granted	Exercised	Cancelled/ lapsed *(Note b)*	Balance as at 31.12.2018
New Scheme								
Executive Director								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60 *(Note k)*	1.3.2019 – 29.2.2028	–	373,200	–	–	373,200
Eligible employees *(Note c)*	31.3.2016	33.05	31.3.2017 – 30.3.2026	377,668	–	(158,333) *(Note l)*	(45,335)	174,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	409,000	–	(84,666) *(Note m)*	(75,667)	248,667
	29.3.2018	41.50 *(Note n)*	29.3.2019 – 28.3.2028	–	583,000	–	(70,000)	513,000
				1,461,668	956,200	(242,999)	(191,002)	1,983,867
Exercisable at the end of the year								1,791,662

Notes:

(a) All options granted have a vesting period of 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.

(b) The options lapsed during the year upon resignations of certain eligible employees.

(c) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

(d) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$39.25.

(e) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$45.36.

(f) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$44.55.

(g) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$43.56.

(h) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$43.88.

(i) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$43.99.

(j) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$42.85.

(k) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 28 February 2018) was HK$45.35.

(l) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$42.52.

(m) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$42.33.

(n) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 28 March 2018) was HK$40.75.

In respect of the share options exercised during the year ended 31 December 2018, the weighted average share price at the dates of exercise was HK$42.55.

Apart from the above, the Company had not granted any share option under the Schemes to any other person as required to be disclosed under Rule 17.07 of the Listing Rules in 2018.

37. SHARE-BASED PAYMENT TRANSACTIONS continued

(c) Movement of share options continued

The following table discloses movements of the Company's share options held by the Director and eligible employees in prior year:

Name	Date of grant	Exercise price HK$	Exercise period *(Note a)*	Balance as at 1.1.2017	Changes during the year: Granted	Changes during the year: Exercised	Changes during the year: Cancelled/ lapsed *(Note b)*	Balance as at 31.12.2017
2005 Scheme								
Executive Director								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
Eligible employees *(Note c)*	31.3.2008	21.96	31.3.2009 – 30.3.2018	11,000	–	(11,000) *(Note d)*	–	–
	31.3.2009	13.30	31.3.2010 – 30.3.2019	128,000	–	(69,000) *(Note d)*	–	59,000
	31.3.2010	22.45	31.3.2011 – 30.3.2020	126,334	–	(56,000) *(Note d)*	–	70,334
	31.3.2011	32.00	31.3.2012 – 30.3.2021	125,000	–	(39,000) *(Note e)*	(32,000)	54,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	160,001	–	(47,667) *(Note f)*	(7,000)	105,334
	28.3.2013	39.20	28.3.2014 – 27.3.2023	276,000	–	–	(123,000)	153,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	338,000	–	(139,000) *(Note g)*	(45,000)	154,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	359,000	–	(60,267) *(Note h)*	(94,066)	204,667
				2,500,335	**–**	**(421,934)**	**(301,066)**	**1,777,335**

37. SHARE-BASED PAYMENT TRANSACTIONS continued

(c) Movement of share options continued

Name	Date of grant	Exercise price HK$	Exercise period *(Note a)*	Balance as at 1.1.2017	Changes during the year: Granted	Exercised	Cancelled/ lapsed *(Note b)*	Balance as at 31.12.2017
New Scheme								
Executive Director								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25 *(Note i)*	23.2.2018 – 22.2.2027	–	300,000	–	–	300,000
Eligible employees *(Note c)*	31.3.2016	33.05	31.3.2017 – 30.3.2026	610,000	–	(74,598) *(Note j)*	(157,734)	377,668
	31.3.2017	35.33 *(Note k)*	31.3.2018 – 30.3.2027	–	427,000	–	(18,000)	409,000
				985,000	**727,000**	**(74,598)**	**(175,734)**	**1,461,668**
Exercisable at the end of the year								**1,824,992**

Notes:

(a) All options granted have a vesting period of 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.

(b) The options lapsed during the year upon resignations of certain eligible employees.

(c) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

(d) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$37.25.

(e) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$38.95.

(f) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$38.99.

(g) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$38.86.

(h) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$37.79.

(i) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 22 February 2017) was HK$36.00.

(j) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$38.69.

(k) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2017) was HK$35.00.

In respect of the share options exercised during the year ended 31 December 2017, the weighted average share price at the dates of exercise was HK$38.68.

Apart from the above, the Company had not granted any share option under the Schemes to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules in 2017.

