



WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

STOCK CODE : 0004

ANNUAL REPORT 2019



CORPORATE PROFILE

Founded in 1886 with Hong Kong as its base, The Wharf (Holdings) Limited (Stock code: 0004) was the 17th company incorporated in Hong Kong and a premier company with strong connection to the history of Hong Kong. As one of the 30 constituent stocks in the original Hang Seng Index since more than 50 years ago, Wharf is backed by a long standing mission of “Building for Tomorrow” and a proven track record in management and execution.

The Group’s businesses are largely property-focused, comprising Investment Properties, Hotels and Development Properties in Hong Kong and mainland China. Other businesses include Logistics through Modern Terminals and Hong Kong Air Cargo Terminals.

In Hong Kong, Wharf’s Peak Portfolio redefines the concept of luxury living with a collection of the most rare and prestigious residences, epitomising a unique and exclusive lifestyle at the most sought-after addresses in town. In Kowloon, the Kowloon Tong Residential Project and projects in Kowloon East are in the development pipeline. The overall land bank has been enriched with the addition of a harbourfront land site (developable GFA of 1.2 million square feet) on the runway of the former Kai Tak airport, bringing the Group’s total GFA in Hong Kong to 3.3 million square feet.

Through years of expansion, the Group’s Mainland Investment Properties portfolio has established leading market positions in top tier cities and delivered incremental contribution to Group results. A series of new International Finance Square (IFS) at the very heart of CBD or new CBD in up and coming cities are trendsetting landmarks with unrivalled locations, superior planning and design, top-notch retail management, and gathering retailer and shopper critical mass. Changsha IFS and Chengdu IFS are comparable to Harbour City in Hong Kong in scale and prominence. The smaller-in-scale Chongqing IFS features the largest cluster of first-tier brands in Chongqing.

The Mainland Development Property landbank at year-end was 3.5 million square metres. The Group continues to adopt a selective land acquisition policy with strategic focus on Tier 1 or 1.5 cities in order to secure high quality land bank with attractive returns.

Wharf Hotels manages an expanding portfolio of 17 hotels in Asia, spearheaded by four contemporary, urban, chic Niccolo hotels and 13 Marco Polo hotels in Hong Kong, mainland China and the Philippines. It owns four of the hotels it operates. The next addition to the Niccolo family will be Niccolo Suzhou, scheduled to open in 2021.

The Group also owns and operates Modern Terminals and is a founding partner in Hong Kong Air Cargo Terminals, key components in Hong Kong’s success as a hub for international trade and transportation for decades.

“Building for Tomorrow” also extends to Wharf’s “Business-in-Community” (“BIC”) pursuit. With the flagship school improvement programme “Project *WeCan*” growing from strength to strength, the Group supports a series of BIC initiatives with an aim of promoting BIC and bringing benefits to different segments of society in Hong Kong and the Mainland.

In 2019, the Group received a host of awards for its business achievements and contributions to the community. The Group remains a constituent member of Hang Seng Corporate Sustainability Index, has received the 5 years Plus Caring Company Logo from The Hong Kong Council of Social Service and was named the Responsible Brand in the 8th China Charity Festival.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Stephen T H Ng, *Chairman and Managing Director*
Mr Andrew O K Chow, *Deputy Chairman and Executive Director*
Ms Doreen Y F Lee, *Vice Chairman and Executive Director*
Mr Paul Y C Tsui, *Vice Chairman, Executive Director and Group Chief Financial Officer*
Mr Kevin K P Chan

Independent Non-Executive Directors

Professor Edward K Y Chen, *GBS, CBE, JP*
Mr Vincent K Fang, *GBS, JP*
Mr Hans Michael Jebsen, *BBS*
Ms Elizabeth Law, *MH, JP*
Mr David Muir Turnbull

COMPANY SECRETARY

Mr Kevin C Y Hui, *FCCA, CPA, FCIS, FCS*

AUDITORS

KPMG, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTRARS

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

16th Floor, Ocean Centre, Harbour City,
Canton Road, Kowloon, Hong Kong
Telephone: (852) 2118 8118
Fax: (852) 2118 8018
Website: www.wharfholdings.com

SHAREHOLDER INFORMATION

LISTING

Ordinary Shares
The Stock Exchange of Hong Kong Limited
Stock Code: 4

As at 31 December 2019

Number of issued shares 3,049,227,327

FINANCIAL CALENDAR

Record Date and Time for 2019 2nd Interim Dividend 6:00 p.m., 6 April 2020

Payment Date of 2019 2nd Interim Dividend 23 April 2020

Closure of Register of Members 5 May 2020 to
(Shareholders' right to attend and 8 May 2020
vote at Annual General Meeting) (both days inclusive)

Annual General Meeting 11:15 a.m., 8 May 2020
(at Centenary Room, Ground Floor
The Marco Polo Hongkong Hotel
3 Canton Road, Kowloon, Hong Kong)

CONTACTS

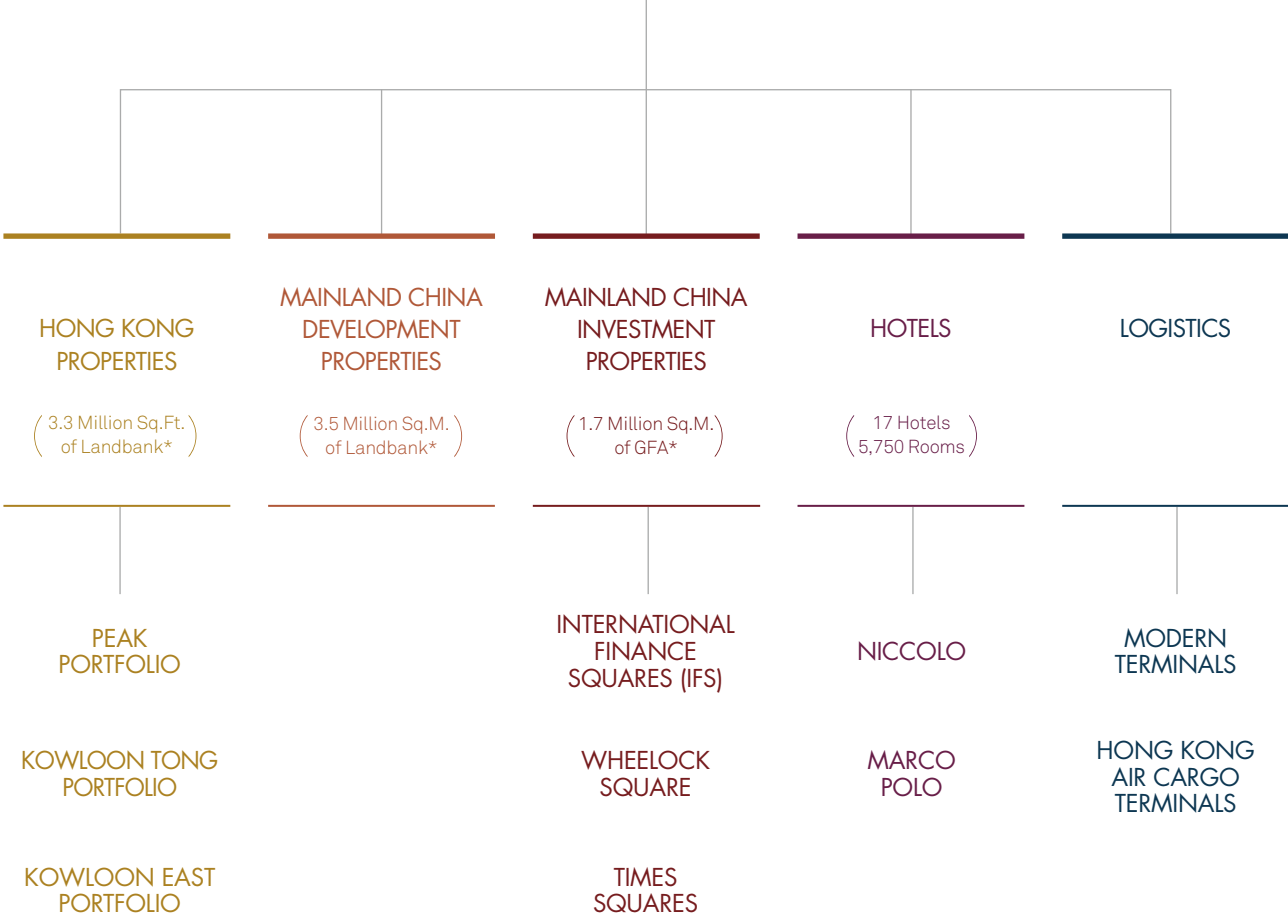
Shareholder enquiries: sh@wharfholdings.com

Investor enquiries: ir@wharfholdings.com

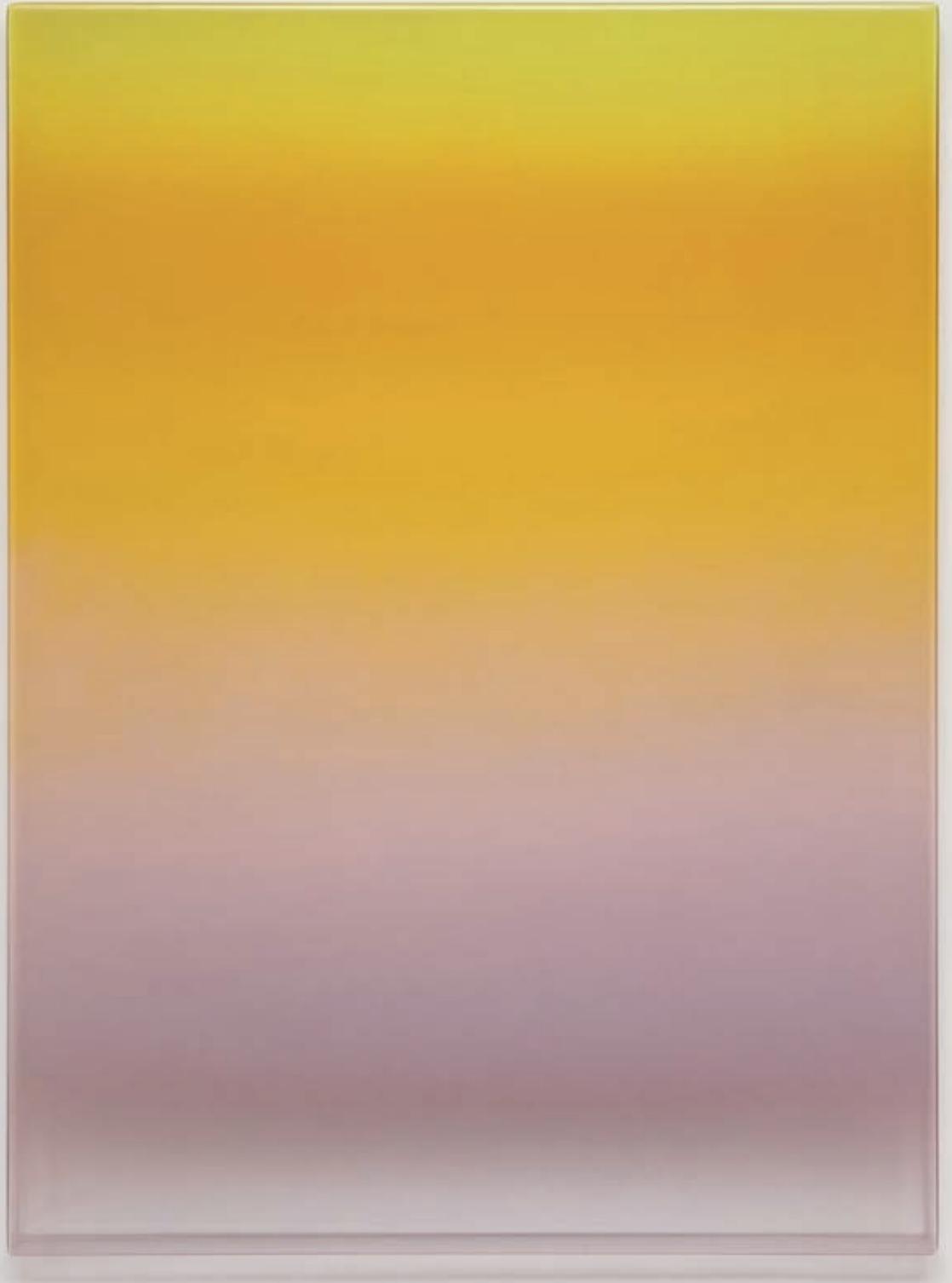
Media enquiries: pr@wharfholdings.com

GROUP BUSINESS STRUCTURE

THE WHARF (HOLDINGS) LIMITED



*Attributable



Mika Tajima, Art D'ameublement (Mataverí) (2019), © Mika Tajima courtesy of TARO NASU, photo by Charles Benton

CHAIRMAN'S STATEMENT

2019 went down in history as an exceptionally difficult year for Hong Kong and mainland China due to both external and internal factors. The virus outbreak in 2020 has triggered a new crisis that has not only stricken the Mainland but is still unfolding around the world.

China's economy remains under test amidst the tense China-US relation across multiple aspects.

GENERAL ECONOMY

Trade-related headwinds and geopolitical uncertainties prevailed throughout 2019. Amid soft trade and manufacturing activity, global economic growth slipped to the slowest pace since the financial crisis. In Asia, growth in major economies has retreated sharply, hit by ripple effects from China's slowing growth and prolonged China-U.S. trade negotiations.

The Mainland's policy commitment to control housing cost has affected markets and shifted goal posts for developers. When government administratively controls price levels at which developers are allowed to sell to below levels at which buyers are well prepared to buy, a controlled market may form to the detriment of market balances.

On the other hand, domestic consumption on the Mainland continued to gather momentum with both breadth and depth. The growing middle class with rising disposable income and sophistication has spread beyond the traditional "first tier" cities and big international brands are entering these under-served markets with fervor to make sure they are not left behind by competition.

Back in Hong Kong, apart from macroeconomic issues, social unrests took further toll on economic growth. The city witnessed the first GDP contraction since 2009 and rising unemployment. Cargo volume receded in the midst of global protectionism for trade and economic slowdown. However, with limited supply and sturdy demand, the ultra-luxury home market is relatively less affected.

BUSINESS PERFORMANCE

Through years of expansion, the Mainland Investment Properties (“IP”) portfolio has established market leading positions in the cities where we operate. Revenue increased by 14% to HK\$3,924 million, operating profit by 23% to HK\$2,311 million and underlying net profit by 49% to HK\$1,509 million.

In particular, the malls in Chengdu IFS and Changsha IFS (in its first full year of business) reported robust retail sales growth to place them among the highest in Western and Central China, respectively. The nearly-full occupancies underline retailers’ confidence in respective markets’ potential and in our malls.

The award-winning Niccolo Hotels in Chengdu, Chongqing and Changsha IFSs are well established as best of class hospitality destinations. Niccolo Chengdu and Changsha consistently outperform the direct competition and are recognised as market leaders.

Mainland Development Properties (“DP”) met operating plans. However, in view of strict government controls on selling price, unrealized provisions totaling HK\$3,790 million were booked to mark the projects in hand to market. Inclusive of joint ventures and associates on an attributable basis, revenue during the year decreased by 33% to HK\$14,806 million, operating profit by 38% to HK\$4,927 million and underlying net profit (net of provisions) by 94% to HK\$219 million.

Full year attributable contracted sales totalled RMB19.9 billion, exceeding target by 11%, for 4,500 units with 0.6 million square metres. Net order book at year-end increased to RMB27.4 billion for 0.9 million square metres and the DP land bank totalled 3.5 million square metres.

In Hong Kong, the ultra-luxury home market is relatively detached from the general local economy with limited quality supply supporting the price. During the year, four houses and three apartments at Mount Nicholson on the Peak were sold.

The Kowloon East Portfolio was further enriched with the latest addition of the harbourfront land stake on the runway of the former Kai Tak Airport. Other opportunities will also be explored.

The port business is facing serious challenges from shifting global trade environment to increasing regional competition. In early 2019, Modern Terminals joined the Hong Kong Seaport Alliance to deliver more efficient service offerings to customers, through which to also rebuild the competitiveness of Hong Kong as an international maritime cargo hub and gateway to China.

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

Inclusive of IP revaluation surplus and other exceptional items, profit attributable to shareholders declined by 49% to HK\$3,386 million, mainly due to provisions against possible impairment losses in the Mainland DP segment. Earnings per share were HK\$1.11. Group underlying net profit declined by 58% to HK\$2,710 million.

Total assets amounted to HK\$242.2 billion. Book net asset value was HK\$142.9 billion (or HK\$46.86 per share). The Group remains in a solid financial position, with a gearing ratio of 13%.

In lieu of a final dividend, a second interim dividend of HK\$0.075 per share (2018: HK\$0.40 per share) has been declared, bringing the total dividend for the year to HK\$0.325 per share (2018: HK\$0.65 per share).

BUSINESS-IN-COMMUNITY

The Group values community involvement and is determined in delivering positive impact and lasting value to the communities in which we operate. Active engagement includes:

- 1) Project *WeCan* – which has empowered over 70,000 secondary school students from disadvantaged backgrounds in 76 partner schools in Hong Kong since 2011.
- 2) The voluntary scarf knitting project “We Knit You” – supported by all our IPs in the Mainland strives to nurture youth, support the vulnerable, and promote art and culture.
- 3) Reducing our environmental impact – a number of our properties have achieved certification under LEED (Leadership in Energy and Environmental Design), and EarthCheck, the world’s leading scientific benchmarking certification for sustainable development in travel and tourism.
- 4) The Group’s first Green Loan – granted in early 2019 in the amount of HK\$2 billion to partially refinance Chengdu IFS, for the development of commercial buildings aiming for one or more Green Building Certifications among LEED – Gold or above, BEAM or BEAM Plus – Gold or above within 12 months of completion.

The Group remains a constituent member of Hang Seng Corporate Sustainability Index and respective businesses have received the 5 Years Plus/10 Years Plus Caring Company Logo from The Hong Kong Council of Social Service. Moreover, Modern Terminals Limited’s business units are ISO14001 accredited, a testament to our efforts in minimising and containing environmental impacts.

OUTLOOK

Looking ahead, the whole world will be pre-occupied with the virus outbreak and its impact on the already very fragile global economy in the first half of 2020.

Most businesses, particularly those in the Mainland, suffered very badly in the past two months and may take months to recover even after the virus outbreak comes under control. During this normally peak season, customers avoided public places even when they stayed open and hotel revenues fell to less than 5% of the same time last year. Material rent relief and marketing aid were granted by landlords. DP construction and sales ground to a halt. Cargo movement thinned. Business for the first quarter of 2020 is already consigned to a washout and the second quarter may not fare much better even if markets return to normal quickly.

Rebuilding will clearly be a national initiative at a time when Sino-US tensions are high and the global economy is nervous. Most would not look for stabilization before late 2020.

VOTE OF THANKS

On behalf of all Shareholders and the Board, I wish to extend my heartfelt appreciation to all customers and business partners for their support and to all staff for their dedication and contributions throughout the year.

STEPHEN T H NG

Chairman and Managing Director

Hong Kong, 10 March 2020

FINANCIAL HIGHLIGHTS

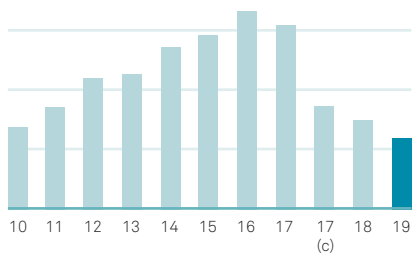
	2019 HK\$ Million	2018 HK\$ Million	Change %
Results			
Revenue	16,874	21,055	-20%
Operating profit	7,869	8,752	-10%
Underlying net profit (note a)	2,710	6,511	-58%
Profit attributable to equity shareholders	3,386	6,623	-49%
Total dividend for the year	991	1,981	-50%
Earnings per share			
Underlying net profit	HK\$0.89	HK\$2.14	-58%
Attributable to equity shareholders	HK\$1.11	HK\$2.18	-49%
Dividend per share			
First interim	HK\$0.250	HK\$0.250	0%
Second interim	HK\$0.075	HK\$0.400	-81%
Total for the year	HK\$0.325	HK\$0.650	-50%
Financial Position			
Total assets	242,218	227,349	+7%
Total business assets (note b)	182,293	180,987	+1%
Investment properties	74,811	74,738	0%
Net debt	19,044	25,638	-26%
Shareholders' equity	142,874	135,424	+6%
Total equity	146,343	138,760	+5%
Number of issued shares (in millions)	3,049	3,047	0%
Net asset value per share	HK\$46.86	HK\$44.45	+5%
Net debt to total equity	13.0%	18.5%	-5.5% pt

Notes:

- (a) Underlying net profit primarily excludes investment property revaluation surplus, mark-to-market changes on financial instruments and non-recurring items.
- (b) Business assets exclude unallocated corporate assets mainly comprising financial investments, deferred tax assets and bank deposits and cash.

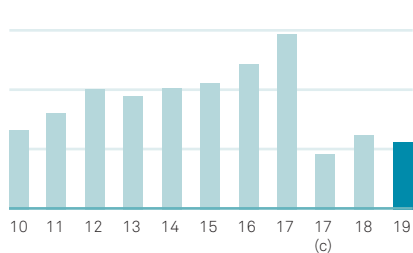
REVENUE
(HK\$ Million)

16,874



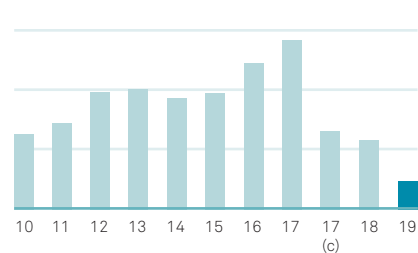
OPERATING PROFIT
(HK\$ Million)

7,869



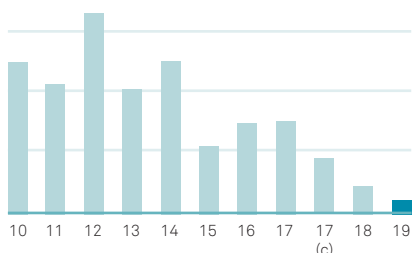
UNDERLYING NET PROFIT
(HK\$ Million)

2,710



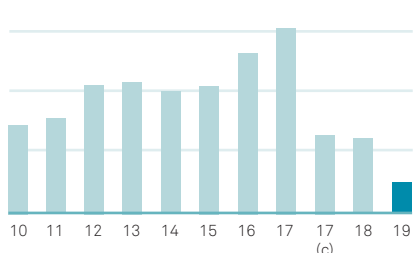
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(HK\$ Million)

3,386



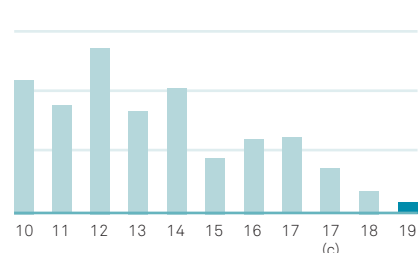
UNDERLYING NET PROFIT PER SHARE
(HK\$)

0.89



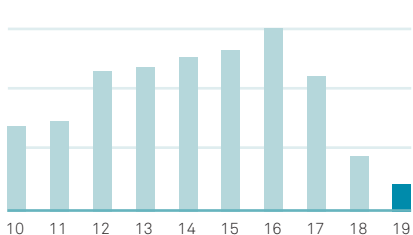
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS
(HK\$)

1.11



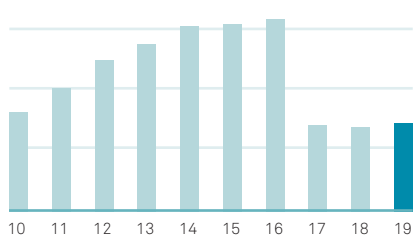
DIVIDEND PER SHARE
(HK\$)

0.325



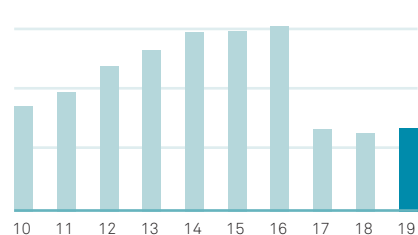
SHAREHOLDERS' EQUITY
(HK\$ Million)

142,874



NET ASSET VALUE PER SHARE
(HK\$)

46.86



Notes (continued):

(c) The demerger of Wharf Real Estate Investment Company Limited ("Wharf REIC") in November 2017 renders direct comparison of the Group's financials to 2017 less relevant. Accordingly, these 2017 profit and loss items have been restated by excluding Wharf REIC for meaningful comparison.



Mika Tajima, Art D'ameublement (Ujong Pulo Jau) (2019), © Mika Tajima courtesy of TARO NASU, photo by Charles Benton

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HONG KONG PROPERTIES





MOUNT NICHOLSON

BUSINESS REVIEW

HONG KONG PROPERTIES

THE PEAK PORTFOLIO

Attributable GFA

277,000

SQFT

Demand for luxury homes continues to show resilience amid limited new supply, with pace of selling different from mass market homes. In addition, future growth momentum is supported by prime projects in Kowloon Tong and Kowloon East in the development pipeline.

THE PEAK PORTFOLIO

Commanding uninterrupted Victoria Harbour view, Mount Nicholson, a 50%-owned development, presents the pinnacle of refined luxury living. During the year, four houses and three apartments were contracted for sale for a total of HK\$4.2 billion or an average of HK\$96,000 per square foot.

Superstructure has been completed for 11 Plantation Road and 77 Peak Road, the redevelopment projects provide seven houses (total GFA: 46,000 square feet) and eight houses (total GFA: 42,000 square feet) respectively.

1 Plantation Road for 20 houses (total GFA: 91,000 square feet) is under redevelopment, with superstructure underway. Chelsea Court and Strawberry Hill have been leasing well.

THE PEAK PORTFOLIO LANDBANK

MOUNT NICHOLSON

42,000*

SQFT

11 PLANTATION ROAD

46,000

SQFT

CHELSEA COURT

43,000

SQFT

77 PEAK ROAD

42,000

SQFT

1 PLANTATION ROAD

91,000

SQFT

STRAWBERRY HILL

13,000

SQFT

*Attributable GFA (Net of Recognised Sales)



MOUNT NICHOLSON

BUSINESS REVIEW

HONG KONG PROPERTIES



KOWLOON TONG RESIDENTIAL PROJECT

436,000

SQFT

KOWLOON TONG RESIDENTIAL PROJECT

Strategically located at the junction of Lion Rock Tunnel Road and Lung Cheung Road, the residential site is in the vicinity of the traditional luxury residential precinct of Beacon Hill.

Approval has been granted to build four blocks of 13-storey residential buildings. These ultra-exclusive residences will enjoy stunning views of Kowloon Peninsula. Foundation work is underway.

Kowloon East Portfolio	Attributable GFA (SQFT)
Kowloon Godown	1,032,000
Yau Tong Bay (15% - Joint Venture)	611,000
Kai Tak Residential Project (30% - Joint Venture)	362,000
Peninsula East	43,000
Kowloon Tong	
Kowloon Tong Residential Project	436,000
Non-Core	
Cable TV Tower Units	566,000



KOWLOON EAST

The Government's visionary "Energising Kowloon East" initiative is ushering the creation of another core business district for Hong Kong. With the expanding footprint of high grade office buildings and quality retail facilities, Kowloon East is rapidly emerging as a popular decentralized destination.

The enhanced integration and connectivity further expedite the release of development potential. The Group's projects, comprising Kowloon Godown and 15%-owned Yau Tong Bay joint-venture project at the harbourfront, as well as the stake in the new Kai Tak land plot, are set to benefit.

The Group is evaluating different options available for the redevelopment of Kowloon Godown which comprises a warehouse and an open yard with an existing operating GFA of one million square feet at the harbourfront. Featuring a fantastic Victoria Harbour view, Yau Tong Bay spans a total GFA of four million square feet. This residential project within walking distance to the MTR station will provide about 6,300 residential units.

In late 2019, a harbourfront land site on the runway at the former Kai Tak airport was awarded to a consortium in which the Group participated. With a total consideration of HK\$15.95 billion, the plot has a total developable GFA of 1.2 million square feet.

KAI TAK RESIDENTIAL PROJECT

Developable GFA

1,200,000

SQFT

KOWLOON EAST PORTFOLIO

Attributable GFA

2,048,000

SQFT

MAINLAND CHINA DEVELOPMENT PROPERTIES





LUXURIOUS MOUNTAIN VIEW, HANGZHOU

BUSINESS REVIEW

MAINLAND CHINA DEVELOPMENT PROPERTIES

LANDBANK

3,500,000

SQM

Stricter pricing control has been challenging the profitability of the Mainland Development Properties (“DP”) business, despite steady underlying demand, especially for quality properties in top-tier cities. The timing of sales launch was also impacted. Accordingly, the Group is pursuing a very selective landbanking approach, acquiring only a project in Hangzhou during the year from a sister company.

Inclusive of joint ventures and associates on an attributable basis, revenue recognised during 2019 declined to HK\$14,806 million (for 0.4 million square metres of GFA), partly due to project timing.

Operating profit decreased to HK\$4,927 million, with a healthy operating margin of 33%.

Full year attributable contracted sales totalled RMB19.9 billion, exceeding target by 11% for 4,500 units or 0.6 million square metres.

As at year-end, the net order book increased to RMB27.4 billion for 0.9 million square metres and the DP land bank amounted to 3.5 million square metres.

On an attributable basis, subsidiaries accounted for 48% of revenue, 65% of operating profit, 134% of underlying net profit, 32% of contracted sales, 40% of net order book and 37% of land bank.





SUZHOU YIN SHAN LAKE CHINESE VILLA

BUSINESS REVIEW

MAINLAND CHINA DEVELOPMENT PROPERTIES

Major Development Properties by Region

Eastern China		Attributable GFA (SQM)
Hangzhou	Luxurious Mountain View	151,000
	Parc Royale Phase 1 & 2 (formerly Qinglong (#84 & 92))	111,000
	Guiyu Chaoyang	96,000
	Junting	68,000
	Parc Grande (formerly Qinglong (#28))	52,000
Shanghai	Shanghai One Jingan (formerly Jingan Garden)	56,000
Suzhou	Suzhou Yangcheng Lake Lot #27 Project	203,000
	Villa One	
	Suzhou Huayuan Road Lot #78 Project	165,000
	Suzhou Huayuan Road Lot #25 Project	60,000
	Suzhou Xiangcheng Yuan He Street Lot #77 Project	123,000
	Poetic Palace (formerly Suzhou Yuanhe Road Project)	91,000
	Suzhou Huangpu Street Lot #82 Project	54,000
Western China		
Chengdu	Times Town	380,000
	Chengdu ICC	381,000
	Chengdu Times City	114,000
Chongqing	International Community	174,000
	The Throne	89,000
Southern China		
Foshan	Rosy Mansion	100,000
	Glory Garden	111,000
	Sunrise Coast	60,000
Guangzhou	Guangzhou Central Manor	22,000
Northern China		
Beijing	West Manor	99,000
	One LiangMa	38,000

For further details, please refer to Schedule of Principal Properties on pages 180 to 189.



SHANGHAI ONE JINGAN

MAINLAND CHINA INVESTMENT PROPERTIES





SHANGHAI WHEELLOCK SQUARE



CHANGSHA IFS



CHENGDU IFS



BUSINESS REVIEW

MAINLAND CHINA INVESTMENT PROPERTIES



Through years of expansion, the Mainland IP portfolio has established market leading positions in the cities where we operate and delivered incremental contribution to the Group's results 2019. Revenue increased by 14% to HK\$3,924 million and operating profit by 23% to HK\$2,311 million. Shanghai Wheelock Square, the 270-metre landmark in the heart of Puxi core business district remains one of the most compelling choices for multinationals and major corporations, resulting in a consistently high occupancy of 96% at year-end.

CHANGSHA IFS

Celebrating its first full year of operation, revenue and operating profit at this new central China landmark reached HK\$810 million and HK\$325 million respectively during the year. With continuous operational efforts to enhance environmental sustainability, this tallest building in Hunan Province has achieved LEED Platinum certification.

Retail

Positioned as the leading destination for international luxury, sports fashion, culinary experience, entertainment and lifestyle in central China, Changsha IFS has reached out to different clienteles in Hunan and other provinces to generate total retail sales of nearly RMB5 billion in 2019.

Occupancy reached 99% at the end of 2019. The 246,000-square-metre retail podium houses over 370 brands, including top luxury labels, jewelry & watches, fast fashions,



100 debuts for Hunan and 30 split-gender duplex flagships of international brands. Furthermore, over 100 brands staged their first-ever collaboration with Wharf in mainland China, testament to the Group's constant value creation capability.

Changsha IFS earned numerous worldwide recognitions and acclaims in 2019, including the Gold Award for New Developments in "2019 Asia-Pacific Shopping Center Awards" by International Council of Shopping Centers ("ICSC"); "RLI International Shopping Centre 2019" in the Global RLI Awards 2019; 2019 Winner of "Commercial Project of the Year" awarded by Royal Institution of Chartered Surveyors in China and "2019 Benchmark Shopping Center of China" – Top 100 Players of Commercial Real Estate Awards by Guandian China, etc.

Office and Hotel

With the most coveted location and premium property management services, Changsha IFS redefined the standard of Grade A offices in the city and attracted quality tenants including financial institutions and major corporations. Tower 1 set a new record in Hunan at 452 metres of height. Tower 2 is scheduled for opening in 2021.

Occupying top floors of Tower 1, Niccolo Changsha commands bird's eye view of the city skyline and Xiang River. With 243 contemporary chic rooms and deluxe suites, it has quickly taken over as the leading hotel in the city, achieving room occupancy of 86% in the fourth quarter with top ranking in room yield among competitors.

SIZABLE RETAIL SPACE

246,000

SQM

TOP-TIER BRANDS

370+

RECORD RETAIL SALES

Renminbi

~5 Billion

TALLEST IN

HUNAN 1

Tower

BUSINESS REVIEW

MAINLAND CHINA INVESTMENT PROPERTIES



CHENGDU IFS

Bringing together the best of international retail, lifestyle and hospitality, Chengdu IFS takes pride in being the industry leader as it maintains its top position among the 10 best-performing shopping centres in mainland China for six consecutive years.

This world-renowned shopping destination has been achieving double-digit growth in tenant sales since opening, demonstrating the increasing strength of Wharf's flagship IP in western China. 2019 saw an 11% growth in revenue to HK\$1,747 million, with operating profit up by 21% to HK\$947 million.

Retail

Globally recognised as the premier address for luxury retail, Chengdu IFS has always been steps ahead of its peers in curating all-round shopping experiences that appeal to lifestyle-focused and brand-savvy consumers.

Through investing tremendous efforts into consumer culture in areas of marketing and VIP recruitment, the mall has successfully captured a wider market share in Sichuan and neighbouring provinces to generate a significant 14% increase in



tenant sales to nearly RMB7 billion in 2019 – a more than threefold increase from 2014.

With occupancy standing high at 97%, the 204,000-square-metre retail complex houses an exquisite collection of over 600 top-tier international brands alongside a constant refinement in tenant mix to bring new flare to the already extensive portfolio.

Among the numerous notable awards garnered for its outstanding performance, Chengdu IFS was the sole winner from Asia at the 13th Heavent Awards, scooping the “Sport, Cultural, Educational or Entertainment Event Award” for a dozen partnership promotion events held under its “International Sister Street” with Paris Saint-Germain-des-Près Committee.

Office, Hotel and IFS Residences

The three premium Grade A towers, offering unrivalled quality and prime location, attract the highest calibre of office tenants including Fortune 500 corporations, multinationals, financial institutions and major corporations in China West. Commitment rate increased to 85% at year-end in a competitive market, with rental rates standing among the highest in the city.

Niccolo Chengdu achieved room occupancy of 85% and commanded the highest room yield in the city. The commitment to excellence was evidenced by numerous prestigious accolades received, and reflected in its continuous top-ranking room yield.

