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Wing Tai Properties Limited

永泰地產有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 369)

ANNOUNCEMENT OF 2018 ANNUAL RESULTS, FINAL DIVIDEND, RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report that the Group continued to deliver a solid result and consolidated profit attributable to shareholders was HK\$1,312 million for the year ended 31 December 2018. Earnings per share was HK\$0.97. The Board of Directors has recommended a final dividend of HK21.0 cents per share. Together with the interim dividend of HK6.0 cents per share, the total dividend for the full year will be HK27.0 cents per share, same as 2017.

2018 was an eventful year for the Group. On the residential development front, we launched Le Cap and La Vetta in Kau To Shan, our latest luxury low-density projects featuring modern French and contemporary Italian styles, respectively. The two projects garnered strong market recognition reaffirming our product excellence and achieved record-high unit prices for both the house and special apartment units. Around 25% of the sold units were handed over in 2018 and related revenue and profit was booked in the year under review, with the remaining 75% set to be handed over and booked in 2019.

In January 2019, we further embarked on the pre-sale of The Carmel, a low-density house and apartment development on Castle Peak Road in Tuen Mun, attaining remarkable sales performance with apartment units nearly fully pre-sold. All pre-sold units will be handed over upon project completion by 2020, and related revenue and profit booked by 2020.

For investment properties, we have strategically repositioned and expanded our asset portfolio capitalising on opportunities that complement our business strategy as well as our position in key gateway markets. We timed the market by unlocking the values of two investment properties in Hong Kong, W Square and Winner Godown Building, at premium prices.

Both transactions were completed in the first half of 2018 generating over HK\$5 billion cash inflow that further strengthened our balance sheet and enhanced our financial flexibility for expansion. In December 2018, we expanded our investment portfolio in London upon the acquisition of 30 Gresham Street, a prime Grade A office property enjoying full occupancy in the financial centre of London. This represents our sixth commercial property in Central London.

Occupancy and tenant quality at our investment portfolio of quality Grade A offices in Hong Kong and Central London remained consistently high throughout the year. In Hong Kong, we have cemented a good presence in both the traditional CBD in Central and the new CBD2 in Kowloon East.

Kowloon East has been a favoured location for tenants looking for decentralisation alternatives and for those with office consolidation and large floor plate requirements. Landmark East, our flagship Grade A twin office towers located in the heart of Kwun Tong with efficient large floor plates and high specifications, continued to achieve high occupancy and stable rental rate supported by solid demand both from new tenants as well as existing tenants looking for expansion.

We are on schedule to complete the master planning process for the comprehensive development at the prime commercial site at Gage Street/Graham Street in Central, which comprises Grade A office tower, a hotel, retail shops and public open space, and will soon commence foundation work and site formation work.

In terms of hospitality business, our hospitality investment and management brand Lanson Place continued to achieve improving performance, in particular our Hong Kong Lanson Place Hotel. We made our first foray into Australia as we signed up a 10-year management contract to operate a brand new luxury serviced apartment project in the Melbourne CBD, which is scheduled to be completed in 2022. This marks Lanson Place's 12th managed property in the Asia Pacific region.

Taking this opportunity, I would like to express my deep gratitude and appreciation to my fellow Board members for their valuable insights and guidance, and to all business partners, colleagues and stakeholders as a whole for their unwavering support throughout the years.

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 27 March 2019

FINANCIAL RESULTS

The Board of Directors (the “Directors”) of Wing Tai Properties Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018, together with comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	2018 HK\$'M	2017 HK\$'M
Revenue	3	884.7	1,064.3
Cost of sales		(175.3)	(236.5)
Gross profit		709.4	827.8
Other gains, net		14.0	13.6
Selling and distribution costs		(33.9)	(45.8)
Administrative expenses		(312.8)	(310.9)
Change in fair value of			
– investment properties		348.4	834.1
– financial instruments	4	(94.9)	48.4
		253.5	882.5
Gains on disposal of investment properties		-	661.2
Gain on disposal of subsidiaries	12	693.3	3.1
Profit from operations	5	1,323.5	2,031.5
Finance costs		(58.4)	(73.1)
Finance income		46.4	34.2
Share of results of joint ventures		115.6	101.5
Share of results of associates		5.2	6.9
Profit before taxation		1,432.3	2,101.0
Taxation	6	(52.8)	(98.6)
Profit for the year		1,379.5	2,002.4
Profit for the year attributable to:			
Shareholders of the Company		1,312.4	1,981.9
Holders of perpetual capital securities		65.7	18.4
Non-controlling interests		1.4	2.1
		1,379.5	2,002.4
Earnings per share attributable to shareholders of the Company	7		
– Basic		HK\$0.97	HK\$1.47
– Diluted		HK\$0.97	HK\$1.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	HK\$'M	HK\$'M
Profit for the year	1,379.5	2,002.4
Other comprehensive income		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(43.6)	70.6
Exchange loss realised to profit or loss upon disposal of a subsidiary	-	2.4
Net fair value gain arising from revaluation of available-for-sale financial assets	-	157.3
Net gain/(loss) on net investment hedge		
– Fair value gains/(losses)	5.4	(4.2)
– Realised upon settlement	0.5	-
Net gain on cash flow hedge		
– Fair value gains	7.0	23.7
Share of other comprehensive income of a joint venture	2.0	1.9
Other comprehensive income for the year, net of tax	(28.7)	251.7
Total comprehensive income for the year	1,350.8	2,254.1
Total comprehensive income for the year attributable to:		
Shareholders of the Company	1,283.7	2,233.6
Holders of perpetual capital securities	65.7	18.4
Non-controlling interests	1.4	2.1
Total comprehensive income for the year	1,350.8	2,254.1

