



嘉里建設有限公司

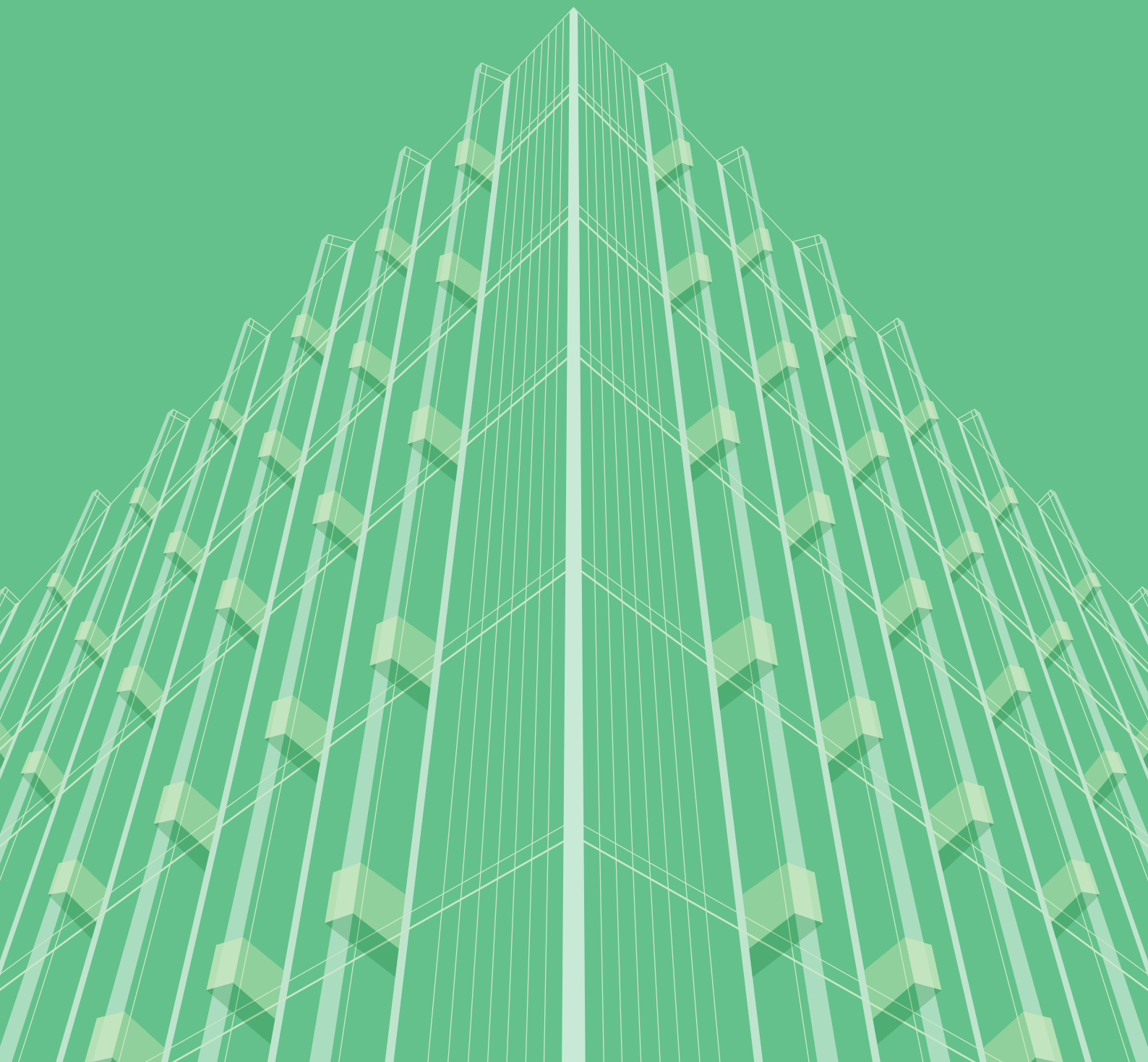
KERRY PROPERTIES LIMITED

*(Incorporated in Bermuda with limited liability)*

Stock Code : 683

# ANNUAL REPORT

## 2019







# CORPORATE INFORMATION & KEY DATES

## BOARD OF DIRECTORS

### **Executive Directors**

Mr Wong Siu Kong, *Chairman*  
Mr Kuok Khoon Hua, *Vice Chairman and  
Chief Executive Officer*  
Mr Bryan Pallop Gaw  
Mr Wong Chi Kong, Louis

### **Independent Non-executive Directors**

Mr Ku Moon Lun  
Ms Wong Yu Pok, Marina, JP  
Mr Chang Tso Tung, Stephen

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Ms Wong Yu Pok, Marina, JP, *Chairman*  
Mr Ku Moon Lun  
Mr Chang Tso Tung, Stephen

## REMUNERATION COMMITTEE

Ms Wong Yu Pok, Marina, JP, *Chairman*  
Mr Wong Siu Kong  
Mr Kuok Khoon Hua  
Mr Ku Moon Lun  
Mr Chang Tso Tung, Stephen

## NOMINATION COMMITTEE

Mr Wong Siu Kong, *Chairman*  
Mr Kuok Khoon Hua  
Mr Ku Moon Lun  
Ms Wong Yu Pok, Marina, JP  
Mr Chang Tso Tung, Stephen

## FINANCE COMMITTEE

Mr Wong Siu Kong  
Mr Wong Chi Kong, Louis

## EXECUTIVE COMMITTEE

Mr Wong Siu Kong  
Mr Kuok Khoon Hua  
Mr Bryan Pallop Gaw  
Mr Wong Chi Kong, Louis

## COMPANY SECRETARY

Ms Li Siu Ching, Liz

## AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants and  
Registered Public Interest Entity Auditor*

## REGISTERED OFFICE

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25/F, Kerry Centre, 683 King's Road  
Quarry Bay, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor North, Cedar House  
41 Cedar Avenue  
Hamilton HM 12, Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## CORPORATE COMMUNICATION DEPARTMENT

Kerry Properties Limited  
25/F, Kerry Centre, 683 King's Road  
Quarry Bay, Hong Kong  
Telephone: (852) 2967 2200  
Facsimile: (852) 2967 2900  
Email: communication@kerryprops.com

## INVESTOR RELATIONS DEPARTMENT

Kerry Properties Limited  
25/F, Kerry Centre, 683 King's Road  
Quarry Bay, Hong Kong  
Telephone: (852) 2967 2200  
Facsimile: (852) 2967 2900  
Email: ir@kerryprops.com

## WEBSITE

www.kerryprops.com

## STOCK CODES

Stock Exchange of Hong Kong: 683  
Bloomberg: 683 HK  
Reuters: 683.HK

## KEY DATES

### **Annual General Meeting**

20 May 2020

### **Closure of Registers of Members**

15 to 20 and 27 May 2020

### **Proposed Payment of Final Dividend**

5 June 2020

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# FINANCIAL HIGHLIGHTS

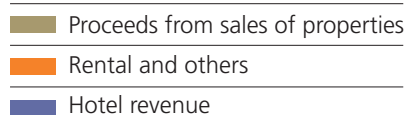
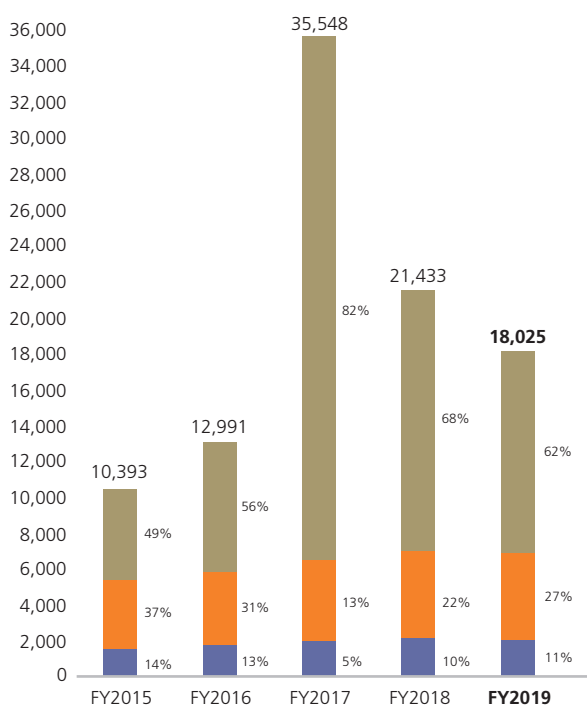
Two-year Overview		FY 2019	FY 2018	% Change
Revenue	(HK\$M)	<b>18,025</b>	21,433	-16%
Gross profit	(HK\$M)	<b>8,984</b>	9,468	-5%
Gross profit margin	(%)	<b>49.8</b>	44.2	
Operating profit	(HK\$M)	<b>8,451</b>	9,772	-14%
Operating profit margin	(%)	<b>46.9</b>	45.6	
Profit attributable to shareholders	(HK\$M)			
– before fair value change of investment properties		<b>5,396</b>	3,345	+61%
– after fair value change of investment properties		<b>6,897</b>	7,499	-8%
Net profit margin	(%)			
– before fair value change of investment properties		<b>29.9</b>	15.6	
– after fair value change of investment properties		<b>38.3</b>	35.0	
Earnings per share	(HK\$)			
– before fair value change of investment properties		<b>3.71</b>	2.30	+61%
– after fair value change of investment properties		<b>4.74</b>	5.16	-8%
Shareholders' equity	(HK\$M)	<b>101,705</b>	97,541	+4%
Net borrowings	(HK\$M)	<b>27,286</b>	18,727	+46%
Net asset value per share	(HK\$)	<b>69.83</b>	67.03	+4%
Share price as at 31 December	(HK\$)	<b>24.75</b>	26.75	
Price earnings ratio <sup>#</sup>	(times)			
– before fair value change of investment properties		<b>6.7</b>	11.6	
– after fair value change of investment properties		<b>5.2</b>	5.2	
Market capitalisation as at 31 December <sup>#</sup>	(HK\$M)	<b>36,048</b>	38,927	
Dividend per share	(HK\$)	<b>1.35</b>	1.35	
Dividend payout ratio	(%)			
– before fair value change of investment properties		<b>36.4</b>	58.7	
– after fair value change of investment properties		<b>28.5</b>	26.2	
Dividend cover	(times)			
– before fair value change of investment properties		<b>2.7</b>	1.7	
– after fair value change of investment properties		<b>3.5</b>	3.8	
Dividend yield <sup>#</sup>	(%)	<b>5.5</b>	5.0	
Return on shareholders' equity	(%)			
– before fair value change of investment properties		<b>5.3</b>	3.4	
– after fair value change of investment properties		<b>6.8</b>	7.7	
Gearing	(%)	<b>26.8</b>	19.2	
Interest cover	(times)			
– before fair value change of investment properties		<b>13.5</b>	29.6	
– after fair value change of investment properties		<b>15.4</b>	44.9	
Current ratio	(times)	<b>1.5</b>	1.5	
Liquidity ratio	(times)	<b>0.7</b>	0.7	
Discount to net asset value <sup>#</sup>	(%)	<b>(64.6)</b>	(60.1)	

<sup>#</sup> Based on share prices as at 31 December 2019 and 31 December 2018, respectively.

Certain comparative figures have been restated to conform with the current year's presentation.

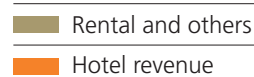
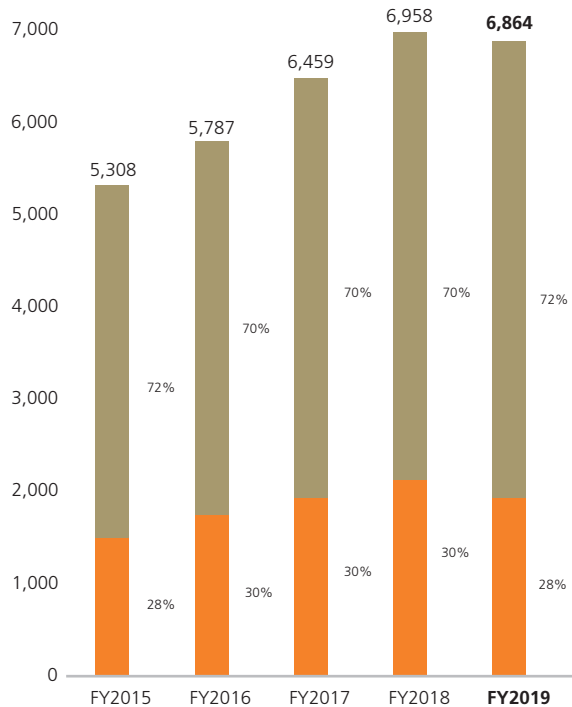
## Breakdown of Revenue

HK\$ million



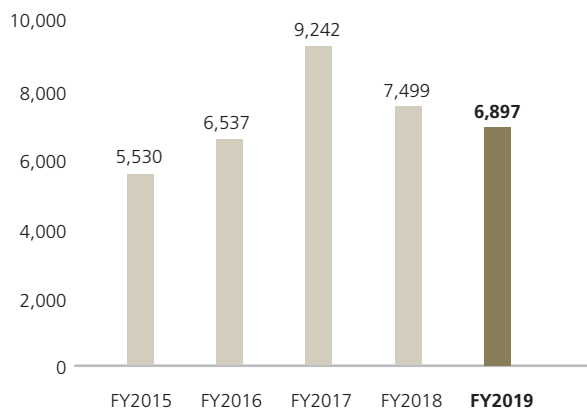
## Breakdown of Recurrent Income

HK\$ million



## Profit Attributable to Shareholders

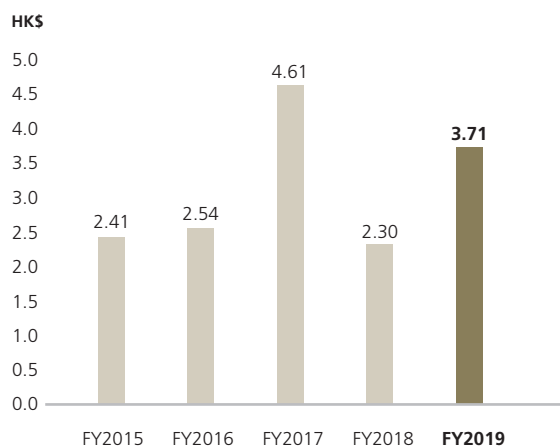
HK\$ million



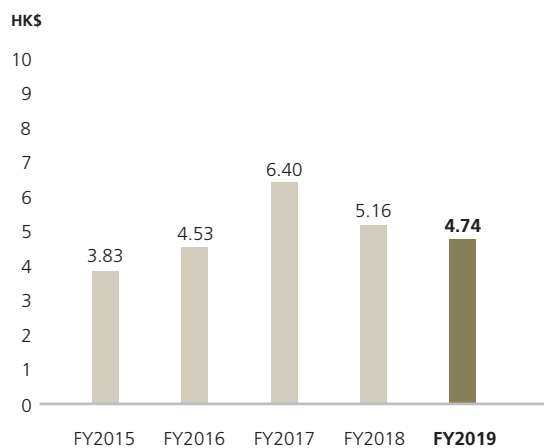
	Revenue HK\$ million	Recurrent income HK\$ million	Weighting %	Net profit before fair value change of investment properties HK\$ million	Net profit after fair value change of investment properties HK\$ million
FY2015	10,393	5,308	51%	3,481	5,530
FY2016	12,991	5,787	44%	3,671	6,537
FY2017	35,548	6,459	18%	6,651	9,242
FY2018	21,433	6,958	32%	3,345	7,499
<b>FY2019</b>	<b>18,025</b>	<b>6,864</b>	<b>38%</b>	<b>5,396</b>	<b>6,897</b>

# FINANCIAL HIGHLIGHTS

## Earnings per Share (before fair value change of investment properties)

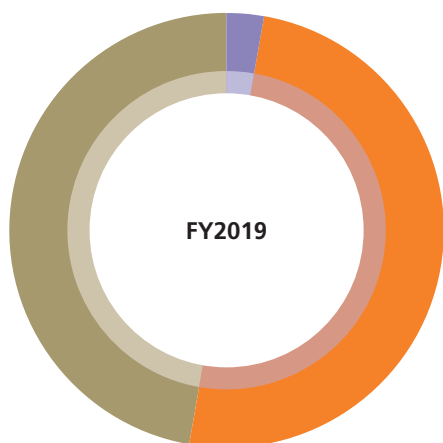


## Earnings per Share (after fair value change of investment properties)



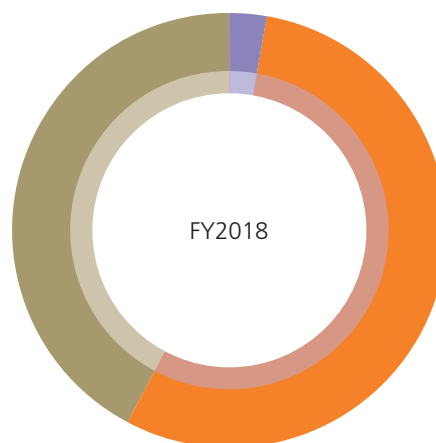
## Gross Asset Value of Properties

HK\$131,212 million



Mainland	50%
Hong Kong	47%
Others	3%

HK\$121,794 million



Mainland	55%
Hong Kong	42%
Others	3%



# CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board, I am delighted to present the annual results of the Group for the year ended 31 December 2019. The Group recorded a consolidated net profit attributable to shareholders for the year, before taking into account the effects of the increase in fair value of investment properties, of HK\$5,396 million, an increase of 61% compared with the HK\$3,345 million reported for 2018. Profit attributable to shareholders for the year, after taking into account the effects of the increase in fair value of investment properties, was HK\$6,897 million (2018: HK\$7,499 million). Earnings per share for the year were HK\$4.74, down 8% compared with HK\$5.16 per share as recorded in 2018.

The Board has recommended the payment of a final dividend of HK\$0.95 per share for the year. Together with the interim dividend of HK\$0.40 per share, the total cash dividend for the year will amount to HK\$1.35 per share (2018: HK\$1.35 per share).

## Laying a Firm Foundation for the Future

In 2019, global economic activity was adversely affected by escalating trade disagreements and geopolitical tensions. Taking these into account, the Chinese Central Government has introduced measures to steadily realign and improve the country's industrial structure. China is also committed to enhancing productivity and the quality of growth in an orderly manner. These measures have helped deliver reasonably stable economic growth for the past year. Meanwhile, Hong Kong recorded negative economic growth last year against a background of global slowdown, trade conflicts and social unrest.