IFS Residences is among the most highly-rated residences in the city and earned an array of industry awards, including “City Landmark Serviced Apartment” in the 11th China Best Hotel Awards and “The Best Serviced Apartment for Expatriates in China” in 2019 China Tourism and Hotel Awards.

SIZABLE RETAIL SPACE

204,000
SQM

TOP-TIER BRANDS

600+

RECORD RETAIL SALES

Renminbi

~7 Billion

CHENGDU 1
NO.

By Office & Apartments
Rental and Hotel
Room Yield

BUSINESS REVIEW
MAINLAND CHINA INVESTMENT PROPERTIES



CHONGQING IFS

CHONGQING IFS

Comprising a 300-metre iconic landmark tower and four premium Grade A towers surmounting a 106,000-square-metre retail podium, Chongqing IFS represents one of the largest mixed-use mega developments in the emerging Jiangbeizui financial district. Standing high above the confluence of Yangtze River and Jialing River, the prestigious landmark offers extensive stunning river view whilst eternally transforming the city's skyline.

As a pioneer of Chongqing's luxury retail era, Chongqing IFS showcases the largest cluster of first-tier brands in the city with a diverse retail portfolio of over 170 premium brands including luxury brands' exclusives or debuts and high-end cosmetic brands' standalone boutiques.

Coupled with exhilarating one-stop lifestyle experiences, the mall offers an enticing array of dining options, as well as exclusive entertainment facilities. Occupancy rate has remained at a high level of 98%.

The Grade A office towers, designed to attain world-class standard with advanced business amenities, offer a sought-after business address for multinationals, Fortune 500 and state enterprises in the area.

Housed within the top floors of Chongqing IFS, the 252-room Niccolo Chongqing with its outstanding event venues is the city's epicentre for events and celebrations. Occupancy reached 76% during the year.

RETAIL SPACE

106,000
SQM

TOP-TIER BRANDS

170+

CHONGQING 1 NO. 1

By First-tier Brands
Cluster Size

RETAIL SALES

50%
Increase

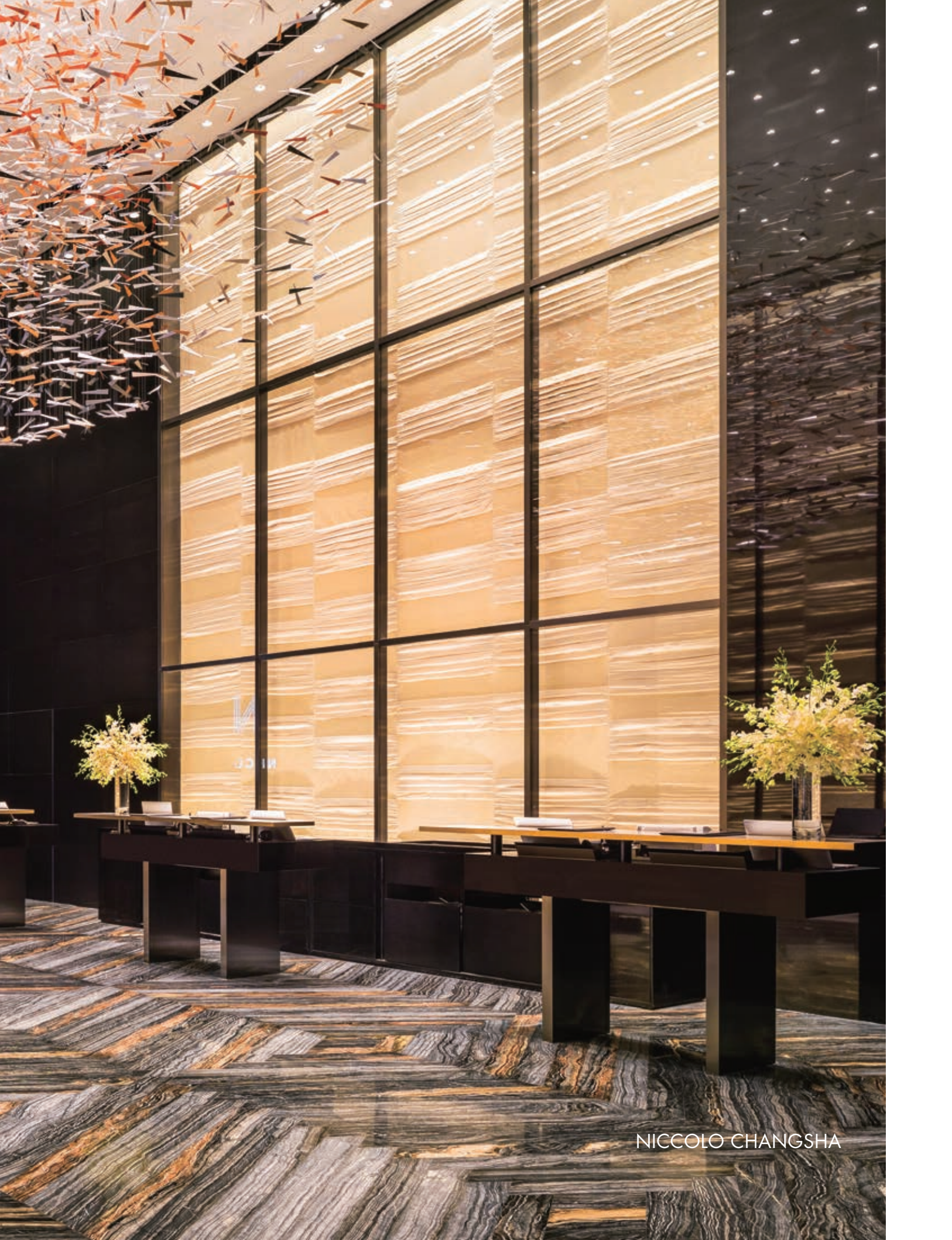


WHARF HOTELS



N

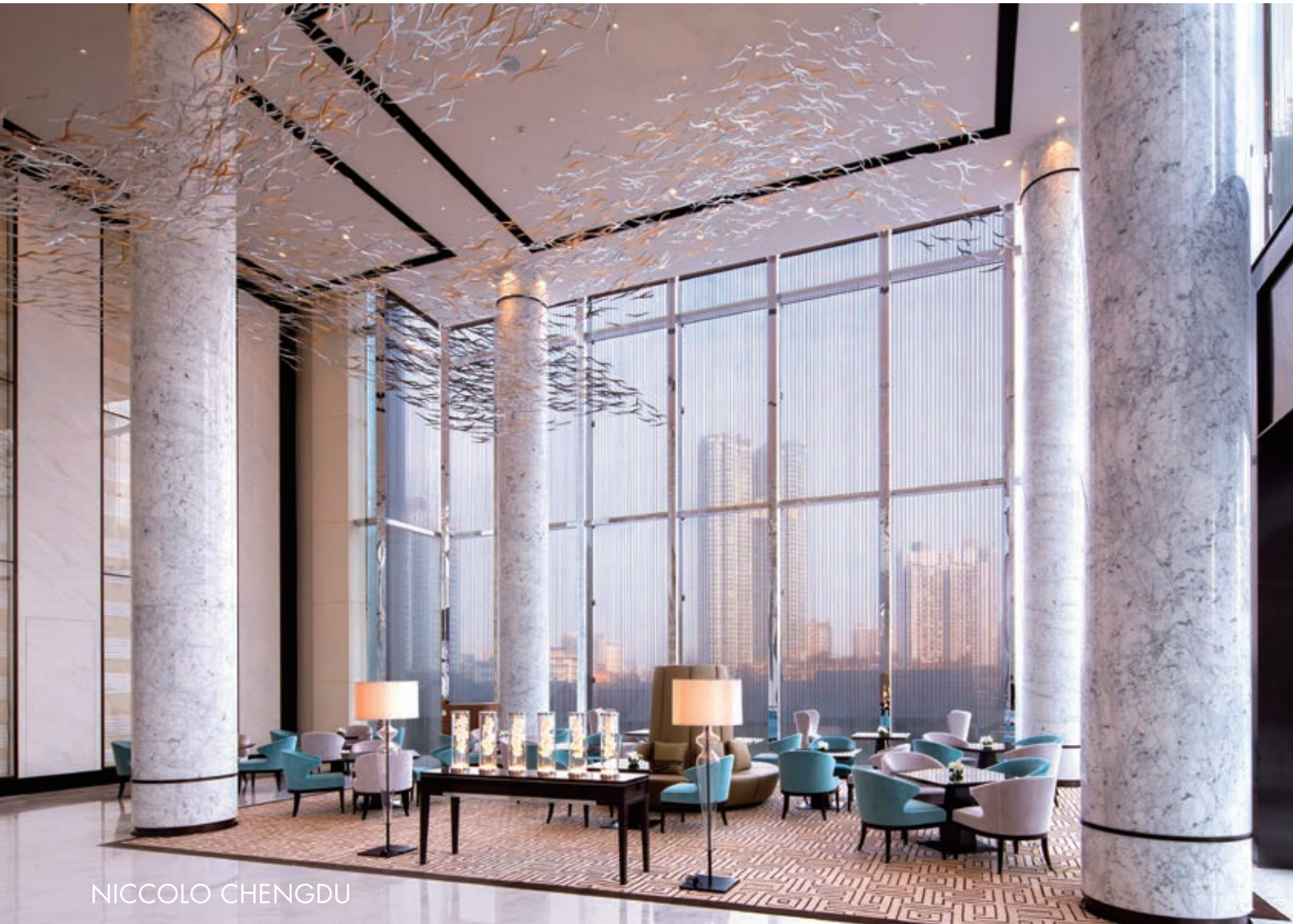
NICCOLO



NICCOLO CHANGSHA

BUSINESS REVIEW

WHARF HOTELS



Currently, the Group manages 17 hotels including 10 in mainland China, four in Hong Kong and three in the Philippines offering a total of 5,750 rooms. Among them, 13 are under the classic brand of Marco Polo and four are contemporary, urban, chic hotels under the sophisticated Niccolo brand.

The next addition to the Niccolo brand will be Niccolo Suzhou, scheduled for opening in 2021.



NICCOLO CHONGQING

HOTELS IN ASIA

17

ROOMS

5,750

REVENUE

HK Dollar

2.69 Billion



NICCOLO CHANGSHA

WHARF HOTELS NETWORK

● Niccolo ● Marco Polo



LOGISTICS





MODERN TERMINALS

BUSINESS REVIEW LOGISTICS



MODERN TERMINALS

The lingering Sino-U.S. trade tension and the subdued global demand further dampened the performance of logistics sector. During the year, segment revenue from Modern Terminals (“MTL”) and Hong Kong Air Cargo Terminals (“HACTL”) decreased to HK\$2,597 million and operating profit decreased to HK\$513 million.

MODERN TERMINALS

In the context of a volatile economic environment and stiffer regional competition, container throughput in South China decreased by 3%, with Shenzhen’s throughput static and Kwai Tsing’s declined by 8%. Market shares of Shenzhen and Kwai Tsing were 64% and 36% respectively.

To improve the regional competitiveness of Hong Kong container port, MTL formed the Hong Kong Seaport Alliance (“HKSPA”) with Hongkong International Terminals, COSCO-HIT Terminals and Asia Container Terminals in early 2019. The HKSPA’s objectives are to optimize operational efficiency and resources utilization of 23 berths in Kwai Tsing; to maximize efficiencies to the benefit of customers and the industry at large; and to ensure the continuation of transportation and logistics as one of the four pillars of Hong Kong’s economy.

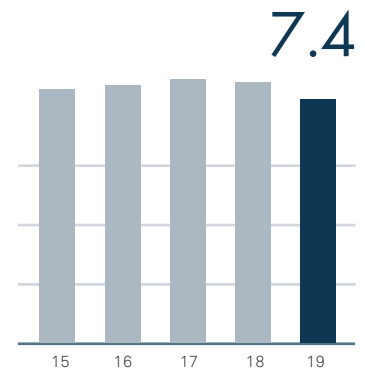
In Shenzhen, throughput at DaChan Bay Terminals (MTL’s stake: 65%) increased by 3% to 1.3 million TEUs, while that at Shekou Container Terminals (MTL’s stake: 20%) increased by 1% to 5.7 million TEUs. Chiwan Container Terminal (MTL’s stake: 8%) recorded a throughput of 2.4 million TEUs.

HONG KONG AIR CARGO TERMINALS

HACTL is a leading air cargo terminal operator in Hong Kong with 20.8% owned by the Group. Constant upgrades and system enhancements supported HACTL to deliver consistent and high quality services. Total cargo handled in 2019 was 1.6 million tonnes.

MODERN TERMINALS THROUGHPUT

(Attributable Total) (Million TEUs)



AWARDS & RECOGNITIONS

CORPORATE

- Ranked 4th in “Non-mainland Outstanding Real Estate Developers list 2019” by Guandian
- Responsible Brand in the 8th China Charity Festival

CHANGSHA IFS

- International Council of Shopping Centers (ICSC) Asia-Pacific Shopping Center Awards 2019 – Gold Award – New Developments
- Retail and Leisure International's 2019 Global RLI Awards – RLI International Shopping Centre 2019
- Royal Institution of Chartered Surveyors (RICS) Awards in China – 2019 Commercial Project of the Year

CHENGDU IFS

- The 13th Heavent Awards - Sport, Cultural, Educational or Entertainment Event Award by Partnership with the Comité Saint-Germain-des-Prés
- The International Business Awards 2019 - Gold Award - Marketing Campaign of the Year – Retail for “Chengdu Parcours Art Festival”
- 2019 SABRE Awards Asia-Pacific - Gold – Retailers for “Chengdu Parcours Art Festival”

CHONGQING IFS

- The International Business Awards 2019 – Gold Award for Brand Experience of the Year for “LOVE.FOUND.” campaign
- The International Business Awards 2019 – Gold Award for Communications or PR Campaign of the Year for “Hey! Let’s Pop” Lifestyle Marketing campaign
- 2019 Asia-Pacific Stevie Awards – Silver Award for Innovation in the Use of Event by “Pop x Mickey 90” Chongqing IFS Christmas campaign

SHANGHAI WHELOCK SQUARE

- US Green Building Council's LEED Gold Certification
- Golden Key China 's China Service Model Enterprise and China Service Contribution Award



SHANGHAI TIMES SQUARE

- WeChat platform “zhoumozuosha” and mobile application “ 走起 GO” – 2019 Most Popular Check-in Spot
- 2019 The Best BANG! Awards – Best Service Shopping Centre

SHANGHAI TIMES SQUARE APARTMENTS

- Golden Key China's Excellent Service Team

MODERN TERMINALS

- ISO14001:2015 EMS Certification
- Occupational Safety & Health Council's Occupational Health Award 2018-19 - Joyful @ Healthy Workplace Best Practices Award (Enterprise / Organisation Category) – Excellence Award
- Silver Award in the Web Accessibility Recognition Scheme 18/19 organized by Hong Kong Internet Registration Corporation Limited and the Office of Government Chief Information Officer

WHARF HOTELS

The Murray, Hong Kong, a Niccolo Hotel

- 1st in Top 10 Hotels in Hong Kong & Macao – Condé Nast Traveler Readers' Choice Awards 2019

Niccolo Changsha

- Best Business Hotel in Central South and Southwest China – TTG China Travel Awards 2019

Niccolo Chengdu

- Best Business Hotel in Chengdu – Business Traveller Asia-Pacific Awards 2019

Niccolo Chongqing

- Best Luxury Hotel – Best Hotel & Resort Value Awards 2019 by Voyage Magazine

Marco Polo Hongkong Hotel

- Cucina named 2020 Forbes Travel Guide 4-Star Restaurant



CORPORATE SUSTAINABILITY



Above: Caring for society forms a major part of our corporate culture, dozens of activities were organised including workshops, health awareness and caring for children events.

Guided by the long-standing mission of “Building for Tomorrow”, the Group is committed to sustaining consistent and productive business performance, and striving to create shared values for our stakeholders. The Group aligns the operations with designated United Nations (UN) Sustainable Development Goals (SDGs), with a focus on our environment, people and community.

This section provides an overview of the Group’s major sustainability achievements in the reporting year. For more comprehensive review, please refer to the Group’s standalone Sustainability Report which is prepared in accordance with the “Core” option of the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and the requirements of the Environmental, Social and Governance Reporting Guide (Appendix 27) issued by The Stock Exchange of Hong Kong Limited. The standalone Sustainability Report will soon be available for download on the Group’s website (www.wharfholdings.com).

SUSTAINABILITY GOVERNANCE

To better manage the environmental, social and governance issues in our operations, a well-defined sustainability governance structure was established. Delegated by the Board and chaired by the Group’s Chairman, the Group’s Sustainability Steering Committee (formerly known as CSR Steering Committee), directs and develops the overall sustainability strategy in alignment with the Group’s goals and commitments. The Divisional Sustainability Committees, supported by Cross-Business Unit Sustainability Group, monitors business units’ overall sustainability performance and enables knowledge exchange on best practices among the business units. A sustainability governance body is established within each business unit to identify sustainability risks and opportunities specific to their respective operations, and to develop management strategies and programs. Sustainability performance of different business units are regularly reported to the Sustainability Steering Committee for continuous monitoring.



Above: Employees' work life balance is important to their well-being, various activities were organised for staff to stretch their bodies and refresh their minds.



Hang Seng Corporate Sustainability Index Series Member 2019-2020



BUSINESS DEVELOPMENT

The Group maintains high ethical standards and strictly prohibits bribery and corruption. The Group adopts the Statement of Business Integrity and Code of Conduct in adherence to the Prevention of Bribery Ordinance (Cap 201 of the laws of Hong Kong) and informs our employees and stakeholders of the ethical requirements. Whistleblowing Policy and Procedures are in place for employees and business partners to report on any incidents of misconduct or malpractice. The Group conforms to the Competition Ordinance (Cap 619 of the laws of Hong Kong) which forbids anti-competitive agreements, abuse of market power and anti-competitive mergers and acquisitions¹ and the Anti-Unfair Competition Law of the People's Republic of China. To prevent our employees from engaging in anti-competitive behaviours, guidelines and trainings are provided.

For more information on our robust governance structure and control system, please refer to pages 59 to 76 for the discussion on these topics.

NURTURING OUR PEOPLE

Talent attraction and retention are vital for our long-term business sustainability. Apart from complying with the local statutory requirements², we are devoted to becoming an employer of choice. Our existing employment policies and practices reinforce the Group's commitment to recruit in a fair and transparent manner and remunerate our employees based on their qualifications and experience. We also provide various training and succession opportunities to develop the competency and skills of our employees. The Group implements stringent occupational safety and health management systems specific to different business units to maintain a safe workplace. In the event of incident occurrence, investigations are conducted with corrective measures carried out to prevent future occurrence.

¹ At present, the Merger Rule only applies to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance (Cap 106).

² Employment Ordinance (Cap 57 of the laws of Hong Kong) and Labour Law of the People's Republic of China.

CORPORATE SUSTAINABILITY



Above and right page: A host of activities were organised for Project WeCan students and partners.

CLIMATE RESILIENCE

The Group acknowledges the importance of addressing climate risks posed to our business operations and conducted formal climate risk assessment with reference to Task Force on Climate-related Financial Disclosures (TCFD) recommendations developed by Financial Stability Board to identify the potential financial and operational climate-related risks in our business operations, further preparing business units in developing mitigation, adaptation and resilience strategies.

PROTECTING OUR ENVIRONMENT

The Group has implemented the environmental guidelines since 2016 with reference to the environmental legislation in Hong Kong³ and the Environmental Protection Law of the People's Republic of China. The guidelines are adopted at the business unit level with continuous monitoring and are regularly reviewed with reference to amendments in relevant laws and regulations and changes in our business operations. In 2019, no incidents of environmental non-compliance resulting in a fine or penalty were recorded.

Beyond compliance, the Group further enhances our environmental performance through participation in Green Building Certification programmes, such as Leadership in Energy and Environmental Design (LEED). Through the integration of green building features, Shanghai Wheelock Square and Wuxi IFS were awarded LEED Gold "Operations and Maintenance" and "Core and Shell" respectively, and Changsha IFS was awarded LEED Platinum for "Building Operations and Maintenance: Existing Buildings". The Group also announced its Green Loan Facility in the amount of HK\$2 billion to refinance Chengdu IFS on 31 January 2019 and achieved LEED Platinum for "Operations and Maintenance: Existing Buildings" in this flagship project.

³ Air Pollution Control Ordinance (Cap 311 of the laws of Hong Kong), Waste Disposal Ordinance (Cap 354 of the laws of Hong Kong), Water Pollution Control Ordinance (Cap 358 of the laws of Hong Kong), Noise Control Ordinance (Cap 400 of the laws of Hong Kong), Environmental Impact Assessment Ordinance (Cap 499 of the laws of Hong Kong) and Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap 611 of the laws of Hong Kong).



BUSINESS-IN-COMMUNITY

Apart from direct economic contribution, the Group extends our contribution to the community by mobilizing of financial and human resources to support youth development and social welfare programmes.

The Group has supported a wide range of community investment programmes over the years. One of the Group's signature Business-in-Community initiatives, Project WeCan, has been offering opportunities and care to secondary school students who are disadvantaged in learning since 2011 to empower them to pursue further studies and future careers. With the staunch support of 68 partner organisations and the volunteers, 76 schools and over 70,000 students have benefited.

RESPONSIBLE PRODUCTS AND SERVICES

As part of our commitment to deliver quality products and attentive services, the Group equips our employees with necessary knowledge and skills. We engage with our customers regularly and listen to their feedback. We observe the local statutory requirements⁴ on providing accurate, fair and transparent information to our customers. Stringent procedures are implemented in adherence to the Personal Data (Privacy) Ordinance (Cap 486 of the laws of Hong Kong) and the Law of Protection of Consumer Rights and Interests of the People's Republic of China for handling customers' personal information. Personal data collected are handled strictly by authorised personnel only and are disposed appropriately after a designated time. During the reporting year, no complaints and cases of non-compliance regarding breaches of customer privacy were received.

Through the adoption of the vendor management system which assessed the capabilities of suppliers in environmental protection, ensuring labour rights, and addressing health and safety, corruption and other social issues, our commitment to responsible products and services is maintained throughout our supply chain.

⁴ Law of the People's Republic of China on the Administration of the Urban Real Estate, Anti-Unfair Competition Law, Regulation on Telecommunications, The People's Republic of China; Trade Descriptions Ordinance (Cap 362 of the laws of Hong Kong); consumer rights protection legislation and logo guidelines.

FINANCIAL REVIEW

(I) REVIEW OF 2019 FINAL RESULTS

Group underlying net profit decreased by 58% to HK\$2,710 million (2018: HK\$6,511 million) from 2018, mainly due to provisions of HK\$3,790 million for impairment losses on certain Mainland Development Properties (“DP”) arising on assessment of their net realisable value under the prevailing market conditions. Except for Mainland Investment Properties (“IP”), all segments recorded profit decline.

Revenue and Operating Profit

Group revenue decreased by 20% to HK\$16,874 million (2018: HK\$21,055 million), mainly due to 45% decrease in DP revenue with less Mainland projects completing for recognition. The decrease was partly alleviated by 14% increase in IP revenue, riding on its maturing portfolio in the Mainland, and higher investment and other income.

Operating profit (“OP”) decreased by 10% to HK\$7,869 million (2018: HK\$8,752 million) with DP decreasing by 43% and IP increasing by 22%.

IP revenue continued to grow by 14% to HK\$4,090 million (2018: HK\$3,586 million) and OP by 22% to HK\$2,423 million (2018: HK\$1,984 million), wholly benefitted from the driving force of the expanding Mainland portfolio. Particularly, Chengdu International Finance Square (“IFS”) and the maturing Changsha IFS, together contributing over 50% of IP revenue, grew revenue by 13% and 92%, respectively.

DP owned by subsidiaries recognised lower revenue by 45% to HK\$7,054 million (2018: HK\$12,914 million) and OP by 43% at HK\$3,197 million (2018: HK\$5,603 million). DP joint ventures are equity-accounted with share of results included in associates/joint ventures.

Hotel revenue increased by 14% to HK\$530 million (2018: HK\$463 million) came on the back of the newly opened Niccolo Changsha. OP decreased by 41% to HK\$53 million (2018: HK\$90 million) mainly due to the start-up loss of Niccolo Changsha and decrease in hotel management fees.

Logistics revenue decreased by 1% to HK\$2,597 million (2018: HK\$2,616 million) and OP by 14% to HK\$513 million (2018: HK\$597 million), mainly resulting from lower throughput handled by Modern Terminals Limited (“Modern Terminals”) in Hong Kong.

Investment and other revenue increased by 76% to HK\$2,603 million (2018: HK\$1,476 million) and OP grew by 113% to HK\$2,167 million (2018: HK\$1,016 million) for higher investment income including dividends from the Group’s enlarged investment portfolio.

DP Sales and Net Order Book

Inclusive of joint venture projects on an attributable basis, total DP contracted sales decreased by 13% to HK\$24,320 million (2018: HK\$27,958 million).

Mainland contracted sales decreased by 13% to RMB19,922 million (2018: RMB22,815 million). Revenue (on attributable basis) declined by 33% to HK\$14,806 million (2018: HK\$22,236 million) and OP decreased by 38% to HK\$4,927 million (2018: HK\$7,949 million). Net order book increased by 26% to RMB27,411 million (December 2018: RMB21,766 million).

Hong Kong contracted sales, mainly from the Mount Nicholson project, on an attributable basis, amounted to HK\$2,081 million (2018: HK\$1,919 million). Sales recognition decreased by 29% to HK\$1,180 million (2018: HK\$1,667 million), which contributed an OP of HK\$669 million (2018: HK\$1,062 million). Attributable sales recognition of HK\$1,184 million was deferred under the new accounting standard that requires recognition at the time of assignment instead of signing of formal agreement.

Fair Value Gain of Investment Properties

The Group's IP portfolio as at 31 December 2019 was HK\$74.8 billion (2018: HK\$74.7 billion), stating at fair value based on independent valuation with an attributable net revaluation gain of HK\$286 million (2018: HK\$465 million), after related deferred tax and non-controlling interests, crediting to the consolidated income statement.

Other Net Charge

Other net charge was HK\$2,067 million (2018: HK\$770 million), including mainly provisions of HK\$2,420 million for impairment losses on certain Mainland DP held by subsidiaries partly mitigated by other income.

Together with Mainland DP held by associates and joint ventures, the Group has made total attributable provisions of HK\$3,790 million for DP impairment losses.

Finance Costs

Finance costs amounted to HK\$1,112 million (2018: HK\$512 million), which included an unrealised mark-to-market gain of HK\$50 million (2018: HK\$375 million) on cross currency and interest rate swaps in accordance with prevailing accounting standards. The effective borrowing rate for 2019 was 3.6% (2018: 3.5%).

Excluding the unrealised mark-to-market gain, finance costs before capitalisation were HK\$1,679 million (2018: HK\$1,436 million), representing a 17% increase. Finance costs after capitalisation was HK\$1,162 million (2018: HK\$887 million).

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

Associates' attributable profit decreased by 74% to HK\$336 million (2018: HK\$1,279 million) mainly due to lower recognition from Mainland DP coupled with impairment losses on certain Mainland DP projects.

Joint ventures attributable profit decreased by 55% to HK\$498 million (2018: HK\$1,103 million) due to lower recognition from Mount Nicholson and impairment losses on certain Mainland DP projects.

Income Tax

Taxation charge decreased by 27% to HK\$3,000 million (2018: HK\$4,126 million), which included deferred taxation of HK\$736 million (2018: HK\$522 million) provided for the current year's revaluation gain attributable to Mainland IP.

Excluding the above deferred taxation, the tax charge was HK\$2,264 million (2018: HK\$3,604 million), a decrease of 37% for lower profits from Mainland DP partly offset by higher profits from Mainland IP.

Profit to Shareholders

Group underlying net profit (a performance indicator of the Group's major business segments and arrived at after excluding the attributable net IP revaluation gain, mark-to-market and exchange gain/loss on certain financial instruments and exceptional items) decreased by 58% to HK\$2,710 million (2018: HK\$6,511 million) mainly as a combining result of IP increasing by 44% to HK\$1,536 million, DP decreasing by 85% to HK\$698 million (2018: HK\$4,648 million) after the impairment provisions and Logistics decreasing by 17% to HK\$382 million, each accounting for 57%, 26% and 14% of Group total, respectively.

All inclusive, Group profit attributable to equity shareholders decreased by 49% to HK\$3,386 million (2018: HK\$6,623 million). Basic earnings per share were HK\$1.11, based on weighted average of 3,048 million shares (2018: HK\$2.18 based on 3,045 million shares).

FINANCIAL REVIEW

(II) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 31 December 2019, shareholders' equity increased by 6% to HK\$142.9 billion (2018: HK\$135.5 billion), equivalent to HK\$46.86 per share based on 3,049 million issued shares (2018: HK\$44.45 per share based on 3,047 million issued shares). Apart from retained profit, the equity increase is also due to the surplus of HK\$8.1 billion arising from investment revaluation yet partly offset by the exchange deficit of HK\$2.1 billion on translation of RMB net assets as at year end.

Total equity including non-controlling interests of HK\$3.4 billion (2018: HK\$3.3 billion) increased by 5% to HK\$146.3 billion (2018: HK\$138.8 billion).

Assets

Total assets, excluding bank deposit and cash, increased by 2% to HK\$214.9 billion (2018: HK\$209.9 billion). Properties, Logistics, Investments and other assets accounted for around 78%, 7%, 14% and 1% of the Group, respectively.

Total business assets, excluding bank deposit and cash, financial and deferred tax assets, amounted to HK\$182.3 billion (2018: HK\$181.0 billion). Geographically, Mainland business assets, mainly comprising properties and terminals, amounted to HK\$130.5 billion (2018: HK\$135.3 billion), representing 72% (2018: 75%) of total business assets.

Investment Properties

IP portfolio stated at valuation of HK\$74.8 billion (2018: HK\$74.7 billion), representing 41% (2018: same) of total business assets. This portfolio comprised Mainland IP HK\$54.0 billion (2018: HK\$54.4 billion) and Hong Kong IP HK\$20.8 billion (2018: HK\$20.3 billion).

Properties for Sale

DP assets amounted to HK\$44.1 billion (2018: HK\$46.0 billion), comprising Mainland DP of HK\$30.6 billion (2018: HK\$33.2 billion) and Hong Kong DP of HK\$13.5 billion (2018: HK\$12.8 billion).

Interests in Associates and Joint Ventures

Interests in associates and joint ventures increased to HK\$43.1 billion (2018: HK\$41.9 billion) resulting from the acquisition of 30% equity interests in Kai Tak site in a public tender in November 2019 at an attributable land cost of HK\$4.8 billion, partly offset by sales recognition for the year.

Long Term Investments

Long term investments amounted to HK\$36.5 billion (2018: HK\$30.5 billion), including mainly the Group's equity investment in Greentown China Holdings Limited ("Greentown") of HK\$5.2 billion and a portfolio of blue chips of HK\$31.3 billion held for long term growth and reasonable dividend return. The portfolio performed overall in line with the market and each investment within which is individually not material to the Group's total assets. Revaluation on these investments during the year produced a net surplus of HK\$8.1 billion (2018: deficit of HK\$5.6 billion) as reflected in the other comprehensive income within which a total of HK\$1.1 billion was recycled to retained profits upon de-recognition, turning around the accumulated deficit balance of HK\$5.9 billion at 2018 year end to surplus of HK\$1.1 billion at end of 2019.

Deposits from Sale of Properties

Deposits from sale of properties amounted to HK\$11.3 billion (2018: HK\$9.3 billion) pending for recognition in the coming years.

Net Debt and Gearing

Net debt as at 31 December 2019 was reduced by 26% to HK\$19.0 billion (2018: HK\$25.6 billion), mainly resulting from proceeds from sales of Mainland DP and long term investments more than re-investments in DP in Hong Kong and the Mainland. The net debt comprised of HK\$27.3 billion in bank deposits and cash and HK\$46.3 billion in debts. It includes Modern Terminals' net debt of HK\$5.9 billion (2018: HK\$6.3 billion), which is non-recourse to the Company and its other subsidiaries. Excluding non-recourse debts, the Group's net debt was HK\$13.1 billion (2018: HK\$19.3 billion). At 31 December 2019, the ratio of net debt to total equity is 13%.

Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 31 December 2019 amounting to HK\$77.1 billion, of which HK\$46.3 billion had been utilised, are analysed as below:

	31 December 2019		
	Available Facility HK\$ Billion	Utilised Facility HK\$ Billion	Un-utilised Facility HK\$ Billion
Company/wholly-owned subsidiaries			
Committed and uncommitted bank facilities	50.4	25.5	24.9
Debt securities	14.4	14.4	–
	64.8	39.9	24.9
Non-wholly-owned subsidiaries			
Committed and uncommitted – Modern Terminals	12.3	6.4	5.9
Group total	77.1	46.3	30.8

Of the above debts, HK\$7.0 billion (2018: HK\$7.4 billion) was secured by mortgages over certain IP, DP and other properties, plant and equipment with total carrying value of HK\$29.4 billion (2018: HK\$26.5 billion).

The Group's debt portfolio comprised primarily United States dollar ("USD"), Hong Kong dollar ("HKD") and Renminbi. Funds sourced from such debt portfolio were mainly used to finance IP, DP and port investments.

The use of derivative financial instruments is strictly monitored and controlled. The majority of the derivative financial instruments entered into are primarily used for management of interest rate and currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$34.2 billion (2018: HK\$29.2 billion), which is available for use if necessary.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group's net cash inflows of HK\$6.5 billion (2018: HK\$8.4 billion) together with increase in working capital resulting from decrease in DP acquisitions generated a total net cash from operating activities of HK\$9.3 billion (2018: outflow HK\$8.1 billion). For investing activities, the Group recorded a net outflow of HK\$2.8 billion (2018: HK\$22.6 billion) mainly for increase in investment in Mainland DP joint ventures projects and other investments.

FINANCIAL REVIEW

Major Capital and Development Expenditures

Major expenditures incurred in 2019 are analysed as follows:

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Properties			
IP	330	74	404
DP	5,067	8,808	13,875
	5,397	8,882	14,279
Others	77	31	108
Group total	5,474	8,913	14,387

- i. IP expenditure was mainly for construction costs of Peak Properties.
- ii. DP and IP expenditures included HK\$9.3 billion for property projects undertaken by associates and joint ventures.
- iii. Other expenditure was mainly related to Modern Terminals' terminal equipment.

Commitment

As at 31 December 2019, major expenditures to be incurred in the coming years was estimated at HK\$22.3 billion, of which HK\$13.2 billion was committed. They are analysed by segment as below:

	As at 31 December 2019		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
IP			
Hong Kong	674	–	674
Mainland China	159	148	307
	833	148	981
DP			
Hong Kong	473	–	473
Mainland China	8,787	8,841	17,628
	9,260	8,841	18,101
Others	3,140	57	3,197
Group total	13,233	9,046	22,279

Properties commitments are mainly for land cost and construction cost, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages.

These expenditures will be funded by internal financial resources including surplus cash, cash flows from operations, as well as bank and other borrowings and pre-sale proceeds. Other available resources include listed equity investments available for sale.

(III) DIVIDEND POLICY

Apart from compliance with the applicable legal requirements, the Company would adopt a dividend policy which targets to provide shareholders with recurrent dividends and intend to pay no less than 30% of the underlying net profit of the Group. The actual dividend payout from year to year will be subject to upward or downward adjustments as decided by the Board after taking into account of the Group's immediate as well as expected prevailing financial performance, cash flow, financial position, capital commitments and future requirements as well as the general business and economic environments.

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

(IV) HUMAN RESOURCES

The Group had approximately 8,400 employees as at 31 December 2019, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

(V) BUSINESS MODEL

Following the demerger in November 2017, the Group is principally engaged in Hong Kong and Mainland properties, with interests in hotels and logistics as well. In addition, the Group owns a strategic investment portfolio with a long term perspective.