CONSOLIDATED BALANCE SHEET

	Note	At 31 December	
		2018 HK\$'M	2017 HK\$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		20,459.4	19,317.1
Other properties, plant and equipment		74.1	78.7
Investments in joint ventures		1,920.7	661.7
Loans to joint ventures		3,835.7	6,070.7
Investments in associates		16.0	14.7
Loans to associates		22.4	14.7
Financial investments at amortised cost		335.5	-
Financial investments at fair value through profit or loss		553.8	-
Available-for-sale financial assets		-	529.9
Deferred tax assets		20.9	13.4
Derivative financial instruments		49.5	49.3
		<u>27,288.0</u>	<u>26,750.2</u>
Current assets			
Properties for sale	9	4,006.4	3,856.2
Trade and other receivables, deposits and prepayments	10	918.3	2,102.7
Financial investments at amortised cost		248.3	-
Financial investments at fair value through profit or loss		84.7	-
Derivative financial instruments		5.3	0.5
Tax recoverable		3.1	0.6
Bank balances and cash		2,873.6	654.2
		<u>8,139.7</u>	<u>6,614.2</u>
Assets classified as held for sale	12	-	2,131.7
		<u>8,139.7</u>	<u>8,745.9</u>
Current liabilities			
Trade and other payables and accruals	11	1,154.6	912.3
Derivative financial instruments		21.8	25.2
Tax payable		3.7	43.3
Bank and other borrowings		1,295.3	1,401.5
		<u>2,475.4</u>	<u>2,382.3</u>
Liabilities directly associated with assets classified as held for sale	12	-	39.3
		<u>2,475.4</u>	<u>2,421.6</u>

CONSOLIDATED BALANCE SHEET (Continued)

	At 31 December	
	2018	2017
	HK\$'M	HK\$'M
Non-current liabilities		
Bank and other borrowings	3,739.2	4,782.6
Other long-term liability	48.7	57.7
Derivative financial instruments	107.2	101.4
Deferred tax liabilities	335.3	322.9
	<u>4,230.4</u>	<u>5,264.6</u>
NET ASSETS	<u>28,721.9</u>	<u>27,809.9</u>
EQUITY		
Shareholders' funds		
Share capital	674.6	673.1
Reserves	26,526.7	25,616.8
	<u>27,201.3</u>	<u>26,289.9</u>
Perpetual capital securities	1,513.9	1,514.5
Non-controlling interests	6.7	5.5
TOTAL EQUITY	<u>28,721.9</u>	<u>27,809.9</u>

NOTES:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and requirements of the Hong Kong Companies Ordinance (Cap.622).

These consolidated financial statements are presented in millions of Hong Kong dollars (HK\$’M).

2. Significant accounting policies

(a) New standards, revised standards, amendments and improvements to standards effective for the current accounting period beginning on 1 January 2018 and relevant to the Group

Amendments to HKAS 40	Transfers of investment property
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 15	Clarifications to HKFRS 15 revenue from contracts with customers
Annual improvements HKFRS 9	Annual improvements 2014–2016 cycle Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) – Interpretation 22	Foreign currency transactions and advance consideration

Except for HKFRS 9 and HKFRS 15, the adoption of the other new or revised standards, amendments and improvements to standards and interpretations of HKFRS stated above did not have any significant impact to the consolidated financial statements in the current and prior years.

The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach where the cumulative impact from adoption is recognised in the opening balance of retained earnings as at 1 January 2018 and that comparatives had not been restated.

Impact from adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial investments and other financial assets and financial liabilities, derecognition of financial instruments, impairment of financial investments and other financial assets and hedge accounting. HKFRS 9 affects the classification of REIT and other financial investments.

2. Significant accounting policies (Continued)

(a) New standards, revised standards, amendments and improvements to standards effective for the current accounting period beginning on 1 January 2018 and relevant to the Group (Continued)

Impact from adoption of HKFRS 9 (Continued)

Upon adoption of HKFRS 9, REIT and other financial investments with fair value of HK\$529.9M as at 1 January 2018 were reclassified from available-for-sale financial assets to financial investments at fair value through profit or loss. They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of HK\$310.3M was transferred from investment revaluation reserve to retained profits as at 1 January 2018. During the year ended 31 December 2018, fair value loss of HK\$99.5M relating to these investments, which would otherwise have been charged to the consolidated statement of comprehensive income, is recognised in consolidated income statement.

Impact from adoption of HKFRS 15

HKFRS 15 replaces HKAS 18 Revenue which covers contracts for goods and services and HKAS 11 Construction Contracts which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Adoption of HKFRS 15 has no impact to the opening consolidated balance sheet on 1 January 2018. During the year ended 31 December 2018, share of results of joint ventures recognised under HKFRS 15 was HK\$115.6M, compared to HK\$265.2M under adoption of HKAS 18, resulting in a decline of HK\$149.6M.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	As at 1 January 2018		
	As previously stated HK\$'M	Impact from adoption of HKFRS 9 HK\$'M	Restated HK\$'M
Consolidated balance sheet (extract)			
Non-current assets			
Available-for-sale financial assets	529.9	(529.9)	-
Financial investments at fair value through profit or loss	-	529.9	529.9
Equity			
Investment revaluation reserve	310.3	(310.3)	-
Retained profits	21,253.9	310.3	21,564.2

2. Significant accounting policies (Continued)

(a) New standards, revised standards, amendments and improvements to standards effective for the current accounting period beginning on 1 January 2018 and relevant to the Group (Continued)

Consolidated income statement (extract)	For the year ended 31 December 2018			
	Before adoption of	Impact from adoption of		Result as reported
	HKFRS 9 and	HKFRS 9	HKFRS 15	
	HKFRS 15 HK\$'M	HK\$'M	HK\$'M	HK\$'M
Change in fair value of financial instruments	4.6	(99.5)	-	(94.9)
Share of results of joint ventures	265.2	-	(149.6)	115.6
Profit for the year	1,628.6	(99.5)	(149.6)	1,379.5
Earnings per share attributable to shareholders of the Company				
– Basic	HK\$1.15	(HK\$0.07)	(HK\$0.11)	HK\$0.97
– Diluted	HK\$1.15	(HK\$0.07)	(HK\$0.11)	HK\$0.97

Consolidated statement of comprehensive income (extract)	For the year ended 31 December 2018			
	Before adoption of	Impact from adoption of		Result as reported
	HKFRS 9 and	HKFRS 9	HKFRS 15	
	HKFRS 15 HK\$'M	HK\$'M	HK\$'M	HK\$'M
Profit for the year	1,628.6	(99.5)	(149.6)	1,379.5
Other comprehensive income				
Items that have been/may be reclassified subsequently to profit or loss:				
Net fair value loss arising from revaluation of available-for-sale financial assets	(99.5)	99.5	-	-
Total comprehensive income for the year	1,500.4	-	(149.6)	1,350.8