To address the cyclical challenges, the Group will prudently manage risk while remaining alert to market trending signals and making timely adjustments to our strategy. As we step into 2020, turbulence is still noted in both the internal and external environments. This, exacerbated by the spread of the novel coronavirus epidemic, will inevitably present more challenges for us. Despite these difficulties, we remain confident in the long-term development of mainland China and Hong Kong. Given the loose monetary and fiscal policies adopted by global governments, steady progress is envisaged for the real estate markets where we operate.

## CHAIRMAN'S STATEMENT

Our current task is to strengthen our own competitive advantage by consistently enhancing management performance, and delivering on our customer and quality first promise. This will form a solid foundation from which we can march forward with resolve and confidence.

### Prudent Land Banking to Support Strategic Development

As we brace ourselves to face a volatile economic outlook, we will maintain a judicious balance between risk management and business development. As such, we will prudently identify sites or projects with good potential to replenish our land bank in core locations of major cities, thus securing our long-term growth.

In May 2019, the Group won the bidding for a residential and commercial site in Xiacheng District, Hangzhou City, Zhejiang Province, with a plan to turn its projected gross floor area ("GFA") of approximately 2.4 million square feet into a large-scale integrated office, shopping mall and residential project. Situated in a convenient location at the heart of Hangzhou City, the site lies immediately adjacent to the Dongxin River and its surrounding greenbelt. The Group has built up a strong track record in Hangzhou City with the development of a portfolio of mixed-use, residential and commercial projects, including Hangzhou Kerry Centre, now a major city landmark standing next to the West Lake. In view of the scarce supply of large-scale developments in Hangzhou in the near term, the Group holds an optimistic outlook for the project. We aim to create further synergies and reap the benefit of the solid experience gained from our years of development in this city.

In Hong Kong, we also continue to explore opportunities for development. In October 2019, in a consortium with Sino Land and Swire Properties, we were awarded the tender for the Wong Chuk Hang Station Package Four property development project by the MTR Corporation. This is our second development above Wong Chuk Hang station, and will become an ideal residential spot in Island South. With full confidence in this new project, we will introduce best-in-class architecture and facilities into this location to create the ultimate urban living place.

Despite unpredictability in the macro environment, property supply and demand will likely remain stable. Dealing with different control measures implemented across Mainland cities, as well as property policies in Hong Kong, we will proactively adjust our sales activity.

### Long-term Planning for the Investment Portfolio

Our Group is committed to building up a prime investment property portfolio to support a steady recurrent income growth. Our asset portfolio is primarily based in core locations of major cities. On the Mainland, we focus on creating large-scale mixed-use landmarks, while in Hong Kong, we own and manage an exclusive luxury residential portfolio in Mid-Levels and a new range of urban-chic rental apartments. We have also developed offices and malls in selected locations, with a view to strengthening our long-term revenue base.

To promote the Kerry brand and increase the traffic in our mixed-use developments, we have organised a variety of activities such as night markets, charity sales and green activities at various Kerry Centres. Some of these programmes are collaborations with local governments or communities, which leverage the people-centric designs of our developments. These efforts also demonstrate our desire to seek new ways of creating shared value for the community.

The launch of the new rental brand, Resiglow, has been met with resounding success in Hong Kong, with two properties already completed to date. Both offer modern living designs and professional management services intended to create a sophisticated urban living environment for those who favour a hassle-free lifestyle. With further completions expected in the future, this residential range will add new rental income streams to the Hong Kong segment. On the Mainland, the Group has created another serviced apartment brand, Kerry Residence, epitomising ideal homes featuring attentive service, comprehensive amenities and elegant ambience.

With a series of completions scheduled for the next few years, the Group will be able to sustain the momentum of its recurring income growth. Of these, the three projects under development in Qianhai represent our core investments in China. Qianhai Kerry Centre officially commenced leasing in September 2019. This development is designed with a vision of attracting talent, inspiring innovation and promoting a healthy work-life balance. Leveraging on Qianhai's status as a national strategic new district, the Group will build a diversified office and living space in its core district.

Overall, both the leasing GFA and income from our investment properties will produce stable growth over the next few years.

## **We Cherish our Beginnings but are Always on the Move**

In 2015, the United Nations published a set of sustainable development goals as part of its efforts to combat climate change. Our Group has aligned our "Vision 2030" with these goals and embarked on an irreversible journey towards sustainability. We believe all life begins from its source and is always on the move. While we cherish and protect, we are mindful of the need to evolve on the foundation of our achievements so as to keep pace with international standards and society's expectations. One such move is our commitment to pursue RESET™ Air Core & Shell Certification across our entire office building portfolio in mainland China and Hong Kong. This will help us ensure a healthy environment for our tenants.

We take stakeholder expectations seriously, and include them in our management decisions and daily operations. Our commitment to sustainability and excellence has earned the Group major international and regional awards over the past year. Among them, we are honoured to be the winner of the "Global Corporate Sustainability Awards" (Corporate Sustainability Report), "Sustainable Business Award", "China Golden Landmark Award for Office Buildings" (Beijing Kerry Centre), as well as being recognised as one of the BCI Asia Awards "Top Ten Developers of Hong Kong".

I am grateful to our team for their tireless efforts to accomplish our common goals in sustainability. Our people are one of the focus areas of "Vision 2030". We respect every employee, and recognise the value of diversity and equality. Most importantly, we unite our people to drive positive change.

A number of staff programmes are currently running under this vision. "Kerry Innovation and Creation Community" (KICC) demonstrates our commitment in action. This volunteer-based platform invites our colleagues to share and explore new ideas, some of which have been refined and moved forward into action plans. In addition, we have introduced a flexible leave scheme for family caregivers and have extended our internal communication to more mobile channels. These initiatives will help us care for employees' needs at different stages of their careers and life pursuits.

## **Changing with the Times**

As the new year unfolds, we ready ourselves for heightened uncertainty by upholding strict management principles. With a sound financial position, we are able to maintain resilience against macroeconomic risks. The year 2020 will be a year of milestone significance for China as it targets to complete its goal of building a moderately prosperous society. We hold full confidence in the long-term stable development of China, and look forward to witnessing growth of higher quality further down the road as macro interferences ease.

With the trust and support of all stakeholders, the Group has achieved stable development over the years. On behalf of the Board, I wish to thank the entire staff team for their professional and passionate efforts. Together, we will uphold the highest governance standards and strive to enhance the management of our business. We will prudently explore development opportunities amid the current macroeconomic uncertainty, so as to pave the way for brilliant future prospects.

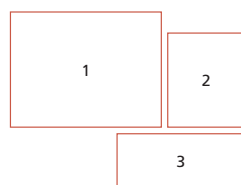
**Wong Siu Kong**

*Chairman*

Hong Kong, 17 March 2020

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERALL RESULTS



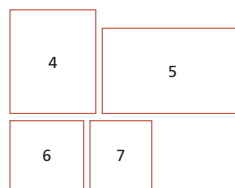
1. Jing An Kerry Centre, Shanghai
2. Kerry Centre, Hong Kong
3. Hangzhou Kerry Centre, Hangzhou



The Group's profit attributable to shareholders for the year ended 31 December 2019 was HK\$6,897 million, representing a decrease of 8% compared with HK\$7,499 million reported for 2018.

The Group measured its investment property portfolio on a fair value basis and recorded an increase in fair value of investment properties (net of deferred taxation) attributable to shareholders of HK\$1,501 million for the year ended 31 December 2019 (2018: HK\$4,154 million). Before taking into account the effects of the aforementioned increase in fair value, the Group recorded an increase of 61% in profit attributable to shareholders to HK\$5,396 million for the year ended 31 December 2019 (2018: HK\$3,345 million). The increase was mainly due to the provision for impairment loss for property under development in Macau amounting to HK\$1,175 million in 2018 (2019: Nil) (Note 19(a)) and the recording of net decrease in fair value on financial assets at fair value through profit or loss amounting to HK\$1,461 million in 2018 (2019: increase of HK\$5 million) (Note 25).

Earnings per share for the year ended 31 December 2019 were HK\$4.74, representing a decrease of 8% compared with HK\$5.16 per share in 2018.



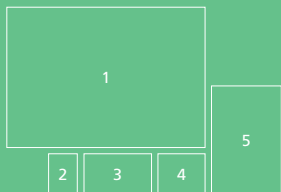
- 4. Shenzhen Kerry Plaza, Shenzhen
- 5. Resiglow-Bonham, Hong Kong
- 6. Shenyang Kerry Centre, Shenyang
- 7. Qianhai Kerry Centre, Shenzhen\*

The effect on the Group's profit attributable to shareholders due to the net increase in fair value of the Group's investment properties and related tax effects is as follows:

	Year ended 31 December		Change
	2019 HK\$ million	2018 HK\$ million	
Profit attributable to shareholders before taking into account the net increase in fair value of investment properties and related tax effects	<b>5,396</b>	3,345	61%
Add: Net increase in fair value of investment properties and related tax effects	<b>1,501</b>	4,154	
Profit attributable to shareholders after taking into account the net increase in fair value of investment properties and related tax effects	<b>6,897</b>	7,499	-8%

The Board has recommended the payment of a final dividend of HK\$0.95 per share for the year ended 31 December 2019 (the "Final Dividend"). Together with the interim dividend of HK\$0.40 per share, the total cash dividend for the year ended 31 December 2019 will be HK\$1.35 per share (2018: HK\$1.35 per share).

\* Artist's Impression



1. Leasing Showroom, Qianhai Kerry Centre, Shenzhen
2. MegaBox, Hong Kong
3. Mid-Levels Portfolio, Hong Kong
4. Kerry Parkside, Shanghai
5. Beijing Kerry Centre, Beijing



# REVIEW OF PROPERTY BUSINESS



# MANAGEMENT DISCUSSION & ANALYSIS

## REVIEW OF PROPERTY BUSINESS

### Presence in the Mainland and Hong Kong



### OVERVIEW

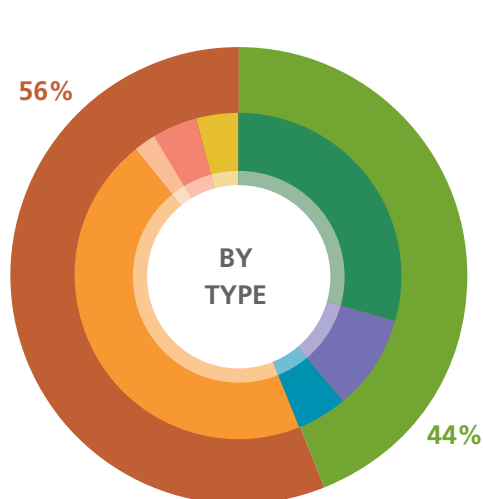
The economic slowdown in mainland China and Hong Kong has weighed on the Group's performance. Despite a decline in our results for the year ended 31 December 2019, our business remains healthy and we continued to deliver stable recurrent income from the investment asset portfolio.

As at 31 December 2019, the Group held a portfolio comprising properties under development with a gross floor area ("GFA") of 26.82 million square feet (2018: 25.36 million square feet), completed investment properties of 14.47 million square feet (2018: 13.10 million square feet), hotel properties of 4.67 million square feet (2018: 4.67 million square feet), and properties held for sale of 2.04 million square feet (2018: 2.32 million square feet). This prime asset portfolio continues to underpin the Group's position for long-term growth.



### Property Portfolio Composition

48 million square feet in attributable GFA



● **Under development**

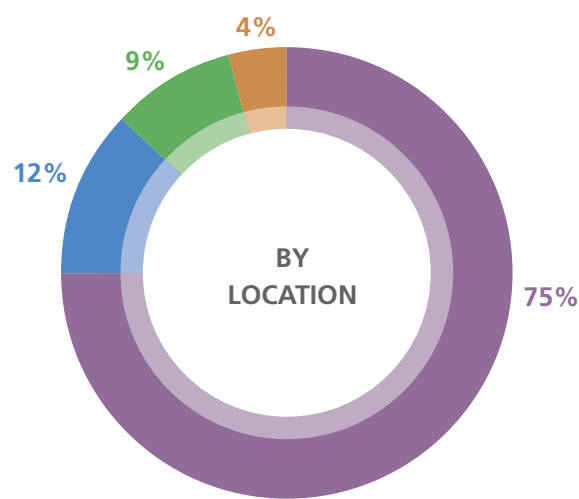
**26.83 million square feet**  
in attributable GFA **56%**

● Mainland	81%
● Hong Kong	4%
● Overseas	8%
● Macau	7%

● **Completed investment properties/Hotel properties/Properties held for sale**

**21.17 million square feet**  
in attributable GFA **44%**

● Mainland	67%
● Hong Kong	22%
● Overseas	11%



● Mainland	75%
● Hong Kong	12%
● Overseas	9%
● Macau	4%

### Property Portfolio Composition

As at 31 December 2019:	Group's attributable GFA				
	Mainland	Hong Kong	Macau <sup>(1)</sup>	Overseas	Total
	('000 square feet)				
Completed Investment Properties	8,404	4,196	–	1,867	14,467
Hotel Properties	4,126	38	–	504	4,668
Properties Under Development	21,826	953	1,988	2,057	26,824
Properties Held for Sale	1,657	381	–	–	2,038
<b>Total GFA</b>	<b>36,013</b>	<b>5,568</b>	<b>1,988</b>	<b>4,428</b>	<b>47,997</b>

Note:

- (1) The property portfolio in Macau represents the buildable GFA of a site that was surrendered to the Macau SAR Government in September 2009. According to the Macau SAR Government Notice gazetted on 14 October 2009, a piece of land will be granted in exchange for this, with size and location to be identified and agreed upon.

# MANAGEMENT DISCUSSION & ANALYSIS

## REVIEW OF PROPERTY BUSINESS

### MAINLAND PROPERTY DIVISION

The Mainland Property Division recorded a 12% decrease in revenue to HK\$11,739 million (2018: HK\$13,310 million), mainly attributable to a 18% decline in sales revenue from completed properties. Gross profit also decreased by 8% to HK\$5,651 million (2018: HK\$6,143 million).

During the year, the overall policy direction for the real estate sector remained unchanged despite a moderating economy. While a slower pace of property sales was recorded by the Division, our Mainland portfolio of investment assets continued to remain strong and deliver a stable rental performance.

### INVESTMENT PROPERTIES

During the year, the Mainland portfolio of completed investment properties delivered a revenue of HK\$3,636 million (2018: HK\$3,686 million) and gross profit of HK\$2,782 million (2018: HK\$2,905 million), representing year-on-year declines of 1% and 4% respectively.

As at 31 December 2019, the completed investment property portfolio in the Mainland constituted an aggregate GFA of 8.40 million square feet (2018: 8.45 million square feet), comprising apartment, commercial and office properties. Their respective composition and occupancy rates were as follows:

As at 31 December 2019:	Group's attributable GFA								Occupancy Rate
	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Tianjin	Jinan	Total	
	('000 square feet)								
Office	711	1,388	1,552	102	354	–	195	4,302	90%
Commercial	98	1,096	104	798	486	435	34	3,051	93%
Apartment	277	774	–	–	–	–	–	1,051	89%#
	1,086	3,258	1,656	900	840	435	229	8,404	

As at 31 December 2018:	Group's attributable GFA								Occupancy Rate
	Beijing	Shanghai	Shenzhen	Hangzhou	Shenyang	Tianjin	Jinan	Total	
	('000 square feet)								
Office	711	1,429	1,552	102	354	–	195	4,343	88%
Commercial	98	1,096	104	798	486	435	34	3,051	88%
Apartment	277	774	–	–	–	–	–	1,051	89%#
	1,086	3,299	1,656	900	840	435	229	8,445	

Note:

# Excluding an apartment building at Central Residences II, Shanghai where refurbishment commenced in the fourth quarter of 2017.

## Mainland Properties

36.01 million square feet in attributable GFA

### ● Under development

**21.83 million square feet in attributable GFA**      **61%**

#### ● By usage

Residential	52%
Hotel	4%
Commercial	14%
Office	30%

#### ● By location

Tianjin	3%	Zhengzhou	5%
Hangzhou	11%	Putian	1%
Shenyang	15%	Kunming	2%
Qinhuangdao	9%	Shenzhen	14%
Nanchang	3%	Fuzhou	17%
		Wuhan	20%

### ● Completed investment properties/ Hotel properties/ Properties held for sale

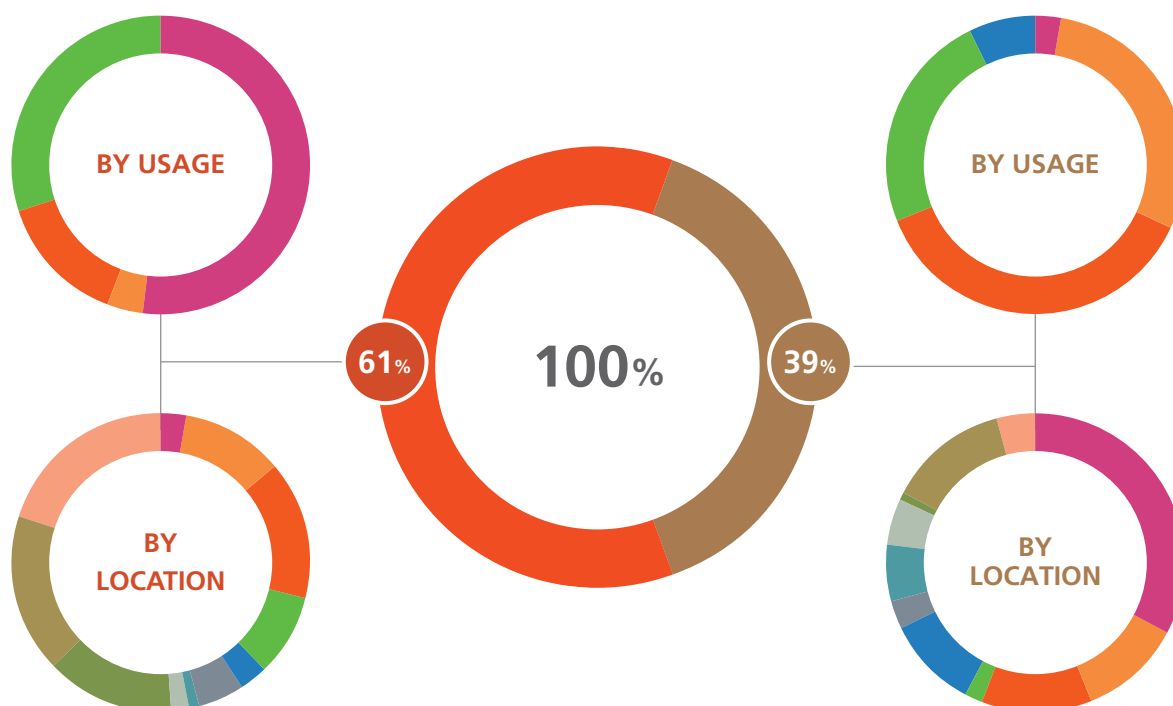
**14.18 million square feet in attributable GFA**      **39%**

#### ● By usage

Residential	3%
Hotel	29%
Office	37%
Commercial	24%
Apartment	7%

#### ● By location

Shanghai	33%	Tianjin	6%
Beijing	11%	Nanchang	5%
Shenzhen	12%	Qinhuangdao	1%
Tangshan	2%	Hangzhou	13%
Shenyang	10%	Jinan	4%
Nanjing	3%		

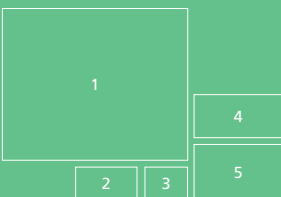


Comparative occupancy rates of key investment properties are outlined below:

Property	Occupancy rate as at 31 December 2019	Occupancy rate as at 31 December 2018
Jing An Kerry Centre Phase I	97%	96%
Jing An Kerry Centre Phase II <sup>(1)</sup>	96%	98%
Kerry Parkside <sup>(1)</sup>	94%	97%
Beijing Kerry Centre <sup>(1)</sup>	96%	96%
Shenzhen Kerry Plaza	92%	97%
Hangzhou Kerry Centre <sup>(1)</sup>	94%	92%
Shenyang Kerry Centre <sup>(1)</sup>	66%	39%

Note:

(1) Excluding the hotel portion.