IP in the Mainland accounted for 56% of Group underlying net profit in 2019. Recent additions include completion of mixed-use International Finance Square (IFS) in Changsha. In particular, Chengdu IFS and Changsha IFS are comparable to Harbour City, Hong Kong, in critical mass and dominance in their respective markets.

DP accounted for 26% of Group underlying net profit in 2019. On an attributable basis, combined DP sales in Hong Kong and the Mainland achieved HK\$24 billion and revenue recognition HK\$16 billion. Total current land bank amounts to 3.3 million square feet in Hong Kong and 3.5 million square metres in the Mainland.

Flagship project in Hong Kong is Mount Nicholson, a record-setting luxury residential joint venture, to head the valuable Peak portfolio which includes non-DP properties. Other projects include redevelopment projects in Kowloon East and Lung Cheung Road site in Kowloon Tong, and the latest addition of Kai Tak site.

In the Mainland, sharpening of DP focus to half a dozen key cities has benefitted the business unit across the board. A number of projects are undertaken through joint ventures to spread risk.

FINANCIAL REVIEW

(VI) BUSINESS STRATEGY

The Group endeavours to continuously enhance its competitiveness and drive sustainable growth through:

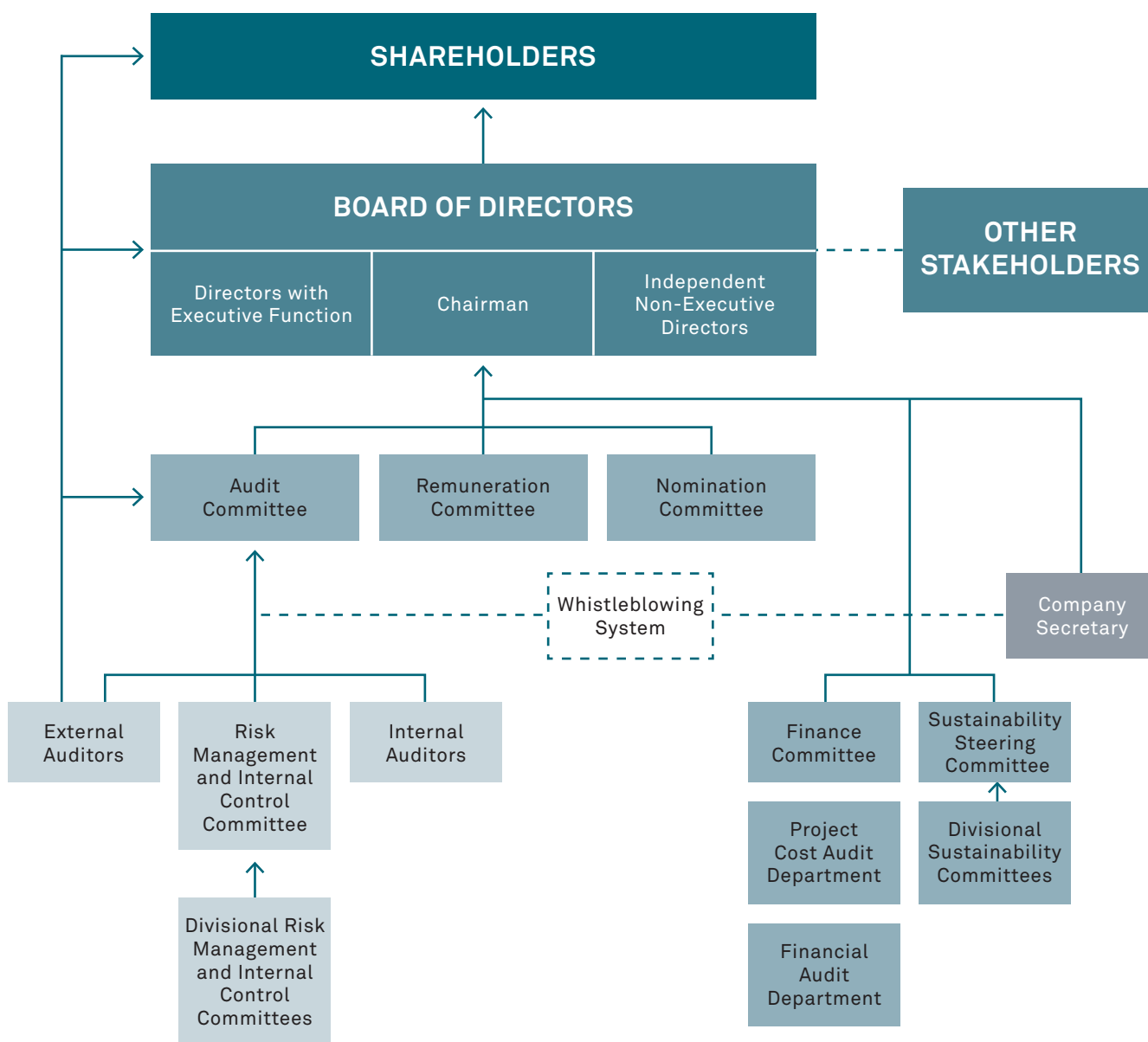
1. For DP, applying core competencies in site selection and acquisition, product planning and design, construction management, premium branding and marketing to achieve premium sales results and profit margin;
2. For IP, replicating the leadership in management and strong professional relationship with key tenants to operate market leading complexes in the Mainland to create new value and present long-term growth potential;
3. Continuous development of sustainable and localised organisations with local market know-how and international standards and execution expertise; and
4. Exercising prudent and disciplined financial management to ensure sustainability at all times.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND STRUCTURE

The Group endeavours to maintain high standards of corporate governance as we believe good corporate governance is essential for sustainable development of the Group.

The Board of Directors (the “Board”) is the core of our corporate governance structure embracing supports across the Group-wide spectrum on foundation of an efficient and accountable framework with commitments to promote the Group’s sustainability in discharge of its duties of safeguarding the interests of the Group, its shareholders as well as all other stakeholders, including investing public, regulators, banks, bondholders, creditors, customers and employees. The Group’s corporate governance structure can be visualised as below:



CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the financial year ended 31 December 2019, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), with one exception as follows:

Code Provision A.2.1 (Separation of the roles of Chairman and Chief Executive)

Mr Stephen T H Ng serves as the Chairman as well as the Managing Director of the Company. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-Executive Directors (the “INEDs”).

The Company is committed to maintain high standards of corporate governance to exceed the Listing Rules requirements and code provisions and adopts, where appropriate, the recommended best practices, which are to be elaborated further in this corporate governance report.

BOARD OF DIRECTORS

Roles and Responsibilities

The overall management of the Company’s business is vested in the Board and the Directors of the Company (the “Directors”) are collectively responsible for promoting the success of the Company. The Board directly, and indirectly through the Board Committees, provides effective oversight and strategic guidance on the Group’s strategies and affairs, leading the achievement of strategic plans to enhance shareholders’ value.

Governance and Social Sustainability

- Set goals and commitments for Corporate and Social Sustainability
- Develop the corporate governance policies and oversight on relevant compliance

Strategic Planning

- Evaluate Business Strategy
- Review of latest developments on macro operating environment
- Evaluate major expenditure plans

Risk Management

- Review of principal risks and uncertainties
- Carry overall responsibility on the Risk Management and Internal Control System

Performance Review

- Annual, interim and quarterly results
- Monthly management reports
- Quarterly business review

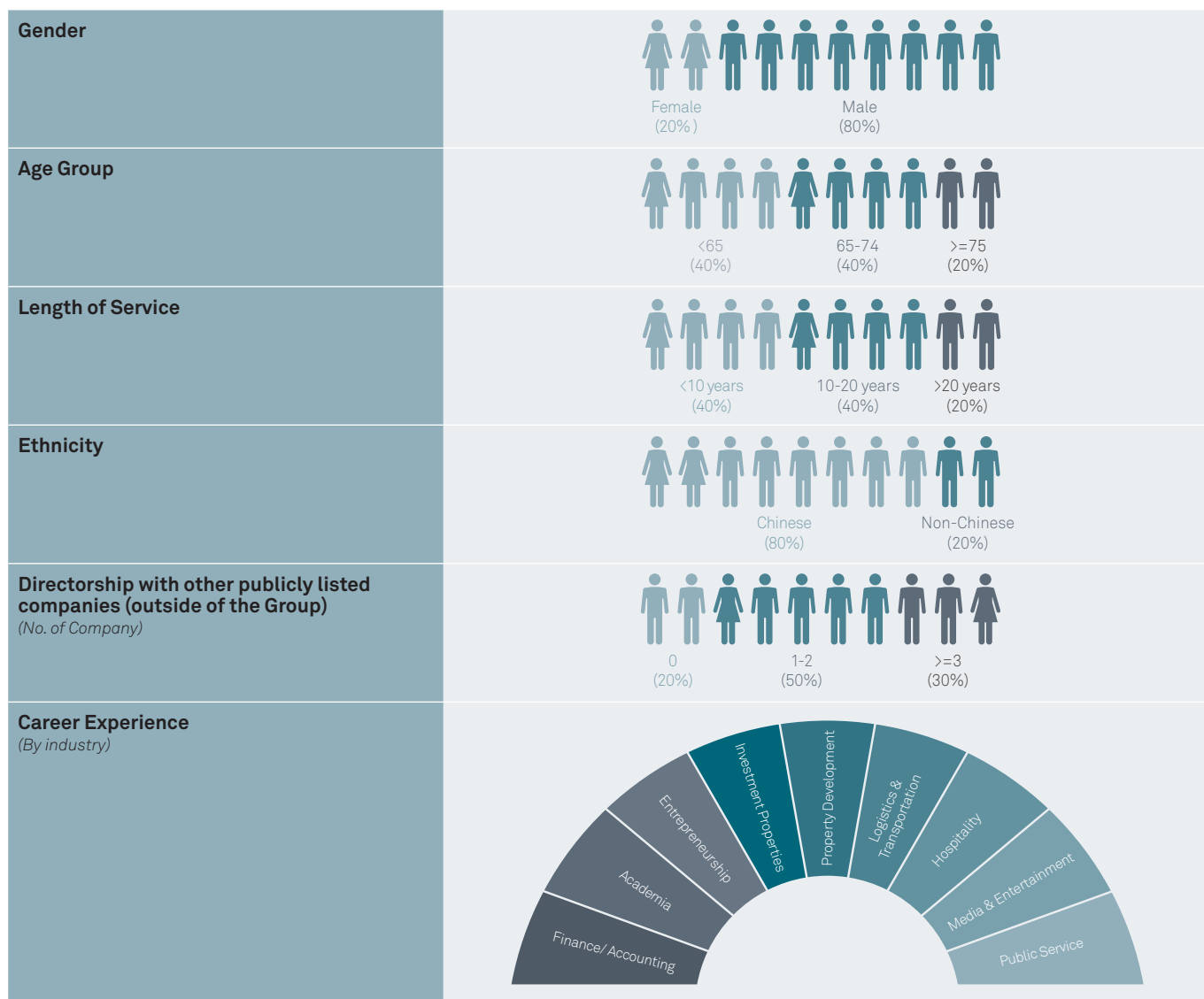
Board Composition and Diversity Policy

As of the date of this report, the Board consists of a total of ten members, including five Directors with executive functions and five INEDs.

The Directors' biographical details are set out in "(A) Biographical Details of Directors and Senior Management" on pages 80 to 84. A list setting out the names of the Directors and their roles and functions is posted on the respective websites of the Company and the Stock Exchange. All Directors, including INEDs, are also identified as such in all corporate communications that disclose the names of Directors.

According to the Board Diversity Policy adopted by the Board, the Company recognises and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision of achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element of its strategic goals. Appointments of Directors are made on merits having due regard for a range of diversity objectives, including but not limited to gender, age, cultural and educational backgrounds, length of service, knowledge of the Group's business and a board range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business.

The following chart shows the diversity profile of the Board as at 31 December 2019:



CORPORATE GOVERNANCE REPORT

Appointment and Election of Directors

The Board, with support of the Nomination Committee, is responsible for developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs. A Nomination Policy was formally adopted (details provided below) which sets out the approach in identifying, assessing and nominating suitable candidates to the Company's board of directors.

In accordance with the Articles of Association of the Company, all Directors are subject to retirement by rotation at an annual general meeting (the "AGM") at least once every three years. Any new Directors appointed by the Board either to fill a casual vacancy or as an addition to the Board are subject to re-election by shareholders of the Company (the "Shareholder(s)") at the next general meeting of the Company. At each AGM, at least one-third of the Directors for the time being shall retire from office and the retiring Directors shall be eligible for re-election.

Messrs. Andrew O K Chow, Paul Y C Tsui, Kevin K P Chan and Vincent K Fang will retire at the AGM to be held on 8 May 2020. The retiring Directors, being eligible, offer themselves for re-election. The proposed re-election of the retiring Directors was reviewed by the Nomination Committee and the Board with reference to the criteria set out in the Nomination Policy adopted by the Company. Both the Nomination Committee and the Board are of the view that each of the retiring Directors could continue to fulfill his/her role as required. The election of each candidate will be done through a separate resolution and there is no cumulative voting in Director elections. Details with respect to the candidates standing for election as Directors are set out in the AGM circular to Shareholders.

Independent Directors

Five out of ten Directors are INEDs, a sufficient number to ensure their views to carry weight and implanting a strong independence element into the Board.

The Company has received written annual confirmation from each of the INEDs concerning their independence pursuant to Rule 3.13 of the Listing Rules, and considers that all INEDs are independent and meet the independence guidelines set out thereunder.

All INEDs have their respective terms of appointment coming to an end normally three years after their appointment to the Board or their last re-election as Directors. The re-election of any INEDs who has served on the Board for more than nine years is subject to (1) a separate resolution to be approved by the Shareholders; and (2) further information to be set out in the circular to the Shareholders on the reasons why the Board believes the relevant INED is still independent and should be re-elected.

Professor Edward K Y Chen, Mr Vincent K Fang and Mr Hans Michael Jebsen have served as INEDs for more than nine years. The Board is of the opinion that they remain independent, notwithstanding the length of their tenure. All of them have confirmed to meet the criteria set out in the independence guideline of Rule 3.13 under the Listing Rules. They continue to demonstrate the attributes of INEDs and there is no evidence that their tenure has any impact on their independence. The Board believes that their profound knowledge and experience of the Group's business and their external experience continue to be of significant benefits to the Company, and that they remain independent.

Nomination Policy

The Company has adopted a formal Nomination Policy with effect from January 2019 which sets out the approach in identifying, assessing and nominating suitable candidates to the Board. For an optimal composition of the Board with sustainability, the nomination will be in pursuit of a balance of skills, experience and diversity of perspectives in the Board appropriate to the requirements of the Company's business as well as succession continuity.

The criteria listed below will be used as reference in assessing the suitability of a proposed candidate:–

- Character and integrity
- Skills, knowledge and experience relevant to the Company's business and corporate strategy

- Willingness and availability to dedicate sufficient time and attention to ensure the diligent performance of duties in concurrence with his/her other major appointments and significant commitments
- Attributes enhancing the Board diversity in line with the Company's Board Diversity Policy
- Such other perspectives appropriate to the Company's business
- Requirements in respect of INEDs under the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines as set out in the Listing Rules

For appointment of new director, the Nomination Committee as delegated by the Board shall identify and evaluate candidate based on the criteria set out above to determine whether the candidate is qualified for directorship. If the candidate is considered qualified, the Nomination Committee shall recommend to the Board for consideration and the Board, if considered appropriate, shall approve the appointment of the proposed candidate as a new Director.

For re-election of director at general meeting, the Nomination Committee as delegated by the Board shall review the contribution made by the retiring Director and whether he/she can continue to fulfill his/her role as required with reference to the criteria set out above. The Board shall then, under advice of the Nomination Committee, make recommendation to Shareholders for the proposed re-election of Director(s) at the general meeting.

For any candidate (other than a Retiring Director) nominated by the Board or Shareholder(s) to stand for election as a Director in a general meeting of the Company, the Nomination Committee shall, upon receipt of the proposal of nomination and the biographical information of the candidate, evaluate his/her suitability based on the same criteria as set out above. The Board, under advice of the Nomination Committee, may or may not make recommendation to Shareholders on their voting to the proposed election in the relevant announcement and/or circular to Shareholders.

Remuneration of Directors and Senior Management

The remuneration payable to Directors and Senior Management of the Company is determined with reference to calibres, experiences, job responsibilities, performance and profitability of the Group, and the remuneration benchmarks normally paid by listed companies in Hong Kong and overseas for ensuring a fair and competitive remuneration package in the market. The annual fees payable to the Board during the financial year ended 31 December 2019 is as follows:

Fee payable to:	At the rate of HK\$'000 per annum
The Chairman of the Board	300
Director (other than Chairman)	250
Member of the Audit Committee	150
Member of the Remuneration Committee	50

In respect of the remuneration payable to the Directors and Senior Management of the Company, the details have been set out in Notes 2(b) and 2(c) to the financial statements on pages 115 and 116 respectively.

Directors' Trainings

Newly appointed Directors receive briefings and orientation on legal responsibilities as a Director and the role of the Board. The Company Secretary also provides latest information of the business development, market changes and updates in the Listing Rules and relevant legal and regulatory requirements to the Directors in a timely manner in order to make an informed decision and discharge their duties and responsibilities.

CORPORATE GOVERNANCE REPORT

The Company has also arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties as a director of a listed company, as well as the development of regulatory updates and issues. All Directors have been required to provide training records undertaken which are maintained by the Company Secretary.

All the current Directors have, during the financial year under review, pursued continuous professional development and the details are set out below:

Directors	Types of Trainings (See Remarks)
Executive Directors	
Mr Stephen T H Ng, <i>Chairman and Managing Director</i>	A, B
Mr Andrew O K Chow, <i>Deputy Chairman and Executive Director</i>	A, B
Ms Doreen Y F Lee, <i>Vice Chairman and Executive Director</i>	A, B
Mr Paul Y C Tsui, <i>Vice Chairman, Executive Director and Group Chief Financial Officer</i>	A, B
Director	
Mr Kevin K P Chan	A, B
Independent Non-executive Directors	
Professor Edward K Y Chen	A, B
Mr Vincent K Fang	A, B
Mr Hans Michael Jebsen	A, B
Ms Elizabeth Law	A, B
Mr David Muir Turnbull	A, B

Remarks:

A: attending seminars and/or conferences and/or forums

B: reading journals, updates, articles and/or materials, etc

Directors' Securities Transactions

The Company adopts its own set of code of conduct regarding Directors' securities transactions (the "Company's Code") with terms thereof being no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. Indeed, the Company's Code has a higher standard than the Model Code in the extent that the absolute prohibitions under paragraphs A.1 and A.3 of the Model Code, viz. forbidding Directors from securities dealings at any time in possession of inside information and during the relevant blackout periods preceding publication of financial results, shall apply not only to the listed securities of the Company itself but also of its subsidiaries and associates.

The Company has made specific enquiry of all Directors and all Directors have complied with the required standard set out in the Model Code and/or the Company's Code during the financial year.

BOARD EFFECTIVENESS

Division of Responsibilities

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

CHAIRMAN AND MANAGING DIRECTOR

Mr Stephen T H Ng

- be responsible for the Group strategies and Board issues
- lead the Board and manage the affairs of the Board to ensure its effective functioning
- facilitate and encourage active engagement of Directors, fully drawing on their skills, experience and knowledge
- ensure cohesive working relationship among members of the Board and the Management
- assume overall responsibility on corporate governance practices and procedures
- undertake executive responsibility directly in certain major business and corporate units of the Group in his capacity as Managing Director

DIRECTORS WITH EXECUTIVE FUNCTIONS

Mainland Development Properties

Mr Andrew O K Chow (*Deputy Chairman and Executive Director*)

Mr Kevin K P Chan

Mainland Investment Properties

Ms Doreen Y F Lee (*Vice Chairman and Executive Director*)

Group Finance

Mr Paul Y C Tsui (*Vice Chairman, Executive Director and Group Chief Financial Officer*)

- carry full executive responsibilities over business directions and operational efficiency of the business and corporate units under their respective management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Edward K Y Chen

Mr Vincent K Fang

Mr Hans Michael Jebsen

Ms Elizabeth Law

Mr David Muir Turnbull

- contribute diversified views and exercise independent judgment in the Board's decision making process
- act as check-and-balance, particularly in situations where potential conflicts of interests may arise

CORPORATE GOVERNANCE REPORT

Company Secretary

The Company Secretary, Mr Kevin C Y Hui, is a seasoned employee of the Company and is very familiar with the Company's state of affairs. He reports to the Chairman and the Board of Directors directly. The main responsibility of the Company Secretary is supervision of the Company's compliances with laws and regulations, for instances, the Listing Rules, the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong), the Companies Ordinance (Cap 622 of the laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-back.

All Directors have access to the advices and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are obligated. The Company Secretary has also played the role of coordinator for arranging Directors' participant in the training sessions organised by the external auditors.

The Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training during the financial year.

Directors' Meeting Attendance in 2019

Individual attendance records of our Directors at Board meetings, Board Committees meetings and Annual General Meeting during the financial year ended 31 December 2019 are set out below:

	2019 Meetings Attended/Held			
	Board	Audit Committee	Remuneration Committee	Annual General Meeting
Executive Directors				
Mr Stephen T H Ng, <i>Chairman and Managing Director</i>	4/4	N/A	2/2	1/1
Mr Andrew O K Chow, <i>Deputy Chairman and Executive Director</i>	4/4	N/A	N/A	1/1
Ms Doreen Y F Lee, <i>Vice Chairman and Executive Director</i>	4/4	N/A	N/A	1/1
Mr Paul Y C Tsui, <i>Vice Chairman, Executive Director and Group Chief Financial Officer</i>	4/4	N/A	N/A	1/1
Director(s)				
Mr Kevin K P Chan	4/4	N/A	N/A	1/1
Independent Non-executive Directors				
Professor Edward K Y Chen	3/4	N/A	N/A	1/1
Mr Vincent K Fang	4/4	4/4	N/A	1/1
Mr Hans Michael Jebsen	3/4	3/4	2/2	1/1
Ms Elizabeth Law	3/4	3/4	N/A	1/1
Mr David Muir Turnbull	4/4	4/4	2/2	1/1
Total Number of Meetings	4	4	2	1

Board Process

Key Features of Board Process in 2019

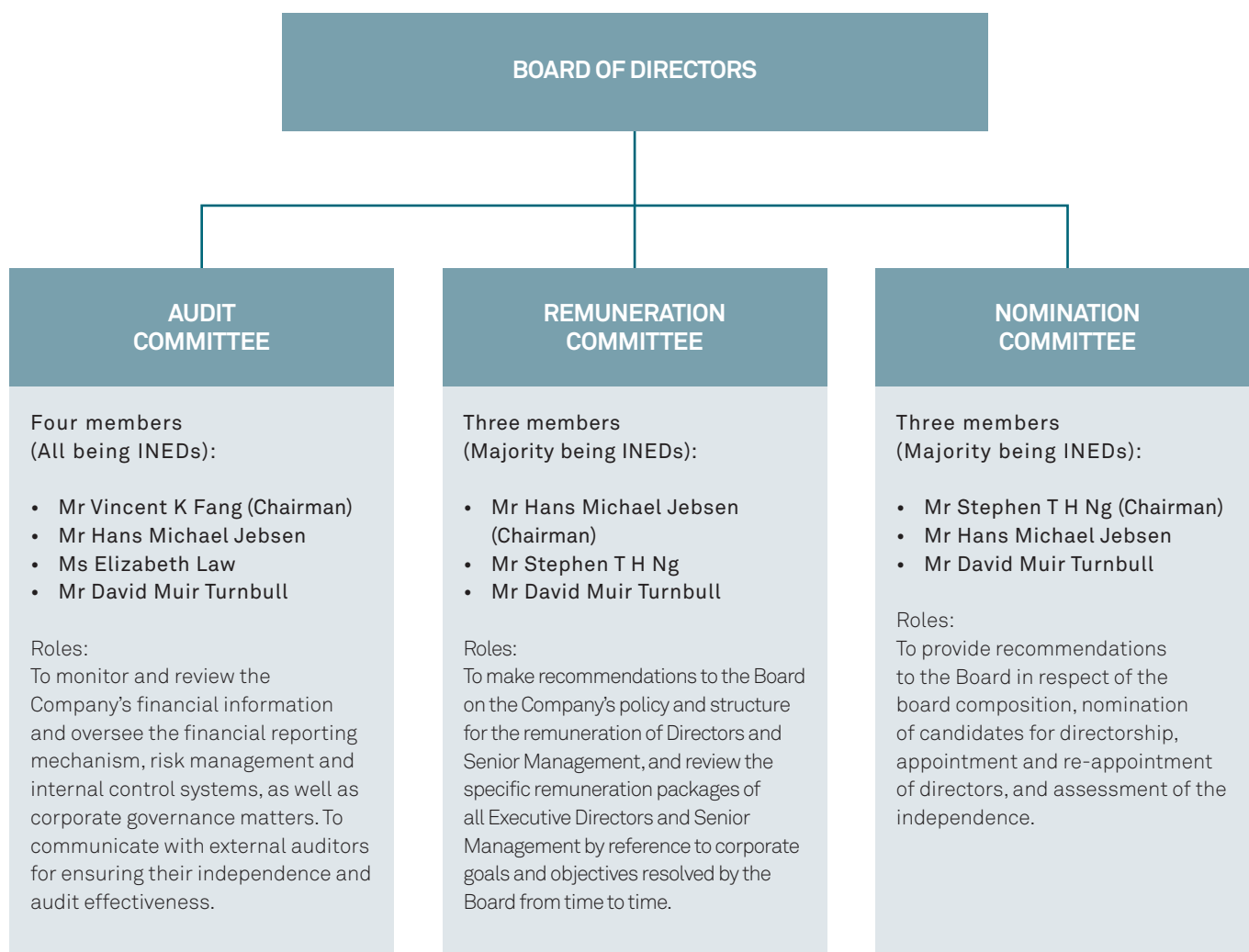
Regular Meetings	<ul style="list-style-type: none"> The Board held four regular meetings in 2019. Directors' attendance record for 2019 is disclosed on page 66 of this report. Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles of Association.
Meeting Notice	<ul style="list-style-type: none"> One-month formal notice would be given before each regular meeting and reasonable notices are given for all other ad hoc meetings.
Meeting Agenda	<ul style="list-style-type: none"> All Directors are consulted as to whether they may want to include any matter in the agenda for each Board meeting. Board papers are circulated not less than three days before Board meetings to enable the Directors to make informed decisions on matters to be raised at Board meetings.
Important Decisions	<ul style="list-style-type: none"> Important matters are decided by Directors at Directors' meetings, or on some exceptional occasions, dealt with by way of written resolutions so that all Directors (including INEDs) can note and comment, as appropriate, the matters before approval is granted.
Board and Board Committee Minutes/Written Resolutions	<ul style="list-style-type: none"> The Company Secretary prepares minutes and written resolutions and records matters discussed and decisions resolved by the Board and Board Committees. Board and Board Committee meeting minutes are sent to all Directors and Board Committee members respectively for comments and record, and final version thereof are put on record within a reasonable time after each Board and Board Committee meeting. Board and Board Committee minutes and resolutions are available for inspection by all Directors/Board Committee members. Minutes record in sufficient detail of the matters considered by the Board/Board Committees and decisions reached.
Supply of and Access to Information	<ul style="list-style-type: none"> The Company Secretary and the Group Chief Financial Officer attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.
Independent Professional Advice	<ul style="list-style-type: none"> The Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.
Conflicts of Interests	<ul style="list-style-type: none"> Directors are required to declare their direct/indirect interests, if any, in any proposed transaction, arrangement or contract to be considered by the Board pursuant to the Companies Ordinance (Cap 622 of the laws of Hong Kong) and the Company's Articles of Associations and, where appropriate, Directors who are interested are required to abstain from voting on the proposed transaction, arrangement or contract.
Indemnification and Insurance	<ul style="list-style-type: none"> The Company has arranged appropriate insurance cover of Directors' and Officers' liability.

CORPORATE GOVERNANCE REPORT

Board Committees

The Company has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee. The terms of reference of our Board Committees are reviewed and updated regularly to ensure that they are aligned with prevailing governance practices. The terms of reference and membership of all our Board Committees are disclosed in full on the respective websites of the Company and the Stock Exchange.

Board Committees report to the Board of their decisions and recommendations on specific area under their respective delegated responsibilities.



The roles, authorities and procedures of the Board Committees are set out in their respective terms of reference which are available at the websites of the Company and the Stock Exchange.

Summary of Works Performed by the Board Committees in 2019

Audit Committee

- Four Audit Committee meetings were held in 2019 with attendance records as disclosed on page 66 of this report
- Review of the annual audit plan of External Auditors
- Approval of the remuneration and terms of engagement of External Auditors
- Review of the External Auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards
- Review of the quarterly, interim and annual financial statements before submission to the Board, with particular consideration of the duties of the Audit Committee
- Review of the audit programme of and work done by the Internal Auditors
- Review on the effectiveness of the Group's financial controls, risk management and internal control systems with the support of Risk Management and Internal Control Committee and Internal Auditors
- Meeting with the External Auditors without presence of executive Board members or the management
- Review of the whistleblowing cases and relevant investigation results
- Review of the corporate governance matters and the relevant reports of the Group
- Review and monitor the Group's compliance with legal and regulatory requirements
- Recommendation to the Board for the reappointment of External Auditors

Remuneration Committee

- Two Remuneration Committee meetings were held in 2019 with attendance as disclosed on page 66 of this report
- Remuneration Committee has the following delegated authorities and responsibilities:
- Review of the Company's policy and structure for all remuneration of Directors and Senior Management
- Consideration and approval of the emoluments for all Directors and Senior Management
- Review of the level of fees for Directors and Board Committee members
- Review of the list of emoluments for Directors to be disclosed in annual report

Nomination Committee

- No Nomination Committee meeting was held in 2019
- Recommendation to the Board for re-election of retiring directors at the 2019 annual general meeting by way of resolution in writing

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibilities for overseeing the preparation of financial statements for the financial year, which shall give a true and fair view of the financial position of the Group and of the Group's financial performance and cash flows for the relevant periods, and in compliance with all the relevant statutory requirements, the Listing Rules requirements and applicable accounting standards. The Board is committed to present a clear, balanced and understandable assessment of the Group's performance and financial positions in all its financial reporting and to ensure relevant publications in a timely manner.

Below principles are strictly observed in preparation of the financial statements of the Group:

- appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- appropriate and reasonable judgments and estimates are made; and
- reasons for any significant departure from applicable accounting standards, if any, is clearly stated.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred in C.1.3 of the Corporate Governance Code.

The Directors are satisfied with the Group's performance on the basis that the Company generates or preserves value over the longer term and delivers the Company's objectives through its business model as discussed under Financial Review on page 57.

External Auditors

The Company has engaged KPMG as its Auditors for the financial year. The Audit Committee reviews and monitors the Auditors' independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards. KPMG has confirmed its independence as the Company's Auditors having regard to its policies, professional rules and relevant statutory requirements.

Meeting between the Audit Committee and the Auditors was held for reviewing the audit plan whereby the nature and scope of audit and reporting obligations were discussed with and approved by the Audit Committee before commencing the audit works for the financial year.

Under the engagement letter of the financial year, KPMG provided the following services:

1. Audit services of the Company and its subsidiaries (both incorporated in Hong Kong and other jurisdictions);
2. Checking the accuracy of extraction of the financial information in the preliminary announcement of annual results;
3. Attendance of 2019 AGM; and
4. Reporting on continuing connected transactions.

The remuneration paid/payable to the Auditors of the Company in respect of audit services and non-audit services for the financial year ended 31 December 2019 are set out below:

	2019	Fee paid/payable (HK\$ Million) 2018
Type of Services:		
Audit services	17	18
Non-audit services	3	5
Total	20	23

The Audit Committee was satisfied with KPMG's work and recommended to the Board that, subject to Shareholders' approval at the forthcoming AGM, KPMG be re-appointed as the Company's Auditors for 2020.

The statement by the Auditors regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 96 to 101.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk Governance Structure

The Board has overall responsibilities for the Group’s risk management and internal control systems to safeguard the interests of the Company and its Shareholders as a whole. To this end, the Board oversees and approves the Group’s risk management and internal control strategies and policies, which are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Group’s strategic objectives and risk appetite, with the main purpose of providing reasonable assurance against material misstatement or loss rather than absolute elimination of the risk of failure to achieve business objectives.

Reporting to the Board, the Audit Committee is delegated with the authority and responsibility of ongoing monitoring and evaluation of the effectiveness of the relevant systems, with assistance of the Risk Management and Internal Control Committee.

Risk Management and Internal Control Committee (“RMICC”)

RMICC plays a central role in the on-going management of the Group’s risk management and internal control systems, with the following features:

Objective	Assist the Audit Committee in discharge of its oversight responsibility over risk management and internal control system of the Group
Composition	<p>Chaired by the Vice Chairman, Executive Director and Group Chief Financial Officer</p> <p>Three other members comprising two Directors with executive functions and the Company Secretary</p>
Structure	<p>Accountable to the Audit Committee on all matters relating to risk management and internal control</p> <p>Supervision on Divisional Risk Management and Internal Control Committees (“DRMICCs”) which in turn are responsible for the identification and reporting of functional risks, and the ongoing supervision and monitoring of the risk management and internal control systems of all the respective business and corporate units of the Group</p>
Scope and Duties	<p>Assist the Audit Committee to conduct periodical reviews of the effectiveness of the risk management and internal control systems of the Group based on the certification procedure as further explained below</p> <p>Report to the Audit Committee on identified risks, relevant evaluations and risk management strategy</p> <p>Direct and monitor the proper functioning of DRMICCs and report to the Audit Committee on any major internal control issues from time to time</p> <p>Assume an advisory role on objective settings, formulation of internal control framework, policies and procedures</p>

CORPORATE GOVERNANCE REPORT

Internal Control Functions

Internal control functions are inbuilt at every level of the Group's organisation to entrench safeguards against material errors and deficiencies. Below sets the major constituents with control functions monitoring key operations across the Group:

DRMICCs	<ul style="list-style-type: none">• set up at the level of business and corporate units as divisional advisory bodies with composition of the respective key management staff together with those charged with the internal control functions• be responsible for the identification and reporting of functional risk, and the ongoing supervision and monitoring of the risk management and internal control systems• be entrusted with implementation of the Group's control policies and on-going assessment of control activities in the relevant business units
Finance Committee	establish financing strategy and policies with reference to risk assessment formulate externally and internally and cash flow placing as well as the centralised treasury functions
Internal Audit Department	monitor the compliance with group policies and standards, and review of the effectiveness of internal control measures of business and corporate units
Financial Audit Department	scrutinise the leasing activities and expenditure proposals
Project Cost Audit Department	audit the tendering and contracts relating to construction works
Sustainability Steering Committee	ensure the alignment of business development with Corporate and Social Sustainability goals and commitments

Practices and Processes

As a conglomerate with diversified range of business activities, the Group is operating in dynamic environments with varying risk exposures according to different business segments. Risk management and internal controls within the Group are not just serial processes but dynamic and integrated operations embedded in the day-to-day routines with the primary ownership vested on the respective business and corporate units under stewardship residing with the Board.

Areas of responsibility of each operational unit are clearly defined with specific limits of authority in place to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Risk management system, internal control measures and procedures are continuously under review and being improved where necessary in response to changes in business, operating and regulatory environments.

Whistleblowing System

The Group has adopted the recommended best practice of establishing a whistleblowing system as an open channel which enable employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence without fear of retribution, about any suspect misconduct or malpractice within the Group. The Whistleblowing Policy and Procedures are available for download under the Corporate Governance section of the Company's corporate website. Well-defined procedures are put in place for independent investigations and follow-up actions. With delegated authority and responsibility, the Audit Committee conducts periodical review on reports of whistleblowing cases submitted from the Internal Audit Department.