2. Significant accounting policies (Continued)

(a) New standards, revised standards, amendments and improvements to standards effective for the current accounting period beginning on 1 January 2018 and relevant to the Group (Continued)

	As at 31 December 2018			Result as reported HK\$'M
	Before adoption of HKFRS 9 and HKFRS 15 HK\$'M	Impact from adoption of HKFRS 9 HK\$'M	HKFRS 15 HK\$'M	
Consolidated balance sheet (extract)				
Non-current assets				
Investments in joint ventures	2,070.3	-	(149.6)	1,920.7
Financial investments at fair value through profit or loss	124.1	429.7	-	553.8
Available-for-sale financial assets	429.7	(429.7)	-	-
Equity				
Investment revaluation reserve	210.8	(210.8)	-	-
Retained profits	22,430.9	210.8	(149.6)	22,492.1

(b) New standards, revised standards, amendments and improvements to standards that are not yet effective in 2018 and have not been early adopted by the Group

The group has not early adopted the following new standards, revised standards, amendments and improvements to standards that have been issued but are not yet effective for the year ended 31 December 2018:

		Effective for annual periods beginning on or after
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Annual improvements HKFRS 16	Annual improvements 2015 – 2017 cycle Leases	1 January 2019 1 January 2019
HK(IFRIC) – Interpretation 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2. Significant accounting policies (Continued)

(b) New standards, revised standards, amendments and improvements to standards that are not yet effective in 2018 and have not been early adopted by the Group (Continued)

HKFRS 16 – Leases

HKFRS 16 replaces HKAS 17 and related interpretations and introduces a comprehensive model for the identification of lease arrangement and accounting treatment for both lessors and lessees. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not expect significant impact on application of the standard and does not intend to adopt the standard before its effective date.

Other than HKFRS 16, the Group is in the process of making an assessment of the impact of these new standards, revised standards, amendments and improvements to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

3. Revenue and segment information

Revenue represents the amounts received and receivable from third parties net of value-added tax and discounts in connection with the following activities:

	2018 HK\$'M	2017 HK\$'M
Sale of properties and project management income	31.0	139.5
Rental income and property management income	819.7	902.8
Interest income from financial investments	11.3	-
Dividend income	22.7	22.0
	<u>884.7</u>	<u>1,064.3</u>

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Executive Directors in order to allocate resources to the segment and to assess its performance.

Segment information are analysed on the basis of the Group's operating divisions. They are (i) Property Development, (ii) Property Investment and Management, (iii) Hospitality Investment and Management and (iv) Others. Others mainly represent investing activities and corporate activities including central management and administrative function.

3. Revenue and segment information (Continued)

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
For the year ended 31 December 2018						
REVENUE						
External sales	32.2	674.3	144.2	34.0	-	884.7
Inter-segment sales	3.9	11.6	-	-	(15.5)	-
Total	<u>36.1</u>	<u>685.9</u>	<u>144.2</u>	<u>34.0</u>	<u>(15.5)</u>	<u>884.7</u>
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments and gain on disposal of subsidiaries	(100.1)	470.2	10.7	(4.1)	-	376.7
Change in fair value of						
- investment properties	-	263.8	84.6	-	-	348.4
- financial instruments	-	8.1	-	(103.0)	-	(94.9)
Gain on disposal of subsidiaries	-	693.3	-	-	-	693.3
Profit/(loss) from operations	<u>(100.1)</u>	<u>1,435.4</u>	<u>95.3</u>	<u>(107.1)</u>	<u>-</u>	<u>1,323.5</u>
Finance costs	-	(50.2)	(12.0)	(18.0)	21.8	(58.4)
Finance income	-	3.9	0.1	64.2	(21.8)	46.4
Share of results of joint ventures	66.3	12.6	36.7	-	-	115.6
Share of results of associates	-	5.2	-	-	-	5.2
Profit/(loss) before taxation	<u>(33.8)</u>	<u>1,406.9</u>	<u>120.1</u>	<u>(60.9)</u>	<u>-</u>	<u>1,432.3</u>
Taxation						(52.8)
Profit for the year						<u>1,379.5</u>
Other items						
Depreciation and amortisation	<u>0.2</u>	<u>1.3</u>	<u>-</u>	<u>8.1</u>	<u>-</u>	<u>9.6</u>

3. Revenue and segment information (Continued)

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
For the year ended 31 December 2017						
REVENUE						
External sales	139.5	775.5	127.3	22.0	-	1,064.3
Inter-segment sales	-	9.8	0.1	-	(9.9)	-
Total	<u>139.5</u>	<u>785.3</u>	<u>127.4</u>	<u>22.0</u>	<u>(9.9)</u>	<u>1,064.3</u>
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments and gains on disposal of investment properties	(65.7)	548.0	32.6	(27.1)	-	487.8
Change in fair value of						
- investment properties	-	822.5	11.6	-	-	834.1
- financial instruments	-	5.2	-	43.2	-	48.4
Gains on disposal of investment properties	-	661.2	-	-	-	661.2
Profit/(loss) from operations	(65.7)	2,036.9	44.2	16.1	-	2,031.5
Finance costs	-	(64.4)	(9.9)	(38.5)	39.7	(73.1)
Finance income	-	0.3	6.0	67.6	(39.7)	34.2
Share of results of joint ventures	110.1	4.4	(13.0)	-	-	101.5
Share of results of associates	(0.2)	7.1	-	-	-	6.9
Profit before taxation	44.2	1,984.3	27.3	45.2	-	2,101.0
Taxation						(98.6)
Profit for the year						<u>2,002.4</u>
Other items						
Depreciation and amortisation	-	2.1	0.1	2.8	-	5.0
Loss on disposal of other properties, plant and equipment	-	0.1	-	-	-	0.1

Inter-segment transactions are entered into under the normal commercial terms and conditions mutually agreed among group companies.