1. Green Escape Street, a community programme at Jing An Kerry Centre, Shanghai
2. Beach @ The Piazza, a summer event at Jing An Kerry Centre, Shanghai
3. Xiematai Night Market, a lifestyle market at Shenyang Kerry Centre, Shenyang
4. City Ironman, a sport event of Beijing Kerry Centre, Beijing
5. Kerry Music Live, a live music programme at Hangzhou Kerry Centre, Hangzhou





# MAJOR MIXED-USE DEVELOPMENTS IN THE MAINLAND



## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS



#### Jing An Kerry Centre, Shanghai

This landmark mixed-use development stands in the heart of Shanghai's Nanjing Road business district. The Group holds 74.25% and 51% interests in its Phases I and II respectively. With a GFA of 3.74 million square feet, Jing An Kerry Centre integrates office, serviced apartment, retail space and hotel overlooking a beautifully landscaped piazza. While the luxurious Shangri-La Hotel is a key feature, the development is also the pre-eminent shopping venue and most exclusive office address in Shanghai. As at 31 December 2019, 97% of the office space (2018: 99%) and 95% of the retail space (2018: 97%) were leased. Jing An Shangri-La Hotel achieved an average occupancy rate of 78% during the year (2018: 78%).

GFA **3.74** | **97%**<sup>®</sup>  
million square feet | Occupancy Rate



#### Kerry Parkside, Shanghai

Kerry Parkside, located in Shanghai's Pudong District, is a 40.8%-held mixed-use property comprising offices, serviced apartments, a retail mall and hotel. As at 31 December 2019, the retail space and offices were 94% and 98% leased respectively (2018: both 100%), while the serviced apartments were 82% occupied (2018: 85%). Kerry Hotel Pudong, Shanghai reported an average occupancy rate of 74% during the year (2018: 74%).

GFA **2.73** | **94%**<sup>®</sup>  
million square feet | Occupancy Rate



#### Beijing Kerry Centre

Beijing Kerry Centre, located in the heart of the capital city, comprises high-quality office space, serviced apartments, a shopping mall and Kerry Hotel Beijing. The Group holds a 71.25% interest in this mixed-use development. As at 31 December 2019, the occupancy rate of the retail portion was 94% (2018: 85%), while the offices were 98% leased (2018: 99%). The serviced apartments were 92% leased as at 31 December 2019 (2018: 93%). Kerry Hotel Beijing recorded an average occupancy rate of 86% during the year (2018: 85%).

GFA **2.23** | **96%**<sup>®</sup>  
million square feet | Occupancy Rate



#### Hangzhou Kerry Centre

Hangzhou Kerry Centre is located at the intersection of Yan'an Road and Qingchun Road, adjacent to the Xihu (West Lake). This 2.2 million square-foot mixed-use property comprises Grade-A offices, premium apartments, a retail-mall complex and a luxury hotel. As at 31 December 2019, the offices were 94% leased (2018: 82%), while 94% of the retail space was leased (2018: 94%). Midtown Shangri-La, Hangzhou reported an average occupancy rate of 76% during the year (2018: 77%). The Group holds a 75% stake in the project.

GFA **1.82**<sup>#</sup> | **94%**<sup>®</sup>  
million square feet | Occupancy Rate



### Shenzhen Kerry Plaza

Shenzhen Kerry Plaza, wholly owned by the Group, comprises three Grade-A office towers. Located at the core of the Futian CBD, it is conveniently connected with Futian railway station on the Guangzhou-Shenzhen-Hong Kong Express Rail Link. As at 31 December 2019, the occupancy rate of the development was 92% (2018: 97%).

GFA **1.65**  
million square feet | **92%**  
Occupancy Rate



### Shenyang Kerry Centre

Opened in 2018, Shenyang Kerry Centre has added office and commercial space to the Group's existing rental property portfolio. The development is located on the east side of Qingnian Street in Shenyang, Liaoning Province. As at 31 December 2019, the occupancy of the offices increased to 51% (2018: 19%) upon commissioning of the space, while 88% of the retail space was leased (2018: 68%). Shangri-La Hotel, Shenyang reported an average occupancy rate of 67% (2018: 68%). The Group holds a 60% stake in the project.

GFA **2.06**<sup>#</sup>  
million square feet | **66%**<sup>@</sup>  
Occupancy Rate



### Tianjin Kerry Centre

Tianjin Kerry Centre is a riverfront property on the east bank of the Haihe River in the Hedong CBD, Tianjin, where it enjoys convenient access to a major transportation network. Phase I of this 49%-owned mixed-use project includes upscale residences, a shopping mall and a hotel, delivering a GFA of approximately 3.6 million square feet. Phase II of the development is pending planning approval. As at 31 December 2019, the Riverview Place mall was 82% leased (2018: 74%). Shangri-La Hotel, Tianjin reported an average occupancy rate of 72% during the year (2018: 73%).

GFA **1.67**<sup>#</sup>  
million square feet | **82%**<sup>@</sup>  
Occupancy Rate

*Notes:*

@ As at 31 December 2019, excluding hotel.

# As at 31 December 2019, excluding residential units and apartment held for sale.

# MANAGEMENT DISCUSSION & ANALYSIS

## REVIEW OF PROPERTY BUSINESS

### INVESTMENT PROPERTIES (Continued)

#### Jinan Enterprise Square

Jinan Enterprise Square is located at Lixia District, Jinan, Shandong Province. As at 31 December 2019, the offices were 84% leased (2018: 76%), while 97% of the retail space was leased (2018: 37%). Shangri-La Hotel, Jinan reported an average occupancy rate of 69% (2018: 58%). The Group holds a 55% stake in the project.



Jinan Enterprise Square, Jinan

### SALES OF PROPERTIES

During the year, sales of completed properties in the Mainland delivered a revenue of HK\$6,150 million (2018: HK\$7,516 million), mainly from recognised sales of Castalia Court in Hangzhou, Shenyang Arcadia Height, Jinling Arcadia Court in Nanjing, Lake Grandeur in Hangzhou and Habitat in Qinhuangdao. A gross profit of HK\$2,108 million (2018: HK\$2,381 million) was derived therefrom.

Contracted sales from pre-sales and sales of properties in the Mainland during the year were approximately HK\$2,300 million. The 2020 target of contracted sales in the Mainland has been set at approximately HK\$4,800 million with new/additional launches in the pipeline, which is approximately 60% of the total contracted sales target of HK\$8,000 million for the Group.

#### Castalia Court, Hangzhou

This wholly owned residential and commercial development is located in the core area of the Hangzhou Zhijiang National Tourist and Holiday Resort. With an aggregate site area of approximately 1.53 million square feet, the development has a GFA of approximately 2.27 million square feet of residential property, Castalia Court, as well as approximately 250,000 square feet of commercial space. Phases I and II of the development have been completed and sold. Phase III has also been completed with sales ongoing. As at 31 December 2019, 99% of the total of 725 Phase III units had been sold.



Castalia Court, Hangzhou

#### Arcadia Height, Shenyang

Two towers of Arcadia Height at the Shenyang Kerry Centre Phase II development have been completed and delivered for occupation. Sales of this project have met with a strong response and as at 31 December 2019, 81% of the total of 495 Phase II residential units had been sold/pre-sold. The Group holds a 60% interest in this project.



Arcadia Height, Shenyang



### Jinling Arcadia Court, Nanjing

Jinling Arcadia Court is located in Nanjing's Qin Huai District along Da Guang Road. This residential project wholly owned by the Group has a site area of approximately 396,000 square feet and a GFA of approximately 1 million square feet. As at 31 December 2019, all units were sold and handed over.



Jinling Arcadia Court, Nanjing

### Habitat, Qinhuangdao

Phase I of Habitat, the Group's 60%-owned deluxe seaside residential project close to Beidaihe in Qinhuangdao, Hebei Province, has been completed. As at 31 December 2019, 87% of the total of 778 Phase I residential units had been sold. The Phase I development has a GFA of approximately 1.6 million square feet.



Habitat, Qinhuangdao



### Lake Grandeur, Hangzhou

Lake Grandeur, with a GFA of approximately 330,000 square feet, is situated at Hangzhou Kerry Centre. This completed development overlooks the renowned West Lake in Hangzhou. As at 31 December 2019, 40% of the total of 121 units had been sold. The Group holds a 75% interest in this project.



Lake Grandeur, Hangzhou

# MANAGEMENT DISCUSSION & ANALYSIS

## REVIEW OF PROPERTY BUSINESS

### PROPERTIES UNDER DEVELOPMENT

The Group has continued to selectively acquire and bank prime land in the Mainland for development of large-scale mixed-use properties and residences in coveted locations.

#### Shenyang

The Group's 60%-owned Shenyang Kerry Centre project is located on the east side of Qingnian Street, to the south of Qingnian Park in Shenyang, the provincial capital of Liaoning Province. Lying at the core of the city's landmark Golden Corridor development, the site will yield a GFA of approximately 11 million square feet according to the current plan. This mixed-use project will include offices, residences, a shopping mall and a hotel. Phase I of the development has been completed and Phase II is partially completed, while Phase III is now under construction.

#### Wuhan

In 2018, the Group won a bid to acquire the land-use rights of a site located in Jiangnan District, Wuhan, Hubei Province. Lying in a prime commercial district at the intersection of the Yangtze and Han rivers, and in the vicinity of the Inner Ring Road city-centre area, the development will enjoy direct access to the Wuhan Metro Line 13 currently under planning. This wholly owned project, with an aggregate site area of approximately 700,000 square feet, is designed to yield a total GFA of approximately 4.4 million square feet. The Group plans to develop a large-scale complex with office, commercial, residential and educational components.

#### Qianhai, Shenzhen

The Group is developing Qianhai Kerry Centre in three phases in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. The three sites offer unobstructed seafront views, and are designated for mixed-use developments comprising office, apartment and commercial spaces and a hotel. This development represents the first substantial investment in Qianhai by a major Hong Kong corporation.

The Phase I development is wholly owned by the Group and has a total buildable GFA of approximately 2.2 million square feet, on a commercial site of 350,000 square feet. This phase will include a portfolio of office, apartment and retail properties, and is expected to be completed in 2020. One apartment tower was launched for pre-sale in 2018 to a strong response. The leasing of office and retail spaces commenced in September 2019.

The Group, Kerry Holdings Limited and The Bank of East Asia, Limited are jointly developing Phase II on an adjacent site with an area of approximately 207,000 square feet. This phase is designed to yield a GFA of approximately 1.3 million square feet for the development of office and hotel properties. The Group holds a 25% interest in the Phase II development.

Phase III of the project is situated on a parcel of land in the Qianwan area, adjacent to the other two phases. This new phase has an area of approximately 184,000 square feet, which is planned to yield a GFA of approximately 886,000 square feet, accommodating office and retail spaces, as well as complementary community facilities. This phase is developed through a joint venture with Sino Land Company Limited ("**Sino Land**"), in which the Group holds a 70% interest.

Qianhai is a special economic zone situated in a key location in the Pearl River Delta. All three sites lie conveniently close to the Guangshen-Yanjiang Expressway. Their development will help realise the Group's plan to build a modern, integrated hub for work, business activity and urban living in the centre of Qianhai.



Qianhai Kerry Centre, Shenzhen\*

#### Fuzhou

In 2018, the Group won a bid for a commercial (including retail and commercial services) and residential site in Cangshan District, Fuzhou, Fujian Province. This wholly owned project, with an aggregate site area of approximately 1.4 million square feet, is planned to yield a total GFA of approximately 3.6 million square feet. This project is located in the Sanjiangkou area, where it enjoys a captivating waterfront view. It also lies conveniently at the intersection of the Fuzhou-Xiamen Expressway, and will be linked to Fuzhou Metro Line 6. The Group plans to develop an integrated complex with office, commercial and residential space.

\* Artist's Impression



Fuzhou Complex Development, Fuzhou\*

### Qinhuangdao

The development, Qinhuangdao Habitat, comprises two phases and is scheduled to be developed into apartments, villas, and commercial properties. The Group holds a 60% interest in the project.

Tower Two and Three of Phase I development have been completed with the sold units delivered. Phase II is currently under planning.

### Hangzhou

On 17 May 2019, the Group won a bid for a residential and commercial site in Hangzhou, Zhejiang Province. The site is located in the Xiacheng District, a premier location in the vicinity of a major road link and the soon-to-be-commissioned Hangzhou Metro Line 5. With a site area of approximately 1.06 million square feet, the project is planned to yield a GFA of approximately 2.4 million square feet. The Group's plan is to develop the site into a large-scale complex with office, commercial and residential components.



The new site at Xiacheng District, Hangzhou

\* Artist's Impression

### Zhengzhou

The Group and Shangri-La Asia Limited ("**Shangri-La**") are collaborating on a development located on the east side of Huayuan Road and to the south of Weier Road in Zhengzhou, Henan Province. The site will yield a GFA of approximately 2.1 million square feet for development into office, commercial and residential properties and a hotel. The project is scheduled to be completed in phases from 2023 onwards. The Group holds a 55% interest in this project.

### Tianjin

The Group has a 49% interest in this project. The site, with GFA of approximately 5.1 million square feet, is planned to be developed in two phases. Phase I of the development has been completed and phase II is pending planning approval.

### Kunming

The Group, together with Shangri-La, is developing two adjoining sites in Kunming, Yunnan Province. The sites are earmarked for apartment and hotel use, with a GFA of approximately 696,000 square feet. The Group holds a 55% interest in this project, which is scheduled to be completed in 2022.

### Nanchang

In Nanchang, the provincial capital of Jiangxi Province, the Group is developing a project through a joint venture with Shangri-La. This 80%-held project is situated on the west bank of the Ganjiang River in the heart of the Honggutan Central District. The development includes offices, high-end residential, commercial properties and a hotel. The hotel and residential portions have been completed, delivering a GFA of approximately 1.7 million square feet. The construction permit for the office site was issued in December 2019.



Nanchang Development, Nanchang

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS

#### Putian

The Group and Shangri-La are co-developing a hotel property, as part of the Putian project development, at Jiuhua Road, Putian, Fujian Province. The Group holds a 60% interest in this project. Construction works for the hotel, which has a GFA of approximately 368,000 square feet, are now in progress and are expected to be completed in 2020.



Putian Arcadia Court, Putian

#### Shanghai

In 2016, the Group acquired an equity interest of approximately 24.4% in a Shanghai project company which owns a site located in Pudong New Area, Shanghai. The site, designated for industrial use, has a gross area of approximately 4.43 million square feet. In May 2016, the Shanghai Municipal Government issued an approval covering the planning change for the site to commercial development use (“**May approval**”). Subsequently, in August 2017, another approval was granted by the Shanghai Municipal Government to include the site as part of the newly planned World Expo Cultural Park. The Group’s investment in the second half of 2016 was made on the basis of the May approval.

In the second quarter of 2018, the Shanghai municipal authorities communicated to the project company their intention to incorporate the project site into the World Expo Cultural Park development. Since then discussions and negotiations were held with the Shanghai municipal authorities with a view to arriving at a mutually acceptable solution to enable the shareholders, including the Group, to withdraw from the project. The acquisition compensation agreement was reached in October 2019.

#### Properties under development in the Mainland

As at 31 December 2019:	Group’s Attributable GFA Upon Completion				
	Residential	Office	Commercial	Hotel	Total
	('000 square feet)				
Wuhan	2,593	1,360	484	–	4,437
Fuzhou	2,055	689	843	–	3,587
Shenyang	2,223	551	423	–	3,197
Shenzhen	646	1,999	365	107	3,117
Hangzhou	1,190	624	624	–	2,438
Qinhuangdao	1,870	–	150	–	2,020
Zhengzhou	558	349	24	226	1,157
Tianjin	156	489	92	–	737
Nanchang	–	496	36	–	532
Kunming	125	–	–	258	383
Putian	–	–	21	200	221
<b>Total</b>	<b>11,416</b>	<b>6,557</b>	<b>3,062</b>	<b>791</b>	<b>21,826</b>

## HONG KONG PROPERTY DIVISION

During the year ended 31 December 2019, the Hong Kong Property Division recorded a revenue of HK\$6,286 million (2018: HK\$8,123 million) and a gross profit of HK\$3,333 million (2018: HK\$3,325 million).

The Division's revenue for the year was mainly derived from recognised sales of completed residential properties at Martin Heights, The Bloomsway and Mont Rouge.

The portfolio of investment properties in Hong Kong continued to contribute a steady stream of recurrent income as it achieved high occupancy levels and stable rental rates during the year.