Periodical Reviews

Under the leadership of RMICC, system reviews in a comprehensive approach on the basis of COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework are conducted throughout the Group at least annually. Each business unit, through the co-ordination of DRM ICCs, makes a self-assessment by a process as illustrated in the following flow diagram.



DRM ICCs report on their reviews and findings, with the conclusions as to the effectiveness of the risk management and control activities of each individual business unit, while RMICC will draw an overall review and conclusion for reporting to the Audit Committee and the Board. Such reviewing exercise is carried out on regular basis and affords good opportunities for the Group to identify and prioritise risks, and to develop and manage appropriate measures to control risks within acceptable levels and with a greater focus on anti-fraud measures.

Annual Confirmation

During the financial year ended 31 December 2019, the Audit Committee, with assistance of RMICC and DRM ICCs, has conducted a review of the effectiveness of the Group's risk management and internal control systems and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Company's accounting, internal audit and financial reporting function. Confirmations in the form of certification that risk management and internal control procedures are functioning effectively to meet the respective financial reporting, operational and compliance needs, are submitted by business and corporate unit heads to RMICC for consolidation and reporting to the Audit Committee.

Based on the result of the review as reported by the Audit Committee, in respect of the financial year ended 31 December 2019, the Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate, and the Group has duly complied with the requirements under the Corporate Governance Code relating to the risk management and internal control.

A discussion on the principal risks and uncertainties encountered by the Group are set out on pages 93 to 95 in the Directors' Report.

CORPORATE GOVERNANCE REPORT

Inside Information Policy

The Company recognises the significance of consistent practices of fair disclosure with the aim of disclosing inside information in a timely and accurate manner.

The Company has a policy with regard to the principles and procedures for handling and disseminating the Company's inside information in compliance with the requirements under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) and the Listing Rules, and such policy has been communicated to the relevant senior executives of the Group. The Company Secretary works closely with the senior executives in identifying potential inside information and assess the materiality thereof, and where appropriate, to escalate such information for the attention of the Board to resolve on further action(s) complying with the applicable laws and regulations.

In prevention of premature leakage of inside information, the Company has taken all reasonable measures from time to time to ensure proper preservation of confidentiality of inside information until disclosure to the general public, including *inter alia*:

- restrictive access to inside information to a limited number of employees on a need-to-know basis
- appropriate confidentiality agreements are put in place when entering into any significant negotiations
- inclusion of a strict prohibition on the unauthorised use or disclosure of inside information in Employee Code of Conduct
- an Insider Dealing Circular is issued to all employees annually reminding their duties and obligations in respect of any dealings in the listed securities of the Company as well as its subsidiaries and associated corporations

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of constructive and transparent communication with the Shareholders and investors and believes that Shareholders' value can be enhanced by continuous and effective dialogue with its stakeholders. The Company is committed to a fair and timely disclosure of key information of the Group to facilitate Shareholders and investment community to make investment decisions.

Corporate information including but not limited to annual and interim reports, announcements, presentation materials and press releases are available on the websites of the Stock Exchange and/or the Company.

A Shareholders Communication Policy has been adopted by the Company to ensure balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile) are readily available to Shareholders.



2019 Annual General Meeting

The 2019 AGM was held on 9 May 2019 in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, with attendance by all the Directors, details of which are set out on the table of Directors' meeting attendance on page 66. The Auditors of the Company, Messrs KPMG, attended the 2019 AGM, during which its representative was available to answer questions raised by the Shareholders. Details of voting results were disclosed in the announcement of the Company dated 9 May 2019 posted on the websites of the Stock Exchange and the Company.

2020 Annual General Meeting

The forthcoming AGM will be held on 8 May 2020. All Shareholders are encouraged to attend and to vote on all resolutions to be proposed at the AGM. Details of resolutions to be proposed at the 2020 AGM are set out in the circular which will be dispatched together with this annual report. Relevant notice of AGM and proxy form will be available on the websites of the Stock Exchange and the Company.

Voting

The Company has the following procedures to Shareholders to vote by poll:

- (a) All resolutions put to the Shareholders in general meetings are voted by a poll demanded by the Chairman at the beginning of the meetings. The circulars and notices of the general meetings express the Chairman's intention to call for voting by poll.
- (b) The Chairman or the Company Secretary explains the procedures for voting by poll to Shareholders and answer any questions from the Shareholders before a poll is required to be conducted at the meetings.
- (c) The Company ensures that votes cast are properly counted and recorded. Independent scrutineer, the Company's Share Registrar, is appointed to count the number of votes cast at general meetings.
- (d) Poll results are announced on the same day and also published on the Company's website not later than the business day following the general meetings.

Shareholders' Rights

(a) *Convene an Extraordinary General Meeting*

Pursuant to Section 566 of the Companies Ordinance (Cap 622 of the laws of Hong Kong) (the "CO"), on written requisition by the Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors must convene an extraordinary general meeting.

(b) *Send Enquiries to the Board*

Shareholders may at any time address their enquiries to Board through the Company's email address (for enquiry purpose only), postal address, fax number and telephone number, which are set out on pages 4 to 5 of this annual report and the Company's corporate website (www.wharfholdings.com).

CORPORATE GOVERNANCE REPORT

(c) *Make Proposals at General Meetings*

- (i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Governance section of the Company's corporate website.
- (ii) The procedure for proposing resolution(s) to be moved at the Company's AGM(s) are as follows:

Pursuant to Section 615 of the CO, the Shareholder(s) can submit a written requisition to move a resolution at the Company's AGM(s) if they represent:

- at least 2.5% of the total voting rights of all Shareholders who have a right to vote at the AGM to which the requests relate; or
- at least 50 members who have a right to vote on the resolution at the AGM to which the requests relate.

The relevant written requisition must:

- (a) identify the resolution of which notice is to be given;
- (b) be authenticated by the Shareholder(s) making it; and
- (c) be received by the Company not later than 6 weeks before the relevant AGM to which the requests relate, or if later, the time at which notice is given of that meeting.

Any written requisitions from the Shareholders to the Company pursuant to Sections 566 and 615 of the CO must be deposited at the Company's registered office at 16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong.

Constitutional Documents

Shareholders' rights are also set out in the Articles of Association of the Company which is available on the Company's website. There is no significant change in the Company's Articles of Association during the financial year ended 31 December 2019.

Dividend Policy

A Dividend Policy, as set out in financial review on page 57, was adopted by the Company pursuant to Code Provision E.1.5 of the CG Code.

DIRECTORS' REPORT

The Board of Directors has pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 172 to 179.

The principal activities of the Group are investment properties ("IP") and development properties ("DP") in Hong Kong and the Mainland, hotels ownership and management, and logistics.

BUSINESS REVIEW

Discussion and analysis of the Group's business in accordance with Schedule 5 of the Companies Ordinance (Cap 622 of the laws of Hong Kong) are covered in different sections of this Annual Report as set out below, which shall form an integral part of this Directors' Report:

- Corporate Profile (pages 1 to 2)
- Chairman's Statement (pages 7 to 11)
- Business Review (pages 14 to 45)
- Financial Highlights (pages 12 to 13) and Financial Review (pages 52 to 58)
- Principal Risks and Uncertainties (pages 93 to 95)
- Financial Risk Management and Fair Values – Note 23 to the Financial Statements (pages 138 to 145)
- Contingent Liabilities – Note 27 to the Financial Statements (page 148)
- Events after the reporting period – Note 31 to the Financial Statements (page 151)

In addition, the Group's policies and performance in the area of environmental, social and governance, and compliance with relevant laws and regulations are discussed in the section of Corporate Sustainability on pages 48 to 51.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2019 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 102 to 103.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on page 105 and Note 24 to the Financial Statements on pages 145 to 146.

DIVIDENDS

A first interim dividend of HK\$0.25 per share was paid on 11 September 2019. In lieu of a final dividend, a second interim dividend of HK\$0.075 per share will be paid on 23 April 2020 to Shareholders on record as at 6:00 p.m., 6 April 2020. Total distribution for the year 2019 will amount to HK\$0.325 per share (2018: HK\$0.65 per share).

DIRECTORS' REPORT

DONATIONS

The Group made donations during the financial year totalling HK\$3 million.

SHARE CAPITAL

During the financial year, as a result of exercises of the share options previously granted under the Company's share option scheme (the "Scheme"), a total of 2,100,000 ordinary shares of the Company, credited as fully paid, were allotted and issued for a total consideration of HK\$34 million.

Details of movement in share capital of the Company during the financial year are set out in Note 24 to the Financial Statements on pages 145 to 146.

EQUITY-LINKED AGREEMENT

No equity-linked agreement which may result in the Company issuing shares was entered into or existed during the financial year, save for the Scheme as disclosed on pages 88 to 89 and any outstanding options granted thereunder.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report are Mr Stephen T H Ng, Mr Andrew O K Chow, Ms Doreen Y F Lee, Mr Paul Y C Tsui, Mr Kevin K P Chan, Professor Edward K Y Chen, Mr Vincent K Fang, Mr Hans Michael Jebsen, Ms Elizabeth Law and Mr David Muir Turnbull.

Messrs. Andrew O K Chow, Paul Y C Tsui, Kevin K P Chan and Vincent K Fang are due to retire by rotation from the Board in accordance with Article 106(A) of the Company's Articles of Association at the forthcoming Annual General Meeting. The retiring Directors, being eligible, offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

A list of persons who serve/served as directors of the Company's subsidiaries during the financial year and up to the date of this report is set out in the sub-section headed "(L) Directors of Subsidiaries" on page 95.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sub-section headed "(J) Disclosure of Connected Transactions" on pages 91 to 93, no transaction, arrangement or contract of significance in relation to the Company's business to which any subsidiary of the Company, the ultimate holding company of the Company or any subsidiary of such ultimate holding company was a party and in which a Director or any connected entities of a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of such ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception that during the year, there existed certain outstanding options to subscribe for ordinary shares of the Company and of Wheelock and Company Limited (“Wheelock”) (the Company’s ultimate holding company), granted under the Scheme and Wheelock’s share option scheme respectively to certain employees/directors of companies in the Group and in Wheelock group, some of whom were Directors of the Company during the financial year.

Under the respective rules of the two schemes (such rules being subject to the relevant laws and provisions applicable from time to time), shares of the Company and/or Wheelock would be issued at such respective prices as being not less than the highest of (a) the indicative price as specified in the written offer; (b) the closing price on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of grant of the options; and (c) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant of relevant options, as determined by the boards of directors of the Company and/or Wheelock respectively.

During the financial year, a total of 2,100,000 ordinary shares of the Company were allotted and issued to Mr Stephen T H Ng, Mr Andrew O K Chow, Ms Doreen Y F Lee, Mr Paul Y C Tsui and Mr Kevin K P Chan (all being Directors of the Company) on their exercise of options under the Scheme. Further information of the share option schemes of the Company and Wheelock is set out on pages 88 to 89.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company’s Articles of Association, every Director is entitled to be indemnified out of the assets of the Company against all costs, expenses, losses or liabilities, which he/she may sustain or incur in or about the execution and discharge of the duties of his/her office, to the extent as permitted by laws.

The Company has, together with its listed holding company (Wheelock) and two listed fellow subsidiaries (Wharf Real Estate Investment Company Limited (“Wharf REIC”) and Harbour Centre Development Limited (“HCDL”)), maintained directors’ liability insurance which has been in force throughout the financial year and up to the date of this report to provide appropriate insurance cover for directors of their respective group companies, including *inter alia* Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

OTHER CORPORATE INFORMATION

Other corporate information supplementary to this Directors’ Report are set out on pages 80 to 95.

By Order of the Board

Kevin C Y Hui

Company Secretary

Hong Kong, 10 March 2020

DIRECTORS' REPORT

OTHER CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Management

(i) Directors

Mr Stephen Tin Hoi Ng, *Chairman and Managing Director (Age: 67)*

Mr Ng joined the Group in 1981. He has been Managing Director of the Company since 1989 and became Chairman in 2015. He also serves as chairman of Nomination Committee and a member of Remuneration Committee.

Mr Ng is deputy chairman of Wheelock, publicly listed holding company of the Company, chairman and managing director of Wharf REIC and chairman of HCDL, both are publicly listed fellow subsidiaries of the Company. Furthermore, he is non-executive chairman of publicly listed Joyce Boutique Group Limited ("JBGL"), a non-executive director of publicly listed Greentown China Holdings Limited ("Greentown") and chairman of Wheelock Properties (Singapore) Pte. Ltd. ("WPSPL") (formerly known as Wheelock Properties (Singapore) Limited and publicly listed in Singapore until October 2018), a subsidiary of Wharf REIC. He formerly served as chairman and chief executive officer of publicly listed i-CABLE Communications Limited ("i-CABLE") until his resignation in September 2017 and also as a non-executive director of Hotel Properties Limited (publicly listed in Singapore and formerly an associated company of Wheelock) until his resignation in December 2018.

Mr Ng was born in Hong Kong in 1952 and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is chairman of Project *WeCan* Committee (a Business-in-Community school project), a council member, vice chairman of General Committee and a member of Executive Committee of the Employers' Federation of Hong Kong ("EFHK") and a council member of the Hong Kong General Chamber of Commerce.

Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$5.34 million (2019: HK\$5.20 million) per annum.

Mr Andrew On Kiu Chow, *Deputy Chairman and Executive Director (Age: 69)*

Mr Chow has been a Director of the Company since July 2011 and became Deputy Chairman in May 2015. Among various other subsidiaries of the Company of which he serves as a director, he is chairman of Wharf China Development Limited with responsibility to oversee the Group's development property business in mainland China. He joined the Group in 2006.

Mr Chow is also an alternate director of Greentown, and an Independent Non-executive Director of Hong Kong Economic Times Holdings Limited (being publicly listed in Hong Kong). Mr Chow has extensive experience in the finance and property sectors in Hong Kong and mainland China, and formerly held senior executive positions in Tian An China Investments Company Limited and Next Digital Limited. He is a graduate of The University of Hong Kong where he obtained his bachelor's degree in Social Science.

Under the existing service contract between the Group and Mr Chow, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$5.69 million (2019: HK\$5.68 million) per annum.

Ms Doreen Yuk Fong Lee, Vice Chairman and Executive Director (Age: 63)

Ms Lee has been a Director of the Company since 2003 and became Vice Chairman in May 2015. Among other subsidiaries of the Company of which she serves as a director, she is chairman and senior managing director of Wharf China Estates Limited with primary responsibility for overseeing the Group's portfolio of investment properties in mainland China.

Ms Lee is also vice chairman and an executive director of Wharf REIC, chairman and senior managing director of Wharf Estates Limited, and vice chairman of WPSPL. She was formerly a non-executive director of HCDL from 2010 to 2012, and of JBGL until November 2019.

Ms Lee is a graduate of The University of Hong Kong where she obtained a bachelor's degree in Arts (Hon).

Under the existing service contract between the Group and Ms Lee, her basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$1.71 million (2019: HK\$1.66 million) per annum.

Mr Paul Yiu Cheung Tsui, Vice Chairman, Executive Director and Group Chief Financial Officer (Age: 73)

Mr Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, is Vice Chairman, an Executive Director and Group Chief Financial Officer of the Company and is also an executive director and group chief financial officer of Wheelock. He joined Wheelock/Wharf group in 1996 and became a director of Wheelock in 1998.

Furthermore, Mr Tsui is vice chairman and an executive director of Wharf REIC, a non-executive director of JBGL, vice chairman of Wheelock Properties Limited, a wholly-owned subsidiary of Wheelock, and a director of WPSPL. He formerly served as a director of HCDL until his resignation in August 2015 and also a non-executive director of i-CABLE until his resignation in September 2017.

Mr Tsui is currently a general committee member of EFHK and chairman of EFHK's "Property & Construction" functional group.

Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$2.33 million (2019: HK\$2.26 million) per annum.

Mr Kevin Kwok Pong Chan, Director (Age: 59)

Mr Chan joined the Group in 1993 and has been a Director of the Company since May 2015. He has been involved in various property development projects of the Group in both mainland China and Hong Kong. Among various other subsidiaries of the Company of which he serves as a director, he is an executive director of Wharf China Development Limited and Wharf China Estates Limited with responsibility to work on the Group's Mainland Development Property strategy as well as to oversee the Group's massive Mainland Investment Property construction projects. He was formerly a non-executive director of HCDL from 2013 to 2015.

Mr Chan graduated from The Hong Kong Polytechnic University with Associateship in Civil & Structural Engineering. He is a member of the Hong Kong Institution of Engineers as well as the Institution of Civil Engineers, UK and also a chartered engineer of the Engineering Council UK.

Under the existing service contract between the Group and Mr Chan, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$3.90 million (2019: HK\$3.75 million) per annum.

DIRECTORS' REPORT

Professor Edward Kwan Yiu Chen, GBS, CBE, JP, Director (Age: 75)

Professor Chen has been an Independent Non-executive Director of the Company since 2002.

Professor Chen is an honorary professor of the Open University of Hong Kong and a distinguished fellow of the Hong Kong Institute for the Humanities and Social Sciences at The University of Hong Kong. He is now chairman of HKU SPACE, a member of the board of directors of the Hong Kong Institute for Monetary Research of the Hong Kong Monetary Authority and a non-official member of the Human Resources Planning Commission. He was the president of Lingnan University in Hong Kong from September 1995 to August 2007. He was also a member of the Legislative Council of Hong Kong from 1991 to 1992, and a member of the Executive Council of Hong Kong from 1992 to 1997.

Professor Chen is also an Independent Non-executive Director of First Pacific Company Limited (publicly listed in Hong Kong), Hang Seng Qianhai Fund Management Company Limited and Delta Asia Financial Group. He was formerly an Independent Non-executive Director of Asia Satellite Telecommunications Holdings Limited (publicly listed in Hong Kong until September 2019).

Professor Chen was educated at The University of Hong Kong (Bachelor of Arts and Master of Social Sciences) and Oxford University (Doctor of Philosophy). He was appointed a Justice of the Peace in 1993 and awarded a CBE in 1995. In 2003, he was awarded the Gold Bauhinia Star by the Hong Kong SAR Government.

Mr Vincent Kang Fang, GBS, JP, Director (Age: 76)

Mr Fang has been an Independent Non-executive Director of the Company since 1993. He also serves as chairman of the Audit Committee. He is chief executive officer of Topy Company (Hong Kong) Limited and managing director of Fantastic Garments Limited.

Mr Fang is currently Honorary Chairman of the Liberal Party and a director of The Federation of Hong Kong Garment Manufacturers. He was formerly a non-official member of the Commission on Strategic Development of the Hong Kong SAR Central Policy Unit and of the Commercial Properties Committee of Housing Department. He served as a member of Legislative Council representing Wholesale and Retail in Functional Constituency since 2004 until his retirement in September 2016. He also served as chairman of the Hospital Governing Committee of Princess Margaret Hospital and Kwai Chung Hospital, advisor of the Quality Tourism Services Association, a functional constituency representative for retail and wholesale of the Hong Kong Retail Management Association and a member of the Airport Authority of Hong Kong, the Hong Kong Tourism Board, the Hospital Authority and the Operations Review Committee of the Independent Commission Against Corruption.

Mr Fang is a graduate of North Carolina State University where he obtained both his bachelor's and master's degrees in Science of Textiles Engineering. He was awarded the Silver Bauhinia Star in 2008 and the Gold Bauhinia Star in 2016 by the Hong Kong SAR Government. He is also a Justice of the Peace.

Mr Hans Michael Jebsen, BBS, Director (Age: 63)

Mr Jebsen has been an Independent Non-executive Director of the Company since 2001. He also serves as a member of the Audit Committee and Nomination Committee and chairman of Remuneration Committee.

Mr Jebsen is chairman of Jebsen and Company Limited. He currently holds a number of public offices, namely, chairman and board member of the Asian Cultural Council Hong Kong, chairman of the Advisory Council of the Business School of the Hong Kong University of Science and Technology, a trustee of World Wide Fund for Nature Hong Kong and a member of Board of Trustees of Asia Society Hong Kong Center, Hong Kong-Europe Business Council of the Hong Kong Trade Development Council as well as Advisory Board of the Hong Kong Red Cross. Since 2015, he has also been a member of the Operations Review Committee of the Independent Commission Against Corruption. Since 2017, Mr Jebsen co-founded and has served as executive council member of the Asian Academy of International Law. Mr Jebsen is also a non-executive director of publicly listed Hysan Development Company Limited.

After schooling in Germany and Denmark, Mr Jebsen received a two-year banking education in Germany and the UK and studied Business Administration at the University of St. Gallen in Switzerland from 1978 to 1981.

Mr Jebsen was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. The Queen of Denmark in 2006, was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2008 and received the title "Hofjægermester" by H. M. The Queen of Denmark in January 2011. In 2014, Mr Jebsen was awarded the Knight of 1st Class of the Order of Dannebrog, Denmark. In 2015, he was awarded Doctor of Business Administration honoris causa of the Hong Kong University of Science and Technology. In 2018, Mr Jebsen was awarded the Blanchette Hooker Rockefeller Award.

Ms Elizabeth Law, MH, JP, Director (Age: 65)

Ms Law has been an Independent Non-executive Director of the Company since August 2017. She also serves as a member of the Audit Committee.

Ms Law graduated from McGill University, Canada in 1976. She is currently a managing director of Law & Partners CPA Limited, and the proprietor of Stephen Law & Company. Ms Law is a Certified Public Accountant (Practising) in Hong Kong, a member of the Chartered Professional Accountants, Canada, a fellow member of The Institute of Chartered Accountants in England & Wales, a fellow member of Certified Public Accountants Australia, and a certified tax adviser in Hong Kong.

Ms Law is also a member of the Protection of Wages on Insolvency Fund Board and the Equal Opportunities Commission. She is the honorary founding president of Association of Woman Accountants (Hong Kong) Limited. She was appointed a Justice of the Peace in 2009.

Ms Law is currently an Independent Non-executive Director of Clifford Modern Living Holdings Limited and Sunwah Kingsway Capital Holdings Limited (both being publicly listed in Hong Kong). She also serves as an Independent Non-executive Director of Sunwah International Limited (being publicly listed on the Toronto Stock Exchange).

Ms Law served as President of The Society of Chinese Accountants and Auditors and a council member of Hong Kong Institute of Certified Public Accountants. She had been an Independent Non-executive Director of China Vanke Company Limited (being publicly listed in Hong Kong) since 2012 until her retirement in June 2017.

DIRECTORS' REPORT

Mr David Muir Turnbull, Director (Age: 64)

Mr Turnbull has been an Independent Non-executive Director of the Company since November 2013. He also serves as a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr Turnbull is currently chairman and executive director of Pacific Basin Shipping Limited (being publicly listed in Hong Kong).

Mr Turnbull graduated from Cambridge University in 1976 with a Bachelor of Arts degree in Economics and subsequently earned a Master of Arts degree. He joined the Swire Group upon graduation and held various senior management positions with international responsibilities covering aviation, shipping and property during his 30 years' service thereof. He was appointed as a director of Cathay Pacific Airways Limited in 1994 and took up the positions of deputy managing director in 1994, managing director in 1996 and deputy chairman and chief executive in 1998 before his appointment as chairman in 2005. He is also the former chairman of Swire Pacific Limited from January 2005 to January 2006, and of Hong Kong Aircraft Engineering Company Limited from March 1995 to August 2006. He was formerly an Independent Non-executive Director of Sands China Ltd. from October 2009 to March 2016, a non-executive director of Greka Drilling Limited from February 2011 to October 2017 and an independent non-executive director of G3 Exploration Limited from 2006 to July 2018.

Notes:

- (1) *Wheelock (of which Mr Stephen T H Ng and Mr Paul Y C Tsui are directors) has interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").*
- (2) *All of Mr Stephen T H Ng, Mr Andrew O K Chow, Ms Doreen Y F Lee, Mr Paul Y C Tsui and Mr Kevin K P Chan are currently directors of certain subsidiaries of the Company.*

(ii) Senior Management

Various businesses of the Group are respectively under the direct responsibility of the first five Directors named under (A)(i) above, led by the Chairman and Managing Director. Only those five Directors are regarded as members of the Group's senior management.

(B) Directors' Interests in Securities

(i) Interests in Shares and Debentures

At 31 December 2019, Directors of the Company had the following beneficial interests, all being long positions, in the shares and/or debentures of the Company, Wheelock (which is the Company's parent company), Wharf REIC (which is a fellow subsidiary of the Company), Modern Terminals Limited ("Modern Terminals") (which is a subsidiary of the Company) and Greentown (which is an associated corporation of the Company of which the Company is interested in more than 20% of its issued shares). The percentages (where applicable) which the relevant shares represented to the number of shares in issue of the five companies respectively are also set out below:

	Quantity held (percentage, where applicable)	Nature of Interest
The Company – Ordinary Shares		
Stephen T H Ng	2,009,445 (0.0659%)	Personal Interest
Andrew O K Chow	450,000 (0.0148%)	Personal Interest
Doreen Y F Lee	360,000 (0.0118%)	Personal Interest
Kevin K P Chan	800,000 (0.0262%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Wheelock – Ordinary Shares		
Stephen T H Ng	176,000 (0.0086%)	Personal Interest
Paul Y C Tsui	300,000 (0.0146%)	Personal Interest
Wharf REIC – Ordinary Shares		
Stephen T H Ng	1,259,445 (0.0415%)	Personal Interest
Kevin K P Chan	100,000 (0.0033%)	Personal Interest
Vincent K Fang	100,000 (0.0033%)	Personal Interest
Modern Terminals – Ordinary Shares		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
Greentown – Ordinary Shares		
Andrew O K Chow	300,000 (0.01%)	Personal Interest
Greentown – USD Senior Notes due 2020		
Stephen T H Ng	US\$210,000	Personal Interest

Notes:

- (1) *The interests in shares disclosed above do not include interests in share options of the Company and/or associated corporation(s) held by Directors as at 31 December 2019. Details of such interests in share options are separately set out below under the sub-sections headed "(ii) Interests in Share Options of the Company" and "(iii) Interests in Share Options of Wheelock".*
- (2) *The shareholdings classified as "Corporate Interest" in which the Director concerned was taken to be interested as stated above were interests of corporation(s) at general meetings of which the relevant Director was either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporation(s).*

DIRECTORS' REPORT

(ii) Interests in Share Options of the Company

Set out below are particulars of all interests (all being personal interests) in share options held during the financial year ended 31 December 2019 by Directors (and/or their respective associates(s)) of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Date of grant (Day/Month/Year)	No. of shares under option			Subscription price per share (HK\$)	Vesting/Exercise Period (Day/Month/Year)
		As at 1 January 2019	Exercised during the year	As at 31 December 2019 (percentage based on no. of shares in issue)		
Stephen T H Ng	07/07/2016	500,000	(500,000) ⁽¹⁾	–	15.92	08/07/2017 – 07/07/2021
		1,000,000	–	1,000,000		08/07/2018 – 07/07/2021
		1,000,000	–	1,000,000		08/07/2019 – 07/07/2021
		1,000,000	–	1,000,000		08/07/2020 – 07/07/2021
Total		3,500,000	(500,000)⁽¹⁾	3,000,000 (0.10%)		
Andrew O K Chow	07/07/2016	300,000	(200,000) ⁽²⁾	100,000	15.92	08/07/2017 – 07/07/2021
		600,000	–	600,000		08/07/2018 – 07/07/2021
		600,000	–	600,000		08/07/2019 – 07/07/2021
		600,000	–	600,000		08/07/2020 – 07/07/2021
Total		2,100,000	(200,000)⁽²⁾	1,900,000 (0.06%)		
Doreen Y F Lee	07/07/2016	600,000	(600,000) ⁽³⁾	–	15.92	08/07/2019 – 07/07/2021
		600,000	–	600,000		08/07/2020 – 07/07/2021
Total		1,200,000	(600,000)⁽³⁾	600,000 (0.02%)		
Paul Y C Tsui	07/07/2016	300,000	(300,000) ⁽⁴⁾	–	15.92	08/07/2018 – 07/07/2021
		300,000	(300,000) ⁽⁴⁾	–		08/07/2019 – 07/07/2021
		300,000	–	300,000		08/07/2020 – 07/07/2021
Total		900,000	(600,000)⁽⁴⁾	300,000 (0.01%)		
Kevin K P Chan	07/07/2016	200,000	(200,000) ⁽⁵⁾	–	15.92	08/07/2018 – 07/07/2021
		200,000	–	200,000		08/07/2019 – 07/07/2021
		200,000	–	200,000		08/07/2020 – 07/07/2021
Total		600,000	(200,000)⁽⁵⁾	400,000 (0.01%)		
Grand Total		8,300,000	(2,100,000)	6,200,000		

Notes:

- (1) The closing price of the Company's shares immediately before the date of exercise of options (all exercised on the same day) by Mr Stephen T H Ng during the year was HK\$17.66 per share.
- (2) The closing price of the Company's shares immediately before the date of exercise of options (all exercised on the same day) by Mr Andrew O K Chow during the year was HK\$19.78 per share.
- (3) The closing price of the Company's shares immediately before the date of exercise of options (all exercised on the same day) by Ms Doreen Y F Lee during the year was HK\$18.08 per share.
- (4) The closing price of the Company's shares immediately before the date of exercise of options (all exercised on the same day) by Mr Paul Y C Tsui during the year was HK\$16.92 per share.
- (5) The closing price of the Company's shares immediately before the date of exercise of options (all exercised on the same day) by Mr Kevin K P Chan during the year was HK\$17.68 per share.
- (6) Except as disclosed above, no share option of the Company held by Directors and/or their associate(s) lapsed or was exercised or cancelled during the financial year, and no share option of the Company was granted to any Director and/or their associate(s) during the financial year.

(iii) Interests in Share Options of Wheelock

Set out below are particulars of all interests (all being personal interests) in share options held during the financial year ended 31 December 2019 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of Wheelock granted/exercisable under the share option scheme of Wheelock:

Name of Director	Date of grant (Day/Month/Year)	No. of Wheelock's shares under option			Subscription price per share (HK\$)	Vesting/Exercise period (Day/Month/Year)
		As at 1 January 2019	Exercised during the year	As at 31 December 2019 (percentage based on no. of shares in issue)		
Paul Y C Tsui	07/07/2016	300,000	(300,000)	-	36.60	08/07/2018-07/07/2021
		300,000	-	300,000		08/07/2019-07/07/2021
		300,000	-	300,000		08/07/2020-07/07/2021
Total		900,000	(300,000)	600,000 (0.03%)		

Note:

Except as disclosed above, no share option of Wheelock held by Directors of the Company and/or their associate(s) lapsed or was exercised or cancelled during the financial year and no share option of Wheelock was granted to any Director of the Company and/or their associate(s) during the financial year.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 31 December 2019 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 31 December 2019.

(C) Substantial Shareholders' Interests

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 31 December 2019, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names	No. of ordinary shares (percentage based on total number of shares in issue)
(i) Wheelock and Company Limited	2,135,283,608 (70.03%)
(ii) HSBC Trustee (C.I.) Limited	2,135,283,608 (70.03%)

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.
- (2) Wheelock's deemed shareholding interests stated above included interests held through its wholly-owned subsidiaries, namely, Lynchpin Limited ("LL"), WF Investment Partners Limited ("WIPL"), High Fame Investments Limited ("HFIL"), Locus Investments Pte. Ltd. ("LIPL") and Wheelock Investments Limited ("WIL"), with 265,576,072 shares (8.71%) being the deemed interests held by LL, 1,405,047,536 shares (46.08%) being the deemed interests held by WIPL, 366,224,000 shares (12.01%) being the deemed interests held by HFIL, 98,436,000 shares (3.23%) being the deemed interests held by LIPL and 2,135,283,608 shares (70.03%) being the deemed interests held by WIL.

All the interests stated above represented long positions. As at 31 December 2019, there were no short position interests recorded in the Register.

DIRECTORS' REPORT

(D) Share Option Scheme

(I) Summary of the Scheme

- (a) Purpose of the Scheme:
To provide directors and/or employees with the opportunity of acquiring an equity interest in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Group's continued growth and success.
- (b) Eligibility:
Eligible participants include any person(s) who is/are full-time and/or part-time employee(s) and/or Director(s) of the Company, any of its subsidiary(ies), and/or any of its associate(s). "Associates" include jointly-controlled entities and subsidiary(ies) of associates and of jointly-controlled entity(ies).
- (c)
 - (i) Total number of ordinary shares in the capital of the Company (the "Shares") available for issue under the Scheme as at the date of this annual report:
276,144,732
 - (ii) Percentage of the issued share capital that it represents as at the date of this annual report:
9.06%
- (d) Maximum entitlement of each eligible participant under the Scheme:
Not to exceed 1% of the Shares in issue in any 12-month period unless approved by Shareholders of the Company
- (e) Period within which the Shares must be taken up under an option:
Within 10 years from the date on which the option is offered or such shorter period as the Directors may determine
- (f) Minimum period for which an option must be held before it can be exercised:
No minimum period unless otherwise determined by the Board
- (g)
 - (i) Price payable on application or acceptance of the option:
HK\$10.00
 - (ii) The period within which payments or calls must or may be made:
28 days after the offer date of an option or such shorter period as the Directors may determine
 - (iii) The period within which loans for the purposes of the payments or calls must be repaid:
Not applicable
- (h) Basis of determining the subscription price:
The subscription price shall be determined by the Directors at the time of offer but shall not be less than whichever is the highest of:
 - (i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participant;
 - (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of an option, which must be a Stock Exchange trading day;
 - (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Stock Exchange trading days immediately preceding the date of grant of an option; and
 - (iv) the nominal value of a Share (not applicable due to the abolition of par value upon implementation of the Companies Ordinance, Cap 622 of the laws of Hong Kong).
- (i) The remaining life of the Scheme:
Approximately 1 year (expiring on 8 June 2021)

(II) Details of Share Options Granted

Details of the Company's share options granted to Directors of the Company and the relevant movement(s) during the financial year are set out in the sub-section headed "(ii) Interests in Share Options of the Company".

Set out below are particulars and movement(s), if any, during the financial year of all of the Company's outstanding share options which were granted to certain employees (five of them being present Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits:

Date of grant (Day/Month/Year)	No. of shares under option			Vesting/Exercise Period (Day/Month/Year)	Subscription price per share (HK\$)
	As at 1 January 2019	Exercised during the year	As at 31 December 2019		
07/07/2016	800,000	(700,000)	100,000	08/07/2017 – 07/07/2021	15.92
	2,300,000	(500,000)	1,800,000	08/07/2018 – 07/07/2021	
	2,900,000	(900,000)	2,000,000	08/07/2019 – 07/07/2021	
	2,900,000	–	2,900,000	08/07/2020 – 07/07/2021	
Total:	8,900,000	(2,100,000)	6,800,000		

Notes:

- (1) The weighted average closing price of the shares of the Company immediately before the dates of exercises of the share option during the financial year was HK\$17.77 per share.
- (2) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial year.

(E) Retirement Benefits Schemes

The Group's principal retirement benefits schemes available to its Hong Kong employees are defined contribution schemes (including the Mandatory Provident Fund) which are administered by independent trustees. Both the Group and the employees contribute respectively to the schemes sums which represent a certain percentage of the employees' salaries. The contributions by the Group are expensed as incurred and may be reduced by contribution forfeited for those employees who have left the schemes prior to full vesting of the relevant employee's contribution.

The employees of the Group's subsidiaries in mainland China are members of the state-managed social insurance and housing funds operated by the Government of the People's Republic of China. The mainland China subsidiaries are required to contribute a certain percentage of payroll costs to the funds to fund the benefits. The only obligation of the Group with respect to the retirement benefits of mainland China employees is to make the specified contributions.