37. SHARE-BASED PAYMENT TRANSACTIONS continued

(d) Fair values of share options

The Group has applied HKFRS 2 to account for its share options granted. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In the current year, the Group recognised the share option expenses of HK$4 million (2017: HK$4 million) in relation to share options granted by the Company, of which HK$2 million (2017: HK$2 million) related to the Director (see note 11), with a corresponding adjustment recognised in the Group's share options reserve.

The fair values of share options granted by the Company were determined by using Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	**29.3.2018**	**1.3.2018**	31.3.2017	23.2.2017
Closing share price at the date of grant	**HK$41.500**	**HK$43.700**	HK$35.250	HK$36.250
Exercise price	**HK$41.500**	**HK$44.600**	HK$35.330	HK$36.250
Risk free rate *(Note a)*	**1.802%**	**1.741%**	1.331 %	1.488 %
Expected life of option *(Note b)*	**5 years**	**5 years**	5 years	5 years
Expected volatility *(Note c)*	**17.923%**	**17.534%**	19.133 %	20.238 %
Expected dividend per annum *(Note d)*	**HK$1.288**	**HK$1.288**	HK$1.204	HK$1.204
Estimated fair values per share option	**HK$4.900**	**HK$4.760**	HK$4.374	HK$4.958

Notes:

(a) Risk free rate: being the approximate yields of 5-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.

(b) Expected life of option: being the period of 5 years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural consideration.

(c) Expected volatility: being the appropriate historical volatility of closing prices of the shares of the Company over the past 5 years immediately before the date of grant.

(d) Expected dividend per annum: being the approximate average annual cash dividend over the past 5 financial years.

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loans to associates, loans to a joint venture, fund investment, term notes, accounts and other receivables, time deposits, cash and cash equivalents, accounts payable, accruals, amounts due to non-controlling interests, borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective Notes to the Consolidated Financial Statements sections. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk and impairment assessment

The credit risk of the Group is primarily attributable to loans to associates, loans to a joint venture, accounts and other receivables, derivative financial instruments, term notes, time deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Loans to associates and a joint venture

The Group regularly monitors the business performance of the associates and joint venture. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities.

Accounts and other receivables

Credit checks on tenants are part of the normal leasing process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the expected credit losses of each individual debt, after taking into consideration the deposits from tenants, at the end of each reporting period.

Derivative financial instruments, term notes, time deposits and bank balances

The Group only deals with financial institutions and invest in debt securities issued by issuers that have strong credit ratings to mitigate counterparty risk. In order to limit exposure to each financial institution and debt securities issuer, an exposure limit was set with each counterparty according to their external credit rating with regular review by management.

Credit exposure to financial institutions and debt securities issuers are monitored and reported regularly to the management. The exposure to each counterparty comprised (i) investment value of financial assets (including bank balances, time deposits and term notes); (ii) net positive value of derivative financial instruments and; (iii) potential exposures to derivatives which are based on the remaining term and the notional amount of the derivative financial instruments.

Other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group also expose to credit risk arising from the corporate financial guarantees which will cause a financial loss to the Group if the guarantee is called out. Details of the Group's credit risk maximum exposure are set out in note 36 of the Notes to the Consolidated Financial Statements section.

Other than concentration of credit risk on loans to associates and a joint venture, the Group does not have any other significant concentration of credit risk.

Since 1 January 2018, the Group reviewed and assessed the Group's existing financial assets and financial guarantee contract for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with HKFRS 9. For the purpose of internal credit risk management, the Group uses financial information (such as historical settlement records, past due records, deposits held or other credit enhancement) to assess whether credit risk has increased significantly since initial recognition. During the year ended 31 December 2018, there is no past due amount from loans to associates and loans to a joint venture.

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(a) Credit risk and impairment assessment continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivables	Other financial assets
Performing	The counterparty has a low credit risk of default and does not have any past-due amounts	Lifetime Expected Credit Losses ("ECL") – not credit-impaired	12-month ECL – not credit-impaired
Non-performing	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's major financial assets and financial guarantee contracts, which are subject to ECL assessment:

As at 31 December 2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$ million
Financial assets at amortised cost					
Loans to a joint venture	19	N/A	Performing	12-month ECL	1,066
Term notes	21	BBB	N/A	12-month ECL	9
		A or above	N/A	12-month ECL	218
Time deposits and bank balances	24	A or above	N/A	12-month ECL	2,817

In respect of the financial guarantee contract, the credit risk exposures of the Group is assessed under 12-month ECL and concluded that the loss given default of the counter party, a joint venture, is insignificant and accordingly, no allowance for credit loss is provided.

The following table show reconciliation of loss allowances that has been recognised for loans to a joint venture and term notes.