### Hong Kong Properties 5.57 million square feet in attributable GFA

#### ● Under development

0.95 million square feet in attributable GFA **17%**

##### ● By usage

● Residential	100%
---------------	------

##### ● By location

● Hong Kong Island	59%
● Kowloon	41%

#### ● Completed investment properties/ Hotel properties/ Properties held for sale

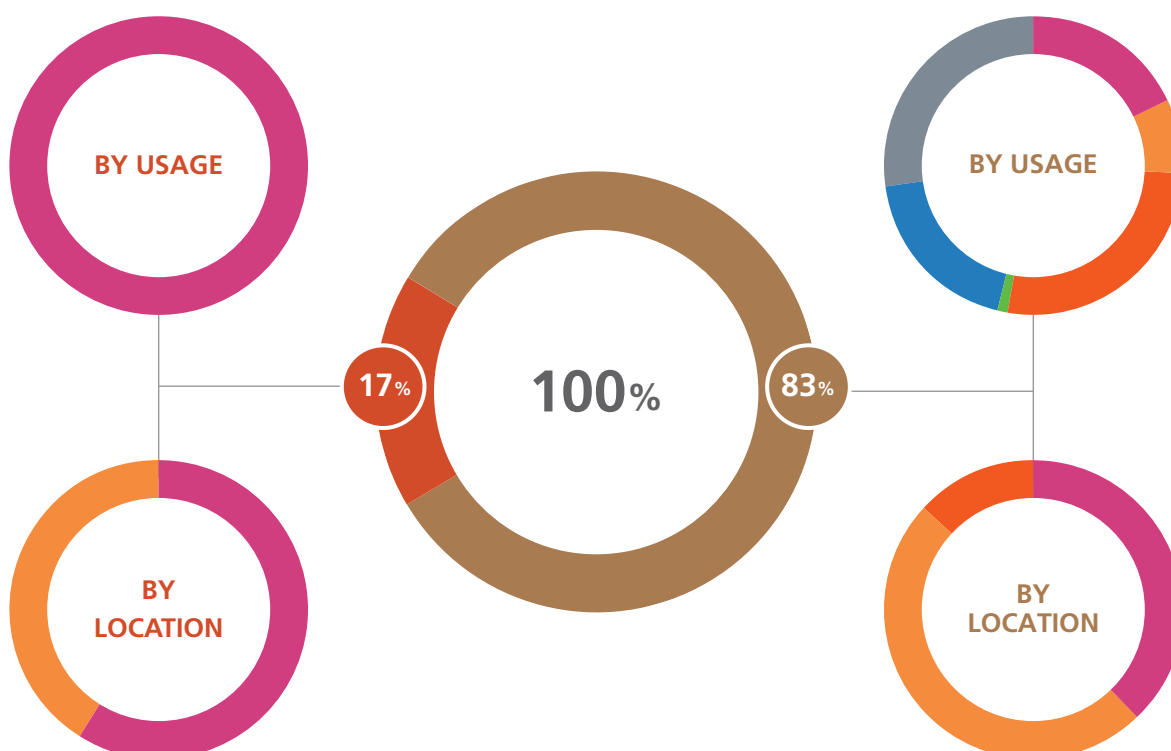
4.62 million square feet in attributable GFA **83%**

##### ● By usage

● Office	18%
● Residential	8%
● Commercial	27%
● Hotel	1%
● Apartment	19%
● Warehouse	27%

##### ● By location

● Hong Kong Island	38%
● Kowloon	49%
● New Territories	13%



# MANAGEMENT DISCUSSION & ANALYSIS

## REVIEW OF PROPERTY BUSINESS

### INVESTMENT PROPERTIES

The rental performance of the Group's premier portfolio of residential, commercial and office properties in Hong Kong remained robust in 2019. Revenue generated by the completed investment properties in Hong Kong totalled HK\$1,275 million (2018: HK\$1,164 million), producing a gross profit of HK\$999 million for the year (2018: HK\$926 million).

To strengthen its investment asset base and complementing its prime Mid-Levels portfolio in Hong Kong, the Group has curated a new, urban-chic residential rental brand, Resiglow. Following the successful launch in 2017 of the first leasing project under this brand, Resiglow – Happy Valley, another apartment property, Resiglow – Bonham, was added to the portfolio during the year.

Considering the redevelopment potential of warehouse buildings, the Group acquired two warehouses in Sha Tin and Chai Wan from a wholly owned subsidiary of Kerry Logistics Network Limited during the year. The Group will consider redevelopment of the warehouses for long-term investment so as to add value to its portfolio.



Branksome Grande, Hong Kong

With the addition of the two warehouse properties, the aggregate GFA of the completed investment property portfolio in Hong Kong increased to 4.20 million square feet as at 31 December 2019 (2018: 2.86 million square feet). Set out below is the breakdown of GFA and the respective occupancy rates, together with comparative figures:

	As at 31 December 2019		As at 31 December 2018	
	Group's attributable GFA ('000 square feet)	Occupancy rate	Group's attributable GFA ('000 square feet)	Occupancy rate
Apartment	871	90%#	803	99%
Commercial	1,224	100%	1,219	99%
Office	835	97%	841	97%
Warehouse	1,266	69%	–	–
	<b>4,196</b>		<b>2,863</b>	

Note:

# Excluding the Resiglow – Bonham with leasing commenced in August 2019.

### Enterprise Square Five/MegaBox, Kowloon Bay

MegaBox blends shopping, entertainment, dining and sports into one innovatively designed complex. This pioneering retail and lifestyle landmark in Kowloon East has a GFA of 1.1 million square feet. As at 31 December 2019, the mall had an occupancy rate of nearly 100% (2018: nearly 100%).

MegaBox, as well as the overall economy, have inevitably been affected by the dual blows of the trade conflict between the Mainland and the US and the local social unrest. While the direct impact of these events on the mall's rental performance was moderate during the year, MegaBox took steps to flexibly rearrange the floor space to yield greater efficiency and appeal to customers. It also implemented measures to enhance the visitor experience, and organised activities to draw traffic.

The two Grade-A office towers of Enterprise Square Five, with a GFA of 519,000 square feet, recorded stable rental rates and were 97% leased as at 31 December 2019 (2018: 97%).



MegaBox, Hong Kong

### Kerry Centre, Quarry Bay

Kerry Centre, at No. 683 King's Road, Quarry Bay, is the Group's 40%-held flagship office property in Hong Kong. This Grade-A office tower has a GFA of approximately 511,000 square feet. Benefitted from the office decentralisation trend, Kerry Centre continued to record high occupancy rates and stable rentals. As at 31 December 2019, 100% of the office space was leased (2018: 100%).



Kerry Centre, Hong Kong

### Resiglow – Happy Valley

Resiglow – Happy Valley is located at No. 7A Shan Kwong Road, Happy Valley. It provides 106 units, including two penthouses, over a GFA of approximately 81,000 square feet. As at 31 December 2019, 87% of the units (2018: 100%) were leased.

### Resiglow – Bonham, Sai Ying Pun

Resiglow – Bonham is situated at No. 8 Hing Hon Road, and has a buildable GFA of approximately 68,000 square feet. The project obtained its Occupation Permit in July 2019. Leasing commenced in August 2019 and, as at 31 December 2019, 59% of the units (2018: N/A) were leased.



Resiglow – Bonham, Hong Kong

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW OF PROPERTY BUSINESS

#### SALES OF PROPERTIES

During the year, recognised sales of completed properties in Hong Kong contributed a revenue of HK\$5,011 million (2018: HK\$6,959 million) to the Group. A gross profit of HK\$2,334 million (2018: HK\$2,399 million) was generated, mainly from recognised sales of Mantin Heights, The Bloomsway and Mont Rouge.

Contracted sales in Hong Kong during the year were approximately HK\$6,600 million. The 2020 target of contracted sales in Hong Kong has been set at approximately HK\$3,200 million, which is approximately 40% of the total contracted sales target of HK\$8,000 million for the Group.

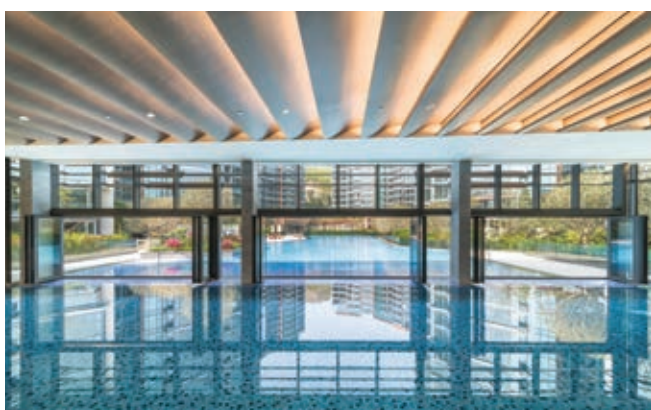
#### Mantin Heights, Ho Man Tin

The Group's residential project, Mantin Heights, is situated at No. 28 Sheung Shing Street, Ho Man Tin, with a saleable area of approximately 992,000 square feet. As at 31 December 2019, 98% of the total of 1,429 units had been sold.



#### The Bloomsway, So Kwun Wat

The Bloomsway is located at Nos. 18, 28 and 29 Tsing Ying Road, So Kwun Wat. The project has a saleable area of approximately 838,000 square feet. As at 31 December 2019, 96% of the total of 1,100 units had been sold.



#### Mont Rouge, Beacon Hill

The Group has developed Mont Rouge at No. 9 Lung Kui Road in Beacon Hill with a saleable area of approximately 115,000 square feet. This low-density premium residential project comprising two residential towers and 19 houses obtained its Certificate of Compliance in January 2019. As at 31 December 2019, 7% of the total of 45 units had been sold.



#### PROPERTIES UNDER DEVELOPMENT

#### Lung Kui Road, Beacon Hill

The Group acquired a further site in Beacon Hill in 2016. This site, at No. 3 Lung Kui Road and occupying an area of 235,000 square feet, will be developed into an upscale low-density residential property with a buildable GFA of approximately 343,000 square feet. The project lies adjacent to Mont Rouge and is scheduled to be completed in 2021.

#### La Salle Road, Ho Man Tin

The Group is developing a residential project at No. 10 La Salle Road in Ho Man Tin, following amalgamation of the entire building at Nos. 168-168C Boundary Street with the adjacent plot at No. 10 La Salle Road. Lying next to 8 LaSalle, this redevelopment project will deliver an aggregate buildable GFA of approximately 45,000 square feet and is scheduled for completion in 2020.





La Salle Road Residential Development, Hong Kong\*

### Wong Chuk Hang Station Package Two Property Development, Wong Chuk Hang

Together with Sino Land, the Group is co-developing the Wong Chuk Hang Station Package Two Property Development. The Group holds a 50% stake in the project. Located on the south-western segment of the Wong Chuk Hang Station Property Development, the site is designated for private residential purposes. This project will enjoy direct transport connection and the upside of the vibrant neighbourhood of Wong Chuk Hang. It occupies an area of approximately 92,000 square feet and will generate a buildable GFA of approximately 493,000 square feet. The project is scheduled for completion in 2023.

### Wong Chuk Hang Station Package Four Property Development, Wong Chuk Hang

On 28 October 2019, a consortium formed by the Group, Sino Land and Swire Properties Limited was awarded the tender for the Wong Chuk Hang Station Package Four Property Development project. Located on the south-eastern segment of the Wong Chuk Hang Station Property Development, the site is designated for private residential purposes and on the same lot as the project currently under co-development by the Group and Sino Land. This new project is expected to deliver two residential towers, offering a total of about 800 units over a buildable GFA of approximately 638,000 square feet. The Group holds a 50% interest in this project.

## Properties under development in Hong Kong

As at 31 December 2019:	Group's attributable GFA upon completion ('000 square feet)
Residential	953
	<b>953</b>

## Macau

Development projects in Macau include a site at Nam Van Lake designated for luxury apartment development and a further residential project currently under discussion with the Macau SAR Government as regards the land exchange issue.

In May 2018, the Macau SAR Government gazetted the expiry of the land lease of the Nam Van Lake project for the reason of non-development. The Group filed an appeal ("**Appeal**") in June 2018 in the Second Instance Court of Macau SAR ("**Second Instance Court**") against the decision of the Chief Executive of Macau SAR in declaring the expiry of the land lease. The Second Instance Court handed down its decision in January 2020 dismissing the Appeal. The Group filed a further appeal ("**Final Appeal**") in the Court of Final Appeal of Macau SAR in February 2020 seeking to overturn Second Instance Court's decision. The Group also filed with the Administrative Court of Macau SAR a petition in July 2019 against the Macau SAR Government claiming, *inter alia*, due compensation for damages and loss of profits caused and the case is still under judicial proceedings.

As regards the reclamation project in Macau, joint venture partners have recently reviewed the course of action and submitted a written enquiry about the land exchange progress. A formal reply was received in July 2019 from the Macau SAR Government acknowledging that the case will be considered together with all other land debt cases in Macau.

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

## REVIEW OF PROPERTY BUSINESS

### OVERSEAS PROPERTY DIVISION

#### The Philippines

The Group maintains a portfolio of upscale properties in the Philippines. These investments are held through Shang Properties, Inc. ("SPI"), in which the Division maintains a 34.61% equity interest and a 30.75% interest in its depository receipts. SPI holds a 100% interest in the Shangri-La Plaza Mall, Manila, and a 70.04% interest in The Enterprise Center, an office and commercial property in Makati, Manila's financial district. As at 31 December 2019, the occupancy rates of Shangri-La Plaza Mall and The Enterprise Center were 94% and 98% respectively (2018: 93% and 95%, respectively).



Shang Residences at Wack Wack, The Philippines\*

### Overseas Properties 4.43 million square feet in attributable GFA

#### Under development

2.06 million square feet in attributable GFA **46%**

##### By usage

Residential	94%
Commercial	6%

##### By location

The Philippines	88%
Singapore	12%

#### Completed investment properties/Hotel properties/ Properties held for sale

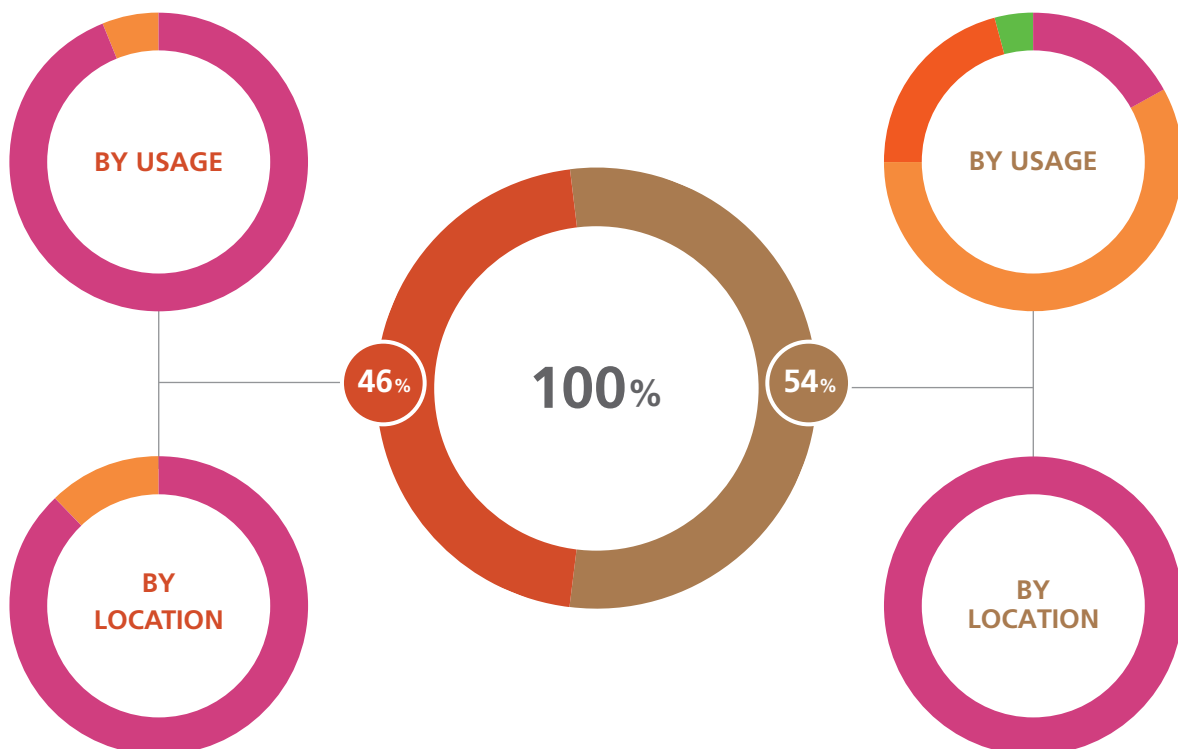
2.37 million square feet in attributable GFA **54%**

##### By usage

Office	17%
Commercial	58%
Hotel	21%
Apartment	4%

##### By location

The Philippines	100%
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\* Artist's Impression

SPI holds a high-rise residential project, Shang Salcedo Place in Makati City, with a GFA of approximately 655,000 square feet. As at 31 December 2019, 100% of the total of 749 residential units had been sold, with 5 units to be held for long-term investment.

In addition, SPI holds a 60% interest in a hotel and luxury residential development in Fort Bonifacio, Taguig, Manila. The development includes a hotel with a total area of more than 850,000 square feet, residential and serviced apartment units covering 593,000 square feet, and commercial space with a total area of 47,400 square feet. As at 31 December 2019, 96% of the total of 98 residential units available for sale had been sold and 4 units, including 2 units of penthouse, have been retained by the developer for long-term investment. The hotel recorded an average occupancy rate of 71% (2018: 63%) during the year, while the serviced apartments were 82% leased as at 31 December 2019 (2018: 84%).

Apart from these completed projects, SPI currently has three major projects under development:

The first is being developed on a site of more than 116,000 square feet located in Malugay Street, Makati City. This project, The Rise, will have a GFA of approximately 1.63 million square feet, comprising 3,044 residential units and approximately 96,000 square feet of commercial space. Sales of The Rise have met with a strong market response, and 96% of the total of 3,044 units had been sold as at 31 December 2019, with 25 units to be held for long-term investment.

SPI launched another project in 2018, located at Wack Wack Road, Mandaluyong City, with a site area of more than 36,000 square feet. This project, Shang Residences at Wack Wack, will have a GFA of approximately 860,000 square feet, comprising 404 residential units. Sales of Shang Residences at Wack Wack were launched in September 2018, and 45% of the total of 404 units had been reserved and sold as at 31 December 2019, with 4 units to be held for long-term investment.

SPI also has a 50% interest in a joint venture to develop a site of more than 98,000 square feet in Fort Bonifacio Global City, Manila. The development, Aurelia, will deliver residential units, serviced apartments and commercial spaces. Pre-sale started in September 2019 and 46% of the total of 279 units had been reserved and sold as at 31 December 2019.

### Sri Lanka

The Group and SPI have formed a joint venture, Shang Properties (Pvt) Ltd, in Sri Lanka, to develop a mixed-use project strategically located in the heart of Colombo, the country's commercial capital and largest city. The site is situated on a six-acre parcel of leased land on Sir James Peiris Mawatha overlooking Beira Lake in Colombo. The Group holds an 80% stake, while SPI holds a 20% interest in the joint venture.

The project will be developed in two phases. Phase I will include a high-rise residential tower, and Phase II will comprise residential and retail components. The entire project will take eight to nine years to develop.