DIRECTORS' REPORT

(F) Directors' Interests in Competing Business

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Five Directors of the Company, namely, Messrs Stephen T H Ng, Andrew O K Chow, Paul Y C Tsui, Kevin K P Chan and Ms Doreen Y F Lee, being directors of Wheelock, Wharf REIC, and/or certain subsidiary(ies) and/or associate(s) of Wheelock and/or Wharf REIC, are considered as having an interest in Wheelock and/or Wharf REIC under Rule 8.10(2) of the Listing Rules of the Hong Kong Stock Exchange.

The development and/or investment in property assets and hotel businesses by Wheelock and Wharf REIC are considered as competing businesses for the Group. However, given the Group itself has adequate experience in property and hotel businesses, it is capable of carrying on independently of Wheelock and Wharf REIC.

For safeguarding the interests of the Group, the Independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's (i) development of properties for sale and/or investment; (ii) property leasing businesses; and (iii) hotel businesses are and continue to be run at arm's length from those of Wheelock and Wharf REIC.

(G) Major Customers and Suppliers

For the financial year ended 31 December 2019:

- (i) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and
- (ii) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(H) Debentures, Bank Loans, Overdrafts and other Borrowings

Particulars of any and all debentures, bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2019 which are repayable on demand or within a period not exceeding one year and those which would fall due for repayment after a period of one year are both set out in Note 20 to the Financial Statements on pages 133 and 134.

(I) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2019.

(J) Disclosure of Connected Transactions

Set out below is information in relation to connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in announcements of the Company dated 17 December 2019, 8 November 2017 and 13 December 2019 and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company.

(i) Acquisition of Fuyang Project

On 17 December 2019, Wharf China Development (0004) Limited, which is an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Palm Valley Properties Pte. Ltd. (“PVPP”) to acquire the entire issued share capital in Gold Unicorn Holdings Limited, which sole asset (held through its wholly-owned subsidiary) is 100% legal and beneficial interest in Luxurious Mountain View, a residential development situated at Fuyang, Hangzhou, China, comprising villas, townhouses, duplexes and apartments on a site area of 298,288 square metres (the “Fuyang Project”), at a consideration of HK\$1,362.1 million as mentioned in the announcement dated 17 December 2019. The consideration of HK\$1,362.1 million was fully paid in cash on completion which took place on 18 December 2019.

As PVPP is an indirect wholly-owned subsidiary of Wheelock, which in turn is the holding company of the Company, the entering into of the transaction constituted a connected transaction for the Company under the Listing Rules.

The abovementioned acquisition is a worthwhile investment to augment the Group’s existing land bank of Mainland development properties. It broadens the asset and earnings base of the Group and is beneficial to the Company.

(ii) Master Hotel Services Agreement

On 8 November 2017, a master hotel services agreement (the “MHSA”) was entered into between the Company and Wharf REIC commencing on 23 November 2017 (being the date of completion of the spin-off and separate listing of Wharf REIC (“Demerger Date”)), and expiring on 31 December 2019. The MHSA is for the purpose of, *inter alia*, regulating the provision of hotel management services comprising management, marketing and technical services and/or any other services relating to the development and/or operation of hotels and/or serviced apartment property(ies) (“Hotel-related Services”) by the Group to Wharf REIC group from time to time in respect of the hotels owned by Wharf REIC group, and stipulating, *inter alia*, the annual cap amount of remuneration receivable by the Group from Wharf REIC group in relation thereto at HK\$30 million, HK\$135 million and HK\$160 million for the two months ended 31 December 2017 and the two financial years ended 31 December 2018 and 2019 respectively.

The aggregate amount of remuneration receivable by the Group under the MHSA, which is subject to the relevant annual cap amount as abovementioned for the year ended 31 December 2019 amounted to HK\$62 million.

On 13 December 2019, a new master hotel services agreement (the “New MHSA”) was entered into by and amongst the Company, Wharf REIC and HCDL for the purpose of, *inter alia*, regulating the provision of Hotel-related Services by the Group to Wharf REIC group and HCDL group respectively, for a term of three years commencing on 1 January 2020 and expiring on 31 December 2022. The New MHSA has provided for, *inter alia*, the annual cap amounts of remuneration receivable by the Group from Wharf REIC group member(s) (including HCDL group member(s)) in relation thereto, which are fixed at HK\$95 million, HK\$140 million and HK\$147 million for the three financial years ended 31 December 2020, 2021 and 2022, respectively.

DIRECTORS' REPORT

(iii) Master Property Services Agreement

On 13 December 2019, a new master property services agreement (the "New MPSA") was entered into by and amongst Wheelock, the Company, Wharf REIC and HCDL for the purpose of, *inter alia*, regulating the provision of or engagement in property services comprising property project management services, property sales and marketing services, property management services, leasing agency services and/or any other property related services by and amongst themselves, all being Wheelock group members, for a term of three years commencing on 1 January 2020 and expiring on 31 December 2022. The New MPSA has provided for, *inter alia*, the annual cap amounts of remuneration payable/receivable by the Group to/from other Wheelock group member(s) in relation thereto, which are fixed at HK\$160 million, HK\$160 million and HK\$160 million in respect of service fees payable and HK\$61 million, HK\$10 million and HK\$10 million in respect of service fees receivable for the three financial years ended 31 December 2020, 2021 and 2022, respectively.

(iv) Leasing Framework Agreement

On 8 November 2017, the Wharf Leasing Framework Agreement (the "WLFA") was entered into between the Company and Wharf REIC commencing on 23 November 2017, the Demerger Date, and expiring on 31 December 2019. The WLFA is for the purpose of, *inter alia*, regulating the provision of rental services (i.e. leases, tenancies or licenses) provided by Wharf REIC group to the Group from time to time in respect of the premises (including office premises, car parking spaces and building areas but excluding hotel premises) (the "Premises") owned by Wharf REIC group and stipulating, *inter alia*, the annual cap amounts of rental payable by the Group to Wharf REIC group in relation thereto at HK\$8 million, HK\$44 million and HK\$44 million for the two months ended 31 December 2017 and the two financial years ended 31 December 2018 and 2019 respectively.

The aggregate amount of rental payable by the Group under the WLFA, which is subject to the relevant annual cap amount as abovementioned for the year ended 31 December 2019 amounted to HK\$40 million.

On 13 December 2019, a new leasing framework agreement (the "New LFA") was entered into by and amongst Wheelock, the Company, Wharf REIC and HCDL for the purpose of, *inter alia*, regulating the leasing and/or licensing of Premises by and amongst themselves, all being Wheelock group members, for a term of three years commencing on 1 January 2020 and expiring on 31 December 2022. The New LFA has provided for, *inter alia*, the annual cap amounts of capitalised rent recognised by the Group in relation thereto, which is fixed at HK\$150 million per annum for each of the three financial years ended 31 December 2020, 2021 and 2022.

With Wheelock being the ultimate holding company of the Group, Wheelock Group and its associates (as defined under the Listing Rules) including *inter alia* Wharf REIC group and HCDL group are regarded as connected persons of the Company under the Listing Rules. Thus, the transactions mentioned under section (J)(ii) to (J)(iv) above constitute continuing connected transactions for the Company.

(v) Confirmation from Directors and Auditors

- (a) The Directors, including the Independent Non-executive Directors, of the Company have reviewed the continuing connected transactions mentioned under section (J)(ii) to (J)(iv) above (the "Transactions") and have confirmed that the Transactions were entered into:
- (1) by the Group in the ordinary and usual course of its business;
 - (2) on normal commercial terms or better; and
 - (3) according to the relevant agreements governing the Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

- (b) In accordance with paragraph 14A.56 of the Listing Rules, the Board of Directors engaged the Company's auditors to perform procedures on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Company have advised nothing has come to their attention that causes them to believe that:

- (1) the Transactions had not been approved by the Company's Board of Directors;
 - (2) the Transactions were not, in all material respects, entered into in accordance with the terms of the relevant agreements governing the Transactions;
 - (3) the relevant cap amounts, where applicable, have been exceeded during the financial year ended 31 December 2019; and
 - (4) in the event that there would be any transactions involving the provision of goods and services by the Group, the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- (vi) With regard to the Material Related Parties Transactions as disclosed under Note 26 to the Financial Statements on page 148, the transactions stated under paragraphs (b), (c) and (d) therein constitute connected transactions (as defined under the Listing Rules) of the Company and the one under paragraph (d) constitute a fully exempt connected transaction of the Company, for all of which the applicable requirements under the Listing Rules have been duly complied with.

(K) Principal Risks and Uncertainties

The global and local economies are always facing a barrage of challenges. Slower and less balanced growth is observed, with moderation experienced in advanced economies. The local political tensions, ongoing Sino-US conflicts, post Brexit impact, the US presidential election and heightened financial volatility, altogether takes uncertainty to a new height. Furthermore, the arrival of the novel coronavirus outbreak since early 2020 has sharply put every economic sector at stake.

The following is a description of how our business segments interacting with the principal risks and uncertainties that are considered to be of significance and have potential to affect the Group's businesses, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arise resulting from changes in economic and other conditions over time. The Group employs a risk management and internal control framework to identify current and foreseeable risks at different levels of the organisation so as to take preventive actions to avoid or mitigate their adverse impacts.

Risks pertaining to DP

DP segment is the Group's major business, particularly in mainland China. Accordingly, the DP segment is subject to economic, political and legal developments in mainland China as well as in the economies in the surrounding region. In recent years, the DP market movements in mainland China have been concurrently affected by the economic trend and government policies including but not limited to the adoption of category-based regulatory measures and the bilateral regulatory measures for the real estate market, policy changes affecting the issue of pre-sale licenses and permitted selling price, mortgage levels and ownership, interest rate changes, supply and demand conditions as well as the overall economic volatility in mainland China. The Group's DP segment is expected to continue exposing to these risks, which may affect the Group's investment strategy and business model as well as the performance in DP.

DIRECTORS' REPORT

In this respect, the Group actively assesses the overall economic, political and legal developments as well as the property markets both in Hong Kong and other provinces in mainland China for deciding viable acquisitions and selling strategies. For each potential project, detailed feasibility studies and stress tests with regard to all aspects will be carried out before an acquisition to minimize the commercial and legal risks.

Risks pertaining to IP

IP segment is another Group's core business with IP accounted for 35% of the Group's total assets (excluding cash). With the majority of the properties located in mainland China, the general economic climate, regulatory changes, government policies and the political conditions in mainland China may have a significant impact on the Group's overall financial results and condition. The Group's rental income may experience more frequent adjustments resulting from competition arising from oversupply in retail and office areas. Furthermore, rental levels may also be impacted by external economic and market conditions including but not limited to the fluctuations in general supply and demand, performance in stock markets and financial volatility, which may indirectly affect the Group's IP performance.

IPs are stated at their fair values in accordance with the Hong Kong Financial Reporting Standards in the statement of financial position at each reporting period. The fair values are provided by independent professional surveyors, using the income capitalisation approach which capitalised the net income of properties and takes into account the significant adjustments on term yield to account for the risk upon reversion and the changes in fair value are recognised in the consolidated income statement. Given the size of the Group's IP portfolio, any significant change in the IP values may overwhelmingly affect the Group's results that may not be able to reflect the Group's operating and cash flow performance.

In this respect, the Group regularly assesses changes in the economic environment and keeps alert to market needs and competitors' offensives in order to maintain competitiveness. Continuously maintaining the quality of the assets and building up a diversified and high-quality tenant-mix also help the Group to grow revenue and to resist a sluggish economy. In addition, long-range planned and tactical promotions are seamlessly executed for maintaining the IPs' leading brands and value.

Risks pertaining to Logistic Segment

The Group operates container terminals both in Hong Kong and mainland China. Amid soft trade and manufacturing activity, global economic growth slipped to the slowest pace since the financial crisis. Sino-US trade tension and mainland China's growth slow down further dampened confidence in investment and economic development.

Despite of the moderation of Industrial production and new export orders in mainland China, Modern Terminals will remain focused on improving operational performance and delivering on customer requirements to maximise cash flow and strengthen the company's balance sheet. We have already implemented our multi-year programme to increase our operational efficiency and infrastructure capability, the benefits of which will flow through in 2020.

Risks pertaining to Hotel Segment

The Group operates 17 hotels in the Asia Pacific region, four of which are owned by the Group. Hotel performance is usually subject to a high degree of fluctuations caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions. Each factor has varied the development pattern of the tourism and hospitality industry.

In this respect, Hotel Segment closely assesses the impact of the geopolitical outlook and economic development of different countries for building its portfolios and exposures to match with the Group's risk appetite. It also takes continual reviews of competition, legal and political changes as well as market trends for setting its business strategies including marketing and pricing to protect and drive profitability.

Risks pertaining to Investment Segment

The Group set to capture opportunities in the new economy that covers much larger markets with greater growth potential and holds a portfolio of long-term investments, which accounted for about 14% of the Group's total assets (excluding cash). This diversified portfolio is held for long term growth potential with reasonable return that in line with the general market, consisting of mainly blue chips listed investments and investments in technology and new economy with each investment individually immaterial to the Group's total asset. Given that the volatility of the stock market, the portfolio is subject to market fluctuation and may affect the net asset value of the Group yet impacts on Group's results should be insignificant. The performance of the portfolio is assessed and monitored by top management regularly.

Legal and Regulatory Compliance risks

Whilst the Group has a portfolio of business operations across Hong Kong, various Mainland cities and Asia Pacific regions, any failure to anticipate the trend of regulatory changes or cope with relevant requirements may result in non-compliance of local laws or regulation, leading to not only financial loss but also reputational damage to the Group. In mitigation of relevant risks, the Group actively assesses the effect of relevant developments and engages closely with regulatory authorities and external advisors on new laws and regulations and also trending legislations to ensure relevant requirements are properly complied with in an effective manner.

Financial risks

The Group is exposed to financial risks related to interest rate risks, foreign currency risks, equity price and credit in the normal course of its business. For further details of such risks and relevant management policies, please refer to Note 23 to the financial statements from pages 138 to 145.

(L) Directors of Subsidiaries

The names of all persons who, during the financial year and up to 10 March 2020 (the date of the Directors' Report of the Company), served as directors of all those companies included as subsidiaries in the consolidated financial statements of the Company for the financial year ended 31 December 2019 are set out below:

AU YEUNG Hung Yuen Steve	LI Qingan*	WU Guan
CHAK Hoi Kit Jacques	LI Yubin	YICK Chi Ming Frankie
CHAN Kwok Pong Kevin	LING Miu Ngan*	YIM Kong
CHAN Sik Wah	LO Wai Man	YOUNG Stephen Ying Yuen
CHAN Wing Sang Wilson*	NG Tin Hoi Stephen	ZHANG Vicky Yuanyuan
Chavalit Uttasart	NGAN Chiu Long Sunny	ZHOU Lianying
CHEUNG Mark Quintin*	OON Hock Neo	王佳宏
CHOW On Kiu	PAO Zen Kwok Peter	王玲*
FU Wai Hung	SIU Wing Koon*	周建罡
HAU Shun	SIU Yau Chung Joseph*	郭志成
HENNIG Hans Helmuth	SUN Ligan	陳小平
HO Lai Chu	TAN Bee Kim*	陳信霖
HUI Chung Ying Kevin	TAN Zing Yan*	劉鳴
LEE Wai Chung*	TSO Hok Chiu Vivian	聶煥新
LEE Yuk Fong Doreen	TSUI Yiu Cheung Paul	唐雷明
LENG Yen Thean	WEI Qing Shan*	符冰力
LEVESQUE Peter Jon	WONG Kwong Yiu	
LI Jun	WONG Yee Lut Eliot	
LI Lei	WOO Chun Kuen Douglas	

* ceased to be a director of the Group's subsidiaries on or before 10 March 2020.

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF THE WHARF (HOLDINGS) LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of The Wharf (Holdings) Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 102 to 179, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (“the Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Valuation of completed investment properties (“IP”) and investment properties under development (“IPUD”)

Refer to accounting policy d and note 8 to the consolidated financial statements

The key audit matter

The Group holds a portfolio of IP and IPUD located in Hong Kong and in major cities across Mainland China which accounted for 31% of the Group’s total assets as at 31 December 2019.

The fair values of the IP and IPUD as at 31 December 2019 were assessed by the Group based on independent valuations prepared by a qualified external property valuer.

We identified the valuation of IP and IPUD as a key audit matter because a small adjustment to or variances in the assumptions and data used to compute the valuation of individual properties, when aggregated, could have a significant impact on the Group’s profit and because the valuation of IP and IPUD involves significant judgement and estimation, particularly in selecting appropriate valuation methodology, and for IP, in selecting market rents and capitalisation rates while, for IPUD, an estimation of costs to complete each IPUD, which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of IP and IPUD included the following:

- obtaining and inspecting the valuation reports prepared by the external property valuer engaged by the Group;
- meeting the external property valuer to discuss and challenge the key estimates and assumptions adopted in the valuations, including prevailing market rents and capitalisation rates, and to assess the independence, objectivity, qualifications and expertise of the external property valuer in the properties being valued;
- with the assistance of our internal property valuation specialists, assessing the valuation methodology adopted by the external property valuer and comparing the key estimates and assumptions adopted in the valuation of IP, on a sample basis, including market rents and capitalisation rates, with available market data and/or government statistics; and
- conducting site visits to IP and comparing tenancy information used in the valuation models, including committed rents and occupancy rates adopted by the external property valuer with underlying contracts and related documentation, on a sample basis.

For IPUD our audit procedures also included the following:

- performing a retrospective review for IPUD, on a sample basis, by comparing the actual construction costs incurred during the current year with those included in the prior year’s forecasts in order to assess the accuracy of the Group’s budgeting process; and
- conducting site visits to IPUD, discussing with management the progress of IPUD and comparing the observed progress with the latest development budgets provided by management with reference to quantity surveyors’ reports for the construction costs incurred, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Assessing the net realisable value of properties for sale in Mainland China

Refer to accounting policy *l(ii)* and note 14 to the consolidated financial statements

The key audit matter

The Group had a number of property development projects located in major cities across Mainland China which were stated at the lower of cost and net realisable value at an aggregate amount of HK\$44 billion as at 31 December 2019.

The calculation of the net realisable value of each property for sale, including both completed properties for sale and properties under development for sale ("PUD"), at the financial reporting date is performed by the Group's internal property valuers.

The calculation of net realisable value of properties for sale involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the costs to complete each PUD as well as in assessing the expected selling prices for each property for sale.

Changes in government policies, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices in these cities.

We identified the assessment of net realisable value of properties for sale in Mainland China as a key audit matter because of the inherent risks involved in estimating the costs to complete each PUD and the future selling prices for each property for sale, particularly in light of the current economic circumstances in Mainland China and because of the risk of management bias in the judgement and estimates used in the calculation of the net realisable value.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties for sale in Mainland China, either directly held by the Group or through its joint ventures and associates, included the following:

- conducting site visits to properties for sale on a sample basis, discussing the progress with the Group's internal property valuers and comparing the observed progress with the latest development budgets for PUD provided by management with reference to quantity surveyors' reports;
- assessing the internal property valuers' qualifications, experience and expertise in the properties being valued;
- evaluating the internal property valuers' valuation methodology and assessing the key estimates, data inputs and assumptions adopted in the valuations, which included comparing expected future average selling prices with available market data such as recently transacted prices for similar properties located in the nearby vicinity of each property for sale and comparing costs to complete each PUD with publicly available construction cost information for similar properties (taking into account both property type and location), on a sample basis;
- re-performing the calculations made by the internal property valuers in arriving at the year end assessments of net realisable value of properties for sale, and comparing the estimated costs to complete the PUD with the Group's latest budgets, on a sample basis; and
- performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

Revenue recognition for investment properties (“IP”) and development properties (“DP”)

Refer to accounting policy p and note 1 to the consolidated financial statements

The key audit matter

Revenue from the IP and DP segments accounted for 66% of the Group’s revenue for the year ended 31 December 2019.

Deposits from sale of properties at 31 December 2019 totalled HK\$11.3 billion.

Revenue from IP is recognised in equal instalments over the accounting periods covered by the lease term and includes contingent rental which is determined based on the turnover of certain retail outlets.

Revenue from DP is recognised at a point in time when control of the property has been transferred to the customer. It is considered control of the property has been transferred when the property is accepted by the customer.

We identified the revenue recognition for IP and DP as a key audit matter because of its significance to the Group and because small errors in the recognition of revenue, either individually or in aggregate, for each property development project could have a material impact on the Group’s profit for the year.

How the matter was addressed in our audit

Our audit procedures to assess the revenue recognition for IP and DP included the following:

- comparing fixed rental revenue received and receivable with underlying tenancy information, including monthly rents and rental periods as set out in the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period;
- re-performing the calculation of contingent rental received and receivable with reference to turnover reports submitted by the relevant retail outlets, on a sample basis, and assessing whether the contingent rental had been recorded and accounted for in the appropriate accounting period; and
- inspecting on a sample basis, documents which evidenced that the properties were accepted by customers and assessing whether the related revenue should be recorded in the current accounting period.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR’S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheung Wing Han, Ivy.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

10 March 2020

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2019

	Note	2019 HK\$ Million	2018 HK\$ Million
Revenue	1	16,874	21,055
Direct costs and operating expenses		(6,548)	(9,691)
Selling and marketing expenses		(606)	(613)
Administrative and corporate expenses		(1,139)	(1,356)
Operating profit before depreciation, amortisation, interest and tax		8,581	9,395
Depreciation and amortisation	2	(712)	(643)
Operating profit	2	7,869	8,752
Increase in fair value of investment properties		946	985
Other net charge	3	(2,067)	(770)
Finance costs	4	6,748	8,967
Share of results after tax of:		(1,112)	(512)
Associates	10	336	1,279
Joint ventures	11	498	1,103
Profit before taxation		6,470	10,837
Income tax	5	(3,000)	(4,126)
Profit for the year		3,470	6,711
Profit attributable to:			
Equity shareholders		3,386	6,623
Non-controlling interests		84	88
		3,470	6,711
Earnings per share	7		
Basic		HK\$1.11	HK\$2.18
Diluted		HK\$1.11	HK\$2.17

The notes and principal accounting policies on pages 109 to 179 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2019

	2019 HK\$ Million	2018 HK\$ Million
Profit for the year	3,470	6,711
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	8,116	(5,605)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of operations outside Hong Kong	(1,817)	(3,420)
Share of other comprehensive income of associates/joint ventures	(484)	(892)
Others	–	6
Other comprehensive income for the year	5,815	(9,911)
Total comprehensive income for the year	9,285	(3,200)
Total comprehensive income attributable to:		
Equity shareholders	9,388	(3,152)
Non-controlling interests	(103)	(48)
	9,285	(3,200)

The notes and principal accounting policies on pages 109 to 179 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	31 December 2019 HK\$ Million	31 December 2018 HK\$ Million
Non-current assets			
Investment properties	8	74,811	74,738
Property, plant and equipment	9	13,056	13,670
Interest in associates	10	18,718	20,092
Interest in joint ventures	11	24,367	21,767
Other long term investments	12	36,531	30,544
Goodwill and other intangible assets	13	298	298
Deferred tax assets	22	752	737
Derivative financial assets	16	240	200
Other non-current assets		21	20
		168,794	162,066
Current assets			
Properties for sale	14	44,083	45,954
Trade and other receivables	15	1,987	1,722
Derivative financial assets	16	62	159
Bank deposits and cash	17	27,292	17,448
		73,424	65,283
Total assets		242,218	227,349
Non-current liabilities			
Derivative financial liabilities	16	(397)	(440)
Deferred tax liabilities	22	(12,539)	(11,637)
Other non-current liabilities		(18)	-
Bank loans and other borrowings	20	(35,689)	(31,847)
		(48,643)	(43,924)
Current liabilities			
Trade and other payables	18	(22,517)	(20,427)
Deposits from sale of properties	19	(11,273)	(9,263)
Derivative financial liabilities	16	(165)	(268)
Taxation payable	5(d)	(2,630)	(3,468)
Bank loans and other borrowings	20	(10,647)	(11,239)
		(47,232)	(44,665)
Total liabilities		(95,875)	(88,589)
NET ASSETS		146,343	138,760
Capital and reserves			
Share capital	24	30,221	30,173
Reserves		112,653	105,251
Shareholders' equity		142,874	135,424
Non-controlling interests		3,469	3,336
TOTAL EQUITY		146,343	138,760

The notes and principal accounting policies on pages 109 to 179 form part of these financial statements.

Stephen T H Ng
Chairman & Managing Director

Paul Y C Tsui
Vice Chairman, Executive Director & Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2019

	Attributable to equity shareholders of the Company						
	Share capital HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non- controlling interests HK\$ Million	Total equity HK\$ Million
At 1 January 2018	29,760	1,326	1,188	109,700	141,974	3,497	145,471
Changes in equity for 2018:							
Profit for the year	-	-	-	6,623	6,623	88	6,711
Other comprehensive income	-	(5,605)	(4,170)	-	(9,775)	(136)	(9,911)
Total comprehensive income	-	(5,605)	(4,170)	6,623	(3,152)	(48)	(3,200)
Shares issued under the share option scheme	413	(174)	-	-	239	-	239
Transfer to revenue reserves upon de-recognition of equity investments	-	25	-	(25)	-	-	-
Equity settled share-based payments	-	18	-	-	18	-	18
2017 second interim dividend paid	-	-	-	(2,893)	(2,893)	-	(2,893)
2018 first interim dividend paid	-	-	-	(762)	(762)	-	(762)
Dividends paid to non-controlling interests	-	-	-	-	-	(113)	(113)
At 31 December 2018 and 1 January 2019	30,173	(4,410)	(2,982)	112,643	135,424	3,336	138,760
Changes in equity for 2019:							
Profit for the year	-	-	-	3,386	3,386	84	3,470
Other comprehensive income	-	8,116	(2,114)	-	6,002	(187)	5,815
Total comprehensive income	-	8,116	(2,114)	3,386	9,388	(103)	9,285
Shares issued under the share option scheme	48	(14)	-	-	34	-	34
Transfer to revenue reserves upon de-recognition of equity investments	-	(1,132)	-	1,132	-	-	-
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	320	320
Equity settled share-based payments	-	9	-	-	9	-	9
2018 second interim dividend paid	-	-	-	(1,219)	(1,219)	-	(1,219)
2019 first interim dividend paid	-	-	-	(762)	(762)	-	(762)
Dividends paid to non-controlling interests	-	-	-	-	-	(84)	(84)
At 31 December 2019	30,221	2,569	(5,096)	115,180	142,874	3,469	146,343

The notes and principal accounting policies on pages 109 to 179 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2019

	Note	2019 HK\$ Million	2018 HK\$ Million
Operating cash inflow	(a)	6,488	8,439
Changes in working capital	(a)	4,139	(15,121)
Cash generated from/(used in) operations	(a)	10,627	(6,682)
Net interest paid		(317)	(897)
Interest paid		(1,763)	(1,406)
Interest received		1,446	509
Dividend received from associates/joint ventures		1,119	909
Dividend received from other long term investments		654	517
Hong Kong Profits Tax paid		(96)	(112)
Overseas tax paid		(2,667)	(1,826)
Net cash generated from/(used in) operating activities		9,320	(8,091)
Investing activities			
Payment for investment properties		(642)	(2,132)
Payment for property, plant and equipment		(195)	(372)
Net decrease/(increase) in interest in associates		462	(4,738)
Net (increase)/decrease in interest in joint ventures		(2,517)	1,016
Purchase of other long term investments		(8,993)	(17,954)
Proceeds from disposal of an investment property		24	–
Proceeds from disposal of other long term investments		11,255	914
Net (increase)/decrease in bank deposits with maturity greater than three months		(2,201)	702
Net cash used in investing activities		(2,807)	(22,564)
Financing activities			
Proceeds from the issue of shares under the share option scheme		34	239
Drawdown of bank loans and other borrowings	(c)	17,804	20,943
Repayment of bank loans and other borrowings	(c)	(14,642)	(13,677)
Capital contribution from non-controlling interests of a subsidiary		320	–
Capital element of lease rental paid	(c)	(37)	–
Interest element of lease rental paid	(c)	(2)	–
Dividends paid to equity shareholders		(1,981)	(3,655)
Dividends paid to non-controlling interests		(84)	(113)
Net cash generated from financing activities		1,412	3,737
Increase/(decrease) in cash and cash equivalents		7,925	(26,918)
Cash and cash equivalents at 1 January		17,448	44,995
Effect of exchange rate changes		(282)	(629)
Cash and cash equivalents at 31 December		25,091	17,448
Analysis of the balance of cash and cash equivalents			
Bank deposits and cash	(b)	25,091	17,448

The notes and principal accounting policies on pages 109 to 179 form part of these financial statements.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of operating profit to cash generated from/(used in) operations

	2019 HK\$ Million	2018 HK\$ Million
Operating profit	7,869	8,752
Adjustments for:		
Interest income	(1,457)	(450)
Dividend income from other long term investments	(646)	(525)
Depreciation and amortisation	712	643
Loss on disposal of property, plant and equipment	1	1
Equity settled share-based payment expenses	9	18
Operating cash inflow	6,488	8,439
Increase in properties under development for sale	(4,590)	(27,391)
Decrease in completed properties for sale	3,624	7,206
(Increase)/decrease in trade and other receivables	(265)	3,474
Increase in trade and other payables	3,221	1,396
Increase in deposits from sale of properties	2,076	180
Decrease in derivative financial instruments	63	–
Other non-cash items	10	14
Changes in working capital	4,139	(15,121)
Cash generated from/(used in) operations	10,627	(6,682)

b. Cash and cash equivalents

	2019 HK\$ Million	2018 HK\$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 17)	27,292	17,448
Less: Bank deposits with maturity greater than three months	(2,201)	–
Cash and cash equivalents in the consolidated statement of cash flows	25,091	17,448

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2019

c. Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings HK\$ Million	Lease liabilities HK\$ Million	Total HK\$ Million
At 1 January 2018	36,409	–	36,409
Changes from financing cash flows:			
Drawdown of bank loans and other borrowings	20,943	–	20,943
Repayment of bank loans and other borrowings	(13,677)	–	(13,677)
Total changes from financing activities	7,266	–	7,266
Exchange adjustments	(520)	–	(520)
Other change:			
Fair value gain	(69)	–	(69)
At 31 December 2018	43,086	–	43,086
Impact on initial application of HKFRS 16	–	74	74
At 1 January 2019	43,086	74	43,160
Changes from financing cash flows:			
Drawdown of bank loans and other borrowings	17,804	–	17,804
Repayment of bank loans and other borrowings	(14,642)	–	(14,642)
Capital element of lease rental paid	–	(37)	(37)
Interest element of lease rental paid	–	(2)	(2)
Total changes from financing activities	3,162	(39)	3,123
Exchange adjustments	(51)	–	(51)
Other changes:			
Fair value loss	139	–	139
Increase in lease liabilities from entering into new leases during the year	–	15	15
Interest expenses	–	2	2
At 31 December 2019	46,336	52	46,388

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

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

Investment property segment primarily includes properties leasing operations. The Group's properties portfolio, which mainly consists of retail, office and serviced apartments is primarily located in Mainland China.

Development property segment encompasses activities relating to the acquisition, development, design, construction, sales and marketing of the Group's trading properties primarily in Hong Kong and Mainland China.

Hotel segment includes hotel operations in the Asia Pacific region. The Group operates 17 hotels in the Asia Pacific region, four of which are owned by the Group.

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited ("Modern Terminals"), and Hong Kong Air Cargo Terminals Limited ("Hactl").

Management evaluates performance primarily based on operating profit as well as the equity share of results of associates and joint ventures of each segment. Inter-segment pricing is generally determined on an arm's length basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS

a. Analysis of segment revenue and results

For the year ended	Revenue	Operating profit	Increase in fair value of investment properties	Other net charge	Finance costs	Share of results after tax of associates	Share of results after tax of joint ventures	Profit before taxation
2019	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Investment property	4,090	2,423	946	5	(232)	–	111	3,253
Hong Kong	166	112	165	5	(35)	–	–	247
Mainland China	3,924	2,311	781	–	(197)	–	111	3,006
Development property	7,054	3,197	–	(2,427)	(132)	105	383	1,126
Hong Kong	–	(3)	–	–	(90)	–	563	470
Mainland China	7,054	3,200	–	(2,427)	(42)	105	(180)	656
Hotel	530	53	–	2	–	2	3	60
Logistics	2,597	513	–	(49)	(208)	229	1	486
Terminals	2,584	500	–	(8)	(208)	145	1	430
Others	13	13	–	(41)	–	84	–	56
Segment total	14,271	6,186	946	(2,469)	(572)	336	498	4,925
Investment and others	2,603	2,167	–	402	(540)	–	–	2,029
Corporate expenses	–	(484)	–	–	–	–	–	(484)
Group total	16,874	7,869	946	(2,067)	(1,112)	336	498	6,470
For the year ended 2018								
Investment property	3,586	1,984	985	23	(246)	–	95	2,841
Hong Kong	157	112	417	–	(33)	–	–	496
Mainland China	3,429	1,872	568	23	(213)	–	95	2,345
Development property	12,914	5,603	–	78	(226)	1,006	991	7,452
Hong Kong	–	(5)	–	–	(86)	–	892	801
Mainland China	12,914	5,608	–	78	(140)	1,006	99	6,651
Hotel	463	90	–	8	–	–	7	105
Logistics	2,616	597	–	(50)	(191)	272	10	638
Terminals	2,606	587	–	(9)	(191)	176	10	573
Others	10	10	–	(41)	–	96	–	65
Segment total	19,579	8,274	985	59	(663)	1,278	1,103	11,036
Investment and others	1,476	1,016	–	(829)	151	1	–	339
Corporate expenses	–	(538)	–	–	–	–	–	(538)
Group total	21,055	8,752	985	(770)	(512)	1,279	1,103	10,837

b. Analysis of inter-segment revenue

	2019			2018		
	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million
Investment property	4,090	–	4,090	3,586	–	3,586
Development property	7,054	–	7,054	12,914	–	12,914
Hotel	530	–	530	463	–	463
Logistics	2,597	–	2,597	2,616	–	2,616
Investment and others	2,603	–	2,603	1,476	–	1,476
	16,874	–	16,874	21,055	–	21,055

c. Disaggregation of revenue

	2019 HK\$ Million	2018 HK\$ Million
Revenue recognised under HKFRS 15		
Sale of development property	7,054	12,914
Management and services income	458	452
Hotel	530	463
Logistics	2,597	2,616
	10,639	16,445
Revenue recognised under other accounting standards		
Rental income under investment property segment		
Fixed	2,630	2,407
Variable	1,002	727
Investment and others	2,603	1,476
	6,235	4,610
Group total	16,874	21,055

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt from disclosing revenue from hotels, logistics and management fee under investment property segment such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts with customers that had an original expected duration of one year or less.

NOTES TO THE FINANCIAL STATEMENTS

d. Analysis of segment business assets

	2019 HK\$ Million	2018 HK\$ Million
Investment property	75,592	75,454
Hong Kong	20,885	20,410
Mainland China	54,707	55,044
Development property	88,756	86,875
Hong Kong	24,522	18,486
Mainland China	64,234	68,389
Hotel	2,367	2,482
Logistics	15,578	16,176
Terminals	14,727	15,287
Others	851	889
Total segment business assets	182,293	180,987
Unallocated corporate assets	59,925	46,362
Total assets	242,218	227,349

Unallocated corporate assets mainly comprise certain financial investments, deferred tax assets, bank deposits and cash and other derivative financial assets.

