

To: Business/Property Editor

 Date: 20 February 2020
 For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED
2019 ANNUAL RESULTS**

HIGHLIGHTS

- Turnover and Recurring Underlying Profit increased year-on-year by 2.5% and 2.0% respectively
- Occupancies for Office and Retail portfolios were 98% and 96% respectively
- Hong Kong's economic outlook for 2020 is uncertain, driven by global headwinds, domestic factors and the effects of the COVID-19 epidemic

RESULTS

	<i>Notes</i>	Year ended 31 December		Change
		2019 HK\$ million	2018 HK\$ million	
Turnover	1	3,988	3,890	+2.5%
Recurring Underlying Profit	2	2,587	2,536	+2.0%
Underlying Profit	3	2,587	2,536	+2.0%
Reported Profit	4	4,845	6,033	-19.7%
		HK cents	HK cents	
Basic earnings per share, based on:				
Recurring Underlying Profit	2	247	242	+2.1%
Underlying Profit	3	247	242	+2.1%
Reported Profit	4	463	577	-19.8%
Full-year dividends per share		144	144	±0%
		As at 31 December		
		2019 HK\$ million	2018 HK\$ million	
Shareholders' Funds	5	77,650	74,431	+4.3%
		HK\$	HK\$	
Net Asset Value per Share	6	74.4	71.1	+4.6%

Notes:

1. **Turnover** comprises gross rental income from leasing of investment properties located in Hong Kong and management fee income from the provision of property management services for the year.
2. **Recurring Underlying Profit** is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature.
3. **Underlying Profit** is arrived at by excluding from Reported Profit unrealised fair value changes on investment properties and items not generated from the Group's core property investment business.
4. **Reported Profit** is the profit attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.
5. **Shareholders' Funds** is the equity attributable to owners of the Company.
6. **Net Asset Value per Share** represents Shareholders' Funds divided by the number of issued shares at year-end.

HYSAN DEVELOPMENT 2019 TURNOVER UP 2.5% TO HK\$3,988 MILLION

Results

Hysan Development Company Limited (Stock Code: 00014) today (20 February 2020) announced the Group's **turnover** was HK\$3,988 million in 2019, representing a year-on-year increase of 2.5% from HK\$3,890 million in 2018.

Recurring Underlying Profit, our key leasing business performance indicator, and **Underlying Profit**, were both HK\$2,587 million in 2019 (both up 2.0% from HK\$2,536 million in 2018), reflecting positive rental reversion from our portfolio. Basic earnings per share based on Recurring Underlying Profit was HK247 cents (2018: HK242 cents), up 2.1%.

The Group's **Reported Profit** for 2019 was HK\$4,845 million (2018: HK\$6,033 million). This included a fair value gain on the Group's investment properties' valuation of HK\$792 million (2018: HK\$3,532 million) and the share of fair value gain of investment properties on our investment in associates of HK\$1,528 million (2018: HK\$96 million). These fair value gains reflected the rental outlook after taking into consideration (i) the completion of asset enhancement projects and (ii) economic outlook.

As at 31 December 2019, the valuation of the Group's investment property portfolio in Hong Kong increased by 2.2% to HK\$79,116 million (2018: HK\$77,442 million). The capitalisation rates used in valuing each portfolio remained unchanged from those used as at 31 December 2018.

Shareholders' Funds increased by 4.3% to HK\$77,650 million (2018: HK\$74,431 million).

Dividends

A second interim dividend of HK117 cents per share (2017: HK117 cents) was announced. The dividend will be payable in cash. Together with the first interim dividend of HK27 cents per share (2018: HK27 cents), there is an aggregate distribution of HK144 cents per share (2018: HK144 cents). Please see the table for all the relevant dates:

Closure of register of members	Friday, 6 March 2020
Ex-dividend date	Wednesday, 4 March 2020
Latest time to lodge transfer documents	4pm on Thursday, 5 March 2020
Record date for second interim	Friday, 6 March 2020
Second interim dividend payment date	On or about Friday, 20 March 2020

Financial Management

Hysan adhered to a policy of financial prudence and maintained a strong financial position.