The development will be complemented by an integrated podium featuring jogging tracks, a clubhouse fully equipped with swimming pools and other facilities, a garden, and car-parking floors.



Shang Residences, Sri Lanka\*

### Singapore

The Group and Allgreen Properties Limited (“**Allgreen**”) have formed joint venture in which the Group holds a 30% interest. The joint venture won a tender for a land parcel located at Pasir Ris Central on 22 March 2019. With an area of approximately 409,000 square feet, the site is planned for residential and commercial uses.

This joint development aligns with the business strategies of the Group in building up a prime property portfolio and pursuing sound investment opportunities. In addition, the co-operation between the Group and Allgreen will provide a synergistic effect for both parties and will allow them to share their management and strategic expertise in the project.

\* Artist's Impression

# MANAGEMENT DISCUSSION & ANALYSIS

## REVIEW OF PROPERTY BUSINESS

### Overseas Property Portfolio

As at 31 December 2019:	Group's attributable GFA ('000 square feet)
<b>Investment properties</b>	
Office	406
Commercial	1,362
Apartment	99
<b>Sub-total</b>	<b>1,867</b>
<b>Hotel properties</b>	
Hotel	335
Hotel lease	169
<b>Sub-total</b>	<b>504</b>
<b>Properties under development</b>	
Residential	1,941
Commercial	116
<b>Sub-total</b>	<b>2,057</b>
<b>Total</b>	<b>4,428</b>

### OUTLOOK

#### MAINLAND PROPERTY DIVISION

The Mainland real estate market has entered a period of adjustment against a background of tighter government controls and prudent financing policies. Adverse global trading conditions and geopolitical tensions have also had an impact on China. Property transactions have slowed down with prices softening slightly as home buyers adopt a 'wait-and-see' attitude. Developers are generally taking a more cautious approach towards land banking and new developments.

In the first quarter of 2020, the coronavirus disease ("COVID-19") caused disruption of supply chains and normal business operations on the Mainland. We took immediate action to co-ordinate the infection control measures taken by our local teams. Contingency plans were quickly developed and implemented to deal with the ad hoc issues raised by the epidemic.

Having weighed the impact of the epidemic and existing control policies for the property sector, we believe our market-driven sales approach remains appropriate. We will prudently plan and adjust our sales activity in accordance with the market situation.

Despite much lower visibility for the near term, we are confident in the long-term economic resilience of China. The property market will continue to grow healthily as the country's urbanisation process gathers pace. To sustain our growth momentum, we will continue to seek land-banking opportunities in major cities and locations with development potential.

In line with the Group's vision of building up a healthy recurrent income base, we will continue to identify and bank prime land for the development of large-scale mixed-use properties. These projects will feature a mix of office, residential, shopping and hotel components, which collectively will help stabilise our rental base. They will also facilitate the creation of community spaces, which is an important part of our social responsibility in helping improve the neighbourhoods we operate in.

The year 2020 is expected to bring many challenges, but the Group's solid fundamentals will continue to provide a firm foundation for ongoing developments. With careful control of risks, and continued responsiveness to opportunities in the market, we should be able to minimise the adverse impact caused to the Group by the COVID-19.

## HONG KONG PROPERTY DIVISION

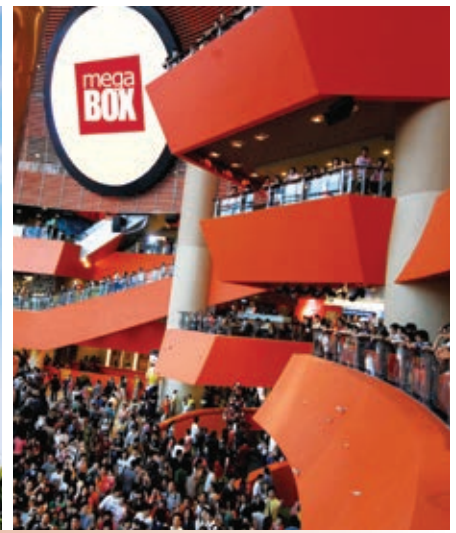
On the home front, the volume of property transactions fell last year as both global trade tensions and local social unrest weighed on sentiment. As Hong Kong heads for an uncertain 2020 with outlook remaining subdued, we will continue to adopt a cautious approach in our business rollout.

The first half of 2020 will likely see the local economy affected by the COVID-19. With the future becoming less predictable, we will prudently manage risks, but at the same time maintain an open and positive mindset towards exploring and capturing growth possibilities. The Division's healthy portfolio of projects under development will provide impetus for our sales activity in the next few years. Going forward, we will continue to seek opportunities to replenish our land bank in Hong Kong.

Our Hong Kong investment property portfolio is an important contributor to the Group's long-term focus on building a strong recurrent income base. Key components of this portfolio – our premier Mid-Levels residences, offices in Island East and Kowloon East, and the MegaBox mall – are all achieving satisfactory occupancies and steady rental rates. We will also continue to expand the Resiglow line of apartments with a view to adding new recurrent income streams for the Group.

For the year ahead, we expect to record stable rental performance for our apartment and office portfolios. We believe our office properties will continue to benefit from the decentralisation trend. However, the retail portfolio may well meet with more challenges. Our mall management teams will actively address these difficulties, and work with our tenants to transform our mall spaces to stay relevant for new-generation consumers.

While the outlook for the Hong Kong economy and property market is subject to a significant level of uncertainty, we maintain that the city's core strength and supply-and-demand fundamentals are solid and unchanged. We have a long track record of demonstrating resilience across market cycles, and are confident of sustaining a robust performance over the long term.



# MANAGEMENT DISCUSSION & ANALYSIS

## FINANCIAL REVIEW

The Group has centralized funding for all its operations. This policy achieves better control of treasury operations and lower average cost of funds.

The Group closely reviews and monitors its foreign exchange exposure. As at 31 December 2019, total foreign currency borrowings (excluding RMB bank loans) amounted to the equivalence of HK\$4,131 million and RMB bank loans amounted to the equivalence of HK\$4,474 million. Therefore, non-RMB total foreign currency borrowings and RMB bank loans represented approximately 10% and 11% respectively, of the Group's total borrowings of HK\$39,541 million as at 31 December 2019.

The non-RMB total foreign currency borrowings of HK\$4,131 million include US\$300 million Fixed Rate Bonds (net of direct issue costs) and approximately AUD328 million bank loans. The Group has arranged cross currency swap contracts amounting to US\$297 million and approximately AUD328 million to hedge the exchange rate exposure between United States dollars and Hong Kong dollars and between Australian dollars and Hong Kong dollars, respectively.

Out of the Group's total borrowings as at 31 December 2019, HK\$8,494 million (representing approximately 22%) was repayable within one year, HK\$7,921 million (representing approximately 20%) was repayable in the second year, HK\$22,726 million (representing approximately 57%) was repayable in the third to fifth years and HK\$400 million (representing approximately 1%) was repayable over five years. The Group continued to maintain most of its borrowings on an unsecured basis, with unsecured debt accounting for approximately 95% of total borrowings as at 31 December 2019. The Group will continue to obtain financing on an unsecured basis whenever possible, and supplement such borrowings with secured project financing as and when the need arises.

As at 31 December 2019, the gearing ratio for the Group was 26.8% (2018: 19.2%), calculated based on net debt of HK\$27,286 million and shareholders' equity of HK\$101,705 million.

As at 31 December 2019, the Group had outstanding interest rate swap contracts which amounted to HK\$1,700 million in total, enabling the Group to hedge its interest rate exposure and to have a more stable interest rate profile.

In terms of the Group's available financial resources as at 31 December 2019, the Group had total undrawn bank loan facilities of HK\$12,590 million and cash and bank deposits of HK\$12,255 million. In addition, the generation of strong recurrent cashflows from the Group's investment property portfolio and hotel operations provides the Group with a strong financial position, and enables the Group to reap the benefits of investment opportunities as and when they arise.

Details of contingent liabilities and pledge of assets are set out in notes 44 and 45 to the financial statements of the Group.

# PARTICULARS OF PROPERTIES HELD

Particulars of major properties held by the Group as at 31 December 2019 are as follows:

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Mainland Properties</b>						
<b>A. Completed and held for investment</b>						
1. Jing An Kerry Centre Phase II	1218, 1228 and 1238 Yanan Zhong Road 1539, 1551 and 1563 Nanjing Xi Road Jing An District Shanghai	Office Commercial	51.00	646,802 444,478	557	Medium lease
				<b>1,091,280</b>		
2. Beijing Kerry Centre	1 Guang Hua Road Chaoyang District Beijing	Office Apartment Commercial	71.25	711,121 277,330 98,406	423	Medium lease
				<b>1,086,857</b>		
3. Hangzhou Kerry Centre	385 Yanan Road Xiacheng District Hangzhou	Commercial Office	75.00	798,300 101,582	376	Medium lease
				<b>899,882</b>		
4. Shenzhen Kerry Plaza Phase II	1 Zhong Xin Si Road Futian CBD Shenzhen	Office Commercial	100.00	745,425 104,110	335	Medium lease
				<b>849,535</b>		
5. Shenyang Kerry Centre Phase II	123, 125 and 125-1 Qingnian Avenue Shenhe District Shenyang	Commercial Office	60.00	486,057 353,615	550	Medium lease
				<b>839,672</b>		
6. Shenzhen Kerry Plaza Phase I	1 Zhong Xin Si Road Futian CBD Shenzhen	Office	100.00	<b>804,709</b>	306	Medium lease
7. Kerry Parkside	1155 and 1201 Fangdian Road 1378, 1388 and 1398 Hua Mu Road Pudong Shanghai	Office Commercial Apartment	40.80	417,189 216,592 153,300	475	Medium lease
				<b>787,081</b>		
8. Jing An Kerry Centre Phase I	1515 Nanjing Road West Jing An District Shanghai	Office Apartment Commercial	74.25	308,584 142,355 103,971	180	Medium lease
				<b>554,910</b>		
9. Shanghai Central Residences Phase II Towers 1 and 3	166 and 168 Lane 1038 Huashan Road Changning District Shanghai	Apartment	100.00	<b>478,286</b>	211	Long lease
10. Tianjin Kerry Centre Riverview Place	238 Liuwei Road Hedong District Tianjin	Commercial	49.00	<b>435,099</b>	387	Medium lease
11. Kerry Everbright City Phase I	218 Tianmu Road West Jing An District Shanghai	Commercial Office	74.25	330,141 16,052	179	Medium lease
				<b>346,193</b>		
12. Jinan Enterprise Square	102 Luoyuan Street Lixia District Jinan	Office Commercial	55.00	195,036 33,634	140	Medium lease
				<b>228,670</b>		
13. Shenzhen Kerry Centre	2008 Renminnan Road Lowu District Shenzhen	Office	100.00	<b>1,641</b>	193	Medium lease
<b>Total Mainland completed investment properties</b>				<b>8,403,815</b>	<b>4,312</b>	

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Mainland Properties</b>						
<b>B. Hotel properties</b>						
1. Shangri-La Hotel, Nanchang	669 Cui Lin Road Honggutan New District Nanchang	Hotel	80.00	<b>642,735</b>	182	Medium lease
2. Kerry Hotel Beijing	1 Guang Hua Road Chaoyang District Beijing	Hotel	71.25	<b>499,642</b>	–	Medium lease
3. Midtown Shangri-La Hotel, Hangzhou	6 Changshou Road Xiacheng District Hangzhou	Hotel	75.00	<b>461,443</b>	12	Medium lease
4. Jing An Shangri-La Hotel, West Shanghai	1218 Yanan Zhong Road Jing An District Shanghai	Hotel	51.00	<b>433,566</b>	–	Medium lease
5. Shangri-La Hotel, Nanjing	329 Zhong Yang Road Gulou District Nanjing	Hotel	45.00	<b>412,798</b>	187	Medium lease
6. Shangri-La Hotel, Shenyang	115 Qingnian Avenue Shenhe District Shenyang	Hotel	60.00	<b>394,524</b>	259	Medium lease
7. Shangri-La Hotel, Tianjin	328 Haihe East Road Hedong District Tianjin	Hotel	49.00	<b>381,726</b>	96	Medium lease
8. Shangri-La Hotel, Jinan	106 Luoyuan Street Lixia District Jinan	Hotel	55.00	<b>335,779</b>	101	Medium lease
9. Kerry Hotel Pudong, Shanghai	1388 Hua Mu Road Pudong Shanghai	Hotel	40.80	<b>325,853</b>	–	Medium lease
10. Shangri-La Hotel, Tangshan	889 Changhong West Road Lubei District Tangshan	Hotel	40.00	<b>237,881</b>	99	Medium lease
<b>Total Mainland hotel properties</b>				<b>4,125,947</b>	<b>936</b>	



Group's attributable interest								
Property name	Location	Type	%	Approximate	Approximate	Stage of completion	Scheduled completion	
				gross floor area (square feet)	site area (square feet)			
<b>Mainland Properties</b>								
<b>C. Under development</b>								
1.	Shenzhen Qianhai Kerry Centre Phase I	1 Qianwan Road Nanshan District Shenzhen	Office Residential Commercial	100.00	1,291,680 645,840 236,324	349,670	Residential Mechanical and engineering work completed Curtain wall installation completed Office Curtain wall installation and mechanical and engineering work in progress	Second half of 2020
					<b>2,173,844</b>			
2.	Shenyang Kerry Centre Phase II Arcadia Height Tower 1	2 and 4 Jian Yuan Street Shenhe District Shenyang	Residential	60.00	<b>233,462</b>	49,132	Interior decoration work in progress	Second half of 2020
3.	Putian Hotel Development	88 Jiu Hua West Road Chengxiang District Putian	Hotel Commercial	60.00	199,558 20,951	324,589	Curtain wall installation, mechanical and engineering work and interior decoration work in progress	Second half of 2020
					<b>220,509</b>			
4.	Fuzhou Cangshan Complex Development	Land Parcel 2018-34 Zhanlan Village block Cangshan District Fuzhou	Residential Commercial Office	100.00	2,055,246 842,821 689,402	1,381,409	Basement structural work in progress	2022
					<b>3,587,469</b>			
5.	Kunming Complex Development	88-96 Dong Feng Road Panlong District Kunming	Hotel Residential	55.00	257,766 125,159	91,443	Earthwork and lateral support work completed Basement structural work in progress	2022
					<b>382,925</b>			
6.	Shenzhen Qianhai Kerry Centre Phase II	Site no. T102-0260 Land Parcel 2 & 4, Unit 7 Qianwan Area Qianhai District Shenzhen	Office Hotel Commercial	25.00	166,842 107,640 48,348	51,835	Hotel Superstructure work topped up Office Superstructure work in progress	2022
					<b>322,830</b>			
7.	Shenyang Kerry Centre Phase III	Lot No. 2007-053 8 Golden Corridor East of Qingnian Avenue Shenhe District Shenyang	Residential Office Commercial	60.00	1,989,833 550,256 423,032	428,900	Foundation pit support work in progress	In phases from 2022 onwards
					<b>2,963,121</b>			
8.	Qinhuangdao Habitat Phase II	160 Hebin Road Haigang District Qinhuangdao	Residential Commercial	60.00	1,869,636 150,293	814,555	Schematic design in progress	In phases from 2022 onwards
					<b>2,019,929</b>			
<b>Sub-total</b>					<b>11,904,089</b>	<b>3,491,533</b>		

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area (square feet)	Approximate site area (square feet)		
<b>Mainland Properties</b>							
<b>C. Under development (Continued)</b>							
9.	Tianjin Kerry Centre Phase II	Junction of Liuwei Road and Liujin Road Hedong District Tianjin	49.00	488,669 156,016 92,249	149,857	Schematic design in progress	2023
				<b>736,934</b>			
10.	Shenzhen Qianhai Kerry Centre Phase III	Site no. T102-0261 Land Parcel 3, Unit 7 Qianwan Area Qianhai District Shenzhen	70.00	540,245 79,869	128,687	Piling work in progress	2023
				<b>620,114</b>			
11.	Nanchang Complex Development Phase II	667 Cui Lin Road Honggutan New District Nanchang	80.00	496,263 35,943	56,556	Schematic design in progress	2023
				<b>532,206</b>			
12.	Zhengzhou Complex Development	East of Huayuan Road South of Weier Road Zhengzhou	55.00	557,807 348,972 226,353 23,639	263,881	Piling work in progress	In phases from 2023 onwards
				<b>1,156,771</b>			
13.	Hangzhou Complex Development <sup>(1) (2)</sup>	East by Shengnan Road Wenhui Sub-district Plot XC0403-35 South by Wenhui Sub-district Plot XC0404-08 West by Dongxin Road, Guihua No. 9 Road North by Hangyang Street Xiacheng District Hangzhou	100.00	1,189,957 624,075 624,075	1,055,442	Schematic design in progress	In phases from 2024 onwards
				<b>2,438,107</b>			
14.	Wuhan Complex Development <sup>(1) (2)</sup>	Land Parcel P(2018)090 South of Minquan Road North of Taiyuan Street West of Hualou Street East of Minzu Road Jiangnan District Wuhan	100.00	2,592,768 1,360,214 484,380	695,742	Schematic design in progress	2025
				<b>4,437,362</b>			
<b>Sub-total</b>				<b>9,921,494</b>	<b>2,350,165</b>		
<b>Total Mainland properties under development</b>				<b>21,825,583</b>	<b>5,841,698</b>		

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Mainland Properties</b>						
<b>D. Held for sale</b>						
1. Enterprise Centre	209 and 219 Gong He Road Jing An District Shanghai	Office Commercial Residential	74.25	494,090 90,425 20,955 <b>605,470</b>	365	Medium lease
2. Hangzhou Zhijiang Castalia Court Phases I to III	East of Longqi Road South of Hanxiu Road West of Shanhusa River North of Zhihan Road West Lake District Hangzhou	Commercial Residential	100.00	247,228 5,288 <b>252,516</b>	409	Long lease
3. Qinhuangdao Habitat Phase I	160 Hebin Road Haigang District Qinhuangdao	Residential Commercial	60.00	144,232 34,933 <b>179,165</b>	325	Long lease
4. Hangzhou Kerry Centre Lake Grandeur	385 Yanan Road Xiacheng District Hangzhou	Residential	75.00	<b>151,070</b>	102	Medium lease
5. Shenyang Kerry Centre Enterprise Square	121 Qingnian Avenue Shenhe District Shenyang	Office	60.00	<b>138,604</b>	–	Medium lease
6. Tangshan Parkside Place	889 Changhong West Road Lubei District Tangshan	Commercial	40.00	<b>89,987</b>	–	Medium lease
7. Tianjin Arcadia Court Phase I	238 Liuwei Road Hedong District Tianjin	Residential	49.00	<b>80,502</b>	303	Long lease
8. Putian Arcadia Court	666 Jiuhua Road Chengxiang District Putian	Commercial	60.00	<b>41,676</b>	361	Medium lease
9. Enterprise Square	216 and 228 Meiyuan Road Jing An District Shanghai	Commercial	74.25	<b>26,992</b>	20	Medium lease
<b>Sub-total</b>				<b>1,565,982</b>	<b>1,885</b>	