Segment assets held through associates and joint ventures included in the above are:

	2019 HK\$ Million	2018 HK\$ Million
Development property	38,466	37,231
Logistics	4,619	4,628
Group total	43,085	41,859

e. Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2019	2018	2019	2018	2019	2018
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Investment property	404	4,896	–	–	101	101
Hong Kong	330	289	–	–	7	5
Mainland China	74	4,607	–	–	94	96
Development property	–	–	6,415	9,868	–	–
Hong Kong	–	–	4,791	7	–	–
Mainland China	–	–	1,624	9,861	–	–
Hotel	–	1	–	–	89	58
Logistics	108	218	–	–	485	484
Terminals	108	218	–	–	485	484
Others	–	–	–	–	–	–
Investment and others	–	–	–	–	37	–
Group total	512	5,115	6,415	9,868	712	643

The Group had no significant non-cash expenses other than i) net provision of HK\$3,643 million (2018: HK\$17 million) made for certain asset, and development projects undertaken by subsidiaries, joint ventures and associates in Mainland China, and ii) depreciation and amortisation.

f. Geographical information

	Revenue		Operating Profit	
	2019	2018	2019	2018
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	3,311	3,368	1,457	1,288
Mainland China	13,522	17,657	6,385	7,436
Others	41	30	27	28
Group total	16,874	21,055	7,869	8,752

	Specified non-current assets		Total business assets	
	2019	2018	2019	2018
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	38,112	32,547	51,812	45,662
Mainland China	93,140	98,018	130,481	135,325
Group total	131,252	130,565	182,293	180,987

Specified non-current assets exclude deferred tax assets, certain financial investments, derivative financial assets and certain non-current assets.

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

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING PROFIT

a. Operating profit is arrived at:

	2019 HK\$ Million	2018 HK\$ Million
After charging/(crediting):		
Depreciation and amortisation on		
– Hotel and other property, plant and equipment	611	581
– leasehold land	64	62
– right of use assets	37	–
Total depreciation and amortisation	712	643
Reversal of impairment of trade receivables	(2)	(4)
Staff costs (Note (i))	1,908	1,922
Auditors' remuneration		
– audit services	17	18
– other services	3	5
Cost of trading properties for recognised sales	3,673	6,976
Gross rental revenue from investment properties	(4,090)	(3,586)
Direct operating expenses of investment properties	1,662	1,592
Rental income under operating leases in respect of owned plant and equipment	(8)	(8)
Interest income (Note (ii))	(1,457)	(450)
Dividend income from other long term investments	(646)	(525)
Loss on disposal of property, plant and equipment	1	1

Notes:

- i. Staff costs include contributions to defined contribution pension schemes of HK\$198 million (2018: HK\$221 million), which included equity-settled share-based payment expenses of HK\$9 million (2018: HK\$18 million).
- ii. Interest income of HK\$1,457 million (2018: HK\$450 million) was in respect of financial assets, including bank deposits, that are stated at amortised cost.

b. Directors' emoluments

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to pension schemes HK\$'000	2019 Total emoluments HK\$'000	2018 Total emoluments HK\$'000
Board of Directors						
Stephen T H Ng (Note iii, iv and v)	350	5,195	13,956	–	19,501	29,112
Andrew O K Chow	250	5,679	9,000	–	14,929	49,080
Doreen Y F Lee (Note iv and v)	250	1,659	6,775	4	8,688	17,098
Paul Y C Tsui (Note iv and v)	250	2,257	7,222	–	9,729	18,928
K P Chan (Note v)	250	3,747	8,044	556	12,597	16,859
Independent Non-executive Directors						
Edward K Y Chen	250	–	–	–	250	200
Vincent K Fang (Note ii)	400	–	–	–	400	300
Hans Michael Jebsen (Note ii and iii)	400	–	–	–	400	350
Elizabeth Law (Note ii)	450	–	–	–	450	300
David M Turnbull (Note ii and iii)	450	–	–	–	450	350
	3,300	18,537	44,997	560	67,394	132,577
Total for 2018	2,600	19,046	110,386	545	–	132,577

- i. There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2019 and 2018.
- ii. Includes Audit Committee Member's fee for the year ended 31 December 2019 of HK\$150,000 (2018: HK\$100,000) received/receivable by each of relevant Directors.
- iii. Includes Remuneration Committee Member's fee for the year ended 31 December 2019 of HK\$50,000 (2018: HK\$50,000) received/receivable by each of relevant Directors.
- iv. The above emoluments of Mr. Stephen T H Ng, Ms. Doreen Y F Lee and Mr. Paul Y C Tsui excluded amounts borne by Wharf Real Estate Investment Company Limited ("Wharf REIC") calculated on a pre-determined percentage of the basic remuneration for being executive directors and employees of the Company and Wharf REIC pursuant to a framework agreement entered into between the Company and Wharf REIC.
- v. Included in discretionary bonuses are special payments of HK\$5.0 million, HK\$2.3 million, HK\$3.5 million and HK\$3.0 million to Mr. Stephen T H Ng, Ms. Doreen Y F Lee, Mr. Paul Y C Tsui and Mr. K P Chan, respectively, in consideration of the impairment in value of the share options exercised by them during the year under the Company's Share Option Scheme (granted before the demerger of Wharf REIC as a separately listed entity in November 2017 but exercised after the demerger).
- vi. In addition to the above emoluments, certain directors and employees of the Company or its subsidiaries were granted share options under the share option schemes adopted by the Company. Details of the share options granted by the Company to the individuals are disclosed in Note 21(d).

NOTES TO THE FINANCIAL STATEMENTS

c. Emoluments of the highest paid employees

For the years ended 31 December 2019, information regarding emoluments of one (2018: one) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group has been set out below:

Aggregate emoluments	2019 HK\$ Million	2018 HK\$ Million
Salaries, allowances and benefits in kind	5	5
Discretionary bonuses	9	16
Total	14	21

Bands (in HK\$)	2019 Number	2018 Number
\$13,500,001 – \$14,000,000	1	–
\$29,500,001 – \$30,000,000	–	1
	1	1

3. OTHER NET CHARGE

Other net charge for the year which amounted to HK\$2,067 million (2018: HK\$770 million) mainly comprises:

- a. Net foreign exchange gain of HK\$162 million (2018: loss of HK\$727 million) which included a fair value loss on forward foreign exchange contracts of HK\$38 million (2018: gain of HK\$14 million).
- b. Net provision for diminution in value of HK\$2,420 million was made in respect of certain development properties held by subsidiaries in Mainland China.
- c. Net fair value gain of HK\$133 million on other long term investments classified as financial assets at fair value through profit or loss.

4. FINANCE COSTS

	2019 HK\$ Million	2018 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	726	561
Other borrowings	855	836
Leases liabilities	2	–
Total interest charge	1,583	1,397
Other finance costs	96	39
Less: Amount capitalised	(517)	(549)
	1,162	887
Fair value (gain)/loss:		
Cross currency interest rate swaps	20	(242)
Interest rate swaps	(70)	(133)
	(50)	(375)
Total	1,112	512

- a. Interest was capitalised at an average annual rate of approximately 2.5% (2018: 1.7%).
- b. Included in the total interest charge are amounts totalling HK\$1,270 million (2018: HK\$1,023 million) in respect of interest bearing borrowings that are stated at amortised cost.
- c. The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAX

Taxation charged/(credited) to the consolidated income statement includes:

	2019 HK\$ Million	2018 HK\$ Million
Current income tax		
Hong Kong		
– provision for the year	168	170
– under/(over)-provision in respect of prior years	3	(13)
Outside Hong Kong		
– provision for the year	1,441	1,374
– under-provision in respect of prior years	47	9
	1,659	1,540
Land appreciation tax (“LAT”) (Note c)	248	1,537
Deferred tax		
Change in fair value of investment properties	736	522
Origination and reversal of temporary differences	357	527
	1,093	1,049
Total	3,000	4,126

- a. The provision for Hong Kong Profits Tax is based on the profit for the year as adjusted for tax purposes at a rate of 16.5% (2018: 16.5%).
- b. Income tax on assessable profits outside Hong Kong is mainly corporate income tax and withholding tax in Mainland China, calculated at a rate of 25% (2018: 25%) and up to 10%, respectively.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate properties in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all development property expenditure.
- d. Taxation payable in the consolidated statement of financial position is expected to be settled within one year.
- e. Tax attributable to associates and joint ventures for the year ended 31 December 2019 of HK\$1,052 million (2018: HK\$1,145 million) is included in the share of results of associates and joint ventures.
- f. The China tax law imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2019, the Group has provided HK\$209 million (2018: HK\$317 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries which have been/will be distributed to their immediate holding companies outside Mainland China in the foreseeable future.

- g. Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates:

	2019 HK\$ Million	2018 HK\$ Million
Profit before taxation	6,470	10,837
Notional tax on profit before taxation calculated at applicable tax rates	1,387	2,355
Tax effect of non-deductible expenses	1,028	459
Tax effect of non-taxable income	(448)	(763)
Tax effect of non-taxable fair value gain on investment properties	(27)	(69)
Net under/(over)-provision in respect of prior years	50	(4)
Tax effect of tax losses not recognised	116	152
Tax effect of previously unrecognised tax losses utilised	(97)	(102)
Tax effect on temporary difference not recognised	(3)	(138)
LAT on trading properties	248	1,537
Deferred LAT on change in fair value of investment properties	537	382
Withholding tax on distributed/undistributed earnings	209	317
Actual total tax charge	3,000	4,126

6. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2019 HK\$ per share	2019 HK\$ Million	2018 HK\$ per share	2018 HK\$ Million
First interim dividend declared and paid	0.250	762	0.250	762
Second interim dividend declared after the end of the reporting period (note b)	0.075	229	0.400	1,219
Total	0.325	991	0.650	1,981

- a. The second interim dividend based on 3,049 million issued ordinary shares (2018: 3,047 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b. The second interim dividend of HK\$1,219 million for 2018 was approved and paid in 2019.

NOTES TO THE FINANCIAL STATEMENTS

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK\$3,386 million (2018: HK\$6,623 million) and the weighted average of 3,048 million ordinary shares in issue during the year (2018: 3,045 million ordinary shares).

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK\$3,386 million (2018: HK\$6,623 million) and the weighted average of 3,049 million ordinary shares (2018: 3,048 million ordinary shares) which is the weighted average number of ordinary shares in issue during the year after adjusting for the effect of deemed issue of shares under the Company's share option scheme.

8. INVESTMENT PROPERTIES

	Completed HK\$ Million	Under development HK\$ Million	Total HK\$ Million
a. Cost or valuation			
At 1 January 2018	53,270	28,858	82,128
Exchange adjustment	(2,077)	(745)	(2,822)
Additions	4	4,781	4,785
Transfer	17,028	(27,366)	(10,338)
Revaluation surpluses	963	22	985
At 31 December 2018 and 1 January 2019	69,188	5,550	74,738
Exchange adjustment	(1,177)	–	(1,177)
Additions	38	285	323
Disposal	(19)	–	(19)
Revaluation surpluses	937	9	946
At 31 December 2019	68,967	5,844	74,811
b. The analysis of cost or valuation of the above assets is as follows:			
2019 valuation	68,967	5,820	74,787
At cost	–	24	24
	68,967	5,844	74,811
2018 valuation	69,188	5,526	74,714
At cost	–	24	24
	69,188	5,550	74,738

During 2018, additions to investment properties under development which are stated at cost amounted to HK\$4,507 million.

	Completed HK\$ Million	Under development HK\$ Million	Total HK\$ Million
c. Tenure of title to properties:			
At 31 December 2019			
Held in Hong Kong			
Medium term leases	14,991	5,844	20,835
Held outside Hong Kong			
Medium term leases	53,976	–	53,976
	68,967	5,844	74,811
At 31 December 2018			
Held in Hong Kong			
Medium term leases	14,816	5,550	20,366
Held outside Hong Kong			
Medium term leases	54,372	–	54,372
	69,188	5,550	74,738

The Group holds investment properties to lease out under operating leases (see note 8(f)). The Group is the registered owner of the property interests of these investment properties. There are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

d. Investment properties revaluation

The Group's investment properties under development are stated at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the properties.

The investment properties stated at fair value as at 31 December 2019 were revalued by Knight Frank Petty Limited ("Knight Frank"), an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with extensive experience in valuing properties in Hong Kong and Mainland China. Knight Frank has valued the investment properties on a market value basis and has taken into account the net income of the respective properties, allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The revaluation surplus or deficit arising on revaluation on investment properties is recognised in the line item "Increase in fair value of investment properties" on the consolidated income statement.

The following table presents the investment properties which are measured at fair value at the end of the reporting period across the three levels of the inputs to the revaluation methodologies in accordance with HKFRS 13, Fair value measurement ("HKFRS 13"). The levels are defined as follows:

Level 1 valuations: Fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data is not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

None of the Group's investment properties measured at fair value are categorised as Level 1 and Level 2 input. The Group's investment properties which are at Level 3 valuation are analysed as below:

	Retail HK\$ Million	Office HK\$ Million	Level 3 Residential HK\$ Million	Others HK\$ Million	Total HK\$ Million
Recurring fair value measurements					
At 31 December 2019					
Hong Kong	308	–	15,722	4,781	20,811
Mainland China	30,060	20,123	3,793	–	53,976
	30,368	20,123	19,515	4,781	74,787
At 31 December 2018					
Hong Kong	305	–	15,296	4,741	20,342
Mainland China	29,988	20,412	3,972	–	54,372
	30,293	20,412	19,268	4,741	74,714

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

	Completed HK\$ Million	Under development HK\$ Million	Total HK\$ Million
At 1 January 2018	53,270	12,187	65,457
Exchange adjustment	(2,077)	–	(2,077)
Additions	4	274	278
Transfer	17,028	(6,957)	10,071
Revaluation surplus	963	22	985
At 31 December 2018 and 1 January 2019	69,188	5,526	74,714
Exchange adjustment	(1,177)	–	(1,177)
Additions	38	285	323
Disposal	(19)	–	(19)
Revaluation surplus	937	9	946
At 31 December 2019	68,967	5,820	74,787

During the years ended 31 December 2018 and 2019, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation processes

The Group reviews the valuations performed by the independent valuers for financial reporting purposes by verifying all major inputs and assessing the reasonableness of the property valuations. A valuation report with an analysis of changes in fair value measurement is prepared at each interim and annual reporting date and is reviewed and approved by the senior management.

Valuation methodologies

The valuations of completed office and retail properties in Hong Kong and Mainland China were based on the income capitalisation approach which capitalised the net income of the properties and takes into account the significant adjustments on term yield to account for the risk upon reversion.

For properties in Hong Kong which are still under development/redevelopment, the valuations were based on the redevelopment basis by taking into account the fair value of properties under development/redevelopment assuming they had been completed as at the date of valuation and then deducting from that amount the estimated costs to complete construction, financing costs and profit and margin for risk.

Level 3 valuation methodologies

Completed investment properties

Set out below is a table which presents the significant unobservable inputs:

	Weighted average		Market rent	
	Capitalisation rate		2019	2018
	2019	2018	2019	2018
Hong Kong			HK\$ psf	HK\$ psf
– Retail	5.0%	5.0%	33	33
– Residential	1.5%	1.5%	83	82
Mainland China			RMB psm	RMB psm
– Retail	6.5%	6.3%	365	347
– Office	6.5%	6.6%	177	177
– Residential	4.3%	4.3%	151	149

The fair value measurement of completed investment properties is negatively correlated to the capitalisation rate and positively correlated to the market rent.

For investment properties under development that are stated at fair value, estimated costs to complete construction and profit and margin for risk required are estimated by valuers based on market conditions at the end of the reporting period. The estimates are largely consistent with the development budgets prepared by the Group based on management's experience and knowledge of market conditions. The fair value of investment properties under development is negatively correlated to the costs and the margins.

- e. The Group leases out properties under operating leases, which generally run for a period of two to five years. Lease payments may be varied periodically to reflect market rentals and may contain variable lease payment which is based on various percentages of tenants' sales receipts.
- f. The Group's total future undiscounted lease income under non-cancellable operating leases is receivable as follows:

	2019	2018
	HK\$ Million	HK\$ Million
Within 1 year	2,708	2,647
After 1 year but within 2 years	1,911	2,029
After 2 years but within 3 years	1,324	1,338
After 3 years but within 4 years	902	971
After 4 years but within 5 years	775	777
After 5 years	407	1,025
	8,027	8,787

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$ Million	Hotel HK\$ Million	Properties under redeve- lopment HK\$ Million	Other property, plant and equipment HK\$ Million	Right of use assets HK\$ Million	Total HK\$ Million
a. Cost						
At 1 January 2018	3,919	1,710	1,610	12,867	–	20,106
Exchange adjustment	(117)	(79)	(71)	(191)	–	(458)
Additions	–	–	11	320	–	331
Disposals	–	–	–	(31)	–	(31)
Reclassification	–	1,140	(7)	4	–	1,137
At 31 December 2018	3,802	2,771	1,543	12,969	–	21,085
Impact on initial recognition of HKFRS 16	–	–	–	–	74	74
At 1 January 2019	3,802	2,771	1,543	12,969	74	21,159
Exchange adjustment	(53)	(60)	(32)	(90)	–	(235)
Additions	6	–	25	159	15	205
Disposals	–	–	–	(63)	–	(63)
Written off	–	–	–	(7)	–	(7)
Reclassification	–	–	(461)	465	–	4
At 31 December 2019	3,755	2,711	1,075	13,433	89	21,063
Accumulated depreciation and impairment losses						
At 1 January 2018	961	328	–	5,616	–	6,905
Exchange adjustment	(19)	(17)	–	(64)	–	(100)
Charge for the year	62	54	–	527	–	643
Written back on disposals	–	–	–	(30)	–	(30)
Reclassification	–	–	–	(3)	–	(3)
At 31 December 2018 and 1 January 2019	1,004	365	–	6,046	–	7,415
Exchange adjustment	(8)	(8)	–	(35)	–	(51)
Charge for the year	64	85	–	526	37	712
Written back on disposals	–	–	–	(62)	–	(62)
Written off	–	–	–	(7)	–	(7)
At 31 December 2019	1,060	442	–	6,468	37	8,007
Net book value						
At 31 December 2019	2,695	2,269	1,075	6,965	52	13,056
At 31 December 2018	2,798	2,406	1,543	6,923	–	13,670

	Leasehold Land HK\$ Million	Hotel HK\$ Million	Properties under redeve- lopment HK\$ Million	Other property, plant and equipment HK\$ Million	Total HK\$ Million
b. Tenure of title to properties:					
At 31 December 2019					
Held in Hong Kong					
Medium term leases	738	–	–	2,508	3,246
Held outside Hong Kong					
Medium term leases	1,957	2,269	1,075	2,145	7,446
	2,695	2,269	1,075	4,653	10,692
At 31 December 2018					
Held in Hong Kong					
Medium term leases	766	–	–	2,593	3,359
Held outside Hong Kong					
Medium term leases	2,032	2,406	1,543	1,789	7,770
	2,798	2,406	1,543	4,382	11,129

c. Right of use assets

Upon the adoption of HKFRS 16, the depreciated carrying amount of the ownership interests in leasehold land are also identified as right of use assets.

The Group holds a number of properties to lease out under operating leases, or held for own use as the Group's offices and for the operations of hotel and logistics businesses. The Group is the registered owner of the property interests of these properties. There are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

10. INTEREST IN ASSOCIATES

	2019 HK\$ Million	2018 HK\$ Million
Share of net assets	11,175	7,948
Goodwill	1,853	1,853
	13,028	9,801
Amounts due from associates	5,690	10,291
	18,718	20,092
Amounts due to associates (Note 18)	(4,869)	(2,709)
	13,849	17,383

a. Details of principal associates at 31 December 2019 are shown on page 177.

b. All of the above associates are accounted for using the equity method in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- c. Included in amounts due from associates are advances totalling HK\$371 million (2018: HK\$371 million) which are unsecured and interest bearing at market rate. Amounts due from associates are unsecured and have no fixed terms of repayment and not expected to be recoverable within twelve months from the end of the reporting period. The amounts are neither past due nor impaired.

Amounts due to associates are unsecured, interest free and have no fixed terms of repayment.

- d. Included in interest in associates is goodwill of HK\$1,853 million (2018: HK\$1,853 million) relating to the acquisition of Mega Shekou Container Terminals Limited by Modern Terminals Limited, a 67.6%-owned subsidiary of the Group, under an agreement for rationalisation of the interests in Shekou Container Terminals Phases I, II and III in 2007.
- e. At 31 December 2019, no associate is considered to be individually material to the Group.

Aggregate information of associates that are not individually material is summarised below:

	2019 HK\$ Million	2018 HK\$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	13,028	9,801
Aggregate amounts of the Group's share of those associates		
Profit from continuing operations	336	1,279
Other comprehensive income	(323)	(550)
Total comprehensive income	13	729

11. INTEREST IN JOINT VENTURES

	2019 HK\$ Million	2018 HK\$ Million
Share of net assets	11,489	11,439
Amounts due from joint ventures	12,878	10,328
	24,367	21,767
Amounts due to joint ventures (Note 18)	(4,602)	(3,070)
	19,765	18,697

- a. Details of principal joint ventures at 31 December 2019 are shown on page 178.
- b. The Group's interest in the principal joint ventures are accounted for using the equity method in the consolidated financial statements.
- c. The amounts due from joint ventures are unsecured and have no fixed terms of repayment. They are not expected to be recovered within the next twelve months. The amounts are neither past due nor impaired.

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

- d. At 31 December 2019, no joint venture is considered to be individually material to the Group. Aggregate information of joint ventures that are not individually material is summarised below:

	2019 HK\$ Million	2018 HK\$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	11,489	11,439
Aggregate amounts of the Group's share of those joint ventures		
Profit from continuing operations	498	1,103
Other comprehensive income	(161)	(342)
Total comprehensive income	337	761

12. OTHER LONG TERM INVESTMENTS

	2019 HK\$ Million	2018 HK\$ Million
Equity investments		
– listed in Hong Kong	27,042	18,524
– listed outside Hong Kong	7,128	10,674
	34,170	29,198
Other financial investments		
– Unlisted investments	2,361	1,346
	36,531	30,544

Analysed by industry sectors as follows:

	2019 HK\$ Million	2018 HK\$ Million
– Properties	18,005	10,821
– Technology and new economy	12,408	15,928
– Others	6,118	3,795
	36,531	30,544

Equity investments are designated as financial assets at fair value through other comprehensive income which mainly represent a portfolio of blue chips including property counters and investments in technology and new economy holding for long term growth potential with reasonable dividend return that in line with market and each investment within the portfolio is individually immaterial to the Group's total assets. Other financial investments are classified as financial assets through profit or loss.

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13. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK\$ Million	Other intangible assets HK\$ Million	Total HK\$ Million
Cost			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	298	12	310
Accumulated amortisation			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	–	12	12
Net carrying value			
At 31 December 2019	298	–	298
At 31 December 2018	298	–	298

Goodwill mainly relates to the Group's terminals business. As at 31 December 2019, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on its value in use. No impairment was recorded.

14. PROPERTIES FOR SALE

	2019 HK\$ Million	2018 HK\$ Million
Properties under development for sale	36,229	35,786
Completed properties for sale	7,854	10,168
	44,083	45,954

- a. At 31 December 2019, properties under development for sale of HK\$29,716 million (2018: HK\$30,734 million) are expected to be completed after more than one year.
- b. Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2019 was HK\$11,307 million (2018: HK\$687 million).
- c. At 31 December 2019, the carrying value of leasehold land and land deposits included in properties under development for sale and completed properties for sale is summarised as follows:

	2019 HK\$ Million	2018 HK\$ Million
Held in Hong Kong Medium term leases	12,451	12,451
Held outside Hong Kong Long term leases	21,824	24,152
Medium term leases	223	216
	34,498	36,819

15. TRADE AND OTHER RECEIVABLES

a. Ageing analysis

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 31 December 2019 as follows:

	2019 HK\$ Million	2018 HK\$ Million
Trade receivables		
0 – 30 days	143	203
31 – 60 days	24	46
61 – 90 days	20	19
Over 90 days	112	90
Other receivables and prepayments	299	358
	1,688	1,364
	1,987	1,722

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. All the receivables are expected to be recoverable within one year.

b. Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account based on expected credit losses. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for expected credit losses is therefore insignificant.

The movement in the allowance account for the bad and doubtful debts during the year, including both specific and collective loss components, is as follows:

	2019 HK\$ Million	2018 HK\$ Million
At 1 January	10	14
Reversal of impairment loss recognised	(2)	(4)
At 31 December	8	10

c. Trade receivables that are not impaired

As at 31 December 2019, 99% (2018: 99%) of the Group's trade receivables was not impaired, of which 62% (2018: 74%) was either not past due or less than two months past due.

Based on historical and forward looking elements of the Group, it is determined that no impairment allowance is necessary in respect of past due balances as there has not been a significant change in credit quality of the customers and the balances are still considered to be fully recoverable. The Group does not hold any collateral over these balances.

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16. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets HK\$ Million	Liabilities HK\$ Million	Assets HK\$ Million	Liabilities HK\$ Million
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	175	14	126	32
Floating-to-fixed interest rate swaps	1	79	–	67
Cross currency interest rate swaps	29	425	119	594
Forward foreign exchange contracts	97	44	114	15
Total	302	562	359	708
Analysis				
Current	62	165	159	268
Non-current	240	397	200	440
Total	302	562	359	708

An analysis of the remaining maturities at the end of the reporting period of the above derivative financial instruments is as follows:

	2019		2018	
	Assets HK\$ Million	Liabilities HK\$ Million	Assets HK\$ Million	Liabilities HK\$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	3	–	21	–
Expiring after more than 1 year but not exceeding 5 years	170	7	80	8
Expiring after 5 years	2	7	25	24
	175	14	126	32
Floating-to-fixed interest rate swaps				
Expiring within 1 year	1	6	–	7
Expiring after more than 1 year but not exceeding 5 years	–	–	–	17
Expiring after 5 years	–	73	–	43
	1	79	–	67
Cross currency interest rate swaps				
Expiring within 1 year	7	73	20	189
Expiring after more than 1 year but not exceeding 5 years	10	260	69	319
Expiring after 5 years	12	92	30	86
	29	425	119	594
Forward foreign exchange contracts				
Expiring within 1 year	36	–	73	–
Expiring after more than 1 year but not exceeding 5 years	53	–	40	–
Expiring after 5 years	8	44	1	15
	97	44	114	15
Total	302	562	359	708

- a. The notional principal amounts of derivative financial instruments outstanding at the end of the reporting period were as follows:

	2019 HK\$ Million	2018 HK\$ Million
Fixed-to-floating interest rate swaps	8,382	11,502
Floating-to-fixed interest rate swaps	6,300	5,730
Cross currency interest rate swaps	12,607	18,548
Forward foreign exchange contracts	7,193	14,591

- b. Derivative financial assets represent the amounts the Group would receive whilst derivative financial liabilities represent the amounts the Group would pay if the positions were closed at the end of the reporting period. Derivative financial instruments do not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.
- c. During the year, a loss of HK\$38 million (2018: gain of HK\$14 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.
- d. During the year, fair value loss on cross currency interest rate swaps in the amounts of HK\$20 million (2018: gain of HK\$242 million) and gain on interest rate swaps in the amounts of HK\$70 million (2018: HK\$133 million) have been included within finance costs in the consolidated income statement.
- e. The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements providing offsetting mechanisms under certain circumstances. At 31 December 2019, the Group did not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the consolidated financial statements.

17. BANK DEPOSITS AND CASH

	2019 HK\$ Million	2018 HK\$ Million
Bank deposits and cash	27,292	17,448

At 31 December 2019, bank deposits and cash included:

- a. HK\$15,986 million equivalent (2018: HK\$12,757 million equivalent) placed with banks in Mainland China, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.
- b. RMB2,938 million equivalent to HK\$3,280 million (2018: RMB772 million equivalent to HK\$881 million) which is solely for certain designated properties development projects in Mainland China.

The effective annual interest rate on bank deposits was 1.8% (2018: 1.4%).

Bank deposits and cash are denominated in the following currencies:

	2019 HK\$ Million	2018 HK\$ Million
RMB	16,088	12,884
HKD	4,684	4,269
USD	6,516	280
Other currencies	4	15
	27,292	17,448

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18. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as at 31 December 2019 as follows:

	2019 HK\$ Million	2018 HK\$ Million
Trade payables		
0 – 30 days	486	440
31 – 60 days	274	206
61 – 90 days	32	16
Over 90 days	72	65
	864	727
Rental and customer deposits	1,150	1,033
Construction costs payable	7,898	8,744
Amounts due to associates (Note 10)	4,869	2,709
Amounts due to joint ventures (Note 11)	4,602	3,070
Other payables	3,134	4,144
	22,517	20,427

The amount of trade and other payables that is expected to be settled after more than one year is HK\$1,215 million (2018: HK\$1,261 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these items would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

19. DEPOSITS FROM SALE OF PROPERTIES

	2019 HK\$ Million	2018 HK\$ Million
Movement in deposits from sale of properties		
Balance at 1 January	9,263	9,083
Exchange difference	(66)	64
Decrease in deposits from sale of properties as a result of recognising revenue during the year	(7,533)	(13,669)
Increase in deposits from sale of properties as a result of receiving sales deposits	9,609	13,785
Balance at 31 December	11,273	9,263

Deposits from sale of properties in the amount of HK\$780 million (2018: HK\$4,138 million) are expected to be recognised as revenue in the consolidated income statement after more than one year.

The Group receives contract value as deposits from customers when they sign the sale and purchase agreement. These deposits are recognised as a contract liability as “Deposits from sale of properties” until the properties are completed and legally assigned to/accepted by the customers.

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group’s existing contracts is HK\$11,475 million (2018: HK\$9,418 million). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are accepted by the customers, which is expected to occur over the next 36 months.

20. BANK LOANS AND OTHER BORROWINGS

	2019 HK\$ Million	2018 HK\$ Million
Bonds and notes (unsecured)		
Due within 1 year	5,707	8,862
Due after more than 1 year but not exceeding 2 years	2,881	5,790
Due after more than 2 years but not exceeding 5 years	3,883	5,472
Due after more than 5 years	1,994	3,252
	14,465	23,376
Bank loans (secured)		
Due within 1 year	45	121
Due after more than 1 year but not exceeding 2 years	502	307
Due after more than 2 years but not exceeding 5 years	6,070	6,295
Due after more than 5 years	359	651
	6,976	7,374
Bank loans (unsecured)		
Due within 1 year	4,895	2,256
Due after more than 1 year but not exceeding 2 years	5,139	3,728
Due after more than 2 years but not exceeding 5 years	14,861	6,352
	24,895	12,336
Total bank loans and other borrowings	46,336	43,086
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	10,647	11,239
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	33,336	27,944
Due after more than 5 years	2,353	3,903
	35,689	31,847
Total bank loans and other borrowings	46,336	43,086

- CI. The Group's borrowings are considered by the management to be denominated in the following currencies (after the effects of cross currency interest rate swaps and forward foreign exchange contracts arrangements as detailed in Note 23(b)):

	2019 HK\$ Million	2018 HK\$ Million
HKD	39,069	37,148
RMB	7,267	5,938
	46,336	43,086

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- b. The interest rate profile of the Group's borrowings (after the effects of interest rate swaps and cross currency interest rate swaps as detailed in Notes 23(a)) were as follows:

	2019		2018	
	Effective interest rate %	HK\$ Million	Effective interest rate %	HK\$ Million
Fixed rate borrowings				
Bonds and notes	4.2	2,736	3.5	7,348
Bank loans	2.5	6,300	2.7	5,730
		9,036		13,078
Floating rate borrowings				
Bonds and notes	5.0	11,729	4.5	16,028
Bank loans	3.4	25,571	3.4	13,980
		37,300		30,008
Total borrowings		46,336		43,086

- c. All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK\$8,353 million (2018: HK\$12,369 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.
- d. Included in the Group's total borrowings are bank loans totalling HK\$7,124 million (2018: HK\$7,616 million) borrowed by certain subsidiaries in Mainland China and Modern Terminals. The loans are without recourse to the Company and its other subsidiaries.
- e. As at 31 December 2019, certain banking facilities of the Group are secured by mortgages over certain properties under development, investment properties and property, plant and equipment with an aggregate carrying value of HK\$29,429 million (2018: HK\$26,502 million).
- f. Certain of the above borrowings are attached with financial covenants which require that at any time, the consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels of the relevant groups. During the year under review, all these covenants have been complied with by the Group.

21. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted in June 2011 whereby the directors of the Company are authorised, at their discretion, to invite eligible participants to take up options at a consideration of HK\$10 to subscribe for shares of the Company (“Shares”). The exercise price of the options must be not less than whichever is the highest of (i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to eligible participants; (ii) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (iii) the average closing price of the Shares as stated in the Stock Exchange daily quotations sheets for the five business days immediately preceding the date of grant; and (iv) the nominal value of a Share (not applicable since the abolition of par value upon implementation of the Companies Ordinance, Cap 622 of the Laws of Hong Kong on 3 March 2014). The granted option is divided into five tranches, of which the first tranche vests immediately after the date of grant and the remaining four tranches vest between one year and four years after the date of grant.

a. The terms and conditions of the grants are as follows:

	Number of options	Contractual life of options
Options granted to directors:		
– on 4 July 2011 (lapsed in 2016)	9,000,000	
– on 5 June 2013 (lapsed in 2018)	11,750,000	5 years after the date of grant
– on 7 July 2016	14,500,000	
Options granted to employees:		
– on 4 July 2011 (lapsed in 2016)	3,100,000	5 years after the date of grant
– on 5 June 2013 (lapsed in 2018)	1,500,000	
Total share options granted	39,850,000	

b. Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted date using the Binomial Model, taking into account the terms and conditions upon which the options were granted. During the year ended 31 December 2019, no new share options were granted.

c. Movements of the share options and the weighted average exercise prices of share options are as follows:

For 2019	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				At 1 January 2019	Exercised during the year	At 31 December 2019	Exercisable at 31 December 2019	Remaining contractual life
	7 July 2016	15.92	8 July 2016 – 7 July 2021	8,900,000	(2,100,000)	6,800,000	3,900,000	1.5 years
				8,900,000	(2,100,000)	6,800,000	3,900,000	
Weighted average exercise price (HK\$)				15.92	15.92	15.92	15.92	

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For 2018	Date of grant	Exercise price (HK\$)	Exercise period	Number of share options				
				At 1 January 2018	Exercised during the year	At 31 December 2018	Exercisable at 31 December 2018	Remaining contractual life
	5 June 2013	23.83	6 June 2013 – 5 June 2018	9,100,000	(9,100,000)	–	–	–
	7 July 2016	15.92	8 July 2016 – 7 July 2021	10,300,000	(1,400,000)	8,900,000	3,100,000	2.5 years
				19,400,000	(10,500,000)	8,900,000	3,100,000	
	Weighted average exercise price (HK\$)			19.63	22.78	15.92	15.92	

The weighted average share price at the date of exercise for shares options exercised during the year was HK\$17.94 (2018: HK\$27.84).

- d. In respect of share options of the Company granted to the directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2018 and 2019, estimated in accordance with the Group's accounting policy in note (v)(i), was as follows:

	2019 HK\$'000	2018 HK\$'000
Stephen T H Ng	3,206	6,249
Andrew O K Chow	1,923	3,750
Doreen Y F Lee	1,923	3,750
Paul Y C Tsui	962	1,874
K P Chan	641	1,250
	8,655	16,873

22. DEFERRED TAXATION

a. Net deferred tax (assets)/liabilities recognised in the consolidated statement of financial position:

	2019 HK\$ Million	2018 HK\$ Million
Deferred tax liabilities	12,539	11,637
Deferred tax assets	(752)	(737)
Net deferred tax liabilities	11,787	10,900

The components of deferred tax (assets)/liabilities and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation HK\$ Million	Surplus on investment properties HK\$ Million	Others HK\$ Million	Total HK\$ Million
At 1 January 2018	1,791	8,162	345	10,298
Charged to the consolidated income statement	260	522	267	1,049
Exchange adjustment	(61)	(393)	7	(447)
At 31 December 2018 and 1 January 2019	1,990	8,291	619	10,900
Charged to the consolidated income statement	274	736	83	1,093
Exchange adjustment	(35)	(194)	23	(206)
At 31 December 2019	2,229	8,833	725	11,787

b. Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	2019 Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million	2018 Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million
Future benefit of tax losses				
– Hong Kong	1,375	227	1,211	200
– Outside Hong Kong	3,170	792	3,366	841
	4,545	1,019	4,577	1,041

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2019 and 2018. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

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23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group is exposed to financial risks related to interest rate, foreign currency, equity price, liquidity and credit in the normal course of business. To manage some of these risks, the Group Finance Committee develops, maintains and monitors the Group's financial management policies designed to facilitate cost efficient funding to the Group and to mitigate the impact of fluctuations in interest rates and exchange rates. The financial management policies are implemented by the Group's Treasury department, which operates as a centralised service unit in close co-operation with the Group's operating units for managing the day-to-day treasury functions and financial risks and for providing cost efficient funding to the Group.