	Loss allowance for	
	Loans to a joint venture HK$ million	Term notes HK$ million
As at 1 January 2018	5	1
Impairment under ECL model	(1)	–
As at 31 December 2018	**4**	**1**

Loss allowance recognised for loans to a joint venture and term notes are measured at 12-month ECL, there is no transfer from 12-month ECL to Lifetime ECL during the year as there is no significant increase in credit risk for the financial assets at amortised cost.

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(b) Liquidity risk

The Group closely monitors their liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following table details the remaining contractual maturity of the Group for their non-derivative financial liabilities based on the agreed repayment terms. Maturity of the Group's financial guarantee contract is presented separately. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or, if floating, based on the prevailing market rate at the end of the reporting period. For cash flows denominated in currency other than Hong Kong dollars ("HKD"), the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

	Carrying amount HK$ million	Total contractual undiscounted cash flow HK$ million	Within 1 year or on demand HK$ million	More than 1 year but not exceeding 2 years HK$ million	More than 2 years but not exceeding 5 years HK$ million	More than 5 years HK$ million
As at 31 December 2018						
Non-derivative financial liabilities						
Accounts payable and accruals	**(873)**	**(873)**	**(873)**	**–**	**–**	**–**
Deposits from tenants	**(1,000)**	**(1,000)**	**(331)**	**(216)**	**(439)**	**(14)**
Amounts due to non-controlling interests	**(223)**	**(223)**	**(223)**	**–**	**–**	**–**
Unsecured bank loans	**(1,532)**	**(1,732)**	**(48)**	**(48)**	**(1,636)**	**–**
Unsecured fixed rate notes	**(4,790)**	**(5,569)**	**(472)**	**(731)**	**(3,651)**	**(715)**
	(8,418)	**(9,397)**	**(1,947)**	**(995)**	**(5,726)**	**(729)**
As at 31 December 2017						
Non-derivative financial liabilities						
Accounts payable and accruals	(736)	(736)	(736)	–	–	–
Deposits from tenants	(895)	(895)	(389)	(269)	(227)	(10)
Amounts due to non-controlling interests	(327)	(327)	(327)	–	–	–
Unsecured bank loans	(1,550)	(1,655)	(32)	(528)	(1,095)	–
Unsecured fixed rate notes	(4,635)	(5,507)	(322)	(461)	(1,509)	(3,215)
	(8,143)	(9,120)	(1,806)	(1,258)	(2,831)	(3,225)

Note:

In addition to the items as set out in the above liquidity risk table, the maximum amount the Group could be required to settle under a financial guarantee provided by the Group in respect of banking facilities granted to a joint venture is HK$3,000 million as at 31 December 2018 and 2017, if such amount is claimed by the counterparties to the guarantee at any time within the guaranteed period. Based on expectations at the end of the reporting period, the Directors of the Company consider that it is more likely than not that no amount will be payable by the Group under such financial guarantee arrangement.

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(b) Liquidity risk continued

The following table details the Group's remaining contractual maturity for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the prevailing market rate at the end of the reporting period. For cash flows denominated in currency other than HKD, the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

	Carrying amount HK$ million	Total contractual undiscounted cash flow HK$ million	Within 1 year or on demand HK$ million	More than 1 year but not exceeding 2 years HK$ million	More than 2 years but not exceeding 5 years HK$ million	More than 5 years HK$ million
As at 31 December 2018						
Derivative settled gross						
Forward foreign exchange contracts	**–**					
Outflow		**(219)**	**(219)**	**–**	**–**	**–**
Inflow		**218**	**218**	**–**	**–**	**–**
Cross currency swap	**(26)**					
Outflow		**(2,687)**	**(85)**	**(85)**	**(2,517)**	**–**
Inflow		**2,720**	**82**	**82**	**2,556**	**–**
As at 31 December 2017						
Derivative settled gross						
Forward foreign exchange contracts	1					
Outflow		(548)	(329)	(219)	–	–
Inflow		547	329	218	–	–
Cross currency swap	(30)					
Outflow		(2,772)	(85)	(85)	(255)	(2,347)
Inflow		2,797	82	82	246	2,387

(c) Interest rate risk

The Group manages its interest rate exposure by assessing the potential impact on the Group's financial position arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed rates and floating rates and ensure that they are within an appropriate range. The Group is exposed to fair value interest rate risk in relation to fixed rate term notes (see note 21 of the Notes to Consolidated Financial Statements section).

