HARBOUR CENTRE DEVELOPMENT LIMITED
(Incorporated in Hong Kong with limited liability)
Stock Code: 51

2018 Final Results Announcement

Business Transformation Continues

HIGHLIGHTS

- The Murray, Hong Kong opened and begins to build business.
- Orderly exit from Development Properties continued.
- Distortion from business transformation resulted in:-
  - Sharp declines in revenue, operating profit and underlying profit from 2017;
  - High profit concentration, with Marco Polo Hongkong Hotel accounting for over 90% of 2018 underlying profit; and
  - Net debt position at the end of the year.

GROUP RESULTS

Group revenue decreased by 77% to HK$1,583 million (2017: HK$6,997 million), operating profit by 91% to HK$385 million (2017: HK$4,119 million), underlying profit by 60% to HK$512 million (2017: HK$1,290 million), and profit attributable to equity shareholders, including investment property revaluation changes, by 37% to HK$831 million (2017: HK$1,320 million).

Underlying earnings per share decreased to HK$0.72 (2017: HK$1.82). Total earnings per share decreased to HK$1.17 (2017: HK$1.86).

DIVIDENDS

A first interim dividend of 7 HK cents per share was paid on 7 September 2018. In lieu of a final dividend, a second interim dividend of 23 HK cents per share will be paid on 18 April 2019 to Shareholders on record as at 6:00 p.m. on 2 April 2019. Total distribution for the year of 2018 will amount to 30 HK cents (2017: 70 HK cents) per share.

BUSINESS REVIEW

Hong Kong

Investment Properties ("IP")

Encouraging visitor arrival numbers and continued strength in consumer spending propelled recovery in Hong Kong retail industry during the year. Revenue and operating profit of the IP segment increased by 22% and 24% respectively. However, growth started to slow in the second half of the year and that is generally expected to continue into 2019.

Hotel

Sustained growth in inbound tourism boosted occupancy at Marco Polo Hongkong Hotel ("MP Hong Kong") in Harbour City, Tsimshatsui and drove revenue and operating profit up by 12% and 28% respectively, amidst keen competition from newer and more competitive hotels. Typhoon Mangkhut in September caused serious disruption to business.

Different options are being evaluated to strengthen the ageing hotel's competitiveness, which may call for business disruption as well as substantial capital expenditure in the coming years.

The Murray, Hong Kong, a long term strategic investment addition, opened under the luxury Niccolo brand in the year. Redesigned by renowned Foster + Partners from a heritage former Government office building, the project is part of the Government's "Conserving Central Initiative". Situated at the bottom of Garden Road and Cotton Tree Drive, the contemporary chic hotel provides a sanctuary in the bustling heart of the city's prime Central District. The strong geometry of the architecture draws in natural light and captures stunning views of the city skyline and green landscape of Hong Kong Park.

This landmark hotel has rapidly garnered multiple notable accolades including "World's Greatest Places 2018" – Places to Stay by TIME Magazine, "The Hot List" – The Best New Hotels in the World 2018 and "Readers' Choice Awards 2018" – Top Hotels in China by Condé Nast Traveler, "Big Sleep Awards 2018" – City Slicker by National Geographic Traveller, "The Best New Business Hotel in Asia 2018" by Bloomberg and "The Luxe List 2018" – Best New Hotels in the Asia-Pacific Region by DestinAsian Magazine.

Mainland China

Development Properties ("DP")

As exit from this segment continues, sharply lower revenue and profit from the depleted land bank were reported for the year. Attributable land bank (net of recognised sales) was approximately 0.4 million square metres by year-end and the net order book stood at RMB1.8 billion for 48,000 square metres.

Commercial/Residential Complex under Development

80%-owned Suzhou International Finance Square ("IFS") comprises 299,000 square metres of Grade A offices, Niccolo Suzhou (a premium boutique hotel), sky residences and luxury apartments. Scheduled for phased completion in 2019 and 2020, the 450-metre skyscraper will become one of the tallest in Jiangsu Province. Pre-sale of the apartment units commenced in late 2018.

Hotel

Amidst difficult trading conditions, a loss was reported for Marco Polo Changzhou ("MP Changzhou") as it continued to build business. New supply has also entered the market.

FINANCIAL REVIEW

(I) Review of 2018 Final Results

Group underlying profit decreased by 60% to HK$512 million (2017: HK$1,290 million) mainly due to the orderly exit from the DP segment. In addition, The Murray, Hong Kong reported a start-up loss after depreciation on both land and building as anticipated.