3. Revenue and segment information (Continued)

The segment assets and liabilities at 31 December 2018 and 2017 and additions to non-current assets for the years then ended are as follows:

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Total HK\$'M
At 31 December 2018					
ASSETS					
Segment assets (Note a)	4,093.1	18,068.3	2,622.9	3,973.9	28,758.2
Investments in joint ventures and loans to joint ventures	5,586.4	841.0	124.9	-	6,552.3
Investments in associates and loans to associates	3.1	35.3	-	-	38.4
	<u>9,682.6</u>	<u>18,944.6</u>	<u>2,747.8</u>	<u>3,973.9</u>	<u>35,348.9</u>
Other assets (Note a)					78.8
Consolidated total assets					<u>35,427.7</u>
LIABILITIES					
Segment liabilities (Note b)	(795.4)	(225.4)	(93.0)	(89.5)	(1,203.3)
Other liabilities (Note b)					(5,502.5)
Consolidated total liabilities					<u>(6,705.8)</u>
Additions to non-current assets (Note d)	<u>0.6</u>	<u>18.1</u>	<u>73.9</u>	<u>2.4</u>	<u>95.0</u>
At 31 December 2017					
ASSETS					
Segment assets (Note a)	4,044.6	21,897.3	1,623.5	1,105.1	28,670.5
Investments in joint ventures and loans to joint ventures	6,380.1	226.9	125.4	-	6,732.4
Investments in associates and loans to associates	5.9	23.5	-	-	29.4
	<u>10,430.6</u>	<u>22,147.7</u>	<u>1,748.9</u>	<u>1,105.1</u>	<u>35,432.3</u>
Other assets (Note a)					63.8
Consolidated total assets					<u>35,496.1</u>
LIABILITIES					
Segment liabilities (Note b)	(610.4)	(280.6)	(22.2)	(96.1)	(1,009.3)
Other liabilities (Note b)					(6,676.9)
Consolidated total liabilities					<u>(7,686.2)</u>
Additions to non-current assets (Note d)	<u>-</u>	<u>37.9</u>	<u>8.7</u>	<u>28.6</u>	<u>75.2</u>

3. Revenue and segment information (Continued)

The following is an analysis of the Group's revenue by geographical areas in which the customer are located, irrespective of the origin of the goods/services:

	Year ended 31 December	
	2018	2017
	Total	Total
	HK\$'M	HK\$'M
Hong Kong	791.3	991.8
The PRC	29.1	24.0
United Kingdom	26.4	23.5
Singapore	23.8	22.2
Others	14.1	2.8
	<u>884.7</u>	<u>1,064.3</u>

The followings are analyses of the Group's total assets, non-current assets including investment properties and other properties, plant and equipment, and additions to non-current assets by geographical areas in which the assets are located.

	Total assets		Non-current assets		Additions to non-current assets	
	At 31 December		(Note c)		(Note d)	
	2018	2017	At 31 December	2018	2017	Year ended 31 December
	HK\$'M	HK\$'M	2018	2017	2018	2017
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Hong Kong	31,719.3	33,046.6	19,161.5	17,955.1	91.5	65.7
United Kingdom	1,754.3	1,194.1	855.0	909.3	3.5	9.2
The PRC	590.5	583.9	517.0	531.4	-	0.3
Singapore	442.6	544.0	-	-	-	-
Others	921.0	127.5	-	-	-	-
	<u>35,427.7</u>	<u>35,496.1</u>	<u>20,533.5</u>	<u>19,395.8</u>	<u>95.0</u>	<u>75.2</u>

Notes:

- Segment assets consist primarily of investment properties, other properties, plant and equipment, financial investments at amortised cost, financial investments at fair value through profit of loss (2017: available-for-sale financial assets), properties for sale, trade and other receivables, deposits and prepayments, bank balances and cash and assets classified as held for sale. Other assets comprise mainly derivative financial instruments, tax recoverable and deferred tax assets.
- Segment liabilities comprise operating liabilities and liabilities directly associated with assets classified as held for sale. Other liabilities include tax payable, bank and other borrowings, deferred tax liabilities and derivative financial instruments.
- Non-current assets include investment properties and other properties, plant and equipment.

3. Revenue and segment information (Continued)

Notes: (Continued)

(d) Additions to non-current assets comprise additions to investment properties and other properties, plant and equipment.

The Group's operations are principally located in Hong Kong, the United Kingdom and the People's Republic of China other than Hong Kong (the "PRC").

4. Change in fair value of financial instruments

	2018 HK\$'M	2017 HK\$'M
Net fair value (loss)/gain on derivative financial instruments	(0.7)	45.2
Gain on financial liabilities at fair value through profit or loss classified under other long-term liability	8.1	3.2
Loss on financial investments at fair value through profit or loss	(102.3)	-
	<u>(94.9)</u>	<u>48.4</u>

5. Profit from operations

	2018 HK\$'M	2017 HK\$'M
Profit from operations has been arrived at after charging/(crediting) the following:		
Staff costs including directors' remuneration	253.8	256.0
Retirement benefits costs	8.8	8.8
Total staff costs (Note)	<u>262.6</u>	<u>264.8</u>
Share-based compensation expenses (Note)	12.2	12.0
Auditor's remuneration		
– Audit services	4.7	4.5
– Non-audit services	0.9	2.0
Cost of properties included in cost of sales	1.7	40.1
Depreciation of other properties, plant and equipment	9.6	5.0
Direct operating expenses arising from investment properties generating rental income	149.7	165.9
Gains on disposal of investment properties	-	(661.2)
Gain on disposal of subsidiaries	(693.3)	(3.1)
Gain on decrease in interest of a joint venture	(41.0)	-
Gross rental income from investment properties	(788.1)	(869.6)
Loss on disposal of other properties, plant and equipment	-	0.1
	<u>-</u>	<u>0.1</u>

Note:

Share-based compensation expenses recognised in the consolidated income statement in respect of share options and incentive shares granted to certain directors and employees are not included in the total staff costs above.

6. Taxation

Hong Kong profits tax has been calculated at 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2018 HK\$'M	2017 HK\$'M
Current taxation		
– Current tax on profits for the year	62.4	91.0
– (Over)/under-provision in prior years	(21.3)	1.9
	<u>41.1</u>	<u>92.9</u>
Deferred taxation		
– Change in fair value of investment properties	3.4	7.9
– Temporary differences on tax depreciation	14.9	1.2
– Recognition of tax losses	(8.5)	(4.8)
– Other temporary differences	1.4	(0.1)
– Under-provision in prior year	0.5	1.5
	<u>11.7</u>	<u>5.7</u>
Income tax expenses	<u>52.8</u>	<u>98.6</u>

7. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Profit attributable to shareholders of the Company (expressed in HK\$'M)	<u>1,312.4</u>	<u>1,981.9</u>
Weighted average number of ordinary shares in issue	<u>1,349,034,977</u>	<u>1,346,045,138</u>
Basic earnings per share	<u>HK\$0.97</u>	<u>HK\$1.47</u>

7. Earnings per share (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares at the beginning of the year. The Company has share options and incentive shares outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and incentive shares.