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Mainland Properties</b>						
<b>D. Held for sale (Continued)</b>						
10. Nanchang Arcadia Court	667 Cui Lin Road Honggutan New District Nanchang	Residential	80.00	<b>26,270</b>	19	Long lease
11. Shenyang Kerry Centre Phase II Arcadia Height Towers 2 and 3	4-1 and 6 Jian Yuan Street Shenhe District Shenyang	Residential	60.00	<b>23,275</b>	88	Medium lease
12. Tangshan Arcadia Court	368 Dali Road Lubei District Tangshan	Commercial	40.00	<b>16,977</b>	120	Long lease
13. Parkview Residence Phase I	756 Hangbo Street Xiacheng District Hangzhou	Commercial	100.00	<b>12,584</b>	–	Long lease
14. Shenzhen Arcadia Court	1008 Haitian Road Futian District Shenzhen	Commercial	100.00	<b>4,608</b>	551	Long lease
15. Jinling Arcadia Court	99 Daguang Road Qinhuai District Nanjing	Residential	100.00	<b>3,644</b>	2	Long lease
16. Shenyang Kerry Centre Arcadia Court Phase I	70 Wenhua Road Shenhe District Shenyang	Residential	60.00	<b>3,308</b>	186	Medium lease
17. The Metropolis – Arcadia Court Phase I	299 Ronghua North Road Hi-Tech Industrial Development Zone Chengdu	Residential	55.00	<b>1,129</b>	75	Long lease
<b>Sub-total</b>				<b>91,795</b>	<b>1,041</b>	
<b>Total Mainland properties held for sale</b>				<b>1,657,777</b>	<b>2,926</b>	
<b>TOTAL MAINLAND PROPERTY PORTFOLIO</b>				<b>36,013,122</b>		

Property name	Location	Type	%	Group's attributable interest		
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
<b>Hong Kong Properties</b>						
<b>A. Completed and held for investment</b>						
<b>I. Residential</b>						
1. Branksome Grande	3 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	257,372	73	Medium lease
2. Aigburth	12 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	204,940	63	Long lease
3. Branksome Crest	3A Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	153,375	126	Medium lease
4. Tavistock	10 Tregunter Path Mid-Levels Hong Kong	Apartment	100.00	104,460	24	Long lease
5. Resiglow – Happy Valley	7A Shan Kwong Road Happy Valley Hong Kong	Apartment	100.00	81,218	13	Long lease
6. Resiglow – Bonham	8 Hing Hon Road Hong Kong	Apartment	100.00	67,573	–	Long lease
7. Gladdon	3 May Road Mid-Levels Hong Kong	Apartment	100.00	2,300	14	Long lease
<b>Sub-total</b>				<b>871,238</b>	<b>313</b>	
<b>II. Commercial/office</b>						
1. Enterprise Square Five/ MegaBox	38 Wang Chiu Road Kowloon Bay Kowloon	Commercial Office	100.00	1,145,537 <sup>(3)</sup> 519,316	748	Medium lease
				<b>1,664,853</b>		
2. Kerry Centre	683 King's Road Quarry Bay Hong Kong	Office Commercial	40.00	193,252 10,952	74	Medium lease
				<b>204,204</b>		
3. Enterprise Square	9 Sheung Yuet Road Kowloon Bay Kowloon	Office	100.00	56,730	26	Medium lease
4. Hollywood Centre	233 Hollywood Road Sheung Wan Hong Kong	Office Commercial	47.37	31,126 16,400	–	Long lease
				<b>47,526</b>		
5. Harbour Centre	25 Harbour Road Wanchai Hong Kong	Office Commercial	15.83	34,767 <sup>(4)</sup> 6,475 <sup>(5)</sup>	45	Long lease
				<b>41,242</b>		
6. Enterprise Square Three	39 Wang Chiu Road Kowloon Bay Kowloon	Commercial	100.00	19,800	–	Medium lease
7. Island Crest	8 First Street Hong Kong	Commercial	100.00	15,891	6	Medium lease
8. South Seas Centre – various portions	75 Mody Road Tsimshatsui Kowloon	Commercial	100.00	6,341	–	Long lease
9. Wing On Plaza	62 Mody Road Tsimshatsui Kowloon	Commercial	10.00	2,896	–	Long lease
10. Sherwood Court Public Carpark	12-20 Kwai Sing Lane Happy Valley Hong Kong	Carpark	100.00	–	200	Long lease
<b>Sub-total</b>				<b>2,059,483</b>	<b>1,099</b>	

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Hong Kong Properties</b>						
<b>A. Completed and held for investment (Continued)</b>						
<b>III. Warehouse</b>						
1. Kerry Hung Kai Warehouse (Cheung Sha Wan)	3 Fat Tseung Street Cheung Sha Wan Kowloon	Warehouse	50.00	299,115	29	Medium lease
2. Kerry Warehouse (Chai Wan)	50 Ka Yip Street Chai Wan Hong Kong	Warehouse	100.00	535,037	53	Long lease
3. Kerry Warehouse (Shatin)	36-42 Shan Mei Street Shatin New Territories	Warehouse	100.00	431,530	63	Medium lease
<b>Sub-total</b>				<b>1,265,682</b>	<b>145</b>	
<b>Total Hong Kong completed investment properties</b>				<b>4,196,403</b>	<b>1,557</b>	

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Hong Kong Properties</b>						
<b>B. Hotel property</b>						
1. Hotel Jen Hong Kong	508 Queen's Road West Hong Kong	Hotel	30.00	37,517	–	Long lease
<b>Total Hong Kong hotel property</b>				<b>37,517</b>	<b>–</b>	

Property name	Location	Type	%	Group's attributable interest		Stage of completion	Scheduled completion
				Approximate gross floor area <sup>(6)</sup> (square feet)	Approximate site area (square feet)		
<b>Hong Kong Properties</b>							
<b>C. Under development (Hong Kong and Macau<sup>(6)</sup>)</b>							
1. La Salle Road Project	10 La Salle Road Ho Man Tin Kowloon	Residential	100.00	45,176	9,036	Superstructure work in progress	First half of 2020
2. Beacon Hill Project	3 Lung Kui Road Beacon Hill Kowloon	Residential	100.00	342,769	235,183	Superstructure work in progress	2021
3. Wong Chuk Hang Station Package Two Property Development Project	AIL 467 Site B Wong Chuk Hang Hong Kong	Residential	50.00 <sup>(7)</sup>	246,496	46,135	Superstructure work in progress	2023
4. Wong Chuk Hang Station Package Four Property Development Project	AIL 467 Site D Wong Chuk Hang Hong Kong	Residential	50.00 <sup>(7)</sup>	319,153	32,508	Schematic design in progress	2025
<b>Total Hong Kong properties under development</b>				<b>953,594<sup>(8)</sup></b>	<b>322,862</b>		

Property name	Location	Type	%	Group's attributable interest		
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	Lease term
<b>Hong Kong Properties</b>						
<b>D. Held for sale</b>						
1. The Bloomsway	18, 28 and 29 Tsing Ying Road So Kwun Wat New Territories	Residential	100.00	145,926 <sup>(5)</sup>	181	Medium lease
2. Mont Rouge	9 Lung Kui Road Beacon Hill Kowloon	Residential	100.00	106,557 <sup>(5)</sup>	–	Medium lease
3. Mantin Heights	28 Sheung Shing Street Ho Man Tin Kowloon	Residential	100.00	98,731 <sup>(5)</sup>	247	Medium lease
4. Primrose Hill	168 Kwok Shui Road Tsuen Wan New Territories	Commercial	100.00	10,318	5	Medium lease
5. Richwood Park	33 Lo Fai Road Tai Po New Territories	Commercial	50.00	7,893	–	Medium lease
6. Bayview	9 Yuk Yat Street Ma Tau Kok Kowloon	Commercial	100.00	6,836	9	Medium lease
7. Larvotto	8 Ap Lei Chau Praya Road Aberdeen and Ap Lei Chau Hong Kong	Residential/ Commercial	35.00	4,605	26	Medium lease
<b>Total Hong Kong properties held for sale</b>				<b>380,866</b>	<b>468</b>	
<b>TOTAL HONG KONG PROPERTY PORTFOLIO</b>				<b>5,568,380</b>		

## PARTICULARS OF PROPERTIES HELD

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Overseas Properties</b>						
<b>A. Completed and held for investment</b>						
1. Shangri-La Plaza Mall	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Commercial	65.36 <sup>(9)</sup>	<b>1,256,926</b>	786	Freehold
2. The Enterprise Center	Ayala Avenue Cor. Paseo de Roxas Makati City Philippines	Office Commercial	45.78 <sup>(10)</sup>	405,908 15,836	462	Freehold
				<b>421,744</b>		
3. Shangri-La at the Fort, Manila	Fort Bonifacio Taguig Philippines	Apartment Commercial	39.22 <sup>(11)</sup>	74,104 18,596	303	Freehold
				<b>92,700</b>		
4. Assembly Grounds	Fort Bonifacio Taguig Philippines	Commercial	55.56 <sup>(12)</sup>	<b>53,735</b>	128	Freehold
5. The St. Francis Shangri-La Place	St. Francis St. corner Internal Road Shangri-La Place Mandaluyong City Philippines	Commercial Apartment	65.36 <sup>(9)</sup>	16,937 3,343	–	Freehold
				<b>20,280</b>		
6. One Shangri-La Place	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Residential	65.36 <sup>(9)</sup>	<b>11,243</b>	–	Freehold
7. Horizon Homes	Fort Bonifacio Taguig Philippines	Residential Residential	39.22 <sup>(11)</sup> 65.36 <sup>(9)</sup>	5,629 2,944	–	Freehold
				<b>8,573</b>		
8. Shang Salcedo Place	Sen. Gil Puyat Ave. Cor. Tordesillas St. and HV Dela Costa St. Makati City Philippines	Residential	65.36 <sup>(9)</sup>	<b>2,074</b>	–	Freehold
9. Carpark Building	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Carpark building	65.36 <sup>(9)</sup>	–	324	Freehold
<b>Total overseas completed investment properties</b>				<b>1,867,275</b>	<b>2,003</b>	

Property name	Location	Type	%	Group's attributable interest		Lease term
				Approximate gross floor area (square feet)	Approximate number of carpark spaces	
<b>Overseas Properties</b>						
<b>B. Hotel properties</b>						
1. Shangri-La at the Fort, Manila	Fort Bonifacio Taguig Philippines	Hotel	39.22 <sup>(11)</sup>	<b>334,715</b>	241	Freehold
2. Land leased to EDSA Shangri-La Hotel	EDSA corner Shaw Blvd. Mandaluyong City Philippines	Hotel lease	65.36 <sup>(9)</sup>	<b>169,733<sup>(13)</sup></b>	–	Freehold
<b>Total overseas hotel properties</b>				<b>504,448</b>	<b>241</b>	



Property name	Location	Type	Group's attributable interest		Stage of completion	Scheduled completion	
			%	Approximate gross floor area (square feet)			Approximate site area (square feet)
<b>Overseas Properties</b>							
<b>C. Under development</b>							
1. The Rise	Malugay Street Makati City Philippines	Residential	58.18 <sup>(14)</sup>	<b>951,260</b>	67,854	Finishing works in progress	2020
2. Shang Residences at Wack Wack	Wack Wack Road Mandaluyong City Philippines	Residential	65.36 <sup>(9)</sup>	<b>563,247</b>	23,647	Substructure work completed	2021
3. Pasir Ris Project	Pasir Ris Drive 3/ Pasir Ris Drive 8/ Pasir Ris Central Singapore	Commercial Residential	30.00	115,927 133,817	122,720	Schematic design in progress	2023 2024
				<b>249,744</b>			
4. Aurelia	Fort Bonifacio Taguig Philippines	Residential	32.68 <sup>(15)</sup>	<b>292,530</b>	32,075	Substructure work in progress	2024
<b>Total overseas properties under development</b>				<b>2,056,781</b>	<b>246,296</b>		
<b>TOTAL OVERSEAS PROPERTY PORTFOLIO</b>				<b>4,428,504</b>			

Notes:

- (1) Application for land use certificate in progress.
- (2) Payment for land use right in progress.
- (3) Included other facility with gross floor area of approximately 65,000 square feet.
- (4) Being lettable floor area.
- (5) Being net floor area.
- (6) Subject to final Hong Kong SAR Government approval plans and documentations.
- (7) Property in which the Group is entitled to share of development profits in accordance with the terms and conditions of the development agreement.
- (8) As regards the reclamation project in Macau, according to the Macau SAR Government Notice which was gazetted on 14 October 2009, a piece of land will be granted in exchange with location and size to be identified and agreed.
- (9) Including attributable interest of 30.75% held through Philippine Deposit Receipts.
- (10) Including attributable interest of 21.54% held through Philippine Deposit Receipts.
- (11) Including attributable interest of 18.45% held through Philippine Deposit Receipts.
- (12) Including attributable interest of 26.14% held through Philippine Deposit Receipts.
- (13) Being site area.
- (14) Including attributable interest of 27.37% held through Philippine Deposit Receipts.
- (15) Including attributable interest of 15.38% held through Philippine Deposit Receipts.
- (16) Gross floor areas exclude carpark spaces.

# SUSTAINABLE DEVELOPMENT AND CSR ACTIVITIES



In this section, we will highlight our work in various areas of sustainability, and briefly review our corporate social responsibility (“**CSR**”) efforts over the past year.

A full account of our related work can be found in our standalone Sustainability Report 2019. Prepared in accordance with the Core option of the Global Reporting Initiative (“**GRI**”) Standards, the report also makes reference to the GRI G4 Construction and Real Estate Sector Disclosures (“**G4 CRE**”). It satisfies the “comply or explain” provisions, as well as “recommended disclosures” stated in the Environmental, Social and Governance (“**ESG**”) Reporting Guide (“**ESG Guide**”) issued by The Stock Exchange of Hong Kong Limited (“**SEHK**”).

Our first five-year sustainability roadmap was unveiled in 2016. Following that in 2018, we moved on further to renew all sustainability targets, and in 2019 constructed a new framework of “Vision 2030” which was designed to align our business operations with the United Nations’ Sustainable Development Goals (“**SDGs**”). We are pleased to report that the Group is well on track towards these 2030 targets, and we believe we can have a great influence over the delivery of six of the SDGs.

As a listed company, Kerry Properties Limited (“**KPL**”) strives to be an exemplary corporate citizen and to ensure transparent disclosure that addresses stakeholders’ concerns. KPL has been a constituent member of major sustainability indexes, including the “Hang Seng Corporate Sustainability Index”, “Hang Seng (Mainland and HK) Corporate Sustainability Index”, “Hang Seng Corporate Sustainability Benchmark Index” and “FTSE4Good Index Series”. More encouragingly, we were named during the year as one of the “ESG Leading Enterprises” by *Bloomberg Businessweek* and became the first Hong Kong company to receive the “Sustainability Reporting (World Class) Award” under the “Global Corporate Sustainability Awards” programme from Taiwan Academy of Corporate Sustainability, Taiwan Institute for Sustainable Energy and the Center for Corporate Sustainability. To drive transparency, KPL made a new move by participating in the CDP (formerly the Carbon Disclosure Project) environmental reporting, which runs a global disclosure system for investors and corporations to manage their environmental impacts.

## STAKEHOLDER ENGAGEMENT



Communicate, engage and join forces with stakeholders



Pool our strengths and contribute to the community



Share expertise and experience to drive positive impact and innovation



Our achievements in our sustainability roadmap owed much to the valuable feedback and suggestions from our stakeholders. We have been going to great lengths to actively collect stakeholders' views and feedback before we developed our sustainability policies and targets, and as we unfolded various initiatives. For example, we encouraged and treasured feedback by making donations to designated charities for every response to our questionnaires from stakeholders.

Engagement also took different forms, and was particularly manifested through joint action with our suppliers and contractors. By obtaining our supply-chain partners' acknowledgment of our Vendor Code of Conduct, we draw their attention to our sustainability practices. But this is only the first step. To truly get the message across, we have invited their participation in a range of sustainability activities, whether related to their job scope or for a greater cause. One such initiative was to invite our property development contractors and project teams to jointly take part in our annual "Green Construction Site Award" competition, a programme we have developed to build and promote awareness on green practice while recognising outstanding environmental practices at our sites.

Meanwhile, under a newly introduced "Community Caring Scheme", our project teams worked with their contractors hand-in-hand to make contribution to our community. One of the many meaningful activities was to collaborate with a non-profit organisation, People Service Centre, to collect surplus vegetables and fruits from wet markets for food rescue. This helped reduce avoidable food waste while caring for underprivileged families. They have also volunteered for the coastal cleanup campaigns.

MegaBox is a focal point for entertainment, sport, shopping and dining. With a vision of driving positive change, and with the support of its staff, tenants and visitors, it has also become a venue for creating shared value. Together with Hong Kong PHAB Association, MegaBox has organised workshops by recruiting physically challenged persons to coach our staff members in the skills necessary to serve customers with disabilities. A collaboration with Supermami saw the creation of two handicraft bazaar events at MegaBox where "Super-Moms" were able to fulfil their entrepreneurial aspirations while shoppers could search for their favourite objects.

Promoting environmental awareness of our stakeholders is a key theme of our CSR activities. At MegaBox, this goal was put into action by the staging of thematic venue setups, as well as DIY upcycling workshops and campaigns for shoppers. We periodically invited experts in environmental issues and staff from our managed properties under Kerry Property Management Services Limited ("KPMSL") to get together, where they shared their insights on sustainability trends, specifically on how new green ideas can be incorporated into their daily operations, and explored possible measures in the face of waste management challenges.

# SUSTAINABLE DEVELOPMENT AND CSR ACTIVITIES

## OUR PEOPLE



Holistic wellness approach to cater to personal, family and career needs



Innovative engagement ideas to keep up with changing times



Mobile access enabled for internal communication



Caring for employees' wellbeing in a changing work environment calls for innovative ideas to engage staff members in their jobs and home lives. At KPL, we take into consideration the holistic wellness of our staff, which includes their need to fulfil personal aspirations, family commitments and career pursuits.