As at 31 December 2018, about 24.5 % (2017: 25.1 %) of the Group's gross debts was effectively on a floating rate basis. The ratio could be adjusted according to views about changes in the interest rate trend going forward. In addition, the Group is exposed to cash flow interest rate risk as the interest income derived from time deposits and bank balances is subject to interest rate changes. Other than the concentration of interest rate risk related to the movements in Hong Kong Interbank Offered Rate, the Group has no significant concentration of interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period and all other variables were held constant. Such change has been applied to non-derivative financial instruments that would have affected the profit or loss and equity. A change of +100 and -25 basis points ("bps") (2017: +100 and - 25 basis points) was applied to the HKD and US dollars ("USD") yield curves at the end of the reporting period. The applied change of bps represented management's assessment of the reasonably possible change in interest rates based on the current market conditions.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(c) Interest rate risk continued

Sensitivity analysis continued

	Increase (decrease) in profit or loss		Increase (decrease) in equity	
	bps increase HK$ million	bps decrease HK$ million	bps increase HK$ million	bps decrease HK$ million
As at 31 December 2018	**13**	**(3)**	**7**	**(2)**
As at 31 December 2017	11	(3)	(2)	4

(d) Currency risk

The Group aims to minimise its currency risk and does not speculate in currency movements for debt management. To cover foreign exchange exposures arising from debts, the Group's foreign currency denominated monetary liabilities must be hedged back to HKD unless the liabilities are naturally hedged by the underlying asset in the same foreign currency. In managing the Group's monetary assets, the Group limits the aggregate net foreign currency exposures to a certain threshold. Exposures exceeding that threshold will be hedged back to HKD. The majority of the Group's assets are located and all rental income and management fee income are derived in Hong Kong, and denominated in HKD. At the end of the reporting period, the Group has the following monetary assets and monetary liabilities denominated in USD. The Group's unsecured fixed rate notes are hedged by cross currency swap.

	2018		2017	
	US$ million	Total equivalent to HK$ million	US$ million	Total equivalent to HK$ million
Assets				
Cash	**–**	**3**	2	12
Time deposits	**21**	**161**	32	248
Term notes	**29**	**227**	94	737
Fund Investment	**38**	**294**	3	21
	88	**685**	131	1,018
Liabilities				
Unsecured fixed rate notes	**300**	**2,344**	300	2,338

Other than concentration of currency risk of the above items denominated in USD (2017: USD), the Group has no other significant currency risk.

The Group has entered into appropriate hedging instruments, mentioned in note 22 of the Notes to the Consolidated Financial Statements section, to hedge against part of the potential currency risk of the above items. The Group reviews the continuing effectiveness of hedging instruments at least at the end of the reporting period and until the hedging instrument expires or is terminated or the hedge no longer meets the criteria for hedge accounting.

Sensitivity analysis

The sensitivity analysis below has been determined assuming that a change in exchange rate had occurred at the end of the reporting period and all other variable were held constant. Such change has been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and equity. Change of 500 percentage in points ("pips") (2017: 500 pips) was applied to the HKD: USD (2017: HKD: USD) spot and forward rates at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the currency risk as the year end exposure does not reflect the exposure during the year.

	Increase (decrease) in profit or loss		Increase (decrease) in equity	
	pips increase HK$ million	pips decrease HK$ million	pips increase HK$ million	pips decrease HK$ million
As at 31 December 2018				
USD	**3**	**(3)**	**1**	**(1)**
As at 31 December 2017				
USD	9	(9)	4	(4)

2. CATEGORIES OF FINANCIAL INSTRUMENTS

	2018 HK$ million	2017 HK$ million
Financial assets		
Fair value through profit or loss ("FVTPL")	**295**	22
Derivative instruments under hedge accounting	**–**	2
Amortised cost (including cash and cash equivalents)	**4,203**	4,448
	4,498	4,472
Financial liabilities		
Derivative instruments under hedge accounting	**26**	31
Amortised cost	**7,418**	7,248
	7,444	7,279

3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. Other than derivatives transactions mentioned above, the Group has no other financial assets and financial liabilities which are offset in the Group's consolidated statement of financial statements or are subject to similar netting arrangements.

(a) Financial assets subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial assets HK$ million	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$ million	Net amounts of financial assets presented in the consolidated statement of financial position HK$ million
As at 31 December 2018			
Derivatives under hedge accounting	**–**	**–**	**–**
As at 31 December 2017			
Derivatives under hedge accounting	2	–	2

(b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position HK$ million	Financial liabilities not set off in the consolidated statement of financial position HK$ million	Net amount HK$ million
As at 31 December 2018			
Counterparty B	**–**	**–**	**–**
Counterparty C	**–**	**–**	**–**
Total	**–**	**–**	**–**
As at 31 December 2017			
Counterparty B	1	–	1
Counterparty C	1	(1)	–
Total	2	(1)	1

3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS continued

(c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognised financial liabilities HK$ million	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$ million	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$ million
As at 31 December 2018			
Derivatives under hedge accounting	**(26)**	**–**	**(26)**
As at 31 December 2017			
Derivatives under hedge accounting	(31)	–	(31)