	2018	2017
Profit attributable to shareholders of the Company (expressed in HK\$'M)	<u>1,312.4</u>	<u>1,981.9</u>
Weighted average number of ordinary shares in issue	1,349,034,977	1,346,045,138
Effect of dilutive potential shares issuable under the Company's share option plan and share incentive scheme	<u>1,682,959</u>	<u>2,879,017</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>1,350,717,936</u>	<u>1,348,924,155</u>
Diluted earnings per share	<u>HK\$0.97</u>	<u>HK\$1.47</u>

8. Dividends

	2018 HK\$'M	2017 HK\$'M
Interim dividend paid on 3 October 2018 of HK6.0 cents (2017: HK4.5 cents) per ordinary share	80.9	60.6
Proposed final dividend of HK21.0 cents (2017: HK22.5 cents) per ordinary share	<u>284.1</u>	<u>303.6</u>
	<u>365.0</u>	<u>364.2</u>

The final dividend is not accounted for as a dividend payable in these financial statements until it has been approved at the forthcoming annual general meeting of the Company.

9. Properties for sale

	2018 HK\$'M	2017 HK\$'M
Properties for/under development held for sale	4,000.4	3,848.4
Completed properties	6.0	7.8
	<u>4,006.4</u>	<u>3,856.2</u>

10. Trade and other receivables, deposits and prepayments

	2018 HK\$'M	2017 HK\$'M
Trade receivables	18.6	55.2
Deferred rent receivables	12.3	10.7
Amounts due from joint ventures	10.1	76.4
Loans to joint ventures	795.9	-
Other receivables, deposits and prepayments	81.4	71.5
Proceeds receivable from disposals of investment properties	-	1,888.9
	<u>918.3</u>	<u>2,102.7</u>

The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with industry practice. Sales proceeds receivable from sale of properties are settled in accordance with the terms of respective contracts. The following is an ageing analysis of the Group's trade receivables (net of provision) at 31 December, based on the invoice dates:

	2018 HK\$'M	2017 HK\$'M
0 – 30 days	15.1	48.0
31 – 90 days	1.1	4.1
Over 90 days	2.4	3.1
	<u>18.6</u>	<u>55.2</u>

11. Trade and other payables and accruals

	2018 HK\$'M	2017 HK\$'M
Trade payables	116.8	21.3
Rental deposits received	161.9	185.5
Construction costs payable	90.8	100.8
Amounts due to joint ventures	559.9	442.7
Provision for other costs arising from disposal of a joint venture and subsidiaries	7.3	8.6
Other creditors and accruals	217.9	153.4
	<u>1,154.6</u>	<u>912.3</u>

The ageing analysis of the Group's trade payables based on invoice date at 31 December is as follows:

	2018 HK\$'M	2017 HK\$'M
0 – 30 days	113.1	11.3
31 – 90 days	3.1	9.5
Over 90 days	0.6	0.5
	<u>116.8</u>	<u>21.3</u>

12. Assets classified as held for sale/liabilities directly associated with assets classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the disposal of subsidiaries as at 31 December 2017:

	2017 HK\$'M
Assets classified as held for sale	
Investment property	2,125.0
Trade and other receivables, deposits and prepayments	1.5
Bank balances and cash	5.2
	<u>2,131.7</u>
Liabilities directly associated with assets classified as held for sale	
Trade and other payables and accruals	(18.8)
Tax payables	(0.3)
Deferred tax liabilities	(20.2)
	<u>(39.3)</u>

12. Assets classified as held for sale/liabilities directly associated with assets classified as held for sale (Continued)

In January 2018, the Group disposed of its entire interest in W Square, an office and retail complex located in Wan Chai, with a gross floor area of approximately 129,000 square feet. The disposal was completed in May 2018. Disposal gain was arrived as follows:

	2018 HK\$'M
Initial consideration	2,848.8
Less: Completion adjustments upon closing	(38.5)
Bank balances and cash disposed	(0.8)
	<hr/>
Net proceeds from disposal of subsidiaries	2,809.5
Less: Net asset value of subsidiaries	(2,085.7)
Transaction cost	(30.5)
	<hr/>
Gain on disposal of subsidiaries	<u>693.3</u>

13. Scope of work of PricewaterhouseCoopers

The financial figures in respect of this results announcement for the year ended 31 December 2018 have been agreed by the Group auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

FINAL DIVIDEND, RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

FINAL DIVIDEND AND RECORD DATE

The Directors recommend the payment of a final dividend of HK21.0 cents (2017: HK22.5 cents) per share for the year ended 31 December 2018. Including the interim dividend of HK6.0 cents (2017: HK4.5 cents) per share distributed on 3 October 2018, the total dividend payout for the year ended 31 December 2018 shall be HK27.0 cents (2017: HK27.0 cents) per share. Subject to the passing of the relevant resolution at an annual general meeting to be held on 31 May 2019 (the "AGM"), the final dividend will be distributed on or around 21 June 2019 to shareholders whose names appear on the register of members of the Company at the close of business on 6 June 2019 (the Record Date).

In order to qualify for the entitlement of the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 6 June 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 23 May 2019 to 24 May 2019 (both days inclusive), during which period the registration of transfers of shares will be suspended. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 22 May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2018, the Group's revenue was HK\$885 million compared with HK\$1,064 million in 2017. Consolidated profit for the year was HK\$1,380 million, a decrease of HK\$622 million compared with HK\$2,002 million in 2017. The decrease was mainly attributable to a lower fair value gain on investment properties and financial instruments of HK\$254 million in 2018 compared with HK\$883 million in 2017.

Consolidated profit attributable to shareholders was HK\$1,312 million, a decrease of HK\$670 million compared with HK\$1,982 million in 2017.

Earnings per share attributable to shareholders was HK\$0.97 compared with HK\$1.47 in 2017.