For example, we recognise that many employees have responsibilities as caregivers for their families. A new caregiver's leave has therefore been introduced in mainland China and Hong Kong to enable eligible employees to attend to family needs.

The maintenance of a healthy workplace requires different levels of consideration, from preventive treatment to insurance coverage. Our Mainland operation has implemented a nationwide health checking platform to provide check-up packages for staff and discounted offers to their families. Working with our sister company Shangri-La Asia Limited, we have launched a pilot site clinic service for staff members working at our commercial centres. We are testing out this free-of-charge service in Shanghai, and hope to expand its coverage upon successful trial.

During the year, we commenced to prepare an Occupational Health and Safety ("OHS") Management System Manual, which serves to demonstrate our commitment to OHS in accordance with ISO 45001. Caring for our teams was extended to the staff members of our contractors working on our premises. One example was the provision of functional work shoes for front-line security staff for their knee joint health. We also offered incentives to encourage contractors of our construction sites in Hong Kong to take part in OHS qualification and recognition schemes and public safety and health campaigns, in order to co-create an ideal working environment for all.

We understand that staff members facing health problems, temporary hardship or family issues may need financial support. Our Mainland business units have thus implemented an improved employees' compensation insurance scheme to cover medical expenses incurred from acute illness or childbirth. In Hong Kong, new moms have been provided with a maternity benefit reimbursement and entitled to a 14-week maternity leave. Kerry Engagement's "Raindrop" programme has been made available to staff members with ad hoc financial needs as an emergency assistance. Through these initiatives, we hope to help our people face the ups and downs in life.

In addition, we have unified the human resources policies of different operations. Aligning our annual leave entitlements with market practice, competitive leave packages were offered to long-serving staff as an appreciation of their years of dedicated service. We have also implemented flexible working hours to enable staff members to reconcile their work and family life.

We want KPL to be a work environment where individuals can thrive and grow in step with the dynamic operating landscape. We thus encouraged internal innovation and the initiation of change from within. One such move was the setting up of the “Kerry Innovation and Creation Community”, which is an organic and volunteer-based platform where colleagues can share and explore new ideas for the workplace. Ideas being explored included the creation of collaborative spaces to help incubate ideas and changes. Visits have also been organised to promote exchange between different teams.

Feedback and opinions from our colleagues keep us thriving. A staff engagement survey has been conducted in the Mainland to gauge employees’ satisfaction with their role in the company and the company itself. We scored good marks across different cities, and the opinions collected would definitely show us a clearer roadmap for continuous improvement. Internal communication has also been upgraded through a revamp of

our intranet channel, as well as an extension to mobile devices to allow more convenient access for site staff. Design layouts were improved for better readability, with instant company news announcements enabled.

Our offices are not just for work. Over the year, we have organised a series of “Kerry Family Day” and “Fun Fridays” for staff and their families to have fun and to enjoy good food in the workplace.

Staying true to our core value of integrity, we have developed and adopted a set of policy statements to guide different aspects of our governance efforts. In 2019, our ethical manual for staff was renewed and fully adopted in both Hong Kong and the Mainland. The manual describes KPL’s ethical guidelines, which support our staff in living up to the corporate values and policies.

## OUR ENVIRONMENT



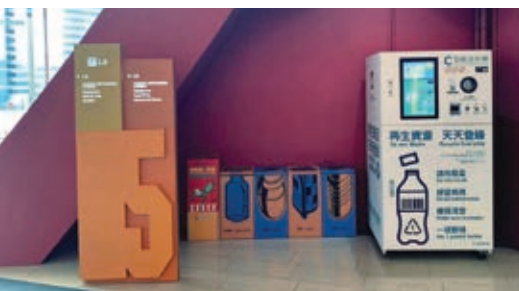
Expand certification and benchmarking scope



Pilot study of climate risks vulnerability for buildings



Reduce, reuse, recycle, and upcycle



Certification provides assurance to our stakeholders as a measurement and benchmark of our environmental impact. We therefore make continuous efforts to expand the coverage of certification to a wider scope of our operations and properties.

In 2019, Kerry Properties Development Management (Shanghai) Co., Ltd. (Hangzhou Branch) obtained ISO14001:2015 for Hangzhou Kerry Centre and Castalia Court, while Shenzhen Kerry Plaza received ISO50001:2011 certification. In Hong Kong, The Bloomsway and Mantin Heights received the Final Silver Rating in BEAM Plus NB Version 1.1 and Version 1.2 respectively during the year. In addition, RESET™ Air for Core & Shell was achieved by Beijing

Kerry Centre, Hangzhou Kerry Centre, Jing An Kerry Centre and Kerry Parkside (Shanghai), Kerry Centre (Hong Kong), as well as Shenzhen Kerry Plaza. Enterprise Centre at Kerry Everbright City Phase III (Shanghai) has also become RESET™ Air certified in early 2020.

Now more than ever, we need to plan well ahead so as to maintain climate resilience. In order to review potential risks and formulate necessary mitigation plans in the face of possible extreme weather conditions, we have initiated a pilot study of climate risks vulnerability with Kerry Centre in Hong Kong as a starting point. The scope of this study will be expanded to our Mainland properties in phases.

## SUSTAINABLE DEVELOPMENT AND CSR ACTIVITIES

We are also a keen supporter of waste reduction and recycling initiatives. Some of the properties in our portfolio, namely The Bloomsway and Mantin Heights, have been equipped with food waste decomposers to convert food waste to fertilisers for gardening. MegaBox also encouraged their food and beverage tenants to participate in a food waste collection and recycling programme. Food wastes thus collected were transported to O•PARK1, the first organic resources recovery centre in Hong Kong where anaerobic digestion technology is adopted to convert food waste into biogas for electricity generation and compost for landscaping and agriculture use.

Five properties under our management in Hong Kong took the initiative to join the “BEC Jockey Club Intelligent Resource Management Programme” to be well-prepared for the upcoming municipal solid waste charging scheme. This was also the first benchmarking reference to assist the government in evaluating the effectiveness of waste-related policies.

While waste treatment and recycling are important, it is even more crucial that we help reduce waste at source. With this in mind, we have signed the “Green Event Pledge” of the Environmental Protection Department. As a participating organisation, we pledged to make our best endeavours to minimise waste generated from our events by using recycled materials for setup, reusing event resources, and avoiding the use of one-off disposable items. We promoted “no plastic utensils” policies on our premises and in our events, particularly in Hong Kong. Residents and tenants were encouraged to

bring their own containers for takeaways from restaurants and attending clubhouse activities at our managed properties. Instead of plastic disposables, only biodegradable utensils and bags were provided. We also engaged our contractors to cease the use of disposable plastic bottles at construction sites.

With the participation of our residents, we have been able to turn waste reduction initiatives into fun activities. In a series of upcycling workshops, our residents used materials such as coffee grounds and tree branches collected after typhoons to turn out beautiful decorative items and organic products. At our newly-launched Resiglow leasing portfolio, rentable utensils and appliances were provided to residents for the purpose of reducing waste.

As a property developer, we understand our responsibility to incorporate environmental concerns into the construction process. Currently, at least 60% of construction waste originating from our sites is being recycled. We also conserve timber and bamboo during construction. For example, instead of traditional timber formwork, reusable aluminium system formwork was adopted for the superstructure construction of Resiglow - Bonham, substantially reducing timber consumption. For the development of 3 Lung Kui Road in Beacon Hill, we used metal waling in foundation and superstructure formation to reduce timber usage. Metal scaffolding was also employed in order to reduce the usage of bamboo.



## OUR COMMUNITY



Four pillars of community investment: youth, the elderly, underprivileged and local communities



For the dual purposes of enjoyment and engagement



Create shared value through KerryOn, LOVE in KERRY and many other initiatives



Our community investment efforts are focused on four pillars – youth, the elderly, the underprivileged and local communities. Through staff volunteering, monetary and in-kind donations and venue sponsorship, we offer our support to a wide range of worthy causes.

KPL supports its member companies in making investments in the community. Annual funding is provided to KPMSL to enable all its managed properties in Hong Kong to organise or participate in community care campaigns. During the year, over 20 of our managed properties benefited from the funding to install food waste decomposers and organised DIY workshops and volunteering activities for residents, all of which contributed to the well-being and environment of their immediate communities.

For youth development, our managed properties in Hong Kong have supported “Secondary School Students Internship Programme”, offering students an opportunity to gain job experience in real setting at our property management office. For the underprivileged, activities over the year included colleagues’ participation in a walkathon organised by the Hong Kong Federation of Handicapped Youth, donation of wheelchairs, and a kids’ lawn bowling event jointly hosted with the Loving Kids Community. Our volunteer teams have also organised visits to elderly homes.

“KerryOn” is an ongoing place-making initiative of our Mainland managed properties. Many interesting ideas have been introduced to help promote environmental awareness, including the “Keep it Cup@Jing An Kerry Centre” campaign which helped save 900 one-time cups in one go.

Some of the events planned by our Mainland properties have succeeded in serving multiple purposes of offering entertainment to visitors, promoting green awareness, nurturing local entrepreneurial spirit and showcasing traditional culture. The “Green Escape Street” staged by Jing An Kerry Centre, for instance, has converted Anyi Road into a fashionable venue and the first night market in Jing’an District. It featured a rolling programme of events which leveraged the people-centric design of Jing An Kerry Centre for the community’s enjoyment and benefit.

“LOVE in KERRY” was another campaign created by Beijing Kerry Centre to instil a positive, cohesive and caring spirit in society. In 2019, two charity sales of over 6,000 donated pre-loved objects were staged to an overwhelming response. Approximately RMB20,000 was raised and donated through these sales events.

No good deeds are too minor, and a small basketball can help achieve big dreams. Shenyang Kerry Centre is supporting a provincial basketball league as a platform for young local players. In addition, we have helped film a charity documentary, *Son of Dreams*, which tracked the growth path of many aspiring players from orphanages and schools in Liaoning. This film shows what these teenage basketball teams can achieve by practising hard, dreaming big and never giving up.

# AWARDS AND CITATIONS



We are delighted to have garnered widespread recognition over the past year for operating a sustainable business that highly respects the environment, the communities, the customers we serve, our people and other stakeholders. Our commitment to these responsibilities is deep-rooted in the heart of our corporate developments and business operations.

## GREEN

Guided by our sustainability roadmap and strategy, we have achieved encouraging progress in our sustainable development work, an effort which has been recognised on many levels.

### Energy Management System – ISO 50001:2011

The Group's Energy Management System ("**EnMS**"), implemented on the premise of our Energy Policy, covers the administrative activities in the Hong Kong head office and the property management activities of Kerry Properties Development Management (Shanghai) Co., Ltd. ("**KPDMSL**").

Kerry Properties Limited ("**KPL**") obtained ISO 50001:2011 certification for EnMS in January 2018, followed by Enterprise Centre at Kerry Everbright City Phase III, Jing An Kerry Centre and Kerry Parkside (all in Shanghai) in March in the same year. Aspiring to achieve continuous performance improvement, we aim to extend this certification to more properties we manage. The same certification was granted to Shenzhen Kerry Plaza in January 2019.





### Environmental Management System – ISO 14001:2015

The Group continues to maintain an Environmental Management System (“**EMS**”) that fulfils the requirements of the ISO 14001:2015 standard. The system is applied to property development and management activities to sustain the high standard of service we provide.

In Hong Kong, certification has been maintained by KPL, MegaBox Management Services Limited (“**MMSL**”) and Kerry Property Management Services Limited (“**KPMSL**”). Since their first certifications as early as 2011, they have gone through several revision and enhancement processes at different times to meet the new 2015 standards.

In the Mainland, KPMSL Hangzhou branch, covering Hangzhou Kerry Centre and Castalia Court, obtained 14001:2015 certification in February 2019. The same certification was maintained by KPMSL and its Beijing, Shenyang, Shenzhen and Tianjin branches, which manage Beijing Kerry Centre, Beijing Kerry Centre Residence, Central Residences II, Enterprise Square at Kerry Everbright City Phase II, Jing An Kerry Centre and Kerry Parkside in Shanghai, Shenyang Arcadia Court, Shenyang Enterprise Square A, Shenzhen Kerry Plaza and Tianjin Arcadia Court respectively.

### Hong Kong Green Awards 2019 – Green Management Award (Corporate – Large Corporation) – Gold Award and Sustained Performance (10 Years+)

This award scheme aims to encourage Hong Kong corporations to include environmental considerations in both their operational and management processes. In December 2019, KPL proudly received the Gold Award for the third consecutive year in the “Green Management Award – Corporate (Large Corporation)” category, along with a “Sustained Performance (10 Years+)” certificate. We were identified and recognised by Green Council for our outstanding performance and achievements in green purchasing, management and governance, as well as health and safety management.

### CarbonCare® Label and CarbonCare® Star Label 2019

The “CarbonCare® Label” is an environmental award programme supervised by an independent expert panel. For the fifth year in a row, we are delighted to have received the label again in December 2019, from CarbonCare InnoLab, a non-profit organisation dedicated to nurturing and developing innovative solutions, policies and practices in response to today’s climate-change challenges. The label recognises KPL’s achievement of at least 20% carbon reduction in the application year against its base year. KPL also received a “CarbonCare® Star Label” in special recognition of being among the committed achievers who have attained the label continuously for more than three years.

## AWARDS AND CITATIONS



### RESET™ Air for Core & Shell Certification

RESET™ Air for Core & Shell is a continuous monitoring and communication standard for indoor air quality that defines monitor deployment, installation, performance, maintenance and reporting requirements. RESET™ certification ensures that the air quality of the commercial building meets regulatory standards, but more importantly, it focuses on health and wellbeing of occupants.

During 2019, Beijing Kerry Centre, Hangzhou Kerry Centre, Jing An Kerry Centre and Kerry Parkside (Shanghai), Kerry Centre (Hong Kong), as well as Shenzhen Kerry Plaza have become RESET™ Air certified after achieving all required operational performance targets. Enterprise Centre at Kerry Everbright City Phase III (Shanghai) was also certified in early 2020. This certification programme is a continuation of our commitment to providing our property occupants and visitors with exceptional indoor air quality, an important element of the tenant experience.

### BEAM Plus New Buildings (NB) Version 1.1 & Version 1.2 – Final Silver Ratings

Hong Kong Green Building Council's "Building Environmental Assessment Method Plus" ("BEAM Plus") New Buildings certification covers the demolition, planning, design, construction and commissioning of a new building project.

The Group strives to expand certification and achieve higher green building standards in our development projects. In March 2019, Mantin Heights received Final Silver Rating in "BEAM Plus New Buildings (NB) Version 1.2" and thereafter The Bloomsway was granted the Final Silver Rating in "BEAM Plus NB Version 1.1" in May 2019 after an assessment of its performance in seven parameters, including energy use, health and wellbeing, integrated design and construction management, sustainable sites, material and waste, water use, as well as innovations and additions.

Award/Citation	Issuing Authority
<b>4T Charter</b> <ul style="list-style-type: none"> <li>Participation Certificate – Bayview, Century Towers, Elm Tree Towers, Enterprise Square, Enterprise Square Two, Enterprise Square Three, Heng Fa Villa, Jupiter Terrace, Kerry Centre, Lions Rise, May Towers, MegaBox, Ocean Pointe, Resiglow – Happy Valley, SOHO 38, SOHO 189, Tavistock, Tavistock II &amp; Aigburth, The Altitude, The Summa and Valverde (all in Hong Kong)</li> </ul>	Environment Bureau and Electrical and Mechanical Services Department
<b>Carbon Challenge 2019 – Certificate of Participation</b> <ul style="list-style-type: none"> <li>Enterprise Centre at Kerry Everbright City Phase III, Shanghai</li> </ul>	US Green Building Council
<b>Charter on External Lighting</b> <ul style="list-style-type: none"> <li>Platinum Award – 8 LaSalle, 15 Homantin Hill, Bayview, Elm Tree Towers, Enterprise Square, Enterprise Square Two, Island Crest, Kerry Centre, May Towers, MegaBox, Primrose Hill, Tavistock, Tavistock II &amp; Aigburth, The Altitude and Valverde (all in Hong Kong)</li> <li>Gold Award – 1 &amp; 3 Ede Road, Belgravia, Lions Rise, Ocean Pointe, SOHO 189 and The Summa (all in Hong Kong)</li> </ul>	Environment Bureau
<b>Clean Recycling @ Estate</b> <ul style="list-style-type: none"> <li>Elm Tree Towers, Hong Kong</li> </ul>	Green Power
<b>CLP Smart Energy Award 2018</b> <ul style="list-style-type: none"> <li>15 Homantin Hill, Camellia Court, Constellation Cove, Enterprise Square Three, Ocean Pointe and Regency Park (all in Hong Kong)</li> </ul>	CLP Power Hong Kong Limited
<b>Commendation Scheme on Source Separation of Domestic Waste 2017/18</b> <ul style="list-style-type: none"> <li>Award for Promotion – Ocean Pointe, Hong Kong</li> <li>Merit Award – Ocean Pointe and Regency Park, Hong Kong</li> </ul>	Environmental Protection Department
<b>Energy Saving Charter 2019</b> <ul style="list-style-type: none"> <li>Loyalty Certificate – Kerry Properties Limited</li> <li>Participation Certificate – 15 Homantin Hill, Bayview, Branksome Crest, Century Towers, Elm Tree Towers, Enterprise Square, Enterprise Square Two, Enterprise Square Three, Heng Fa Villa, Jupiter Terrace, Kerry Centre, Lions Rise, May Towers, MegaBox, Ocean Pointe, Regency Park, Resiglow – Happy Valley, SOHO 38, SOHO 189, Tavistock, Tavistock II &amp; Aigburth, The Altitude, The Summa and Valverde (all in Hong Kong)</li> </ul>	Environment Bureau and Electrical and Mechanical Services Department
<b>Estate with Highest Recyclable Volume 2017-2018</b> <ul style="list-style-type: none"> <li>Heng Fa Villa, Hong Kong</li> </ul>	Environmental Protection Department and Po Leung Kuk
<b>Forest Residential Zone</b> <ul style="list-style-type: none"> <li>Kerry Properties Development Management (Shanghai) Co., Ltd. – Tangshan Branch</li> </ul>	Tangshan Municipal Greening Committee
<b>Green Office Awards Labelling Scheme (GOALS) – Green Office Label and Eco-Healthy Workplace Label</b> <ul style="list-style-type: none"> <li>Kerry Properties Limited</li> </ul>	World Green Organisation
<b>Hangzhou Municipal Xiacheng District Waste Separation Model Project 2019</b> <ul style="list-style-type: none"> <li>Hangzhou Kerry Centre</li> </ul>	CCP Hangzhou Municipal Xiacheng District Housing and Urban Development Commission
<b>Hong Kong Green Organisation</b> <ul style="list-style-type: none"> <li>Kerry Properties Limited, alongside 28 managed properties in Hong Kong</li> </ul>	Environmental Campaign Committee, Environmental Protection Department and nine leading trade associations and professional bodies
<b>Hong Kong Green Organisation Certification – Wastewi\$e Certificate</b> <ul style="list-style-type: none"> <li>Excellence and Basic Level – Kerry Properties Limited, alongside 30 managed properties in Hong Kong</li> </ul>	Environmental Campaign Committee, Environmental Protection Department and nine leading trade associations and professional bodies