(d) Net financial liabilities subject to enforceable master netting arrangements and similar agreements, by counterparty

	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$ million	Financial assets not set off in the consolidated statement of financial position HK$ million	Net amount HK$ million
As at 31 December 2018			
Counterparty A	**(26)**	**–**	**(26)**
As at 31 December 2017			
Counterparty A	(30)	–	(30)
Counterparty C	(1)	1	–
Total	(31)	1	(30)

4. FAIR VALUE MEASUREMENT

(a) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology taking into account the market interest rate and credit risk of the counterparties and of the Group as appropriate.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values, except for the carrying amount of HK$4,790 million (2017: HK$4,635 million) unsecured fixed rate notes as stated in note 27 of the Notes to the Consolidated Financial Statements section with fair value of HK$4,824 million (2017: HK$4,737 million).

The fair value of HK$2,348 million (2017: HK$2,391 million) of the unsecured fixed rate notes is categorised into Level 1 of the fair value hierarchy, in which the fair value was derived from quoted prices in an active market translated at the spot foreign exchange rate of the respective currency at year end.

The fair value of HK$2,476 million (2017: HK$2,346 million) of the unsecured fixed rate notes is categorised into Level 2 of the fair value hierarchy, in which the fair value was measured using discounted cash flow methodology based on observable yield curves of the respective currency taking into account the credit margin of the Group as appropriate.

4. FAIR VALUE MEASUREMENT continued

(b) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2018			
	Level 1 HK$ million	**Level 2 HK$ million**	**Level 3 HK$ million**	**Total HK$ million**
Financial assets				
Financial assets at FVTPL				
Unlisted club debenture	**–**	**1**	**–**	**1**
Fund investment	**–**	**–**	**294**	**294**
Total	**–**	**1**	**294**	**295**
Financial liabilities				
Derivatives under hedge accounting				
Cross currency swap	**–**	**26**	**–**	**26**

	2017			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Financial assets				
Derivatives under hedge accounting				
Forward foreign exchange contracts	–	2	–	2
Financial assets at FVTPL				
Unlisted club debenture	–	1	–	1
Fund investment	–	21	–	21
Total	–	24	–	24
Financial liabilities				
Derivatives under hedge accounting				
Forward foreign exchange contracts	–	1	–	1
Cross currency swap	–	30	–	30
Total	–	31	–	31

4. FAIR VALUE MEASUREMENT continued

(c) Reconciliation of Level 3 fair value measurement of financial asset

	Fund investment HK$ million
As at 1 January 2018	–
Transfer into Level 3	**162**
Addition	**149**
Losses recognised in profit or loss	**(17)**
As at 31 December 2018	**294**

In current year, fund investment at fair value through profit or loss was transferred from Level 2 to Level 3 upon commencement of property investments by the fund. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation input of the underlying assets and liabilities of the fund investment.

The unrealised fair value losses of approximately HK$17 million relating to fund investment at fair value through profits or loss is included in other gains and losses.

(d) Valuation techniques and inputs used in fair value measurements

Forward foreign exchange contracts and cross currency swap are measured using discounted cash flow methodology based on observable spot and forward exchange rates as well as the yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.

Fund investment is measured with reference to the fair value of underlying assets and liabilities held under the fund as at the end of the reporting period.

(e) Valuation process of Level 3 fair value measurements of financial assets

At the end of the reporting period, the management of the Group obtains from the fund manager the valuation techniques and inputs for Level 3 fair value measurements in relation to the fund investment and its underlying assets and liabilities. Where there is a material change in the fair value of the fund investment, the causes of the fluctuations will be reported to the Directors of the Company.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group monitors its capital structure on the basis of a net debt to equity ratio. For this purpose, the Group defines net debt as borrowings as shown in the consolidated statement of financial position less time deposits, cash and cash equivalents.

The management reviews the Group's net debt to equity ratio regularly and adjusts the ratio through the payment of dividends, the issue of new share or debt, the repurchase of shares and the redemption of existing debt.