The Group uses derivatives, principally forward currency contracts and interest rate and cross currency interest rate swaps, as deemed appropriate, for financing and hedging transactions and for managing risks associated with the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions and invest in financial products with significant underlying leverage which are commercially speculative.

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's main exposure to interest rate risk relates principally to the Group's borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk whilst borrowings at fixed rate expose the Group to fair value interest rate risk. The Group manages its interest rate risk exposure in accordance with defined policies and reviews this exposure with a focus on reducing the Group's overall cost of funding as well as maintaining to the floating/fixed rate mix appropriate to its current business portfolio.

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") and cross currency interest rate swaps ("CCS") which have the economic effect of converting certain fixed rate interest bearing notes with notional amounts totalling HK\$6,638 million (2018: HK\$10,778 million) into floating rate borrowings. For each of the IRS and CCS entered into by the Group, the tenor and timing of the IRS and CCS cash flows matches those of the notes.

To ensure the certainty of a proportion of funding costs in the forthcoming years, the Group has entered into various floating-to-fixed IRS with notional amounts totalling HK\$4,600 million with maturities of 10 to 15 years together with another HK\$4,600 million fixed-to-floating IRS with a maturity of 2 years. Effectively, this arrangement has locked in fixed interest rates ranging from 2.4% to 3.6% per annum for a certain portion of the Group's floating rate loan portfolio for a period of 8 to 13 years from 2011 to 2012 onwards.

As at 31 December 2019, after taking into account of IRS and CCS, approximately 81% (2018: 70%) of the Group's borrowings were at floating rates and the remaining 19% (2018: 30%) were at fixed rates (see Note 20(b)).

Based on a sensitivity analysis performed as at 31 December 2019, it was estimated that a general increase/decrease of 1% (2018: 1%) in interest rates, with all other variables held constant, would have increased/decreased the Group's post-tax profit and total equity by approximately HK\$126 million (2018: increased/decreased by HK\$30 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would have arisen assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's post-tax profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as for 2018.

b. Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and secondarily in Mainland China, with its cash flows denominated substantially in HKD and RMB which exposes the Group to foreign currency risk with respect to RMB related to its properties development and port-related operations and investments in Mainland China.

The Group is also exposed to foreign currency risk in respect of its borrowings denominated in USD, JPY and SGD. Anticipated foreign exchange payments relate primarily to interest expense payments, repayment of principal and capital expenditure. Where appropriate or available in a cost-efficient manner, the Group may enter into forward foreign exchange and swap contracts to manage its foreign currency risk arising from above anticipated transactions denominated in currencies other than its entities' functional currencies.

The Group's borrowings are predominantly denominated in the functional currency of the entity taking out the borrowings. In the case of group companies whose functional currencies are HKD, their borrowings are mostly denominated in HKD or USD. For managing the overall financing costs of existing and future capital requirements for the projects in Mainland China, the Group has adopted a diversified funding approach and has entered into certain cross currency interest rate swaps and forward foreign exchange contracts. Based on the prevailing accounting standards, the swaps and forward foreign exchange contracts are marked to market with the valuation movement recognised in the consolidated income statement.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets/(liabilities) denominated in a currency other than the functional currency of the Group's entities to which they relate. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency and exposure arising from inter-company balances which are considered to be in the nature of investment in a subsidiary are excluded.

	2019				2018				
	USD Million	RMB Million	JPY Million	SGD Million	USD Million	RMB Million	JPY Million	SGD Million	AUD Million
The Group									
Bank deposits and cash	815	271	-	1	32	156	6	1	-
Other long term investments	1,211	-	-	-	1,535	-	-	-	-
Trade and other receivables	2	-	-	-	8	-	-	-	-
Trade and other payables	(1)	(6)	(25)	(1)	(7)	(7)	-	(1)	(2)
Bank loans and other borrowings	(130)	(3,015)	(17,470)	(260)	(540)	(7,215)	(17,466)	(260)	(110)
Inter-company balances	25	225	-	-	25	239	-	-	-
Gross exposure arising from recognised assets and liabilities	1,922	(2,525)	(17,495)	(260)	1,053	(6,827)	(17,460)	(260)	(112)
Notional amount of forward foreign exchange contracts									
- at fair value through profit or loss	653	1,400	7,000	-	1,225	4,000	7,000	-	-
Notional amount of cross currency IRS	(523)	1,015	10,500	260	(686)	1,215	10,500	260	110
Overall net exposure	2,052	(110)	5	-	1,592	(1,612)	40	-	(2)

In addition, at 31 December 2019, the PRC subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, trade and other payables and inter-company borrowings in the amount of HK\$200 million, HK\$4 million and HK\$335 million respectively (2018: HK\$38 million, HK\$4 million and HK\$338 million respectively).

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Based on the sensitivity analysis performed on 31 December 2019, it was estimated that the impact on the Group's post tax profit and total equity would not be material in response to possible changes in the foreign exchange rates of foreign currencies to which the Group is exposed.

It is further analysed that the sensitivity on the translation of the Mainland China operations from 1% (2018: 1%) increase/decrease of exchange rate of RMB against HKD, the Group's total equity would have increased/decreased by HK\$941 million (2018: HK\$1,034 million).

c. Equity price risk

The Group is exposed to equity price changes arising from other long term investments held for long-term investment purpose.

Other long term investments held in the investment portfolio have been chosen for their long term growth potential and returns and are monitored regularly for performance. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

Based on a sensitivity analysis performed as at 31 December 2019, it is estimated that an increase/decrease of 10% in the market value of the Group's listed equity investments, with all other variables held constant, would not have affected the Group's post-tax profit but would have increased/decreased the Group's total equity by HK\$3,417 million (2018: HK\$2,920 million). The analysis has been performed on the same basis as for 2018.

d. Liquidity risk

The Group adopts a prudent liquidity risk management policy, maintaining sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding with staggered maturities to reduce refinancing risk in any year from major financial institutions and to maintain flexibility for meeting its liquidity requirements in the short and longer term. The Group's cash management is substantially centralised within the Group Treasury department, which regularly monitors the current and expected liquidity requirements and its compliance with lending covenants.

Certain non-wholly-owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence of the Company.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's derivative and non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period and carried at the exchange rates prevailing at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flow					
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
At 31 December 2019						
Bank loans and other borrowings	(46,336)	(52,041)	(11,811)	(8,719)	(28,359)	(3,152)
Trade and other payables	(22,517)	(22,517)	(21,302)	(1,064)	(137)	(14)
Forward foreign exchange contracts	53	53	26	10	53	(36)
Cross currency interest rate swaps	(396)	(447)	(118)	(199)	(43)	(87)
Interest rate swaps	83	5	15	15	(14)	(11)
	(69,113)	(74,947)	(33,190)	(9,957)	(28,500)	(3,300)
At 31 December 2018						
Bank loans and other borrowings	(43,086)	(47,457)	(13,514)	(10,518)	(18,911)	(4,514)
Trade and other payables	(20,427)	(20,427)	(19,166)	(1,101)	(149)	(11)
Forward foreign exchange contracts	99	99	73	15	25	(14)
Cross currency interest rate swaps	(475)	(396)	(125)	(50)	(135)	(86)
Interest rate swaps	27	32	34	10	4	(16)
	(63,862)	(68,149)	(32,698)	(11,644)	(19,166)	(4,641)

The Company is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligations and the maximum amount callable as at 31 December 2019 was HK\$39.1 billion (2018: HK\$36.4 billion).

e. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to rental, trade and other receivables, cash and cash equivalents and over-the-counter derivative financial instruments. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies and procedures in each of the Group's core businesses. In respect of rental receivables, sufficient rental deposits from tenants are held to cover potential exposure to credit risk. Further, evaluations are made for the customers with reference to their repayment history and financial strength, as well as the economic environment in which the customer operates.

The Group measures loss allowance for trade receivables from customers in accordance with accounting policies (k). The allowance for expected credit losses is insignificant.

Cash at bank, deposits placed with financial institutions and investments and transactions involving derivative financial instruments are with counter parties with sound credit ratings to minimise credit exposure.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Company as set out in Note 27, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

NOTES TO THE FINANCIAL STATEMENTS

f. Fair values of assets and liabilities

i. Assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as defined in Note 8(d).

Financial instruments carried at fair value

The fair value measurement information for financial instruments in accordance with HKFRS 13 is given below:

	Fair value measurements as at 31 December 2019 categorised into			Total HK\$ Million
	Level 1 HK\$ Million	Level 2 HK\$ Million	Level 3 HK\$ Million	
Assets				
Other long term investments:				
– Equity investments	34,170	–	–	34,170
– Unlisted investments	–	–	2,361	2,361
Derivative financial instruments:				
– Forward foreign exchange contracts	–	97	–	97
– Interest rate swaps	–	176	–	176
– Cross currency interest rate swaps	–	29	–	29
	34,170	302	2,361	36,833
Liabilities				
Derivative financial instruments:				
– Interest rate swaps	–	93	–	93
– Cross currency interest rate swaps	–	425	–	425
– Forward exchange contract	–	44	–	44
Bank loans and other borrowings:				
– Bonds and notes	–	7,844	–	7,844
– Bank loans	–	509	–	509
	–	8,915	–	8,915

	Fair value measurements as at 31 December 2018 categorised into		
	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million
Assets			
Other long term investments:			
– Equity investments	29,198	–	29,198
– Unlisted investments	–	1,346	1,346
Derivative financial instruments:			
– Forward foreign exchange contracts	–	114	114
– Interest rate swaps	–	126	126
– Cross currency interest rate swaps	–	119	119
	29,198	1,705	30,903
Liabilities			
Derivative financial instruments:			
– Interest rate swaps	–	99	99
– Cross currency interest rate swaps	–	594	594
– Forward exchange contract	–	15	15
Bank loans and other borrowings:			
– Bonds and notes	–	11,834	11,834
– Bank loans	–	535	535
	–	13,077	13,077

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by using the forward exchange rates at the end of the reporting period and comparing them to the contractual rates.

The fair value of interest rate swaps and cross currency interest rate swaps in Level 2 is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

The fair values of bank loans and other borrowings in Level 2 is determined based on cash flows discounted using the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

NOTES TO THE FINANCIAL STATEMENTS

Valuation techniques and inputs used in Level 3 fair value measurements

The Group's unlisted investments measured at categorised in Level 3 comprise private equity funds. These private equity funds were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input. The fund managers estimated the fair value of underlying investments based on direct market quote for Level 1 financial instruments. For other investments, the fund managers apply appropriate valuation techniques such as latest transaction price, discounted cash flow, or a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instruments or based on any available observable market data.

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

	2019
	HK\$ million
Unlisted investments	
At 1 January	–
Transfer from Level 2	1,374
Payment for purchases	1,157
Disposal	(303)
Net unrealised gains recognised in consolidated income statement during the year	133
At 31 December	2,361

During the year, a portion of unlisted investments held by the Group with fair value as indicated above was transferred out of Level 2 into Level 3 of the fair value hierarchy. It was reviewed that the fair value of the unlisted investments were mostly by reference to unobservable inputs and accordingly, the whole portfolio was re-categorised into Level 3.

Any gain or loss arising from the remeasurement of the Group's unlisted investments are recognised in the other net charge (Note 3) in the consolidated income statement.

ii. **Assets and liabilities carried at other than fair value**

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 2018.

g. Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, to meet its financial obligations and continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

The Group monitors its capital structure by reviewing its net debt-to-equity ratios and cash flow requirements, taking into account of its future financial obligations and commitments. For this purpose, the Group defines net debt as total loans less bank deposits and cash. Shareholders' equity comprises issued share capital and reserves attributable to equity shareholders of the Company. Total equity comprises shareholders' equity and non-controlling interests.

The net debt-to-equity ratios as at 31 December 2019 and 2018 were as follows:

	2019 HK\$ Million	2018 HK\$ Million
Bank loans and other borrowings (Note 20)	46,336	43,086
Less: Bank deposits and cash (Note 17)	(27,292)	(17,448)
Net debt	19,044	25,638
Shareholders' equity	142,874	135,424
Total equity	146,343	138,760
Net debt-to-shareholders' equity ratio	13.3%	18.9%
Net debt-to-total equity ratio	13.0%	18.5%

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

24. SHARE CAPITAL AND RESERVES

a. Share capital

	2019 No. of shares Million	2018 No. of shares Million	2019 HK\$ Million	2018 HK\$ Million
Issued and fully paid ordinary shares				
At 1 January	3,047	3,037	30,173	29,760
Shares issued under the share option scheme	2	10	48	413
At 31 December	3,049	3,047	30,221	30,173

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

- b. The Group's equity, apart from share capital and other statutory capital reserves, includes investments revaluation reserves for dealing with the movements on revaluation of equity investments, other capital reserves for dealing with the grant date fair value of the granted unexercised share options in accordance with accounting policy note (v)(i), property revaluation reserve for dealing with the revaluation of properties held for own use in accordance with the accounting policy note (d)(iv) and the exchange reserves mainly for dealing with the exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy note (o).

The revenue reserves of the Group at 31 December 2019 included HK\$2,823 million (2018: HK\$2,249 million) in respect of statutory reserves of the subsidiaries in Mainland China.

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

The Company's equity and the details of the changes in the individual components between the beginning and the end of the year are set out below:

	Share capital HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
The Company				
At 1 January 2018	29,760	209	66,977	96,946
Profit for the year	–	–	3,000	3,000
Shares issued under the share option scheme	413	(174)	–	239
Equity settled share-based payments	–	18	–	18
2017 second interim dividend paid	–	–	(2,893)	(2,893)
2018 first interim dividend paid	–	–	(762)	(762)
At 31 December 2018 and 1 January 2019	30,173	53	66,322	96,548
Profit for the year	–	–	2,520	2,520
Shares issued under the share option scheme	48	(14)	–	34
Equity settled share-based payments	–	9	–	9
2018 second interim dividend paid	–	–	(1,219)	(1,219)
2019 first interim dividend paid	–	–	(762)	(762)
At 31 December 2019	30,221	48	66,861	97,130

- c. Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2019 amounted to HK\$66,861 million (2018: HK\$66,322 million).
- d. After the end of the reporting period, the Directors declared a second interim cash dividend of HK\$0.075 per share (2018: second interim cash dividend of HK\$0.40 per share) amounting to HK\$229 million based on 3,049 million issued ordinary shares (2018: HK\$1,219 million based on 3,047 million issued ordinary shares). This dividend has not been recognised as a liability at the end of the reporting period.

25. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	Note	2019 HK\$ Million	2018 HK\$ Million
Non-current assets			
Interest in subsidiaries		113,448	115,857
Loan to a subsidiary		2,233	6,848
Amount due from an associate		371	371
		116,052	123,076
Current assets			
Receivables		19	23
Bank deposits and cash		4	4
		23	27
Total assets		116,075	123,103
Non-current liabilities			
Bank loans and other borrowings		–	(2,283)
		–	(2,283)
Current liabilities			
Payables		(86)	(116)
Amounts due to subsidiaries		(16,093)	(19,058)
Amount due to an associate		(533)	(533)
Bank loans and other borrowings		(2,233)	(4,565)
		(18,945)	(24,272)
Total liabilities		(18,945)	(26,555)
NET ASSETS		97,130	96,548
Capital and reserves			
Share capital	24	30,221	30,173
Reserves		66,909	66,375
TOTAL EQUITY		97,130	96,548

Stephen T H Ng
Chairman & Managing Director

Paul Y C Tsui
Vice Chairman, Executive Director & Group Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

26. MATERIAL RELATED PARTIES TRANSACTIONS

Material transactions between the Group and other related parties during the year ended 31 December 2019 are as follows:

- a. In respect of the year ended 31 December 2019, the Group earned rental income totalling HK\$139 million (2018: HK\$154 million) which received from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the chairman of the Company's ultimate holding company.
- b. There were in existence agreements with subsidiaries of Wharf REIC for the management, marketing, project management and technical services on Wharf REIC's hotel operations. Total fees receivable under this arrangement during the current period amounted to HK\$62 million (2018: HK\$107 million). Such transaction also constitutes a connected transaction as defined under Listing Rules.
- c. During the year, the Group acquired the entire interests in a Hangzhou property project for development of residential properties from a subsidiary of the ultimate holding company for a consideration of HK\$1,362 million. Such transaction is considered to be a related party transaction and also constitute connected transaction as defined under the Listing Rules.
- d. Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in Notes 2(b) and 2(c).

In addition to the above transactions, details of the Group's amounts due from and to related parties are disclosed in Notes 10 and 11.

27. CONTINGENT LIABILITIES

As at 31 December 2019, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK\$63,776 million (2018: HK\$57,166 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK\$2,378 million (2018: HK\$1,998 million) of which HK\$1,090 million (2018: HK\$1,034 million) had been drawn.

As at 31 December 2019, there were guarantees of HK\$2,718 million (2018: HK\$3,273 million) provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's development properties. There were also mortgage loan guarantees of HK\$1,407 million (2018: HK\$1,780 million) provided by joint ventures and associates of the Group to the banks in favour of their customers.

The Group and the Company have not recognised any deferred income of the above guarantees for subsidiaries, joint ventures and associates as their fair value cannot be reliably measured and their transaction price was HK\$ Nil.

As at the end of the reporting period, the Directors do not consider it is probable that a claim will be made against the Group and the Company under any of the guarantees.

28. COMMITMENTS

The Group's outstanding commitments as at 31 December 2019 are detailed as below:

a. Planned expenditure

	2019			2018		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
(I) Properties						
Investment property						
Hong Kong	674	–	674	894	–	894
Mainland China	159	148	307	54	267	321
	833	148	981	948	267	1,215
Development property						
Hong Kong	473	–	473	81	–	81
Mainland China	8,787	8,841	17,628	9,163	13,041	22,204
	9,260	8,841	18,101	9,244	13,041	22,285
Properties total						
Hong Kong	1,147	–	1,147	975	–	975
Mainland China	8,946	8,989	17,935	9,217	13,308	22,525
	10,093	8,989	19,082	10,192	13,308	23,500
(II) Others	3,140	57	3,197	3,612	70	3,682
	3,140	57	3,197	3,612	70	3,682
Total	13,233	9,046	22,279	13,804	13,378	27,182

- i. Properties commitments are mainly for construction costs to be incurred in the forthcoming years including HK\$0.1 billion (2018: HK\$1.3 billion) attributable land costs.
- ii. The expenditure for development property included attributable amounts for developments undertaken by joint ventures and associates of HK\$6,534 million (2018: HK\$10,443 million) in Mainland China.

29. CHANGES IN ACCOUNTING POLICIES

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

HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over income tax treatments
Amendments to HKAS 28	Long-term interest in associates and joint ventures
Annual Improvements to HKFRSs 2015- 2017 Cycle	

The Group has assessed the impact of the adoption of the above new standards and amendments and considered that there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies, except for HKFRS 16, Leases, as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right of use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 and remain substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has applied HKFRS 16 at 1 January 2019. Further details of the nature and effect of the changes to previous accounting policies of the Group upon the adoption of HKFRS 16 are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has applied the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after 1 January 2019. For contracts that entered into before 1 January 2019, the Group has used the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases.

b. Transitional impact

HKFRS 16 primarily affect the Group’s accounting as a lessee of leases for properties, plant and equipment which was classified as operating leases in previous accounting period. As allowed by HKFRS 16, the Group has elected the modified retrospective approach for the adoption of HKFRS 16 and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and has not restated the comparative information.

For lease liabilities, at the date of transition to HKFRS 16 the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rates at 1 January 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has also elected the practical expedient for not applying the new accounting model to short-term leases (i.e. lease term of 12 months or less from 1 January 2019) and leases of low-value assets.

Upon adoption of HKFRS 16 on 1 January 2019, the Group recognised right of use assets under property, plant and equipment of HK\$74 million, and current and non-current lease liabilities amounting to HK\$33 million and HK\$41 million, respectively. There was no impact on the opening balance of equity. The difference between the amount of operating lease commitments as at 31 December 2018 as disclosed in the Group’s 2018 consolidated financial statements and the amount of lease liabilities initially recognised at 1 January 2019 mainly related to a lease with remaining lease term of less than 12 months from 1 January 2019, and the discounting effect of lease payments.

After initial recognition of right of use assets and lease liabilities at 1 January 2019, the Group as a lessee has recognised interest expense accrued on the outstanding balances of the lease liabilities, and the depreciation of the right of use assets (and impairment losses (if any)), instead of the previous accounting policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

c. Leasehold investment properties

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation (“leasehold investment properties”). The adoption of HKFRS 16 does not have a significant impact on the Group’s consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

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

The “principal accounting policies” set out on pages 152 to 171 summaries the accounting policies of the Group after the adoption of these polices to the extent that they are relevant to the Group.

30. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8, Definition of material	1 January 2020
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined by HKICPA

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

31. EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the Directors declared a second interim dividend. Further details are disclosed in Note 6.

32. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2019 to be Wheelock and Company Limited, which is incorporated and listed in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 10 March 2020.

PRINCIPAL ACCOUNTING POLICIES

a. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are detailed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 29 to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

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

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

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

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

c. BASIS OF CONSOLIDATION

i. Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note (f) depending on the nature of the liability.

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note (k)(ii)).

ii. Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes (c)(iii) and (k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income. Adjustments are made on consolidation to the financial information of associates and joint ventures where necessary to ensure consistency with the accounting policies adopted by the Group.

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

PRINCIPAL ACCOUNTING POLICIES

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note (f)).

In the individual Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note (k)(ii)).

iii. Goodwill

Goodwill represents the excess of

- (a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note (k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

d. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

i. Investment properties

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

Investment properties are stated in the consolidated statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Investment properties under development are stated at cost less impairment (see note (k)(ii)) if the fair value cannot be measured reliably. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated income statement. Rental income from investment properties is accounted for as described in note (p)(i).

If the property was previously held for own use, then it is accounted for as property, plant and equipment up to the date of the change in use. Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment in accordance with note (d)(iv) below, even if the property was previously measured at cost. Any existing or arising revaluation surplus previously recognised in other comprehensive income is not transferred to consolidated income statement at the date of transfer or on subsequent disposal of the investment property. However, on subsequent disposal, any existing revaluation surplus that was recognised when revaluation model was applied to the property may be transferred to revenue reserves.

ii. Hotel properties

Hotel properties are stated at cost less accumulated depreciation and impairment losses (see note (k)(ii)).

iii. Other property, plant and equipment held for own use

Other property, plant and equipment held for own use is stated at cost less accumulated depreciation and impairment losses (see note (k)(ii)) or fair value.

Changes arising on the revaluation of properties held for own use under fair value model are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to consolidated income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to consolidated income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to consolidated income statement.

- iv. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

e. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using a straight line method over their estimated useful lives as follows:

i. Investment properties

No depreciation is provided on investment properties.

ii. Hotel properties

Depreciation is provided on the cost of the leasehold land of hotel properties over the unexpired period of the lease. Costs of buildings thereon are depreciated on a straight line basis over their estimated useful lives of not more than 40 years.

PRINCIPAL ACCOUNTING POLICIES

iii. Other property, plant and equipment held for own use

Depreciation is provided on the cost of the leasehold land of all other properties held for own use over the unexpired period of the lease. Costs of the buildings thereon are depreciated on a straight line basis over their unexpired period of leases or estimated useful life whichever is shorter.

Depreciation is provided on a straight line basis over their estimated useful lives of these assets of 3 to 25 years.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

f. FINANCIAL INSTRUMENTS

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are recognised in the consolidated statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

i. Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis.

All financial assets not classified and measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

The 'other long term investments' caption in the consolidated statement of financial position includes:

- equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss; and
- equity investment securities designated as at FVOCI.

The Group elects to present in OCI changes in the fair value of investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Investments in equity securities (other than investments in subsidiaries, associates and joint ventures) are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

PRINCIPAL ACCOUNTING POLICIES

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The Group has designated all investments in equity instruments (listed or unlisted) that are not held for trading as at FVOCI since the application of HKFRS 9.

ii. Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

In the case of equity investment, cumulative gains and losses recognised in OCI are never reclassified to the consolidated income statement but transferred to retained earnings on disposal of an investment.

iii. Classification and measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iv. Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) with modified terms is recognised in profit or loss.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under HKFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading.

g. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (note (h)).

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

PRINCIPAL ACCOUNTING POLICIES

h. HEDGING

i. Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the consolidated income statement. The gain or loss from remeasuring the hedging instrument at fair value together with the gain or loss on the hedged item attributable to the hedged risk are recorded in the consolidated income statement.

ii. Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in equity. The ineffective portion of any gain or loss is recognised immediately in the profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the consolidated income statement immediately.

iii. Hedge of net investment in a foreign operation

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to the consolidated income statement. The ineffective portion is recognised immediately in profit or loss. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

i. LEASED ASSETS

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

i. As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right of use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right of use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right of use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right of use asset is subsequently stated at cost less accumulated depreciation (see note (e) for each type of underlying asset) and impairment losses (see note (k)(ii)), except for the following types of right of use asset:

- right of use assets that meet the definition of investment properties are carried at fair value in accordance with note (d)(i); and
- right of use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note (l).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group includes right of use assets that do not meet the definition of investment properties and properties for sale in 'property, plant and equipment' in the consolidated statement of financial position.

PRINCIPAL ACCOUNTING POLICIES

ii. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note (p)(i).

j. CONTRACT ASSETS AND LIABILITIES

A contract asset is recognised when the Group recognises revenue (see note (p)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note (p)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

k. IMPAIRMENT OF ASSETS

i. Impairment of financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of financial instruments since initial recognition, in which the ECLs are measured at an amount equal to lifetime ECLs. For trade receivables (including lease receivables), the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. Impairment of non-financial assets (including right of use assets)

The carrying amounts of non-financial assets, other than properties carried at revalued amounts (including investments in subsidiaries in the Company's statement of financial position, investments in associates and joint ventures accounted for under the equity method (see Note (c)(ii))) and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

PRINCIPAL ACCOUNTING POLICIES

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed (including those provided during the interim financial reporting).

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

– *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

I. PROPERTIES FOR SALE

i. Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised (see note (q)), attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property. Cost of completed properties for sale comprises all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location and condition.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

ii. Properties under development for sale

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes identified costs including the acquisition cost of land, aggregate cost of development, borrowing costs capitalised (see note (q)), material and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is estimated by management, taking into account the expected price that can ultimately be achieved, based on prevailing market conditions and the anticipated costs of completion and costs to be incurred in selling the property.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

m. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated by the management, based on the expected selling price in the ordinary course of business less the anticipated costs of completion and the estimated costs necessary to make the sale.

n. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

o. FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the statements of financial position of foreign operations are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities

The results of foreign operations are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Differences arising from the translation of the financial statements of foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated income statement.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is reclassified from equity to the consolidated income statement and is included in the calculation of the profit or loss on disposal.

PRINCIPAL ACCOUNTING POLICIES

p. RECOGNITION OF REVENUE

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

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

- i. Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised in the accounting period in which they are earned.
- ii. Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, or when the property is accepted by customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities as "Deposits from sale of properties".

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and either the completion date of legal assignment or the date when the property is accepted by the customer. This accrual increases the balance of "Deposits from sale of properties" during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, Borrowing costs (see note (q)).

- iii. Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

- iv. Interest income is recognised as it accrues using the effective interest method.
- v. Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

q. BORROWING COSTS

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

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

r. INCOME TAX

- i. Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
- ii. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- iii. Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may be capable to support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

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

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

Additional income taxes that will probably arise from the distribution of dividends are recognised when the related dividends are likely to be payable in the foreseeable future.

PRINCIPAL ACCOUNTING POLICIES

- iv. Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

s. RELATED PARTIES

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

t. FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

i. Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note (t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (ii) the amount of that claim on the group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

ii. Other provisions and contingent liabilities

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

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

u. SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group’s top management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

PRINCIPAL ACCOUNTING POLICIES

v. EMPLOYEE BENEFITS

i. Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using Binomial Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the other statutory capital reserves) or the option expires (when it is released directly to revenue reserves).

ii. Employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits, including salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

w. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 23 contain information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

– Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their market value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential and redevelopment potential of the properties.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices and the appropriate capitalisation rate.

– Assessment of the useful economic lives for depreciation of property, plant and equipment

In assessing the estimated useful lives of property, plant and equipment, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the Group.

Management reviews the useful lives of property, plant and equipment annually and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

– Assessment of impairment of non-current assets

Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

– Assessment of provision for properties for sale

Management determines the net realisable value of properties for sale by using (i) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (ii) internal estimates of costs based on quotes by suppliers.

Management's assessment of the net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate and estimates may need to be adjusted in later periods.

– Recognition of deferred tax assets

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cashflows.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2019

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Properties				
# Wharf Development Limited	Hong Kong	HK\$7,000,000,000 divided into 7,000,000,000 shares	100	Holding company
Wharf Peak Properties Limited	Hong Kong	HK\$30,000,000 divided into 3,000,000 shares	100	Property
New Tech Centre Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	100	Property
Alpha Pioneer Limited	Hong Kong	HK\$1 divided into 1 share	100	Property
Horizon Moon Limited	Hong Kong	HK\$1 divided into 1 share	100	Property
Vision Charm Limited	Hong Kong	HK\$1 divided into 1 share	100	Property
Wealthy Bay Limited	Hong Kong	HK\$1 divided into 1 share	100	Property
# Wharf China Holdings (0004) Limited	British Virgin Islands	5,129,000,000 US\$1 shares	100	Holding company
Wharf China Estates (0004) Limited	British Virgin Islands	1,000,000 US\$1 shares	100	Holding company
Broader Link Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Bucksfull Company Limited	Hong Kong	HK\$158 divided into 158 shares	100	Holding company
Cardell Company Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Cheerwill Properties Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Chengdu IFC Development Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Genius View International Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Harriman China Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Holmwood Limited	Hong Kong	HK\$2 divided into 2 shares	100	Ownership of trade marks
Malaga Company Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Merry Bond (0004) Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Radiant Lead Global Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Rising Chain International Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Sharp Hero Holdings Limited	British Virgin Islands	1 US\$1 share	100	Holding company
Singford International Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Strong Field International Limited	Hong Kong	HK\$1 divided into 1 share	100	Ownership of trade marks
Topusko Limited	Hong Kong	HK\$20 divided into 2 shares	100	Holding company
Treasure Board (0004) Limited	British Virgin Islands	1 US\$1 share	100	Holding company
Wharf Beijing Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Wharf China Estates Limited	Hong Kong	HK\$1 divided into 1 share	100	Management services
Wharf Chongqing Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Wharf Dalian Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Wharf Estates China Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Wharf Shanghai Estates Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Wise Noble Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
ⁱⁱ Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US\$45,000,000	100	Property
ⁱⁱ Dalian Times Square Development Company Limited	The People's Republic of China	RMB200,000,000	100	Property
ⁱⁱ Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB223,533,440	100	Property
ⁱ Shanghai Wheelock Square Development Limited	The People's Republic of China	US\$144,000,000	98	Property
ⁱⁱ 上海夏利文物業管理有限公司	The People's Republic of China	US\$500,000	100	Property management
ⁱⁱ 大連時代豪庭物業管理有限公司	The People's Republic of China	HK\$1,040,000	100	Property management

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
ii 重慶時代廣場物業管理有限公司	The People's Republic of China	US\$70,000	100	Property management
ii 龍昌綜合開發(成都)有限公司	The People's Republic of China	HK\$221,000,000	100	Property
ii 龍錦綜合開發(成都)有限公司	The People's Republic of China	US\$1,930,400,000	100	Property
ii 成都時代奧特萊斯商業有限公司	The People's Republic of China	HK\$170,000,000	100	Property
ii 長沙時代奧特萊斯商業有限公司	The People's Republic of China	US\$40,000,000	100	Property
ii 九龍倉(長沙)置業有限公司	The People's Republic of China	US\$2,050,890,079	100	Property
iv 龍潤房地產開發(成都)有限公司	The People's Republic of China	RMB20,000,000	100	Property
ii 九龍倉(北京)企業管理有限公司	The People's Republic of China	US\$2,000,000	100	Holding company
iv 致昌(北京)企業管理有限公司	The People's Republic of China	RMB10,000,000	100	Holding company
iv 大連德高企業管理有限公司	The People's Republic of China	RMB5,000,000	100	Holding company
iv 大連盈致企業管理有限公司	The People's Republic of China	RMB10,000,000	100	Holding company
Wharf China Development (0004) Limited	British Virgin Islands	1,000,000 US\$1 shares	100	Holding company
Advance Trend Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
All Delight Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
All Genius Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Amicable Creation Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Apex Mind Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Bright Wave Group Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Booming Era Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Concept Plus Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Corning Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Creative City Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Dragon Legacy Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Eventful Decade Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Fantastic Gain Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Fame Treasure International (0004) Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Famous Master International Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Favour Year Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Fine Noble Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Fine Super Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Flying Will Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Gold Unicorn Holdings Limited	Hong Kong	HK\$1,459,380,000 divided into 1,459,380,000 shares	100	Holding company
Greatworth Investments Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Global Bloom Investments Limited	Hong Kong	HK\$100,000,000 divided into 100,000,000 shares	100	Holding company
Go Triumph Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Great Venturer Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Harvest Moment Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Idea Treasure Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Joyful Honour Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Key Advance Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Lion Voice Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Main Light Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Master Joy Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Max Speed International Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Mega Full Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Merit Joy Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Merit Perfection Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Noble Key Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2019

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
One Victory Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Onyee Properties Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Perfect Joy Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Pilot Focus International Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Power Shine Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Power Unicorn Holdings Limited	British Virgin Islands	1 US\$1 share	100	Holding company
Promise Well Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Radiant South (0004) Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Real Sky Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Rumba Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	82	Holding company
Show All Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Silver Zone International Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Simply Thrive Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Sino Season Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Sky Join Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Sky Step (0004) Limited	British Virgin Islands	1 US\$1 shares	100	Holding company
Smart Bloom Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Smartworth Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Smooth Flow Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
South Honest (0004) Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Star Apex International Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Star Colour (0004) Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Star Rank Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Step Line Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Sunny Point Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Total Up International Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Trade Right Investments Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Trendy Win Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Utmost Success Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Walsham Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Wharf China Development Limited	Hong Kong	HK\$1 divided into 1 share	100	Management services
Wharf China Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Management services
Wharf China Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Wharf CIM Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Wharf Chengdu Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Wharf (Jingan) Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Wharf Ningbo Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Wharf Shanghai Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	100	Holding company
Wharf Wuhan Limited	Hong Kong	HK\$2 divided into 2 shares	100	Holding company
Wharf Properties China (0004) Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Wharf Properties China Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Wiser Global Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
ⁱⁱ 漢龍實業綜合開發(武漢)有限公司	The People's Republic of China	US\$33,100,000	100	Property
ⁱⁱ 九龍倉(武漢)置業有限公司	The People's Republic of China	US\$46,000,000	100	Property
ⁱⁱ 武漢時代廣場物業管理有限公司	The People's Republic of China	US\$550,000	100	Property management
ⁱ 上海龍申房地產發展有限公司	The People's Republic of China	US\$22,330,000	55	Property