Gearing

- Total Net Debt: HK\$3,279 million (31 Dec 2018: HK\$3,510 million)
- Net Debt to Equity: 4.1% (31 Dec 2018: 4.7%)

Stable Debt Profile

- Fixed Rate Debt: 84.0% of the total gross debt (31 Dec 2018: 75.5% of the total gross debt)
- Average Debt Maturity: 6.6 years (31 Dec 2018: 3.9 years)
- Capital Market Issuance: 84.0% (31 Dec 2018: 75.5%)
- Effective Interest Rate: 3.4% (2018: 3.4%)

Strong Credit Rating

- Net Interest Coverage: 17.0 times (2018: 18.1 times)
- Moody's: A3; Fitch: A-; Standard and Poor's: BBB+

COMMENTS BY MS. IRENE YUN LIEN LEE, CHAIRMAN

On handling of the COVID-19 epidemic (speech given at the analyst briefing)

- Hong Kong went through 2019 social unrest and now the COVID-19 virus outbreak: Hysan is facing one of the biggest crisis period in our recent history in terms of impact on our business (perhaps even bigger than SARS during 2003)
- However we need to look beyond today's crisis as a low point over a long period.
- Hysan has been in Causeway Bay for nearly 100 years. There have been many ups and downs. We will continue to navigate changes brought about by natural evolution such as changes in consumption habits or unexpected black swan events as we have seen in the past two months. We believe we can overcome adversities, adjust and deal with changes.
- Hysan has a commercial portfolio that exudes quality in terms of physical location, building designs and tenant mix.
- The company is managed by dedicated, experienced and forward-looking professionals. We have formed strong partnerships with our tenants and our community. I am confident our partnership with our stakeholders will endure the test of time.
- While we are certain the COVID-19 virus will end, the situation with timing and intensity is still not clear. We will do our best to provide support to our stakeholders:
- Importantly, for our tenants:
 - In order to ease the pressure on their business, during this challenging period, Hysan will be offering a meaningful rent concession, with reduction in basic rent in February and in March.
 - The rent concessions are in addition to those provided during the social unrest in the latter part of 2019.
 - We believe the situation will improve. We intend to be well-prepared when the virus ends and the situation normalises so that Hysan, together with our tenants work to stimulate spending with confidence and mutual support.
- For our tenants, shoppers and staff members, we are doing our very best to provide a clean, safe and enjoyable environment.

- I would like to use this opportunity to thank our frontline staff for their hard work, and we will ensure they receive the best care and protection while carrying out their daily tasks.
- The coming weeks are likely to remain difficult. With all of Hong Kong pulling together, we will overcome these challenges and I look forward to the better days ahead.

On 2019 Annual Results

Hysan saw a 2.5% increase in its 2019 turnover and a 2.0% improvement in its Recurring Underlying Profit. A robust first half helped ease the impact of a negative second half. Rental reversions for our office, retail and residential portfolios remained healthy, while occupancies were satisfactory.

Impact from Different Fronts

Global uncertainties together with continued U.S.-China tensions were among the external factors negatively affecting Hong Kong's general economic well-being in 2019. On the domestic front, social unrest throughout the second half of the year had an immediate adverse impact on the economy and parts of Hysan's business. The sharp drop in spending by a drastically reduced number of visitors to Hong Kong was further exacerbated by a fall in local consumption arising from intermittent closure of shops and restaurants brought on by the social unrest. The retail sector, particularly cosmetics and certain popular brands favoured by mainland visitors, as well as the catering sector, were much adversely affected by the turmoil. Hong Kong's retail sales saw a full year decline of 11% as compared to 2018. Estimated sales of Hysan's retail tenants mirrored those of Hong Kong, sharply decreasing from July onwards.

Managing the Crisis

Through these difficult times, Hysan's management team stepped up its efforts to provide a safe and secure environment for the Company's staff, tenants and shoppers. The team delivered swift, proactive solutions and support to manage the impact on our retail and office tenants. The relationship built over the years through Hysan's community-building efforts were clearly evident as all stakeholders worked together during the crisis.