The net debt to equity ratio at the year end was as follows:

	2018 HK$ million	2017 HK$ million
Unsecured bank loans	**1,532**	1,550
Unsecured fixed rate notes	**4,790**	4,635
Borrowings	**6,322**	6,185
Less: Time deposits	**(748)**	(628)
Cash and cash equivalents	**(2,069)**	(2,034)
Net debt	**3,505**	3,523
Equity attributable to owners of the Company	**74,431**	69,953
Net debt to equity	**4.7%**	5.0 %

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Five-Year Financial Summary

For the year ended 31 December

	2018 HK$ million *(Note)*	2017 HK$ million	2016 HK$ million	2015 HK$ million	2014 HK$ million
Results					
Turnover	**3,890**	3,548	3,535	3,430	3,224
Property expenses	**(523)**	(449)	(428)	(414)	(404)
Gross profit	**3,367**	3,099	3,107	3,016	2,820
Other income	**–**	261	–	–	–
Investment income	**78**	69	50	54	68
Other gains and losses	**(16)**	–	–	–	(2)
Administrative expenses	**(227)**	(247)	(219)	(234)	(214)
Finance costs	**(222)**	(158)	(178)	(204)	(228)
Change in fair value of investment properties	**3,532**	853	(1,187)	695	2,940
Share of results of associates	**288**	220	237	246	252
Profit before taxation	**6,800**	4,097	1,810	3,573	5,636
Taxation	**(481)**	(484)	(463)	(438)	(386)
Profit for the year	**6,319**	3,613	1,347	3,135	5,250
Non-controlling interests	**(286)**	23	(129)	(232)	(348)
Profit attributable to owners of the Company	**6,033**	3,636	1,218	2,903	4,902
Underlying profit for the year	**2,536**	2,491	2,369	2,283	2,163
Recurring underlying profit for the year	**2,536**	2,349	2,369	2,283	2,163
Dividends					
Dividends paid	**1,444**	1,411	1,394	1,330	1,255
Dividends proposed	**1,224**	1,161	1,139	1,122	1,064
Dividends per share (HK cents)	**144.00**	137.00	135.00	132.00	123.00
Earnings per share (HK$), based on:					
Profit for the year					
– basic	**5.77**	3.48	1.16	2.73	4.61
– diluted	**5.76**	3.48	1.16	2.73	4.61
Underlying profit for the year – basic	**2.42**	2.38	2.26	2.15	2.03
Recurring underlying profit for the year – basic	**2.42**	2.25	2.26	2.15	2.03
Performance indicators					
Net debt to equity	**4.7%**	5.0%	5.4%	3.0%	4.2%
Net interest coverage (times)	**18.1x**	17.1x	20.5x	19.5x	17.1x
Net asset value per share (HK$)	**71.12**	66.89	64.56	64.48	63.02
Net debt per share (HK$)	**3.35**	3.37	3.50	1.94	2.64
Year-end share price (HK$)	**37.25**	41.45	32.05	31.75	34.65

As at 31 December

	2018 HK$ million *(Note)*	2017 HK$ million	2016 HK$ million	2015 HK$ million	2014 HK$ million
Assets and liabilities					
Investment properties	**77,442**	72,470	69,633	69,810	68,735
Investments in associates	**3,708**	3,779	3,497	3,683	4,154
Loans to associates	**11**	10	–	–	–
Investment in a joint venture	**145**	147	145	–	–
Loans to a joint venture	**1,062**	982	1,891	–	–
Fund investment	**294**	21	–	–	–
Time deposits, cash and cash equivalents	**2,817**	2,662	2,630	2,804	3,640
Other assets	**1,564**	2,049	2,225	2,491	2,494
Total assets	**87,043**	82,120	80,021	78,788	79,023
Borrowings	**(6,322)**	(6,185)	(6,293)	(4,859)	(6,447)
Taxation	**(962)**	(945)	(863)	(803)	(732)
Other liabilities	**(2,122)**	(1,989)	(2,180)	(1,758)	(1,715)
Total liabilities	**(9,406)**	(9,119)	(9,336)	(7,420)	(8,894)
Net assets	**77,637**	73,001	70,685	71,368	70,129
Non-controlling interests	**(3,206)**	(3,048)	(3,195)	(3,196)	(3,089)
Shareholders' funds	**74,431**	69,953	67,490	68,172	67,040

Definitions:

(1) Underlying profit for the year: profit adjusted for group's share of unrealised fair value changes on investment properties

(2) Recurring underlying profit for the year: underlying profit adjusted for items that are non-recurring in nature

(3) Net debt to equity: borrowings less time deposits, cash and cash equivalents divided by shareholders' funds

(4) Net interest coverage: gross profit less administrative expenses before depreciation divided by net interest expenses

(5) Net asset value per share: shareholders' funds divided by number of issued shares at year end

(6) Net debt per share: borrowings less time deposits, cash and cash equivalents divided by number of issued shares at year end

Note:

In the current year, the Group has applied the remaining sections of HKFRS 9 (see note 2 of the Notes to the Consolidated Financial Statements section for the summary of the corresponding financial impact). Accordingly, certain comparative information for the years ended 31 December 2014, 2015, 2016 and 2017 may not be comparable to the year ended 31 December 2018 as such comparative information was prepared under HKAS 39. Accounting policies resulting from application of HKFRS 9 are disclosed in the "Significant Accounting Policies" Section.