Revenue and Operating Profit
Group revenue decreased by 77% to HK$1,583 million (2017: HK$6,997 million) and operating profit by 91% to HK$385 million (2017: HK$4,119 million).

Hotel revenue increased by 55% to HK$978 million (2017: HK$630 million), primarily attributable to MP Hong Kong and new contribution from The Murray, Hong Kong. However, operating profit decreased by 93% to HK$10 million (2017: HK$149 million) as profit growth of 28% reported by MP Hong Kong was more than offset by the start-up operating loss of The Murray, Hong Kong after depreciation.

IP revenue increased by 22% to HK$411 million (2017: HK$338 million) and operating profit by 24% to HK$383 million (2017: HK$309 million), mainly from the increase in retail rental income from MP Hong Kong.

DP revenue decreased by 98% to HK$89 million (2017: HK$5,907 million), resulting in an operating loss of HK$60 million (2017: profit HK$3,630 million) in the absence of profit recognition.

Operating profit from Investment and Others segment, comprising of interest and dividend income from surplus cash and investments, decreased to HK$105 million (2017: HK$122 million).

Increase in Fair Value of IP

The Group's completed IP were stated at fair value based on an independent valuation as at 31 December 2018, resulting in a revaluation surplus of HK$319 million for the year (2017: HK$30 million). IP under development was carried at cost less impairment, if any, and would not be stated at fair value until the earlier of its fair value first becoming reliably measurable or the date of completion.

Finance Costs

Net finance costs amounted to HK$55 million (2017: HK$37 million) after interest capitalisation of HK$17 million (2017: HK$4 million) for the Group's DP projects.

Share of Results (after Tax) of Joint Ventures and Associates

Attributable profit from associate amounted to HK$111 million (2017: HK$81 million) from the Shanghai South Station project. Profit of HK$122 million (2017: loss HK$15 million) from joint ventures arose mainly from realised exchange gain from Chongqing The U World.

Income Tax

Taxation charge for the year decreased sharply to HK$89 million (2017: HK$2,559 million) due to the sharp decrease in taxable DP profit.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year amounted to HK$831 million (2017: HK$1,320 million), representing a decrease of 37%.

Earnings per share were HK$1.17 (2017: HK$1.86) based on 708.8 million issued shares.

(II) Review of Financial Position, Liquidity, Resources and Commitments

Shareholders' and Total Equity

As at 31 December 2018, shareholders' equity decreased slightly to HK$17,276 million (2017: HK$17,554 million), equivalent to HK$24.38 per share (2017: HK$24.77 per share). The decrease was mainly caused by exchange deficit of HK$268 million on translation of the Group's Renminbi net assets and attributable investment revaluation deficit of HK$312 million. Including non-controlling interests, the Group's total equity amounted to HK$17,889 million (2017: HK$18,203 million).

Hotel properties are stated at cost less accumulated depreciation in accordance with prevailing Hong Kong Financial Reporting Standards ("HKFRSs"). Restating these hotel properties based on independent valuation as at 31 December 2018 would give rise to an additional revaluation surplus totalling HK$4,447 million and increase the Group's shareholders' equity as at 31 December 2018 to HK$21,723 million, equivalent to HK$30.65 per share.

Assets and Liabilities
Total assets were recorded at HK$26,408 million (2017: HK$26,896 million). Total business assets, excluding bank deposits and cash, equity investments and deferred tax assets, amounted to HK$21,248 million (2017: HK$21,136 million).

Geographically, the Group's business assets in the Mainland decreased by 1% to HK$8,006 million (2017: HK$8,119 million), representing 38% (2017: 38%) of the Group's total business assets.

Investment Properties
IP, representing 30% (2017: 44%) of the Group's total business assets, decreased by 31% to HK$6,396 million (2017: HK$9,300 million) mainly attributable to reclassification of part of Suzhou IFS to DP. Hong Kong IP amounted to HK$5,693 million (2017: HK$5,374 million), comprising mainly MP Hong Kong's podium valued at HK$5,094 million. Mainland IP, comprising mainly Suzhou IFS under development, was stated at book cost of HK$703 million (2017: HK$3,926 million, before reclassification).

Properties for Sale / Interests in Associates and Joint Ventures
DP increased to HK$3,726 million (2017: HK$144 million), mainly resulting from reclassification of DP portion of Suzhou IFS from IP. On the other hand, DP undertaken through associates and joint ventures decreased to HK$2,895 million (2017: HK$3,293 million).