Synergies from a Balanced Portfolio

Hysan's balanced dual-engine business has provided a stable platform for the Company. The retail business, which by its nature is more volatile, is anchored by a more stable office portfolio. Hysan's office portfolio accounted for the same turnover, around 46%, as the retail portfolio.

Many brands, and in particular premium brands, are likely to consider consolidation after years of expansion. Lee Gardens' ability to attract and retain brands is a testament to our area curation and strong partnerships with our tenants. Apart from our premium brands, Lee Gardens has a portfolio of retail, services and food and beverage outlets offering a range of price points for locals, tourists and different age groups. The diverse range of services, shops and restaurants form the backbone of our vibrant business community. The completion of Lee Garden Three saw local and multinational companies, including global financial institutions, recognise the area's rich offerings set in a vibrant neighbourhood, with the added convenience of Causeway Bay

which is a major transport hub. The demand from an increasingly discerning office clientele will continue to drive a broader and more diverse retail offering. This positive and self-sustaining cycle of supply and demand will continue to inspire and power our business. The combination of a balanced portfolio with the synergies generated by the two main segments should help Hysan remain more resilient to unexpected disruptions and impacts.

Flex Space in Lee Gardens

Flex space or co-work have added youth and cultural diversity to our business platform, further sharpening our retail and service offerings. Although the co-working industry is facing inevitable consolidation and only those with proven business models are expected to survive, we believe this type of business model will remain a major part of the office ecosystem. Causeway Bay, and more specifically Lee Gardens remains an ideal venue for corporate clients and entrepreneurs who require convenience and vibrancy in their work environment in addition to general operational flexibility.

A Vibrant Community

Lee Gardens is located in the middle of Hong Kong Island's commercial foothills and houses an eclectic mix of low-rise and modern tower blocks. This geographical advantage and its historical nature complement the dual-engine model. The residents, shoppers, workers and businesses form the basis of a community that has grown significantly since Lee Hysan bought the hill, now Lee Gardens, close to a hundred years ago. Over the years, the Company actively carried out asset enhancements, re-developments, neighbourhood curation, and tenant mix changes, as well as community events and activities. Lee Gardens is now a premier destination for all ages and all walks of life, including locals, new Hong Kong migrants, as well as tourists.

At the end of 2019, Hysan unveiled Bizhouse, a concept that combines living and working in a regenerated low-rise building situated in a neighbourhood buzzing with character. Other changes, many in cooperation with nearby landlords and the Lee Gardens Association, have transformed the area's streets into a unique, dynamic and stylish community of old Hong Kong mixed with the latest trends that reflect the needs and interests of today.

Those who come to Lee Gardens to work, play and shop help bring the community to life. Most of our regulars are our long-standing loyalty club members. We are in the process of consolidating our two loyalty programmes into a single platform. This move will ensure that all operations, including a new mobile app, points systems for rewards, and club member communications, will be digital, hence more streamlined and user-friendly. We also look forward to unveiling new facilities for VIP-level club members in Q1 2020.

Throughout 2019, and especially in the second half of the year, we focused our efforts on supporting general shoppers' campaigns by launching strong promotions to help our tenants attract more customers. One of our target groups is children and their parents. A children's academy with a curriculum of life skills classes is in the pipeline. The aim of such an initiative is to form a long-term relationship and connection with youngsters and their families.

Strengthening Sustainability

Hysan's roots in Causeway Bay can be traced back almost 100 years. Long-term sustainable thinking comes naturally to us. Our stakeholders' demand for sustainability in the community has grown significantly in recent years. Over the past decade, the Group has taken the lead in the construction and operation of green buildings. Our Board has decided to establish a Sustainability Committee to oversee environmental, social and governance issues, supported by the management's Sustainability Executive Committee and Task Force. We are in a good position to further integrate sustainability initiatives with clear and measurable targets into our medium- to long-term plans.