Report of the Valuer

To the Board of Directors
Hysan Development Company Limited

Dear Sirs,

Annual Revaluation of Investment Properties as at 31 December 2018

In accordance with your appointment of Knight Frank Petty Limited to value the investment properties in Hong Kong owned by Hysan Development Company Limited and its subsidiaries, we are pleased to advise that the market value of the investment properties as at 31 December 2018 was in the approximate sum of Hong Kong Dollars Seventy-Seven Billion Four Hundred and Forty Two Million Only (ie HK$77,442 million).

The completed investment properties have been valued individually, on market value basis, on the basis of capitalisation of the net income with due allowance for the reversionary income potential but without allowances for any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sales comparables.

Yours faithfully
Knight Frank Petty Limited

Hong Kong, 20 February 2019

Schedule of Principal Properties

At 31 December 2018

INVESTMENT PROPERTIES

Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
1. **Lee Garden One** 33 Hysan Avenue Causeway Bay Hong Kong	Sec. DD of I.L. 29, Sec. L of I.L. 457, Sec. MM of I.L. 29, the R.P. of Sec. L of I.L. 29, and the R.P. of I.L. 457	Commercial	Long lease	100 %
2. **Bamboo Grove** 74-86 Kennedy Road Mid-Levels Hong Kong	I. L. 8624	Residential	Medium term lease	100 %
3. **Lee Garden Two** 28 Yun Ping Road Causeway Bay Hong Kong	Sec. G of I.L. 29, Sec. A, O, F and H of I.L. 457, the R.P. of Sec. C, D, E and G of I.L. 457, Subsec. 1 of Sec. C, D, E and G of I.L. 457, Subsec. 2 of Sec. E of I.L. 457 and Subsec. 1, 2, 3 and the R.P. of Sec. C of I.L. 461	Commercial	Long lease	65.36 %
4. **Leighton Centre** 77 Leighton Road Causeway Bay Hong Kong	Sec. B, C and the R.P. of I.L. 1451	Commercial	Long lease	100 %
5. **Lee Theatre Plaza** 99 Percival Street Causeway Bay Hong Kong	I. L. 1452, the R.P. of I.L. 472 and 476	Commercial	Long lease	100 %
6. **Lee Garden Three** 1 Sunning Road Causeway Bay Hong Kong	The R.P. of Subsec. 1 of Sec. J of I.L. 29, Subsec. 2 of Sec. J of I.L. 29 and the R.P. of Sec. J of I.L. 29	Commercial	Long lease	100 %
7. **One Hysan Avenue** 1 Hysan Avenue Causeway Bay Hong Kong	The R.P. of Sec. GG of I.L. 29	Commercial	Long lease	100 %
8. **Lee Garden Five** 18 Hysan Avenue Causeway Bay Hong Kong	Sec. N of I.L. 457 and Sec. LL of I.L. 29	Commercial	Long lease	100 %
9. **Lee Garden Six** 111 Leighton Road Causeway Bay Hong Kong	Sec. KK of I.L. 29	Commercial	Long lease	100 %
10. **Hysan Place** 500 Hennessy Road Causeway Bay Hong Kong	Sec. FF of I.L. 29 and the R.P. of Marine Lot 365	Commercial	Long lease	100 %

Shareholding Analysis

SHARE CAPITAL

At 31 December 2018

	HK$	Number of Ordinary Shares
Issued and fully paid-up capital	7,718,190,846	1,046,501,891

There was one class of ordinary shares with equal voting rights.

DISTRIBUTION OF SHAREHOLDINGS

(At 31 December 2018, as per register of members of the Company)

Size of registered shareholdings	Number of shareholders	% of shareholders	Number of ordinary shares	% of the total no. of issued shares *(Note)*
5,000 or below	2,267	71.81	3,606,017	0.34
5,001 – 50,000	769	24.36	11,924,271	1.14
50,001 – 100,000	68	2.16	5,138,658	0.49
100,001 – 500,000	44	1.39	8,902,235	0.85
500,001 – 1,000,000	2	0.06	1,131,041	0.11
Above 1,000,000	7	0.22	1,015,799,669	97.07
Total	**3,157**	**100**	**1,046,501,891**	**100**

TYPES OF SHAREHOLDERS

(At 31 December 2018, as per register of members of the Company)

Type of shareholders	Number of ordinary shares held	% of the total no. of issued shares *(Note)*
Lee Hysan Company Limited	433,130,735	41.39
Other corporate shareholders	584,743,134	55.88
Individual shareholders	28,628,022	2.73
Total	**1,046,501,891**	**100**

LOCATION OF SHAREHOLDERS

(At 31 December 2018, as per register of members of the Company)

Location of shareholders	Number of ordinary shares held	% of the total no. of issued shares *(Note)*
Hong Kong	1,044,371,353	99.797
United States and Canada	1,898,751	0.181
United Kingdom	19,085	0.002
Others	212,702	0.020
Total	**1,046,501,891**	**100**

Note:

The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2018 (i.e. 1,046,501,891 ordinary shares).