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
ii 上海莉源房地產開發有限公司	The People's Republic of China	US\$195,000,000	100	Property
ii 上海萊源房地產開發有限公司	The People's Republic of China	US\$35,000,000	100	Property
ii 上海清源房地產開發有限公司	The People's Republic of China	US\$70,000,000	100	Property
ii 九龍倉(上海)企業管理有限公司	The People's Republic of China	US\$2,000,000	100	Management services
ii 大上海時代廣場物業管理(上海)有限公司	The People's Republic of China	US\$500,000	100	Property management
ii 龍茂房地產開發(成都)有限公司	The People's Republic of China	HK\$26,000,000	100	Property
ii 龍悅房地產開發(成都)有限公司	The People's Republic of China	US\$3,000,000	100	Property
ii 龍嘉房地產開發(成都)有限公司	The People's Republic of China	HK\$275,500,000	100	Property
ii 蘇州蘇龍地產發展有限公司	The People's Republic of China	US\$6,800,000	100	Property
ii 蘇州瑞龍地產發展有限公司	The People's Republic of China	US\$63,000,000	100	Property
ii 蘇州銀龍地產發展有限公司	The People's Republic of China	US\$200,000,000	100	Property
iv 蘇州耀龍投資管理有限公司	The People's Republic of China	RMB5,000,000	100	Holding company
i 蘇州祥龍地產發展有限公司	The People's Republic of China	RMB817,150,000	100	Property
i 蘇州兆龍地產發展有限公司	The People's Republic of China	RMB2,289,110,000	100	Property
iv 杭州堡華房地產開發有限公司	The People's Republic of China	RMB500,000,000	100	Property
ii 蘇州昌龍地產發展有限公司	The People's Republic of China	RMB2,181,500,000	100	Property
ii 蘇州昇龍地產發展有限公司	The People's Republic of China	RMB2,855,000,000	100	Property
ii 九龍倉(無錫)置業有限公司	The People's Republic of China	US\$257,580,000	100	Property
ii 無錫九龍倉物業管理有限公司	The People's Republic of China	US\$1,000,000	100	Property management
ii 無錫港龍置業有限公司	The People's Republic of China	US\$42,900,000	100	Property
ii 無錫河畔置業有限公司	The People's Republic of China	US\$20,400,000	100	Property
ii 無錫都會置業有限公司	The People's Republic of China	US\$50,600,000	100	Property
ii 港盈房地產(杭州)有限公司	The People's Republic of China	US\$16,990,000	100	Property
ii 九龍倉(杭州)置業有限公司	The People's Republic of China	US\$20,000,000	100	Property
ii 堡盈房地產(杭州)有限公司	The People's Republic of China	US\$20,000,000	100	Property
ii 錦興房地產開發(杭州)有限公司	The People's Republic of China	US\$126,000,000	100	Property
ii 洋立房地產(杭州)有限公司	The People's Republic of China	HK\$25,000,000	100	Property
ii 望華房地產(杭州)有限公司	The People's Republic of China	HK\$30,000,000	100	Property
ii 富匯房地產開發(富陽)有限公司	The People's Republic of China	US\$187,000,000	100	Property
ii 會盈房地產(杭州)有限公司	The People's Republic of China	US\$4,930,000	100	Holding company
ii 杭州杭龍置業管理有限公司	The People's Republic of China	US\$5,160,000	100	Holding company
ii 富景房地產開發(富陽)有限公司	The People's Republic of China	US\$16,000,000	100	Property
ii 龍鼎房地產(杭州)有限公司	The People's Republic of China	HK\$1,996,959,479	100	Property
ii 寰華房地產(杭州)有限公司	The People's Republic of China	HK\$3,442,577,644	100	Property
ii 寧波立成置業有限公司	The People's Republic of China	US\$42,000,000	100	Property
ii 九龍倉置業(廣州)有限公司	The People's Republic of China	HK\$1,000,000	100	Holding company
ii 九龍倉置業(重慶)有限公司	The People's Republic of China	US\$300,000	100	Property
ii 九龍倉(中國)物業管理有限公司	The People's Republic of China	HK\$60,000,000	100	Property management
ii 九龍倉(中國)投資有限公司	The People's Republic of China	US\$30,000,007	100	Holding company
ii 大連時代廣場商業有限公司	The People's Republic of China	US\$4,500,000	100	Property
ii 杭州堡龍投資管理有限公司	The People's Republic of China	US\$15,000,000	100	Property management
Logistics				
Modern Terminals Limited	Hong Kong	HK\$82,049,200 divided into 70,116 shares	68	Container terminal
i Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB5,775,550,000	44	Container terminal

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2019

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Hotels				
# Wharf Hotels Limited	British Virgin Islands	500 US\$1 shares	100	Holding company
Chengdu Niccolo Holdings (Hong Kong) Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Extra Talent Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Primal Talent Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Wharf China Hotels Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
Wharf Hotels Management Limited	Hong Kong	HK\$20 divided into 2 shares	100	Hotel
ii 武漢馬哥孛羅酒店有限公司	The People's Republic of China	US\$3,850,000	100	Hotel
ii 成都馬哥孛羅酒店有限公司	The People's Republic of China	US\$8,000,000	100	Hotel
ii 長沙尼依格羅酒店有限公司	The People's Republic of China	US\$8,000,000	100	Hotel
Investment and others				
Wharf CME2 Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	100	Investment
Wharf Limited	Hong Kong	HK\$20 divided into 2 shares	100	Management services
Wharf Finance Limited	Hong Kong	HK\$2 divided into 2 shares	100	Finance
Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	100	Finance
# Wharf Hong Kong Limited	Cayman Islands	500,000,000 US\$1 shares	100	Holding company
Wharf China Finance Limited	Hong Kong	HK\$5,000,000 divided into 5,000,000 shares	100	Finance
Wharf Finance (No.1) Limited	Hong Kong	HK\$2 divided into 2 shares	100	Finance
Every Success Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Finance
Proper Run Limited	Hong Kong	HK\$1 divided into 1 share	100	Finance
Wobble Company Limited	Hong Kong	HK\$1 divided into 1 share	100	Finance
# Classic Partner Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company
# Spring Day Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100	Holding company

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
Properties				
Start Treasure Limited	Hong Kong	Ordinary	15	Property
Harpen Company Limited	Hong Kong	Ordinary	50	Holding company
Magic Delight Limited	Hong Kong	Ordinary	50	Holding company
Cheerful Age Company Limited	Hong Kong	Ordinary	50	Holding company
Victor Choice Investments Limited	Hong Kong	Ordinary	49	Holding company
蘇州茂龍地產發展有限公司	The People's Republic of China	Registered	49	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	50	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	50	Property
天津雍景灣房地產開發有限公司	The People's Republic of China	Registered	50	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲上園房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲觀園房地產有限公司	The People's Republic of China	Registered	40	Property
佛山招商果嶺房地產有限公司	The People's Republic of China	Registered	40	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲孝德房地產有限公司	The People's Republic of China	Registered	50	Property
佛山招商光華房地產有限公司	The People's Republic of China	Registered	50	Property
佛山招商中環房地產有限公司	The People's Republic of China	Registered	50	Property
廣州市萬尚房地產有限公司	The People's Republic of China	Registered	33	Property
北京廣盈房地產開發有限公司	The People's Republic of China	Registered	33	Property
北京亞林東房地產開發有限公司	The People's Republic of China	Registered	25	Property
北京亞林西房地產開發有限公司	The People's Republic of China	Registered	25	Property
北京亮馬置業有限公司	The People's Republic of China	Registered	30	Property
杭州築家房地產開發有限公司	The People's Republic of China	Registered	50	Property
蘇州孚元置業有限公司	The People's Republic of China	Registered	33	Property
杭州龍孜投資管理有限公司	The People's Republic of China	Registered	26	Property
蘇州工業園區園嶸捷建設發展有限公司	The People's Republic of China	Registered	30	Property
蘇州新高智建設發展有限公司	The People's Republic of China	Registered	30	Property
杭州綠城九龍倉置業有限公司	The People's Republic of China	Registered	50	Property
浙江綠九置業有限公司	The People's Republic of China	Registered	50	Property
杭州綠九濱聞置業有限公司	The People's Republic of China	Registered	50	Property
杭州龍昊房地產開發有限公司	The People's Republic of China	Registered	22.5	Property
杭州綠九啟奧置業有限公司	The People's Republic of China	Registered	35	Property
杭州致謙投資有限公司	The People's Republic of China	Registered	50	Holding company
杭州綠城朝陽置業有限公司	The People's Republic of China	Registered	50	Property
杭州臻祿投資有限公司	The People's Republic of China	Registered	7	Holding company
杭州綠城桂溪房地產開發有限公司	The People's Republic of China	Registered	7	Property
龍景房地產(杭州)有限公司	The People's Republic of China	Registered	50	Property
Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	21	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	14	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2019

Joint ventures	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
Properties				
Market Prospect Limited	Hong Kong	Ordinary	50	Property
Clear Elegant Limited	Hong Kong	Ordinary	30	Property
Elite Mind International Limited	Hong Kong	Ordinary	40	Holding company
Empire Land Investments Limited	Hong Kong	Ordinary	50	Holding company
Green Magic Investments Limited	Hong Kong	Ordinary	60	Holding company
Tower Beyond Limited	Hong Kong	Ordinary	50	Holding company
Vanguard Insight Limited	Hong Kong	Ordinary	50	Holding company
Long Global Investment Limited	Hong Kong	Ordinary	30	Holding company
Tartar Investments Limited	British Virgin Islands	Ordinary	30	Holding company
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	40	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	50	Property
重慶尼依格羅酒店有限公司	The People's Republic of China	Registered	50	Hotel
祥寶投資(成都)有限公司	The People's Republic of China	Registered	30	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	50	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	50	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	50	Property
蘇州皓龍地產發展有限公司	The People's Republic of China	Registered	60	Property
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	60	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	50	Property
深圳前晉置業有限公司	The People's Republic of China	Registered	50	Property
北京西局置業有限公司	The People's Republic of China	Registered	80	Property
廣州建融房地產開發有限公司	The People's Republic of China	Registered	18	Holding company
廣州建德房地產開發有限公司	The People's Republic of China	Registered	18	Property
廣州安合房地產開發有限公司	The People's Republic of China	Registered	10	Property

Subsidiaries held directly

i This entity is registered as a sino-foreign joint venture company under PRC law

ii This entity is registered as a wholly foreign owned enterprise under PRC law

iii This entity is registered as a foreign owned enterprise under PRC law

iv This entity is registered as a wholly domestic owned enterprise under PRC law

Notes:

(a) All the subsidiaries listed above were, as at 31 December 2019, indirect subsidiaries of the Company except where marked #.

(b) The above list gives the principal subsidiaries, associates and joint ventures of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.

(c) Set out below is details of debt securities issued by the Company and its wholly-owned subsidiaries and guaranteed by the Company:

Name of subsidiary/Borrower	Description of debt securities	Outstanding principal amount
Wharf Finance (BVI) Limited	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$250 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$370 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$480 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$500 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$280 Million
	RMB Guaranteed Fixed Rate Notes due 2021	RMB215 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$300 Million
Wharf Finance Limited	US\$ Guaranteed Floating Rate Notes due 2020	US\$20 Million
	US\$ Guaranteed Fixed Rate Notes due 2021	US\$50 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$345 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$424 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$60 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$312 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$382 Million
	US\$ Guaranteed Fixed Rate Notes due 2022	US\$60 Million
	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$500 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$195 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$185 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$177 Million
	HK\$ Guaranteed Fixed Rate Notes due 2025	HK\$800 Million
HK\$ Guaranteed Fixed Rate Notes due 2027	HK\$230 Million	
HK\$ Guaranteed Fixed Rate Notes due 2040	HK\$250 Million	
Wharf Finance (No. 1) Limited	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$550 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$180 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB200 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB300 Million
	SG\$ Guaranteed Fixed Rate Notes due 2021	SG\$260 Million
	RMB Guaranteed Fixed Rate Notes due 2023	RMB200 Million
	JPY Guaranteed Fixed Rate Notes due 2026	JPY10,000 Million
The Wharf (Holdings) Limited	RMB Fixed Rate Notes due 2020	RMB2,000 Million

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
	Total	Office	Retail	Residential	Others
HONG KONG					
Properties – Investment					
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000
Units at Strawberry Hill, 8 Plunkett's Road & 32 Plantation Road, The Peak	13,000	–	–	13,000	–
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–
11 Plantation Road, The Peak	46,300	–	–	46,300	–
1 Plantation Road, The Peak	91,000	–	–	91,000	–
77 Peak Road, The Peak	42,200	–	–	42,200	–
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	1,032,000	–	–	–	1,032,000
Total Hong Kong Property – Investment	1,833,500	–	–	235,500	1,598,000
Property – Development					
Kowloon Tong Residential Project, Lung Cheung Road, Kowloon	436,400	–	–	436,400	–
One Midtown, 11 Hoi Shing Road, Tsuen Wan	1,900	–	–	–	1,900
Peninsula East, 5 Tung Yuen Street, Yau Tong	42,600	–	42,600	–	–
	480,900	–	42,600	436,400	1,900
Associates/joint ventures (Attributable – Note g)					
Various Lots at Yau Tong Bay, Yau Tong	611,400	–	13,700	597,700	–
Mount Nicholson, 8 Mount Nicholson Road, The Peak	42,000	–	–	42,000	–
Kai Tak Area 4A Site 2	361,500	–	11,900	324,500	25,100
	1,014,900	–	25,600	964,200	25,100
Total Hong Kong Property – Development	1,495,800	–	68,200	1,400,600	27,000
HONG KONG TOTAL	3,329,300	–	68,200	1,636,100	1,625,000

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
(Industrial)	N/A	TWTL 218	2047	1992	N/A	100%
	N/A	RBL 512 & 1004	2027/28	1974/77	N/A	100%
	29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	100%
	32,145	RBL 522, 639, 661	2027	2017	Fitout works in progress	100%
	97,670	RBL 534 S.E., S.F. & R.P.	2028	2022/23/24	Superstructure in progress	100%
	76,726	RBL 836	2029	2017	Fitout works in progress	100%
(Industrial)	165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	100%
	121,224	NKIL 6579	2068	2023	Foundation in progress	100%
	66,000	TWIL 36	2047	2012	N/A	100%
	42,625	YTIL 40 RP	2062	2016	N/A	100%
	816,872	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	15%
	250,930	IL 9007	2060	2016	N/A	50%
	197,552	NKIL 6554	2069	2024	Planning stage	30%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
	Total	Office	Retail	Residential	Others
MAINLAND CHINA					
Property – Investment					
Completed Investment Properties					
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangan District, Wuhan	8,000	–	8,000	–	–
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	188,000	–	188,000	–	–
Times Outlets Chengdu No. 99 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–
Chengdu International Finance Square Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	6,042,000	3,092,000	2,195,000	755,000	–
Wuxi International Finance Square Taihu Plaza, Nanchang District, Wuxi	2,036,000	2,036,000	–	–	–
Chongqing International Finance Square Zones A of Jiangbei City, Jiang Bei District, Chongqing (Attributable – Note g)	1,320,000	747,000	573,000	–	–
Shanghai Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,199,000	1,149,000	50,000	–	–
Changsha International Finance Square Furong District, Changsha	2,644,000	–	2,644,000	–	–
Times Outlets Changsha 168 Ou Zhou Bei Lu, Jinzhou New District Industrial Concentration Zone Changsha, Hunan China	772,000	–	772,000	–	–
	16,453,800	7,368,800	8,135,000	950,000	–
Investment Properties Under Development					
Shenzhen Qianhai Apartment Project Site no. T102-0262, Qianhai, Nanshan District, Shenzhen (Attributable – Note g)	274,000	–	43,000	226,000	5,000
	274,000	–	43,000	226,000	5,000
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangan District, Wuhan	405,000	–	–	–	405,000
Niccolo Chengdu Tower 3, IFS, No.1, Section 3, Hongxing Road Jinjiang District, Chengdu, Sichuan 610021, China	448,000	–	–	–	448,000
Niccolo Changsha Tower 1, Changsha IFS, 188 Jiefang West Road, Furong District, Changsha, Hunan 410005, China	442,000	–	–	–	442,000
Niccolo Chongqing Tower 1, Chongqing IFS, 38 North Avenue Jiangbeicheng, Jiangbei District, Chongqing 400023, China (Attributable – Note g)	219,000	–	–	–	219,000
	1,514,000	–	–	–	1,514,000
Total Mainland China Property – Investment	18,241,800	7,368,800	8,178,000	1,176,000	1,519,000

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	148,703	N/A	2043	1999	N/A	100%
	95,799	N/A	2050	2004	N/A	100%
	(a)	N/A	2053	2008	N/A	100%
	(b)	N/A	2039	2008	N/A	100%
	(c)	N/A	2047	2009	N/A	100%
	(d)	N/A	2047/79	2013/14/16	N/A	100%
	313,867	N/A	2047/57	2014	N/A	100%
	(e)	N/A	2051	2017	N/A	50%
	136,432	N/A	2049	2010	N/A	98%
	(f)	N/A	2051	2018	N/A	100%
	1,299,000	N/A	2055	2016	N/A	100%
	80,000	N/A	2057	2021	Superstructure in progress	50%
(A 356-room hotel)	(a)	N/A	2053	2008	N/A	100%
(A 230-room hotel)	(d)	N/A	2049	2015	N/A	100%
(A 243-room hotel)	(f)	N/A	2051	2018	N/A	100%
(A 252-room hotel on 100% ownership)	(e)	N/A	2051	2017	N/A	50%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
	Total	Office	Retail	Residential	Others
Property – Development					
Hangzhou Royal Seal Lot#FG05 of Wenhui Road, Hangzhou	14,000	–	–	14,000	–
Hangzhou Imperial Park Lot#XC0502-R21-40, Santang Unit, Xiacheng District, Hangzhou	324,000	–	–	324,000	–
Shi Ji Hua Fu Yingbin North Road/Fenshou Road, Fuchun District, Fuyang, Hangzhou	1,000	–	–	1,000	–
Junting Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	734,000	–	–	734,000	–
Longxi Site GS05-R21-14, Shenhua Unit, Gongshu District, Hangzhou	5,000	–	–	5,000	–
Parc Royale – Phase 2 (formerly Qinglong #84) Site FG01-R21-07, Qinglong Unit, Gongshu District, Hangzhou	748,000	–	–	748,000	–
Parc Royale – Phase 1 (formerly Qinglong #92) Site FG01-R21-05, Qinglong Unit, Gongshu District, Hangzhou	452,000	–	–	452,000	–
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	34,000	–	–	34,000	–
Shanghai One Jingan (formerly Jingan Garden) 398 Wanhangu Road, Jingan District, Shanghai	607,000	–	–	607,000	–
Shanghai Pudong Zhoupu Site #08, lot 06-05 of Zhoupu Town, Pudong District, Shanghai	59,000	–	–	59,000	–
Suzhou Yin Shan Lake Project Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	315,000	–	–	315,000	–
Suzhou Wuzhong Lot #24 East of Ying Chun Lu, Guo Xin Qu, Wu Zhong District, Suzhou	320,000	–	–	320,000	–
Suzhou Yangcheng Lake Lot #27 South of Yang Cheng Hu Zhen Xiang Zhou Road, East of Shun Xian Road, Xiangcheng District, Suzhou	2,185,000	–	12,000	2,173,000	–
Suzhou Xiangcheng Yuan He Street Lot #77 South of Yuan He Street An Yuan Road, East of Wen Ling Road, Xiangcheng District, Suzhou	1,329,000	–	–	1,329,000	–
Villa One (Huayuan Road Lot #78 project) North of HuangQiao Street HuaYuan Road, East of TongHu Road, Xiangcheng District, Suzhou	1,781,000	–	–	1,781,000	–
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	71,000	–	60,000	11,000	–
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	12,000	–	–	12,000	–
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	94,000	–	–	94,000	–
River Pitti Nanchang District and abutting on Jinhang Canal, Wuxi	55,000	–	–	55,000	–
The Orion Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north, Jinjiang District, Chengdu	17,000	–	–	17,000	–
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	28,000	–	28,000	–	–
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	4,088,000	2,348,000	962,000	778,000	–
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5, Chengdu	1,230,000	–	65,000	1,165,000	–

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	258,358	N/A	2080	2017	N/A	100%
	115,648	N/A	2087	2021	Superstructure in progress	100%
	553,442	N/A	2051/81	2015	N/A	100%
	1,315,296	N/A	2081	2020	Superstructure in progress	100%
	211,685	N/A	2086	2019	N/A	100%
	356,321	N/A	2088	2022	Foundation in progress	100%
	180,824	N/A	2088	2021	Superstructure in progress	100%
	585,723	N/A	2081	2017	N/A	100%
	170,825	N/A	2043/63	2020	Superstructure in progress	55%
	526,905	N/A	2083	2016	N/A	100%
	2,501,747	N/A	2081	2021	Superstructure in progress	100%
	181,643	N/A	2087	2021	Superstructure in progress	100%
	1,112,825	N/A	2057/87	2020	Superstructure in progress	100%
	533,173	N/A	2058/88	2021	Superstructure in progress	100%
	1,013,022	N/A	2088	2021	Superstructure in progress	100%
	1,276,142	N/A	2078	2018	N/A	100%
	3,314,418	N/A	2078	2018	N/A	100%
	1,416,822	N/A	2078	2020	Superstructure in progress	100%
	2,121,662	N/A	2048/78	2019	N/A	100%
	160,000	N/A	2079	2013	N/A	100%
	761,520	N/A	2045/75	2013	N/A	100%
(c)	N/A		2047/77	2023	Superstructure in progress	100%
	800,882	N/A	2053/83	2020	Superstructure in progress	100%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
	Total	Office	Retail	Residential	Others
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	42,000	–	40,000	2,000	–
Changsha International Finance Square Furong District, Changsha	4,425,000	3,242,000	–	753,000	430,000
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	10,000	–	–	10,000	–
Luxurious Mountain View Xianzhu Road/Xiangyang Road, Shouxiang Shijiayuan Village, Fuyang	1,623,000	–	–	1,623,000	–
	20,603,000	5,590,000	1,167,000	13,416,000	430,000
Associates/joint ventures (Attributable – Note g)					
Sunrise Coast South of Jinchang South Lu, Chencunzhen, Shunde District, Foshan	645,000	–	35,000	610,000	–
Rosy Mansion West of Shalong Lu, Jiujiangzhen, Nanhai District, Foshan	1,079,000	–	27,000	1,052,000	–
Glory Garden West of Jiansheyi Lu, Southwest Street, Sanshui District, Foshan	1,192,000	–	10,000	1,182,000	–
Guangzhou Central Manor Guangzhou Baiyun District Shijing Town Shitan Road No.444	235,000	–	4,000	231,000	–
Guangzhou Montkam Garden Guangzhou Baiyun District Guanghuayui Road East	82,000	–	–	82,000	–
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	11,000	–	11,000	–	–
The Pearl on the Crown South 2nd Ring, Fengtai District, Beijing	8,000	–	–	8,000	–
Crown Land South 2nd Ring, Fengtai District, Beijing	18,000	–	–	18,000	–
One LiangMa North to Jiu Xianqiao South Street, East to Jiangtai East Road, South to Liangmahe North Road, West to planning road, Chaoyang District, Beijing	413,000	–	45,000	289,000	79,000
West Manor Near to Lize Bridge NW corner, Beijing	1,070,000	–	–	856,000	214,000
Scenery Bay Intersection of Hedong Road and Kunlun Road, Hedong District, Tianjin	3,000	–	3,000	–	–
Hangzhou Osmanthus Grace Hangzhou Xiaoshan Xingyi Road #18 Site	269,000	–	1,000	268,000	–
Tian Ju Mansion Hangzhou Xiaoshan Boxue Road #16 Site	3,000	–	–	–	3,000
Hangzhou Guiyu Chaoyang Hangzhou Xiaoshan Shixin Road (next to Chaoyang MTR Station)	1,037,000	–	28,000	1,009,000	–
Longfor Jade Mansion Hangzhou Jianggan Yao Xiang Road/Kai Chuang Jie Junction	317,000	–	–	317,000	–
Parc Grande (formerly Qinglong #28) Site FG01-R21-06, Qinglong Unit, Gongshu District, Hangzhou	563,000	–	9,000	554,000	–
Poetic Palace (formerly Suzhou Yuanhe Road project) Suzhou Xiang Cheng District Yuanhe Road	976,000	–	–	976,000	–
Villa One (Huayuan Road Lot #25 project) The Junction between Hua Yuan Road and Tong Hu Road, Hu Qiu Wetland Park, Xiang Cheng District, Suzhou	642,000	–	–	642,000	–
Suzhou Huangpu Street Lot #82 project East & West of ShiShan Street, South of ZhuYuan Road, Suzhou New District, Suzhou	576,000	–	–	576,000	–

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	1,130,000	N/A	2050/80	2016	N/A	100%
(A 280-room hotel)	(f)	N/A	2051	2021	Superstructure in progress	100%
	(b)	N/A	2069	2009	N/A	100%
	3,210,772	N/A	2082	2023	Superstructure in progress	100%
	740,000	N/A	2056/86	2020	Superstructure in progress	40%
	876,000	N/A	2057/87	2023	Superstructure in progress	50%
	759,000	N/A	2057/87	2023	Superstructure in progress	50%
	395,000	N/A	2087	2021	Superstructure in progress	18%
	308,000	N/A	2087	2021	Superstructure in progress	10%
	783,000	N/A	2082	2017	N/A	33%
	582,000	N/A	2085	2018	N/A	25%
	680,000	N/A	2085	2019	N/A	25%
	605,000	N/A	2086	2020	Superstructure in progress	30%
	395,000	N/A	2087	2021	Superstructure in progress	80%
	902,000	N/A	2083	2018	N/A	50%
	289,476	N/A	2057/87	2020	Superstructure in progress	35%
	1,506,379	N/A	2057/87	2019	N/A	22.5%
	754,869	N/A	2058/88	2021	Superstructure in progress	50%
	562,451	N/A	2058/88	2021	Superstructure in progress	26%
	606,185	N/A	2088	2022	Superstructure in progress	50%
	1,206,849	N/A	2087	2021	Superstructure in progress	33%
	724,116	N/A	2087	2020	Superstructure in progress	60%
	582,332	N/A	2088	2021	Superstructure in progress	49%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
	Total	Office	Retail	Residential	Others
Bravura Suzhou Xingtang Street East & Chaoyang Road South	404,000	–	–	404,000	–
Suzhou Shanshui Yuelanting Junction of Jinshan Road and Zhujiang Road, New District, Suzhou	240,000	–	–	240,000	–
Garden Valley Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	160,000	–	23,000	137,000	–
Chengdu ICC South of Shuanggui Road, North of Niusha Road East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	4,102,100	1,129,300	478,900	2,394,200	99,700
The Throne Zones C of Jiangbei City, Jiang Bei District, Chongqing	954,000	–	137,000	817,000	–
International Community Zone C of Danzishi, Nanan District, Chongqing	1,870,000	–	308,000	1,562,000	–
	16,869,100	1,129,300	1,119,900	14,224,200	395,700
Total Mainland China Property – Development	37,472,100	6,719,300	2,286,900	27,640,200	825,700
MAINLAND CHINA TOTAL	55,713,900	14,088,100	10,464,900	28,816,200	2,344,700
GROUP PROPERTY – INVESTMENT	20,075,300	7,368,800	8,178,000	1,411,500	3,117,000
GROUP PROPERTY – DEVELOPMENT	38,967,900	6,719,300	2,355,100	29,040,800	852,700
GROUP TOTAL (Note i)	59,043,200	14,088,100	10,533,100	30,452,300	3,969,700

Notes:

- (a) This property forms part of Wuhan Times Square which has a total site area of 188,090 sq. ft.
- (b) This property forms part of Dalian Times Square which has a total site area of 171,356 sq. ft.
- (c) This property forms part of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq. ft.
- (d) This property forms part of Chengdu International Finance Square which has a total site area of 590,481 sq. ft.
- (e) This property forms part of Chongqing International Finance Square which has a total site area of 516,021 sq. ft.
- (f) This property forms part of Changsha International Finance Square which has a total site area of 800,452 sq. ft.
- (g) The floor areas of properties held through joint ventures and associates are shown on an attributable basis.
- (h) Total Mainland development properties area included 9,485,000 sq. ft. pre-sold areas which have not yet been recognised in the financial statements.
- (i) In addition to the above floor areas, the Group has total attributable carpark areas of approximately 20 million sq. ft. mainly in Mainland China.

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	770,261	N/A	2088	2020	Superstructure in progress	30%
	809,797	N/A	2088	2020	Superstructure in progress	30%
	922,475	N/A	2083	2019	N/A	60%
	2,212,128	N/A	2048/78	2014 and beyond	Superstructure in progress	30%
	2,335,535	N/A	2050/60	2020	Superstructure in progress	50%
	6,080,656	N/A	2047/57	2021	Superstructure in progress	40%

TEN-YEAR FINANCIAL SUMMARY

Year ended 31 December	2019 HK\$ Million	2018 HK\$ Million	2017 HK\$ Million	2016 HK\$ Million	2015 HK\$ Million
Consolidated Income Statement					
Revenue	16,874	21,055	43,273	46,627	40,875
Operating profit	7,869	8,752	20,622	17,065	14,853
Underlying net profit (Note a)	2,710	6,511	15,924	13,754	10,969
Profit attributable to equity shareholders	3,386	6,623	21,876	21,440	16,024
Dividends attributable to shareholders (Note d)	991	1,981	4,836	6,520	5,759
Consolidated Statement of Financial Position					
Investment properties	74,811	74,738	82,128	319,298	310,177
Property, plant and equipment	13,056	13,670	13,201	20,735	22,779
Interest in associates/joint ventures	43,085	41,859	30,445	31,147	35,397
Other long term investments	36,531	30,544	19,109	5,723	8,102
Properties for sale	44,083	45,954	25,200	23,874	37,768
Bank deposits and cash	27,292	17,448	45,697	36,957	23,510
Other assets	3,360	3,136	6,867	6,093	6,183
Total assets	242,218	227,349	222,647	443,827	443,916
Bank loans and other borrowings	(46,336)	(43,086)	(36,409)	(60,794)	(70,707)
Other liabilities	(49,539)	(45,503)	(40,767)	(57,627)	(56,029)
Net assets	146,343	138,760	145,471	325,406	317,180
Share capital and other statutory capital reserves	30,221	30,173	29,760	29,497	29,441
Reserves	112,653	105,251	112,214	287,297	278,287
Shareholders' equity (Note e)	142,874	135,424	141,974	316,794	307,728
Non-controlling interests	3,469	3,336	3,497	8,612	9,452
Total equity	146,343	138,760	145,471	325,406	317,180
Net debt/(cash)	19,044	25,638	(9,288)	23,837	47,197
Financial Data					
<i>Per share data</i>					
Earnings per share (HK\$)					
– Underlying net profit	0.89	2.14	5.25	4.54	3.62
– Attributable to equity shareholders	1.11	2.18	7.21	7.07	5.29
Net asset value per share (HK\$) (Note e)	46.86	44.45	46.75	104.48	101.53
Cash dividends per share (HK\$ Cents) (Note d)	32.50	65.00	159.00	215.00	190.00
<i>Financial ratios</i>					
Net debt to shareholders' equity (%)	13.3%	18.9%	N/A	7.5%	15.3%
Net debt to total equity (%)	13.0%	18.5%	N/A	7.3%	14.9%
Interest cover (Times) (Note c)	5.1	6.5	12.9	8.5	7.6
Return on shareholders' equity (%) (Note b)	2.4%	4.8%	9.5%	6.9%	5.2%
Dividend payout (%)					
– Underlying net profit	36.6%	30.4%	30.4%	47.4%	52.5%
– Attributable to equity shareholders	29.3%	29.9%	22.1%	30.4%	35.9%

Notes:

- (a) Underlying net profit primarily excludes investment property revaluation surplus, mark-to-market changes on financial instruments and non-recurring items including the gain of HK\$4,499 million from disposal of investment properties in 2017, the gain of HK\$7,260 million from disposal of Wharf T&T in 2016, the loss of HK\$1,620 million from the deemed disposal of Greentown interest on reclassification as financial investment and the attributable gain of HK\$613 million from disposal of 50% interest in Taicang in 2015, the accounting gain from the acquisition of interests in Greentown of HK\$2,233 million in 2012, and revaluation of Hactl interest/tax write-back of HK\$1,246 million in 2010.
- (b) Return on shareholders' equity is based on profit attributable to shareholders over average shareholders' equity during the year.
- (c) Interest cover is based on EBITDA over finance costs (before capitalisation and fair value gain/loss).

Year ended 31 December	2014 HK\$ Million	2013 HK\$ Million	2012 HK\$ Million	2011 HK\$ Million	2010 HK\$ Million
Consolidated Income Statement					
Revenue	38,136	31,887	30,856	24,004	19,380
Operating profit	14,283	13,280	14,170	11,388	9,372
Underlying net profit (Note a)	10,474	11,298	11,040	8,083	7,088
Profit attributable to equity shareholders	35,930	29,380	47,263	30,568	35,750
Dividends attributable to shareholders (Note d)	5,486	5,151	4,998	3,211	2,930
Consolidated Statement of Financial Position					
Investment properties	301,890	261,097	231,522	184,057	148,241
Property, plant and equipment	25,027	24,161	19,870	18,984	18,397
Interest in associates/joint ventures	41,479	38,790	36,203	27,132	20,860
Other long term investments	3,740	3,744	3,868	2,703	3,362
Properties for sale	47,543	53,764	48,915	47,511	29,732
Bank deposits and cash	18,725	24,515	18,795	32,528	16,900
Other assets	6,254	8,981	9,825	5,058	5,276
Total assets	444,658	415,052	368,998	317,973	242,768
Bank loans and other borrowings	(77,984)	(82,587)	(74,420)	(75,993)	(49,589)
Other liabilities	(52,563)	(48,210)	(37,672)	(31,106)	(22,530)
Net assets	314,111	284,255	256,906	210,874	170,649
Share capital and other statutory capital reserves	29,376	29,376	29,314	29,314	19,327
Reserves	276,119	246,181	219,187	173,943	143,762
Shareholders' equity	305,495	275,557	248,501	203,257	163,089
Non-controlling interests	8,616	8,698	8,405	7,617	7,560
Total equity	314,111	284,255	256,906	210,874	170,649
Net debt/(cash)	59,259	58,072	55,625	43,465	32,689
Financial Data					
<i>Per share data</i>					
Earnings per share (HK\$)					
– Underlying net profit	3.46	3.73	3.64	2.70	2.51
– Attributable to equity shareholders	11.86	9.70	15.60	10.22	12.64
Net asset value per share (HK\$)	100.82	90.94	82.04	67.10	59.22
Cash dividends per share (HK\$ Cents) (Note d)	181.00	170.00	165.00	106.00	100.00
<i>Financial ratios</i>					
Net debt to shareholders' equity (%)	19.4%	21.1%	22.4%	21.4%	20.0%
Net debt to total equity (%)	18.9%	20.4%	21.7%	20.6%	19.2%
Interest cover (Times) (Note c)	6.1	5.8	7.4	7.9	12.9
Return on shareholders' equity (%) (Note b)	12.4%	11.2%	20.9%	16.7%	24.5%
Dividend payout (%)					
– Underlying net profit	52.4%	45.6%	45.3%	39.7%	41.3%
– Attributable to equity shareholders	15.3%	17.5%	10.6%	10.5%	8.2%

Notes (continued):

- (d) Distribution in specie in the form of shares in i-CABLE and in Wharf REIC of HK\$562 million (equivalent to HK\$0.19 per share) and HK\$197,779 million (equivalent to HK\$65.14 per share), respectively, was made during 2017 in addition to the above cash dividend distribution.
- (e) Shareholders' equity and net asset value per share decreased in 2017 over 2016 mainly resulting from the utilisation of HK\$197,779 million distributable reserve for the Wharf REIC spinoff implemented by distribution of a special interim dividend.
- (f) Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.

A Chinese version of this Annual Report is available from the Company upon request.
如有需要，可向本公司索取本年報之中文版本。





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