Property Development

The property development segment revenue was HK\$32 million in 2018 compared with HK\$140 million in 2017. Segment loss before taxation was HK\$34 million compared with segment profit before taxation of HK\$44 million in 2017, mainly attributable to fewer property sales handed over in 2018 compared to 2017.

Wholly-owned projects

The Carmel, a low-density residential site in Siu Sau, Tai Lam, Tuen Mun, provides a saleable area of approximately 147,000 square feet for 178 residential units. Pre-sale consent was obtained in November 2018. Pre-sale was launched in January 2019. As at the date of this report, around 76% (in terms of number) of the residential units were sold. Superstructure work is underway and the project is scheduled for completion by 2020. Related revenue and profit of the pre-sold units will be recognised upon handover of such units to buyers prior to the project's material date that falls in March 2020.

The site on So Kwun Wat Road, So Kwun Wat, Tuen Mun, a medium-density residential site, has a gross floor area of approximately 264,000 square feet. Superstructure work has commenced and the project is scheduled for completion in 2021.

Majority-owned project

The Group has a 70% interest in the site adjacent to The Carmel in Siu Sau, Tai Lam, Tuen Mun, a medium-density residential site, that offers a gross floor area of approximately 294,000 square feet. Foundation work and site formation work are in progress. The project is scheduled for completion in 2022.

Joint venture projects

The Group has a 15% interest in each of Providence Bay, Providence Peak and The Graces located at Pak Shek Kok, Tai Po. Cumulatively, as at 31 December 2018, around 99% of the residential units of Providence Bay and Providence Peak were sold and all the residential units of The Graces were sold.

The Group has a 50% interest in Homantin Hillside, located in Hung Hom. The project has a saleable area of approximately 128,000 square feet for 173 residential units. In 2018, around 2% of the residential units were sold. Cumulatively, as at 31 December 2018, around 99% of the residential units were sold. The Group is the lead project manager and lead sales and marketing manager for this project.

The Group has a 35% interest in two low-density residential projects, Le Cap and La Vetta, located in Kau To, Shatin, offering a combined saleable area of approximately 460,000 square feet. Certificates of Compliance for Le Cap and La Vetta were obtained in March 2018 and September 2018, respectively. In 2018, around 25% and 9% of the residential units of Le Cap and La Vetta were sold since their sale launches in late April 2018 and October 2018, respectively. Around 47% (in terms of number) of the sold units of Le Cap were handed over to buyers with related revenue recognised in 2018. The Group is the joint project manager and lead sales and marketing manager for both projects.

The Group has a 50% interest in a commercial complex site in Central, Site C of the Gage Street/Graham Street project as put up by the Urban Renewal Authority. The site is advantageously located in the heart of the bustling Central financial hub, providing a gross floor area of up to 433,500 square feet for the development of a Grade A office tower, a hotel, retail shops as well as public open space with green facilities for the neighbourhood. The Group is the lead project manager and lead leasing manager for this project. Foundation work is scheduled for commencement in the second quarter of 2019.

Property Investment and Management

Following the completion of disposals of Winner Godown Building and W Square in the first half of 2018, the property investment and management segment revenue was HK\$674 million in 2018, a decrease of HK\$102 million compared with HK\$776 million in 2017. Segment profit before taxation (including fair value changes) was HK\$1,407 million, compared with HK\$1,984 million in 2017. Excluding fair value changes in investment properties and financial instruments (2018 was HK\$257 million; 2017 was HK\$822 million) and a one-off disposal gain (2018 was HK\$693 million; 2017 was HK\$661 million), segment profit before taxation was HK\$457 million, compared with HK\$501 million in 2017.

As at 31 December 2018, the Group's portfolio of investment properties, mainly Grade A office buildings, has a total area of approximately 1,886,000 square feet with an aggregate attributable fair market valuation of around HK\$20,400 million. The portfolio encompasses 1,525,000 square feet in Hong Kong, 295,000 square feet in London and 6,200 square metre in Beijing.

Wholly-owned properties in Hong Kong

Landmark East is the Group's flagship property located in Kowloon East. This property is a Grade A office complex comprising twin towers of 36 floors and 34 floors respectively with a total gross floor area of approximately 1,338,000 square feet and 454 car parking spaces. As at 31 December 2018, the property achieved an occupancy of approximately 93%.

Shui Hing Centre is an industrial building in Kowloon Bay, with a gross floor area of approximately 187,000 square feet. As at 31 December 2018, the property achieved an occupancy of approximately 95%.

Disposal of a wholly-owned property in Hong Kong

In January 2018, the Group disposed of its entire interest in W Square, an office and retail complex located in Wan Chai with a gross floor area of approximately 129,000 square feet, at a consideration of approximately HK\$2,850 million and recognised a disposal gain of HK\$693 million. The disposal was completed in May 2018.

Wholly-owned properties in London, the United Kingdom

The commercial property located at Savile Row/Vigo Street, West End, has a net internal area of approximately 14,000 square feet of Grade A office and retail space.

The high-end commercial property located on Brook Street, West End, offers easy access to the upcoming Bond Street Station of London Crossrail and has a net internal area of approximately 19,000 square feet of Grade A office and retail space.

The commercial property located at Berkeley Square, West End, has a net internal area of approximately 7,900 square feet of Grade A office space.

As at 31 December 2018, the above three wholly-owned properties achieved an average occupancy of approximately 92%.

Joint venture properties in London, the United Kingdom

The Group has a 25% interest in a commercial property located on Fleet Place, the City. The property has a net internal area of approximately 192,000 square feet of Grade A office and retail space. As at 31 December 2018, the property achieved an occupancy of approximately 94%.

The Group has a 33% interest in a commercial property located at Cavendish Square, West End. In the second half of 2018, refurbishment and expansion works were completed. The property has a net internal area of approximately 13,000 square feet of Grade A office space after the expansion work and is scheduled for leasing.

Acquisition of a joint venture property in London, the United Kingdom

In December 2018, through a joint venture with an independent third party, the Group acquired a 50% interest in a 9-storey commercial property located at 30 Gresham Street, the City, which is in close proximity to the Bank of England. The property has a net internal area of approximately 404,000 square feet of Grade A office, retail shops and ancillary accommodation, with 48 car parking spaces. The acquisition was completed on 20 December 2018. As at 31 December 2018, the property achieved full occupancy.