Outlook

Hong Kong's economic outlook in 2020 is clouded by the global headwinds and domestic factors, including the outbreak of COVID-19. Hysan will maintain close working relationships with our tenants and continue our engagement with the local community to navigate through the turbulent times. The Group will also continue to explore opportunities within our core area and beyond.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	<u>Notes</u>	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Turnover	3	3,988	3,890
Property expenses		(536)	(523)
Gross profit		3,452	3,367
Investment income		154	78
Other gains and losses		10	(16)
Administrative expenses		(269)	(227)
Finance costs		(313)	(222)
Change in fair value of investment properties		792	3,532
Share of results of associates		1,733	288
Profit before taxation		5,559	6,800
Taxation	5	(473)	(481)
Profit for the year	6	5,086	6,319
Profit for the year attributable to:			
Owners of the Company		4,845	6,033
Non-controlling interests		241	286
		5,086	6,319
Earnings per share (expressed in HK cents)	7		
Basic		463	577
Diluted		463	576

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<u>Note</u>	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Profit for the year		5,086	6,319
Other comprehensive (expenses) income	8		
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of properties held for own use (net of tax)		21	47
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net adjustments to hedging reserve		29	(5)
Share of translation reserve of an associate		(84)	(172)
		(55)	(177)
Other comprehensive expenses for the year (net of tax)		(34)	(130)
Total comprehensive income for the year		5,052	6,189
Total comprehensive income attributable to:			
Owners of the Company		4,811	5,903
Non-controlling interests		241	286
		5,052	6,189

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<u>Notes</u>	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Non-current assets			
Investment properties		79,116	77,442
Property, plant and equipment		776	747
Investments in associates		5,189	3,708
Loans to associates		11	11
Investment in a joint venture		143	145
Loans to a joint venture		1,090	1,062
Other financial investments		601	294
Debt securities		172	-
Other financial assets		8	1
Other receivables	10	291	386
		<hr/>	<hr/>
		87,397	83,796
Current assets			
Accounts and other receivables	10	314	203
Debt securities		-	227
Time deposits		5,735	748
Cash and cash equivalents		3,597	2,069
		<hr/>	<hr/>
		9,646	3,247
Current liabilities			
Accounts payable and accruals	11	934	873
Deposits from tenants		316	331
Amounts due to non-controlling interests		220	223
Borrowings		565	300
Taxation payable		416	108
		<hr/>	<hr/>
		2,451	1,835
Net current assets		<hr/> 7,195	<hr/> 1,412
Total assets less current liabilities		<hr/> 94,592	<hr/> 85,208
Non-current liabilities			
Borrowings		11,964	6,022
Other financial liabilities		46	26
Deposits from tenants		685	669
Deferred taxation		925	854
		<hr/>	<hr/>
		13,620	7,571
Net assets		<hr/> 80,972	<hr/> 77,637
Capital and reserves			
Share capital		7,720	7,718
Reserves		69,930	66,713
		<hr/>	<hr/>
Equity attributable to owners of the Company		77,650	74,431
Non-controlling interests		3,322	3,206
		<hr/>	<hr/>
Total equity		<hr/> 80,972	<hr/> 77,637

Notes:

1. Basis of Preparation

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

2. Principal Accounting Policies

In the current year, the Group has applied all of the new and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Group’s financial year beginning on 1 January 2019. Except as described below, the application of these new and amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

Impacts changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations. However, assessments of whether a contract, which existed prior to 1 January 2019, contains a lease in accordance with HKAS 17 and Hong Kong (IFRIC) – Interpretation 4 “Determining whether an Arrangement contains a Lease” have been maintained. No reassessment of the related lease contracts has been made.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. The Group, as a lessor, is thus not required to make any adjustment on transition for leases but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. However, the application of HKFRS 16 resulted in changes of accounting policies.

Effective from 1 January 2019, lease payments received from lessees relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

The application of HKFRS 16 has had no material impact on the Group's consolidated statement of profit or loss for the year ended 31 December 2019 and the consolidated statement of financial position as at 31 December 2019 and at the date of initial recognition.