Hotels
Hotel properties included The Murray, Hong Kong, MP Hong Kong and MP Changzhou with total book cost at HK$7,758 million (2017: HK$8,028 million).

Pre-sale Deposits and Proceeds
Pre-sale deposits and proceeds rose by HK$647 million to HK$660 million (2017: HK$13 million), reflecting the DP pre-sale launch of Suzhou IFS during the year.

Net Debt and Gearing
At 31 December 2018, the Group turned into net debt of HK$385 million (2017: net cash of HK$397 million), consisting of HK$2,428 million in cash and HK$2,813 million in bank borrowings, mainly caused by development expenditure paid for Suzhou IFS.

Finance and Availability of Facilities and Funds
As at 31 December 2018, the Group's available loan facilities amounted to HK$5,826 million, of which HK$2,813 million were utilised. Certain banking facilities were secured by mortgage over the Group's properties under development with total carrying value of HK$4,364 million (31 December 2017: HK$3,926 million).

The Group's debts were principally denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB") at floating rates.

The use of derivative financial instruments is strictly controlled. Instruments entered into by the Group are mainly used for managing and hedging interest rate and currency exposures.

The Group continued to maintain a reasonable level of surplus cash denominated principally in HKD and RMB to facilitate business and investment activities. As at 31 December 2018, the Group also maintained a portfolio of equity investments mainly consisting of blue chip listed securities with an aggregate market value of HK$2,396 million (2017: HK$2,708 million), which is available for monetisation to meet needs if they arise. The performance of the portfolio was largely in line with the general market.

Net Cash Flows for Operating and Investing Activities
For the year under review, the Group recorded a net cash outflow from operating activities of HK$507 million (2017: inflow HK$1,258 million), mainly for lower property sales for the DP projects and tax payments. For investing activities, the Group generated a net cash inflow of HK$290 million (2017: outflow HK$2,356 million) primarily attributable to Shanghai South Station project.

Commitments to Capital and Development Expenditure
As at 31 December 2018, major capital and development expenditure planned for the forthcoming years totalled HK$5.6 billion, of which HK$1.4 billion was committed primarily for Mainland IP and DP. Uncommitted expenditure of HK$4.2 billion is mainly for the existing Mainland IP and DP to be incurred by stage in the coming years.

The above expenditures will be funded by internal financial resources, including cash currently on hand, as well as bank loans. Other available resources include equity investments that can be liquidated when in need.

(III) Dividend Policy

Apart from compliance with the applicable legal requirements, the Company would adopt a dividend policy which targets to provide shareholders with reasonably stable and consistent dividends. The dividend payout from year to year will be subject to upward or downward adjustments as decided by the Board after taking into account of the Group's immediate as well as expected prevailing financial performance, cash flow, financial position, capital commitments and future requirements as well as the general business and economic environments.

The Board will review this policy for change from time to time with reference to its future prospect, capital requirements and other changing circumstances both internally and externally.

(IV) Human Resources

The Group had approximately 1,200 employees as at 31 December 2018. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2018

	Note	**2018** **HK$ Million**	2017 HK$ Million
Revenue	2	**1,583**	6,997
Direct costs and operating expenses		**(777)**	(2,556)
Selling and marketing expenses		**(157)**	(144)
Administrative and corporate expenses		**(58)**	(138)
Operating profit before depreciation, interest and tax		**591**	4,159
Depreciation		**(206)**	(40)
Operating profit	2 & 3	**385**	4,119
Changes in fair value of investment properties		**319**	30
Other net income	4	**34**	-
		738	4,149
Finance costs	5	**(55)**	(37)
Share of results after tax of:			
Joint ventures		**122**	(15)
Associates		**111**	81
Profit before taxation		**916**	4,178
Income tax	6 (a)	**(89)**	(2,559)
Profit for the year		**827**	1,619
Profit attributable to:			
Equity shareholders		**831**	1,320
Non-controlling interests		**(4)**	299
		827	1,619
Earnings per share	7		
Basic		**HK$1.17**	HK$1.86
Diluted		**HK$1.17**	HK$1.86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2018