Shareholder Information

FINANCIAL CALENDAR

Full year results announced	21 February 2019
Ex-dividend date for second interim dividend	6 March 2019
Closure of register of members and record date for second interim dividend	8 March 2019
Dispatch of second interim dividend warrants	(on or about) 22 March 2019
Closure of register of members for Annual General Meeting	10 to 16 May 2019
Annual General Meeting	16 May 2019
2019 interim results to be announced	13 August 2019*

* subject to change

DIVIDEND

The Board declares the payment of a second interim dividend of HK117 cents per share. The second interim dividend will be payable in cash to shareholders on the register of members as at Friday, 8 March 2019.

The register of members will be closed on Friday, 8 March 2019, for the purpose of determining shareholders' entitlement to the second interim dividend, on which date no transfer of shares will be registered. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Thursday, 7 March 2019.

Dividend warrants will be dispatched to shareholders on or about Friday, 22 March 2019.

The register of members will also be closed from Friday, 10 May 2019 to Thursday, 16 May 2019, both dates inclusive, for the purpose of determining shareholders' entitlement to attend and vote at the Annual General Meeting to be held on 16 May 2019, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Thursday, 9 May 2019.

SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's Registrar, Tricor Standard Limited:

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: (852) 2980 1333
Facsimile: (852) 2861 1465

Holders of the Company's ordinary shares should notify the Registrar promptly of any change of their address.

The Annual Report is printed in English and Chinese language and is available on our website at www.hysan.com.hk. Shareholders may at any time choose to receive the Annual Report in printed form in either the English or Chinese language or both or by electronic means. Shareholders who have chosen to receive the Annual Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Annual Report will promptly upon request be sent a printed copy free of charge.

Shareholders may at any time change their choice of the language or means of receipt of the Annual Report by notice in writing to the Company's Registrar at the address above. The Change Request Form may be downloaded from the Company's website at www.hysan.com.hk.

INVESTOR RELATIONS

For enquiries relating to investor relations, please email to investor@hysan.com.hk or write to the Company at:

Investor Relations
Hysan Development Company Limited
49/F. (Reception: 50/F.), Lee Garden One
33 Hysan Avenue
Hong Kong
Telephone: (852) 2895 5777
Facsimile: (852) 2577 5153

Corporate Information

BOARD OF DIRECTORS

Lee Irene Yun-Lien *(Chairman)*
Churchouse Frederick Peter**
Fan Yan Hok Philip**
Lau Lawrence Juen-Yee**
Poon Chung Yin Joseph**
Wong Ching Ying Belinda**
Jebsen Hans Michael B.B.S.*
(Yang Chi Hsin Trevor as his alternate)
Lee Anthony Hsien Pin*
(Lee Irene Yun-Lien as his alternate)
Lee Chien*
Lee Tze Hau Michael *

AUDIT AND RISK MANAGEMENT COMMITTEE

Poon Chung Yin Joseph** *(Chairman)*
Churchouse Frederick Peter**
Fan Yan Hok Philip**
Lee Anthony Hsien Pin*

REMUNERATION COMMITTEE

Fan Yan Hok Philip** *(Chairman)*
Poon Chung Yin Joseph**
Lee Tze Hau Michael*

NOMINATION COMMITTEE

Lee Irene Yun-Lien *(Chairman)*
Fan Yan Hok Philip**
Lau Lawrence Juen-Yee**
Poon Chung Yin Joseph**
Lee Chien*

* Non-Executive Director
** Independent Non-Executive Director

COMPANY SECRETARY

Cheung Ka Ki Maggie

REGISTERED OFFICE

49/F. (Reception: 50/F)
Lee Garden One
33 Hysan Avenue
Hong Kong

OUR WEBSITE

Press releases and other information of the Group can be found at our website: www.hysan.com.hk.

SHARE LISTING

Hysan's shares are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipts (ADR) Programme in the New York market.

STOCK CODE

The Stock Exchange of Hong Kong Limited: 00014
Bloomberg: 14HK
Reuters: 0014.HK
Ticker Symbol for ADR Code: HYSNY
CUSIP reference number: 449162304

AUDITOR

Deloitte Touche Tohmatsu