3. Turnover

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

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

For revenue from provision of property management services recognised over time in Hong Kong, the categories for disaggregation of revenue are consistent with the segment information disclosed in note 4.

4. Segment Information

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development and sale of properties

Segment turnover and results

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

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property</u> <u>Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
For the year ended					
31 December 2019					
Turnover					
Leasing of investment properties	1,662	1,607	287	-	3,556
Provision of property management services	174	226	32	-	432
Segment revenue	1,836	1,833	319	-	3,988
Property expenses	(297)	(177)	(62)	-	(536)
Segment profit	1,539	1,656	257	-	3,452
Investment income					154
Other gains and losses					10
Administrative expenses					(269)
Finance costs					(313)
Change in fair value of investment properties					792
Share of results of associates					1,733
Profit before taxation					5,559

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property</u> <u>Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
For the year ended					
31 December 2018					
Turnover					
Leasing of					
investment properties	1,764	1,492	251	-	3,507
Provision of property					
management services	159	196	28	-	383
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment revenue	1,923	1,688	279	-	3,890
Property expenses	(275)	(190)	(58)	-	(523)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment profit	1,648	1,498	221	-	3,367
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Investment income					78
Other gains and losses					(16)
Administrative expenses					(227)
Finance costs					(222)
Change in fair value of					
investment properties					3,532
Share of results of associates					288
					<hr/>
Profit before taxation					6,800
					<hr/> <hr/>

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

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

Segment assets

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

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
As at 31 December 2019					
Segment assets	35,080	35,499	8,561	1,233	80,373
Investments in and loans to associates					5,200
Other financial investments					601
Other assets					10,869
Consolidated assets					<u>97,043</u>
As at 31 December 2018					
Segment assets	35,112	34,160	8,185	1,207	78,664
Investments in and loans to associates					3,719
Other financial investments					294
Other assets					4,366
Consolidated assets					<u>87,043</u>

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

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

Other than the investment in an associate and certain other financial investments, which operates in the People's Republic of China (the "PRC") and other major cities in Asia, with carrying amounts of HK\$5,800 million (2018: HK\$3,715 million), all the Group's assets are located in Hong Kong.

Other segment information

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
For the year ended					
31 December 2019					
Additions to non-current assets	808	43	40	-	891
For the year ended					
31 December 2018					
Additions to non-current assets	1,133	202	28	-	1,363

5. Taxation

	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Current tax		
Hong Kong Profits Tax		
- current year	406	425
- overprovision in prior years	-	(2)
	406	423
Deferred tax	67	58
	473	481

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

6. Profit for The Year

	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	<u>3</u>	<u>3</u>
Depreciation of property, plant and equipment	<u>22</u>	<u>17</u>
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$73 million (2018: HK\$81 million)	(3,556)	(3,507)
Less:		
- Direct operating expenses arising from properties that generated rental income	527	498
- Direct operating expenses arising from properties that did not generate rental income	<u>9</u>	<u>25</u>
	(3,020)	(2,984)
Staff costs (including directors' emoluments)	<u>285</u>	<u>245</u>
Share of income tax of associates (included in share of results of associates)	<u>627</u>	<u>122</u>

7. Earnings Per Share

(a) Basic and diluted earnings per share

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

	<u>Earnings</u>	
	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>4,845</u>	<u>6,033</u>

	<u>Number of shares</u>	
	<u>2019</u>	<u>2018</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,046,186,877	1,046,189,778
Effect of dilutive potential ordinary shares: Share options issued by the Company	<u>157,908</u>	<u>501,942</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,046,344,785</u>	<u>1,046,691,720</u>