	2018 HK$ Million	2017 HK$ Million
Profit for the year	**827**	1,619
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the operations of:	**(268)**	339
- subsidiaries	**(268)**	318
- joint ventures	**-**	21
Share of reserves of joint ventures	**(112)**	-
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**(312)**	451
Others	**(2)**	9
Other comprehensive income for the year	**(694)**	799
Total comprehensive income of the year	**133**	2,418
Total comprehensive income attributable to:		
Equity shareholders	**169**	2,079
Non-controlling interests	**(36)**	339
	133	2,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Note	**2018 HK$ Million**	2017 HK$ Million
Non-current assets			
Investment properties		**6,396**	9,300
Hotel properties, plant and equipment		**7,867**	8,088
Interest in associates		**1,294**	1,599
Interest in joint ventures		**1,601**	1,694
Equity investments		**2,396**	2,708
Deferred tax assets		**336**	353
Other non-current assets		**27**	28
		19,917	23,770
Current assets			
Properties for sale		**3,726**	144
Inventories		**4**	4
Trade and other receivables	9	**263**	255
Prepaid tax		**70**	24
Bank deposits and cash		**2,428**	2,699
		6,491	3,126
Total assets		**26,408**	26,896
Non-current liabilities			
Deferred tax liabilities		**(372)**	(377)
Bank loans		**(2,743)**	(1,502)
		(3,115)	(1,879)
Current liabilities			
Trade and other payables	10	**(3,133)**	(3,723)
Pre-sale deposits and proceeds		**(660)**	(13)
Taxation payable		**(1,541)**	(2,278)
Bank loans		**(70)**	(800)
		(5,404)	(6,814)
Total liabilities		**(8,519)**	(8,693)
NET ASSETS		**17,889**	18,203
Capital and reserves			
Share capital		**3,641**	3,641
Reserves		**13,635**	13,913
Shareholders' equity		**17,276**	17,554
Non-controlling interests		**613**	649
TOTAL EQUITY		**17,889**	18,203

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

This financial information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong). This financial information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the financial information are consistent with those used in the annual financial statements for the year ended 31 December 2017 except for the changes mentioned below.

The HKICPA has issued a number of new standards and amendments to HKFRSs which are first effective for the current accounting year of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

Except for HKFRS 9 which has been early adopted in the year ended 31 December 2016, none of these developments has had a significant impact on the Group's results and financial position for the current and prior years have been prepared or presented.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method for the adoption of HKFRS 15 and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by HKFRS 15, the Group applied the new requirements only to contracts that were not completed before 1 January 2018. Since the number of "open" contracts for sales of development properties at 31 December 2017 is immaterial, there was no material impact for the Group's result and financial position.

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

(a) Timing of revenue recognition

The new revenue standard does not have significant impact on how the Group recognises revenue from rental income from investment properties and income from hotels operation. However, revenue recognition for sales of development properties is affected. Previously the Group's property development activities are carried out in the Mainland China only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the Mainland China, the Group assessed that its property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to recognise at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in the current standard revenue from property sales was recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. This would result in revenue being recognised later than the time recognised under the previous standard.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears. Previously, the Group did not apply such a policy when payments were received in advance.

Advance payments are not common in the Group's arrangements with its customers, with the exception of when properties are marketed by the Group while the property is still under construction. In this situation, the Group may collect the balance of the purchase price early.

In assessing whether such advance payments schemes include a significant financing component, the Group has considered the length of time between the payment date and the completion date of legal assignment based on typical arrangements entered into with customers.

Where such advance payment schemes include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefits obtained from the customers during the period between the payment date and the completion date of legal assignment, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customers.

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

The financial information relating to the financial years ended 31 December 2018 and 2017 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course. The Company's auditor has reported on those financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined three reportable operating segments for measuring performance and allocating resources. The segments are hotel, investment property and development property. No operating segment has been aggregated to form reportable segments.

Hotel segment represents the operations of The Murray, Hong Kong, MP Hong Kong and MP Changzhou.

Investment property segment primarily represents the property leasing of the Group's investment properties in Hong Kong. Some of the Group's development projects in Mainland China include properties which are intended to be held for investment purposes on completion.

Development property segment encompasses activities relating to the acquisition, development, design, sales and marketing of trading properties primarily in Mainland China.

Management evaluates performance based on operating profit as well as the equity share of results of associates and joint ventures of each segment.

Segment business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, equity investments and deferred tax assets.