Wholly-owned property in Beijing, China

The Group has 33 residential units at Central Park, Beijing with a gross floor area of approximately 6,200 square metres. As at 31 December 2018, approximately 97% of the units were leased.

Hospitality Investment and Management

The hospitality investment and management segment revenue was HK\$144 million in 2018 compared with HK\$127 million in 2017. Segment profit before taxation (including fair value changes) was HK\$120 million in 2018, an increase of HK\$93 million compared with HK\$27 million in 2017. Excluding fair value changes in investment properties and financial instruments (2018 was HK\$85 million; 2017 was HK\$1 million), segment profit before taxation was HK\$35 million in 2018, compared with HK\$26 million in 2017, an increase of HK\$9 million mainly due to an increase in profit from hotel operations in Hong Kong.

The wholly-owned Lanson Place Hotel in Hong Kong registered improvement in both the occupancy and average room rate in 2018.

The Group has a 50% interest in Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, which recorded a stable occupancy as well as average rental rates.

The wholly-owned prime harbour-front project in Shau Kei Wan obtained occupation permit in August 2018. It will be fully furnished and is scheduled for leasing in the first half of 2019.

Lanson Place currently manages nine third-party serviced residences, of which five are in Shanghai. Other serviced residences are located in Hong Kong, Singapore, Kuala Lumpur and Chengdu.

In April 2018, a 10-year management contract was signed to manage a brand new luxury serviced residence project of approximately 117 units in the city centre of Melbourne, Australia. The project is targeted for completion by 2022. This marks Lanson Place's first property in Australia and is also the Group's 12th managed property in the Asia Pacific region.

Lanson Place Hospitality Management and the properties under the brand continue to be well recognised by travellers. In Hong Kong, Lanson Place Hotel and Two MacDonnell Road were awarded the “Certificate of Excellence 2018” by TripAdvisor. In Shanghai, One Sunland Serviced Suites managed by Lanson Place won the “Best Serviced Apartment Award” at the Weekend on the Go~2018 Best Travel Destination Awards presented by City Traveler magazine in June 2018. Lanson Place Jinlin Tiandi Serviced Residences also clinched the “Best Serviced Apartment in China” title at the TTG China Travel Awards 2018 in March 2018. In Kuala Lumpur, Lanson Place Bukit Ceylon Serviced Residences took home four accolades, including the “Aparthotel of the Year 2018” at the Travel and Hospitality Awards, the “Recognition of Excellence 2018” by HotelsCombined, the “Asia Pacific Hotel Awards for Best Large Hotel Malaysia 2018-2019” at the International Hotel Awards in June 2018 as well as the “2018 Travelers’ Choice” award by TripAdvisor. Ambassador Row Hotel Suites by Lanson Place was named the “Business Hotel of the Year 2018 (Malaysia)” at the Travel and Hospitality Awards in June 2018.

Others

This segment represents investing activities and central management and administrative expenses. Segment revenue was HK\$34 million in 2018, compared with HK\$22 million in 2017. The increase was mainly attributable to interest income from debt securities.

Segment loss before taxation (including fair value changes) was HK\$61 million in 2018 compared with a segment profit of HK\$45 million in 2017. The segment loss mainly represented a fair value loss of financial instruments of HK\$103 million. With effect from 1 January 2018, upon adoption of HKFRS 9 Financial Instruments, REIT and other financial investments have been reclassified as financial investments at fair value through profit or loss. Related mark to market gain/(loss) has to be recorded under change in fair value of financial instruments in profit or loss account. The mark to market loss in 2018 represented a drop in shares prices of our investments during the year. Excluding fair value loss in financial instruments, segment profit before taxation was HK\$42 million in 2018, an increase of HK\$40 million compared with HK\$2 million in 2017, which was mainly due to an increase in interest income from debt securities and in bank interest income from time deposit placements during the year.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group’s net assets totalled HK\$28,722 million as at 31 December 2018 (2017: HK\$27,810 million). The increase of HK\$912 million is mainly resulted from the profit for the year of HK\$1,380 million, offset by the distribution of the 2017 final dividend and 2018 interim dividend of HK\$385 million and distribution to holders of perpetual capital securities of HK\$66 million.

As at 31 December 2018, the Group's bank and other borrowings totalled HK\$5,035 million (2017: HK\$6,184 million). The maturity profile of the Group's bank and other borrowings is set out below:

	31 December 2018		31 December 2017	
	HK\$ million	%	HK\$ million	%
Repayable:				
Within one year	1,295	26%	1,402	23%
Between one and two years	110	2%	1,134	18%
Between two and five years	3,339	66%	2,776	45%
After five years	291	6%	872	14%
	<u>5,035</u>	<u>100%</u>	<u>6,184</u>	<u>100%</u>

As at 31 December 2018, the Group's net borrowings (total bank and other borrowings less bank balances and cash) were HK\$2,161 million (2017: HK\$5,530 million), representing 7.5% of the Group's net assets (2017: 19.9%). The decrease in gearing ratio is mainly due to the receipt of proceeds from the disposals of wholly-owned properties, resulting in an increase in bank balances and cash. Interest for the Group's bank borrowings is mainly on a floating rate basis while interest for the Group's bonds is on a fixed rate basis. The Group will closely monitor the exposure to interest rate fluctuations and, if appropriate, hedge by interest rate swap contracts to the extent desirable.

The Group's bank balances and cash as well as unutilised revolving loan facilities are set out as follows:

	31 December 2018	31 December 2017
	HK\$ million	HK\$ million
Bank balances and cash	2,874	654
Unutilised revolving loan facilities	<u>2,423</u>	<u>976</u>
	<u>5,297</u>	<u>1,630</u>

Foreign Currencies

The Group principally operates in Hong Kong, and as a result, has immaterial exposure to exchange rate fluctuations. The Group conducts its business mainly in Hong Kong dollars, and to a lesser extent Renminbi, UK pounds, Singapore dollars and Malaysia Ringgits. For transactions in foreign currencies, the Group will closely monitor the exposure and, if appropriate, hedge by local currency financing and other financial instruments to the extent desirable. In particular, exposure to investments in foreign operations in the United Kingdom is substantially covered by local currency financing and forward exchange contracts.