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

(b) Adjusted basic and diluted earnings per share

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

For the year ended 31 December 2019

	<u>Profit</u> <i>HK\$ million</i>	<u>Basic earnings per share</u> <i>HK cents</i>	<u>Diluted earnings per share</u> <i>HK cents</i>
Profit for the year attributable to owners of the Company	4,845	463	463
Change in fair value of investment properties	(792)	(76)	(76)
Effect of non-controlling interests' shares	102	10	10
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(1,528)	(146)	(146)
Imputed interest income on interest-free loan to a joint venture	(30)	(3)	(3)
Other gains and losses	(10)	(1)	(1)
Underlying Profit	<u>2,587</u>	<u>247</u>	<u>247</u>
Recurring Underlying Profit	<u>2,587</u>	<u>247</u>	<u>247</u>

For the year ended 31 December 2018

	<u>Profit</u> HK\$ million	Basic earnings per <u>share</u> HK cents	Diluted earnings per <u>share</u> HK cents
Profit for the year attributable to owners of the Company	6,033	577	576
Change in fair value of investment properties	(3,532)	(338)	(337)
Effect of non-controlling interests' shares	144	14	14
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(96)	(9)	(9)
Imputed interest income on interest-free loan to a joint venture	(29)	(3)	(3)
Other gains and losses	16	1	1
	<u>2,536</u>	<u>242</u>	<u>242</u>
Underlying Profit	<u>2,536</u>	<u>242</u>	<u>242</u>
Recurring Underlying Profit	<u>2,536</u>	<u>242</u>	<u>242</u>

Notes:

- (1) *Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature. As there were no such adjustments in both 2019 and 2018, the Recurring Underlying Profit was the same as the Underlying Profit.*
- (2) *The denominators used in calculating the adjusted earnings per share are the same as those detailed above for basic and diluted earnings per share.*

8. Other Comprehensive (Expenses) Income

	<u>2019</u> HK\$ million	<u>2018</u> HK\$ million
Other comprehensive (expenses) income comprises:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of properties held for own use:		
Gain on revaluation of properties held for own use	25	56
Deferred taxation arising on revaluation	(4)	(9)
	<u>21</u>	<u>47</u>
Items that may be reclassified subsequently to profit or loss:		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the year	(14)	2
Reclassification of net losses (gains) to profit or loss	43	(7)
	<u>29</u>	<u>(5)</u>
Share of translation reserve of an associate	(84)	(172)
	<u>(55)</u>	<u>(177)</u>
Other comprehensive expenses for the year (net of tax)	<u>(34)</u>	<u>(130)</u>

9. Dividends

(a) Dividends recognised as distribution during the year:

	<u>2019</u> HK\$ million	<u>2018</u> HK\$ million
2019 first interim dividend paid - HK27 cents per share	283	-
2018 first interim dividend paid - HK27 cents per share	-	283
2018 second interim dividend paid - HK117 cents per share	1,224	-
2017 second interim dividend paid - HK111 cents per share	-	1,161
	<u>1,507</u>	<u>1,444</u>

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

	<u>2019</u> HK\$ million	<u>2018</u> HK\$ million
Second interim dividend (in lieu of a final dividend) - HK117 cents per share (2018: HK117 cents per share)	<u>1,221</u>	<u>1,224</u>

The second interim dividend is not recognised as a liability as at 31 December 2019 because it has been declared after the end of the reporting period. It will be payable in cash.

10. Accounts and Other Receivables

	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Accounts receivable	24	15
Interest receivable	105	46
Prepayments in respect of investment properties	124	228
Other receivables and prepayments	352	300
Total	<u>605</u>	<u>589</u>
Analysed for reporting purposes as:		
Current assets	314	203
Non-current assets	291	386
	<u>605</u>	<u>589</u>

Rents from leasing of investment properties are normally received in advance. At the end of the reporting period, accounts receivable of the Group with carrying amount of HK\$24 million (2018: HK\$15 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

At the end of the reporting period, HK\$10 million (2018: HK\$5 million) of the accounts receivable were past due but not impaired as the accounts receivable are generally fully covered by the deposits from corresponding tenants.

11. Accounts Payable and Accruals

	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Accounts payable	319	257
Interest payable	131	74
Other payables	484	542
	<u>934</u>	<u>873</u>

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$220 million (2018: HK\$175 million) were aged less than 90 days.