Revenue and expenses are allocated with reference to income generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

(a) Analysis of segment revenue and results

	Revenue HK$ Million	Operating profit HK$ Million	Changes in fair value of investment properties HK$ Million	Other net income HK$ Million	Finance costs HK$ Million	Joint ventures HK$ Million	Associates HK$ Million	Profit before taxation HK$ Million
2018								
Hotel	**978**	**10**	**-**	**-**	**(39)**	**-**	**-**	**(29)**
Investment property	**411**	**383**	**319**	**-**	**(14)**	**-**	**-**	**688**
Development property	**89**	**(60)**	**-**	**21**	**(2)**	**122**	**111**	**192**
Segment total	**1,478**	**333**	**319**	**21**	**(55)**	**122**	**111**	**851**
Investment and others	**105**	**105**	**-**	**13**	**-**	**-**	**-**	**118**
Corporate expenses	**-**	**(53)**	**-**	**-**	**-**	**-**	**-**	**(53)**
Group total	**1,583**	**385**	**319**	**34**	**(55)**	**122**	**111**	**916**
2017								
Hotel	630	149	-	-	(3)	-	-	146
Investment property	338	309	30	-	(10)	-	-	329
Development property	5,907	3,630	-	-	(3)	(15)	81	3,693
Segment total	6,875	4,088	30	-	(16)	(15)	81	4,168
Investment and others	122	122	-	-	(21)	-	-	101
Corporate expenses	-	(91)	-	-	-	-	-	(91)
Group total	6,997	4,119	30	-	(37)	(15)	81	4,178

(i) Substantially all depreciation was attributable to the Hotel Segment.
(ii) No inter-segment revenue has been recorded during the current and prior years.

(b) Analysis of segment business assets

	2018 **HK$ Million**	2017 HK$ Million
Hotel	**8,040**	8,213
Investment property	**6,469**	9,346
Development property	**6,739**	3,577
Total segment business assets	**21,248**	21,136
Unallocated corporate assets	**5,160**	5,760
Total assets	**26,408**	26,896

(i) Hotels are stated at cost less accumulated depreciation and impairment losses. Should the completed hotel properties be stated based on the valuation as at 31 December 2018 of HK$12,165 million (2017: HK$12,078 million), the total segment business assets would be increased to HK$25,695 million (2017: HK$25,227 million).

(ii) Unallocated corporate assets mainly comprise equity investments, deferred tax assets and bank deposits and cash.

(c) Geographical information

	Revenue		**Operating profit**	
	2018 **HK$ Million**	2017 HK$ Million	**2018** **HK$ Million**	2017 HK$ Million
Hong Kong	**1,348**	936	**437**	433
Mainland China	**178**	6,016	**(109)**	3,641
Singapore	**57**	45	**57**	45
Group total	**1,583**	6,997	**385**	4,119

	Specified non-current assets		**Total business assets**	
	2018 **HK$ Million**	2017 HK$ Million	**2018** **HK$ Million**	2017 HK$ Million
Hong Kong	**12,999**	12,851	**13,242**	13,017
Mainland China	**4,159**	7,830	**8,006**	8,119
Group total	**17,158**	20,681	**21,248**	21,136

Specified non-current assets exclude equity investments, deferred tax assets and other non-current assets.

The geographical location of revenue and operating profit is analysed based on the location at which services are provided and in the case of equity instruments, where they are listed. The geographical location of specified non-current assets and total business assets is based on the physical location of operations.

(d) Disaggregation of revenue

Revenue from hotel, development property and property management fees and other rents related income of HK$39 million in investment property segment are revenue from contracts with customers within the scope of HKFRS 15.

3. OPERATING PROFIT

Operating profit is arrived at:

	2018 HK$ Million	2017 HK$ Million
After charging/(crediting):		
Depreciation	**206**	40
Staff costs (Note i)	**378**	249
Auditors' remuneration	**2**	2
Cost of trading properties for recognised sales	**131**	2,182
Rental charges under operating leases	**18**	20
Gross rental revenue from investment property (Note ii)	**(411)**	(338)
Direct operating expenses of investment property	**18**	20
Interest income	**(23)**	(44)
Dividend income from equity investments	**(82)**	(78)

Notes:

(i) Staff costs included defined contribution pension schemes costs HK$16 million (2017: HK$9 million).

(ii) Rental income included contingent rentals of HK$132 million (2017: HK$65 million).

4. OTHER NET INCOME

	2018 HK$ Million	2017 HK$ Million
Net exchange gain, including the impact of forward exchange contracts	**34**	-

5. FINANCE COSTS

	2018 HK$ Million	2017 HK$ Million
Interest on bank borrowings	**61**	30
Other finance costs	**11**	11
	72	41
Less: Amount capitalised	**(17)**	(4)
Total	**55**	37

6. INCOME TAX

(a) Taxation charged to the consolidated income statement represents:

	2018 **HK$ Million**	2017 HK$ Million
Current income tax		
Hong Kong		
- provision for the year	**95**	75
- underprovision in respect of prior years	**3**	1
Mainland China		
- provision for the year	**6**	939
- overprovision in respect of prior years	**(17)**	-
	87	1,015
Land appreciation tax ("LAT") (Note (d))	**2**	1,568
Deferred tax		
Origination and reversal of temporary differences	**-**	(24)
Total	**89**	2,559

(b) The provision for Hong Kong profits tax is at the rate of 16.5% (2017: 16.5%) of the estimated assessable profits for the year.