Contingent Liabilities

As at 31 December 2018, the Group had contingent liabilities of HK\$8,081 million (2017: HK\$5,223 million) in respect of guarantees given by the Company for banking facilities granted to certain joint ventures. The guarantees were given severally and in proportion to the Group's equity interests in the joint ventures.

Pledge of Assets

As at 31 December 2018, the Group's advances to joint ventures of HK\$3,635 million (2017: HK\$5,285 million) were subordinated to the loan facilities of joint ventures and assigned. The shares in these joint ventures beneficially owned by the Group are pledged to the financial institutions.

As at 31 December 2018, several of the Group's investment properties, properties for sale and financial investments at fair value through profit or loss with carrying values of HK\$3,864 million, HK\$3,793 million and HK\$297 million, respectively, were pledged to secure credit facilities for the Group.

PROSPECTS

In the light of the Sino-US trade disputes, uncertainties surrounding Brexit, a slowing growth in China's economy and various housing measures including the impending vacancy tax as laid down by the Hong Kong government, the operating environment for the Group's businesses remains challenging in 2019.

Hong Kong's economic fundamentals have stayed healthy by and large despite the potential downside risks. While there is no immediate solution to alleviate supply shortage in the short run, the solid pent-up demand from local homebuyers and investors from mainland China as well as a slower pace of interest rate hikes are expected to be supportive of the residential property market sentiment, which would remain positive in the near term. We anticipate only a moderate correction in the overall property prices for the full year of 2019.

For residential development, we will continue the sales of further phases of Le Cap, La Vetta and The Carmel, while making full preparation for the pre-sale of Tuen Mun 497, a mid-density lifestyle development in So Kwun Wat, Tuen Mun.

Meanwhile, our residential project in Shau Kai Wan is nearing completion undergoing its final stage of interior furnishings. Perched right on the shore of Eastern waterfront, we have formally named the development as Waterfront Suites and will have it launched for leasing in the second quarter of 2019. This will help create an additional stream of steady recurring income and cash flow for the Group going forward.

On office properties, in London, following the acquisition of 30 Gresham Street with full occupancy, the Group's recurring leasing income base has further been enhanced. In Hong Kong, Landmark East is set to benefit from its central location in Kwun Tong, strong tenant profile and well-maintained quality facilities, continuing to enjoy its dominance in the large floor plate segment of the market and deliver a steady leasing income.

As we advance ahead, we are always keen to expand our land bank and broaden our asset portfolio in the residential, commercial and/or hospitality arenas, both in Hong Kong and key gateway cities. With a healthy balance sheet, we will continue to uphold our selective yet active approach to capitalise upon long-term growth opportunities while maintaining our core values of top quality and service.

KEY RISKS AND UNCERTAINTIES

The Group's business, financial conditions or results of operations are affected by a number of key risks and uncertainties outlined below. There may be other risks or uncertainties, including those which are not known to the Group or which the Group currently deems to be immaterial but may affect the Group in future.

Business Risks

Property development

A majority of the Group's assets are located in, and a majority of the Group's revenue is derived from Hong Kong. As a result, the general state of Hong Kong and the property market, the interest rate changes and the political and legal situations in Hong Kong may have a significant impact on the Group's operating results and financial condition.

The Group's activities on its development properties are also subject to various laws and regulations of Hong Kong. Developing properties, refurbishment and other re-development projects require government permits. The government may introduce property cooling measures from time to time which may have a significant impact on the property market and may adversely affect the Group's property sales performance and financial condition.

Property investment and hospitality business

Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants. The Group cannot be assured that existing tenants will renew their leases upon expiration or that the Group will be able to find replacement tenants at rental rates equal to or above the current rental rates for tenancies.

CORPORATE SOCIAL RESPONSIBILITY

Employees

As at 31 December 2018, the Group had approximately 480 employees. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme and an occupational retirement scheme to provide retirement benefits to all employees in Hong Kong.

Employees, including directors, are eligible for the Company's share option plan where the shares options are generally exercisable by phases within ten years.

Communities

The Group takes pride in being an outstanding member of the communities in which it operates. As such, the Group has introduced a number of initiatives under its Corporate Social Responsibility mission and shall continue to seek innovative and meaningful ways to engage its employees and associates in building stronger and more vibrant communities in which it operates.

The Group's 2018 activities covered the followings:

- Red Packet Collection for Re-use
- Blood Donation Day
- Elderly Home Visit
- Heifer Race to Feed 2018

Environment

This year the Group continued to sign up as a member of "Friends of the Earth". As an Earth Partner, we are committed to supporting and contributing to environment protection by going "Green" at the workplace.

Compliance with Laws and Regulations

The Group is committed to complying with all relevant rules and regulations issued by the Government of the Hong Kong Special Administrative Region in relation to construction of properties, sales of properties, property management and employees, etc. The Group also holds relevant required licences for the provision of hospitality services. Relevant employees are trained to any changes in the applicable laws, rules and regulations from time to time.

Relationship with Suppliers

The selection of major suppliers or contractors is conducted through tendering process in all the Group's segments. The Internal Audit Department of the Group regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner.

Relationship with Customers

For our residential development projects, the Group has comprehensive hand-over procedures to ensure delivery of quality products to our customers.

For our commercial and residential estate management and hospitality management, the Group obtains regular feedback from customers in order to enhance quality of services.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with regulatory requirements, including the requirements under the Listing Rules.

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the financial year ended 31 December 2018.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2018, including the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

ANNUAL REPORT

The 2018 annual report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.wingtaiproperties.com and copies thereof will be dispatched to shareholders of the Company on or about 29 April 2019.

By Order of the Board
WING TAI PROPERTIES LIMITED
Chung Siu Wah, Henry
Company Secretary & Group Legal Counsel

Hong Kong, 27 March 2019

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis, Chow Wai Wai, John and Ng Kar Wai, Kenneth

Non-Executive Directors:

Kwok Ping Luen, Raymond (Kwok Ho Lai, Edward as his alternate), Hong Pak Cheung, William, Ng Tak Wai, Frederick and Chen Chou Mei Mei, Vivien

Independent Non-Executive Directors:

Simon Murray, Yeung Kit Shing, Jackson, Haider Hatam Tyebjee Barma, Cheng Hoi Chuen, Vincent, and Lam Kin Fung, Jeffrey