(c) Income tax on profits assessable in Mainland China are China corporate income tax calculated at a rate of 25% (2017: 25%) and China withholding tax at a rate of up to 10%.

(d) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

(e) Tax attributable to joint ventures and associates for the year ended 31 December 2018 of HK$102 million (2017: HK$18 million) is included in the share of results of joint ventures and associates.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders for the year of HK$831 million (2017: HK$1,320 million) and 709 million ordinary shares (2017: 709 million shares) in issue during the year.

The diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive ordinary shares in existence during the years ended 31 December 2018 and 31 December 2017.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2018 HK$ Per share	**2018 HK$ Million**	2017 HK$ Per share	2017 HK$ Million
First interim dividend declared and paid	**0.07**	**50**	0.14	99
Second interim dividend declared after the end of the reporting period	**0.23**	**163**	0.56	397
	0.30	**213**	0.70	496

(a) The second interim dividend based on 709 million issued ordinary shares (2017: 709 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) The second interim dividend of HK$397 million for 2017 was approved and paid in 2018.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for doubtful debts) with an ageing analysis based on invoice date as at 31 December 2018 as follows:

	2018 HK$ Million	2017 HK$ Million
Trade receivables		
0 - 30 days	**97**	59
31 - 60 days	**6**	1
Over 60 days	**6**	7
	109	67
Prepayments	**68**	103
Other receivables	**13**	50
Amounts due from fellow subsidiaries	**73**	35
	263	255

The Group has established credit policies for each of its core business. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. The amounts due from fellow subsidiaries are unsecured, interest free and recoverable on demand. All the trade and other receivables are expected to be recoverable within one year.

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice date as at 31 December 2018 as follows:

	2018 **HK$ Million**	2017 HK$ Million
Trade payables		
0 - 30 days	**31**	18
31 - 60 days	**6**	6
61 - 90 days	**2**	-
Over 90 days	**2**	-
	41	24
Other payables and provisions	**549**	949
Construction costs payable	**921**	1,189
Amounts due to fellow subsidiaries	**29**	47
Amounts due to joint ventures	**1,593**	1,514
	3,133	3,723

11. REVIEW OF RESULTS

The financial results for the year ended 31 December 2018 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the announcement of the Group’s results for the year ended 31 December 2018 have been agreed by the Company’s Auditors to the amounts set out in the Group’s consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2018, all the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with one exception as regards Code Provision A.2.1 providing for the roles of chairman and chief executive to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year under review.

RELEVANT DATES FOR SECOND INTERIM DIVIDEND AND ANNUAL GENERAL MEETING

Second Interim Dividend

Ex-entitlement date	1 April 2019 (Mon)
Latest time to lodge share transfer	4:30 p.m., 2 April 2019 (Tue)
Record date/time	6:00 p.m., 2 April 2019 (Tue)
Payment date	18 April 2019 (Thu)

In order to qualify for the second interim dividend, all transfer, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 2 April 2019.

Annual General Meeting ("AGM")

Ex-entitlement date	25 April 2019 (Thu)
Latest time to lodge share transfer	4:30 p.m., 26 April 2019 (Fri)
Book closure period	29 April 2019 (Mon) to 3 May 2019 (Fri), both days inclusive
Record date	29 April 2019 (Mon)
AGM date/time	11:15 a.m., 3 May 2019 (Fri)

In order to be eligible for attending and voting at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 26 April 2019.

By Order of the Board
Kevin C. Y. Hui
Director and Company Secretary

Hong Kong, 28 February 2019

As at the date of this announcement, the Board comprises Mr. Stephen T. H. Ng, Hon. Frankie C. M. Yick, Mr. Kevin C. Y. Hui and Mr. Peter Z. K. Pao, together with five Independent Non-executive Directors, namely Mr. David T. C. Lie-A-Cheong, Mr. Roger K. H. Luk, Mr. Michael T. P. Sze, Mr. Brian S. K. Tang and Mr. Ivan T. L. Ting.