## AWARDS AND CITATIONS

Award/Citation	Issuing Authority
<b>Hong Kong Green Organisation Certification – Energywi\$e Certificate</b> <ul style="list-style-type: none"> <li>• Excellence Level – The Altitude, Hong Kong</li> <li>• Good Level – Enterprise Square and SOHO 189, Hong Kong</li> <li>• Basic Level – 27 managed properties in Hong Kong</li> </ul>	Environmental Campaign Committee, Environmental Protection Department and nine leading trade associations and professional bodies
<b>Hong Kong Green Organisation Certification – IAQwi\$e Certificate</b> <ul style="list-style-type: none"> <li>• Excellence Level – Head Office of Kerry Properties Limited and common areas of Kerry Centre, Hong Kong</li> </ul>	Environmental Campaign Committee, Environmental Protection Department and nine leading trade associations and professional bodies
<b>Indoor Air Quality Certificate</b> <ul style="list-style-type: none"> <li>• Excellent Class – Head Office of Kerry Properties Limited and common areas of Kerry Centre, Hong Kong</li> <li>• Good Class – Common areas of Enterprise Square and Enterprise Square Three</li> </ul>	Environmental Protection Department
<b>Landscaped Community in Hebei Province</b> <ul style="list-style-type: none"> <li>• Habitat, Qinhuangdao</li> </ul>	Hebei Provincial Department of Housing and Urban-Rural Development
<b>Outstanding Unit in Waste Separation Championship Scheme</b> <ul style="list-style-type: none"> <li>• Kerry Properties Development Management (Shanghai) Co., Ltd.</li> </ul>	Tianmu Road West Sub-district Office on Greening and Cityscape Management, Tianmu Road West Sub-district Committee on Spiritual Civilisation and Tianmu Road West Centre for Community Volunteer Service
<b>Shanghai Afforestation Advanced Team 2016-2018</b> <ul style="list-style-type: none"> <li>• Jing An Kerry Centre, Shanghai</li> </ul>	Shanghai Municipal Afforestation Committee
<b>Three-Star Green Building Design Label</b> <ul style="list-style-type: none"> <li>• Qianhai Kerry Centre, Shenzhen</li> </ul>	Shenzhen Green Building Association
<b>Waste Separation Award</b> <ul style="list-style-type: none"> <li>• Enterprise Centre at Kerry Everbright City Phase III, Shanghai</li> </ul>	Shanghai Municipal Jing'an District Tianmu West Road Sub-district Party Working Committee and Office
<b>Water-saving Model Community</b> <ul style="list-style-type: none"> <li>• Putian Arcadia Court</li> </ul>	Putian Municipal Chengxiang District Water Resources Bureau and Putian Municipal Chengxiang District Bureau of Housing and Urban-Rural Development



## CORPORATE GOVERNANCE AND CITIZENSHIP

As we strive for the best practices in fulfilling our role as a responsible community builder and corporate citizen, the commendations we have received bear witness to the integrity and sincerity our team members demonstrate every day.

### Hang Seng Corporate Sustainability Index Series

The Group has renewed its listing in the “Hang Seng Corporate Sustainability Benchmark Index” for the fifth consecutive year. As the Group is one of the top 30 stocks among the 89 constituents, it is included in the “Hang Seng Corporate Sustainability Index”, along with a listing under the “Hang Seng (Mainland and HK) Corporate Sustainability Index”. This is the second year that the Group has been included in both indexes. Compiled and maintained by Hang Seng Index Company Limited, the index series include Hong Kong-listed companies that perform well with respect to corporate sustainability, thereby providing a benchmark for sustainability investments. Constituent selection assessment is undertaken by the Hong Kong Quality Assurance Agency.

### FTSE4Good Index Series

The Group has been shortlisted as one of the constituents of the “FTSE4Good Index Series” in 2019. The “FTSE4Good Index Series” is widely-recognised as a benchmarking index for investors seeking to invest in companies that demonstrate good sustainability practices. To become a constituent of the index, companies are required to comply strictly with a variety of global environmental, social and governance (“ESG”) principles and criteria, along with specific implementation measures.

### Asian Excellence Award 2019 – Best Environmental Responsibility, Best CFO (IR) and Best Investor Relations Company (Hong Kong)

In the “Asian Excellence Award” hosted by *Corporate Governance Asia* in June 2019, we were recognised as Asia’s “Best Environmental Responsibility” and cited as a “Best Investor Relations Company”. This year, winners were selected from seven countries across Asia. The awards are in the tradition of the highest standards set and upheld by *Corporate Governance Asia*, the authoritative voice in governance practices in the region. The award for environmental responsibility acknowledges our green policy and our concept of incorporating earth friendly measures at all implementation stages of our projects. The “Best Investor Relations Company (Hong Kong)” award goes to our finance team for their commitment to transparency and fairness in information disclosure, while the “Best CFO (IR)” award commends our astute financial management.

## AWARDS AND CITATIONS



### Caring Company

The Group and its member companies have been longstanding supporters of the “Caring Company” scheme. Driven by The Hong Kong Council of Social Service, this well recognised programme has successfully helped build a cohesive society by promoting strategic partnerships among business and social service partners. The Group’s holistic approach to caring for the environment, community and our employees reflects the depth of our commitment to corporate social responsibility (“CSR”).

In 2019, MMSL was again awarded with, and MegaBox Development Company Limited (“MDCL”) became a first-time awardee of, the “10 Years Plus Caring Company” logo, while KPL continues to be a “15 Years Plus Caring Company”. In addition, we have maintained our Coral membership of the Caring Company Patron’s Club.

### ESG Leading Enterprises 2019

Sustainability is one of the biggest global issues of our time. The Chinese Edition of *Bloomberg Businessweek*, one of the most influential business magazines in Hong Kong with a global vision and Greater China connection, has co-organised an “ESG Forum and Leading Enterprises 2019” event with Deloitte, for the purpose of advocating sustainable development and responsible investment. We are proud to be commended as one of the “ESG Leading Enterprises” for our outstanding performance across a broad spectrum of ESG matters.

### ERB Manpower Developer Scheme – Manpower Developer 1st

KPL has been named as a “Manpower Developer” for five consecutive times since the launch of the scheme in 2010 for our continuous efforts and resources devoted in manpower training and development, particularly in leading a learning culture, resources planning, training and development system, performance management and CSR in manpower development. As a “Manpower Developer”, we continue to strive for excellence in our manpower development strategies, by regular reviews and evaluations of our learning and development initiatives.

### Sustainable Business Award 2019

The “Sustainable Business Award”, organised by the World Green Organisation, is widely supported by many listed and non-listed enterprises. In October 2019, KPL and nine other corporations won the award and were recognised as sustainable businesses by a reputable and professional judging panel. This year, in recognition of our fifth win, we also received the “Sustainable Leadership Award”. More importantly, this signifies our long-term commitment to upholding high standards of workplace quality, environmental protection, operational practices and community involvement.

Award/Citation	Issuing Authority
<b>CAPITAL Corporate Social Responsibility Awards 2019</b> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	<i>CAPITAL</i>
<b>Caring Corporation for 2019 Targeted Poverty Alleviation in Qinglong County Dongshan Village</b> <ul style="list-style-type: none"> <li>• Habitat, Qinhuangdao</li> </ul>	Qinhuangdao Property Management Institute
<b>HKQAA CSR Index Plus – CSR Advocate Mark</b> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	Hong Kong Quality Assurance Agency
<b>HSBC Living Business Awards 2019 – Sustainable Supply Chain Leaders</b> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	Business Environment Council Limited, The Hong Kong Council of Social Service and Policy for Sustainability Lab, The University of Hong Kong
<b>Outstanding Contributions to Building Economy, Pudong New Area</b> <ul style="list-style-type: none"> <li>• Kerry Parkside, Shanghai</li> </ul>	Pudong New Area People’s Government
<b>Outstanding Contributions to Qianhai Economy Enterprise</b> <ul style="list-style-type: none"> <li>• Kerry Properties (China) Project Management Co., Ltd. – Shenzhen Branch</li> </ul>	Qianhai Shenzhen Hong Kong Modern Service Industry Cooperation Zone of Shenzhen
<b>Outstanding Corporate Social Responsibility Award</b> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	<i>Mirror Post</i>
<b>Philanthropic and Caring Corporation</b> <ul style="list-style-type: none"> <li>• Habitat, Qinhuangdao</li> </ul>	Qinhuangdao Service Unit of the China Council of Lions Clubs
<b>The Listed Enterprise Excellence Awards 2019 – Corporate Governance</b> <ul style="list-style-type: none"> <li>• Kerry Properties Limited</li> </ul>	<i>CAPITAL</i>

## AWARDS AND CITATIONS



### PROPERTY DEVELOPMENT AND MANAGEMENT

The Group is committed to developing and managing premium residential properties and commercial complexes in prime strategic locations. By making constant and dedicated efforts to improve, we create impactful work that delivers on our promise of reaching a new height of excellence.

#### BCI Asia Awards 2019 – Top Ten Developers 2019 – Hong Kong

BCI Media Group is the leading provider of building and construction information across Asia Pacific. Due to the vast number of projects that BCI reports on, it has a unique ability to distinguish the leaders in the architecture, building and construction industries. The “BCI Asia Awards” is a prestigious label of excellence that recognises the ten leading enterprises which have made the greatest contribution to the built environment and those with the greatest aggregate value of projects under construction during the previous calendar year as weighted by the extent of their sustainability and confirmed green building ratings. The Group is delighted to have once again been named in May 2019 as one of the “Top Ten Developers” of Hong Kong.

### Top 100 Chinese Real Estate Companies and Commercial Property Developers

The Group was included in the “Non-Mainland Real Estate Enterprises Excellence List 2019” in the “Top 100 Chinese Real Estate Companies” in March 2019 and “Top 100 Commercial Property Developers” in November 2019, both compiled by *Guandian*. “Top 100 Chinese Real Estate Companies” is based on an assessment of all non-Mainland developers in terms of their financial performance, investment scale, geographical coverage, projects under development and land bank. The latter ranking, “Top 100 Chinese Real Estate Companies” evaluated companies with a focus on commercial property in major Mainland cities by weighing their operational, management, branding and innovation factors. Our iconic mixed-use projects have positioned us prominently in many key Mainland cities.





### OHSAS 18001:2007 Occupational Health and Safety Management System Certificate

KPDMSL made further progress in occupational health and safety (“OHS”) management in February 2019, with its Hangzhou branch covering Hangzhou Kerry Centre and Castalia Court, receiving OHSAS 18001:2007. The certification programme contains a framework to create and maintain the best possible working conditions and OHS, and is aligned with internationally recognised best practice. Central Residences II, Enterprise Square at Kerry Everbright City Phase II, Jing An Kerry Centre and Kerry Parkside (all in Shanghai), as well as Shenzhen Kerry Plaza, already obtained the certification in 2017, while the Beijing, Shenyang and Tianjin branches did so for Beijing Kerry Centre, Beijing Kerry Centre Residence, Shenyang Arcadia Court, Shenyang Enterprise Square A and Tianjin Arcadia Court respectively in 2018.

### ISO 9001:2015 Quality Management System Certificate

Certification under this quality management system – already received for properties managed by KPDMSL in Beijing, Shanghai, Shenyang, Shenzhen and Tianjin – was further extended to the Hangzhou branch, covering Hangzhou Kerry Centre and Castalia Court, with the accreditation process being completed in February 2019. ISO 9001:2015 specifies requirements for an organisation to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity.

### 13th Autodesk Hong Kong BIM Awards 2019

This award scheme recognises building industry professionals and educators who have helped to drive the transformation of the building industry through the usage of building information modelling (“BIM”), and who have helped to evolve the industry into a more efficient and sustainable era. Our property development at Wong Chuk Hang Station Package Two was recognised in November 2019 for demonstrating the biggest benefits to the project and to the organisation from BIM usage.

### 2019 China Golden Landmark Award for Office Buildings

We are honoured that in July 2019 our Beijing Kerry Centre received the “2019 China Golden Landmark Award for Office Buildings” from China Office Management Institute, which is considered to be the “Oscars” of the real estate industry. It focuses on commercial real estate and shopping centres, and recognises office projects with excellent operation, management and high-quality customer service. Ten landmark buildings were awarded following an online voting.

## AWARDS AND CITATIONS

Award/Citation	Issuing Authority
<b>Advanced Management Unit in the Property Management Industry in Qinhuangdao 2018</b> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	Qinhuangdao Property Management Institute
<b>Advanced Unit in Property Management, Hebei Province 2018</b> <ul style="list-style-type: none"> <li>Kerry Properties Development Management (Shanghai) Co., Ltd. – Tangshan Branch</li> </ul>	Hebei Provincial Property Management Association
<b>Advanced Unit in Property Management Innovation</b> <ul style="list-style-type: none"> <li>Shenzhen Kerry Centre</li> </ul>	Shenzhen Municipal Luohu District Committee
<b>Best 100 of Hebei Province’s Property Management Enterprises 2018</b> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	Hebei Provincial Property Management Association
<b>Civilised Community 2017-2018</b> <ul style="list-style-type: none"> <li>Central Residences and Central Residences II, Shanghai</li> </ul>	Shanghai Municipal People’s Government
<b>Excellent Property Management Enterprise of Hangzhou Municipal Xiacheng District 2019</b> <ul style="list-style-type: none"> <li>Hangzhou Kerry Centre</li> </ul>	CCP Hangzhou Municipal Xiacheng District Housing and Urban Development Commission
<b>Futian District Fire Fighting Advanced Unit 2018</b> <ul style="list-style-type: none"> <li>Shenzhen Kerry Plaza</li> </ul>	Shenzhen Municipal Futian District Fire Safety Committee
<b>Hebei Provincial Advanced Unit in Property Management 2019</b> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	Hebei Provincial Property Management Association
<b>Hebei Provincial Property Management Services Industry “Henghui Cup” Professional Skills Contest – Excellent Organisation</b> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	Qinhuangdao Municipal Property Management Office and Qinhuangdao Property Management Institute
<b>Hong Kong Property Management and First-Aid Competition – Overall Second Runner-up and Multiple Awards</b> <ul style="list-style-type: none"> <li>Kerry Centre, Hong Kong</li> </ul>	Hong Kong Institute of Registered Security Trainers and Hong Kong St. John Ambulance
<b>Lianhua Street Fuzhong Community Emergency Drill and Contest 2019 – Third Class Prize</b> <ul style="list-style-type: none"> <li>Shenzhen Arcadia Court</li> </ul>	Fuzhong Community Party Committee and Fuzhong Community Workstation
<b>Lujiazui Financial City 2018 – Excellent Quality Building</b> <ul style="list-style-type: none"> <li>Kerry Parkside, Shanghai</li> </ul>	China (Shanghai) Pilot Free Trade Zone Lujiazui Administration Bureau, Shanghai Lujiazui Financial City Authority and Lujiazui Leading Group for Building Affairs
<b>New Territories South Region Best Security Personnel Awards 2018 – 2019</b> <ul style="list-style-type: none"> <li>Regency Park, Hong Kong</li> </ul>	Hong Kong Police Force
<b>Outstanding Property Services Enterprise – Ranked First in Assessment of Properties (Non-historic Districts)</b> <ul style="list-style-type: none"> <li>Shenzhen Kerry Centre</li> </ul>	Shenzhen Municipal Luohu District Nanhu Sub-district Office
<b>Property Management Model Project in Hebei Province 2018</b> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	Hebei Provincial Property Management Association
<b>Property Management Model Project in Qinhuangdao 2018</b> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	Qinhuangdao Property Management Institute

Award/Citation	Issuing Authority
<b>Pudong New Area Fire Fighting Advanced Unit 2019</b> <ul style="list-style-type: none"> <li>Kerry Parkside, Shanghai</li> </ul>	Pudong New Area Fire Safety Committee
<b>Pudong New Area Transportation Trade Outstanding Member Unit</b> <ul style="list-style-type: none"> <li>Kerry Parkside, Shanghai</li> </ul>	Shanghai Municipal Pudong New Area Transportation Trade Association
<b>Putian Municipal Property Services Model Community</b> <ul style="list-style-type: none"> <li>Putian Arcadia Court</li> </ul>	Putian Municipal Chengxiang District Bureau of Housing and Urban-Rural Development and Putian Municipal Bureau of City Management
<b>Qinhuangdao Advanced Unit in Property Services Industry 2019</b> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	Qinhuangdao Property Management Institute
<b>Quality Water Supply Scheme for Buildings – Flushing Water</b> <ul style="list-style-type: none"> <li>Belgravia, The Summa and Kerry Centre, Hong Kong</li> </ul>	Water Supplies Department
<b>Quality Water Supply Scheme for Buildings – Fresh Water (Management System) and Fresh Water (Plus)</b> <ul style="list-style-type: none"> <li>1 &amp; 3 Ede Road, 8 LaSalle, 15 Homantin Hill, Belgravia, Bayview, Branksome Crest, Constellation Cove, Dragons Range, Enterprise Square Three, Island Crest, Kerry Centre, Lions Rise, MegaBox, Ocean Pointe, Primrose Hill, SOHO 189, Tavistock, Tavistock II &amp; Aigburth, The Altitude, The Summa and Valverde (all in Hong Kong)</li> </ul>	Water Supplies Department
<b>Shanghai Municipal Safety Model Business Unit 2018</b> <ul style="list-style-type: none"> <li>Jing An Kerry Centre, Shanghai</li> </ul>	Comprehensive Social Management Commission of Shanghai Public Security
<b>Shanghai Public Parking Lot (Carpark) Quality Credit Assessment (AAA)</b> <ul style="list-style-type: none"> <li>Jing An Kerry Centre, Shanghai</li> <li>Kerry Parkside, Shanghai</li> </ul>	Shanghai Parking Service Industry Association
<b>Ten Best Managed Properties in Hebei Province 2019</b> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	Hebei Provincial Property Management Association
<b>Ten Best Micro Fire Stations 2019</b> <ul style="list-style-type: none"> <li>Jing An Kerry Centre, Shanghai</li> </ul>	Fire Corps of Shanghai, Jing'an Unit
<b>That's 2019 Hospitality Awards</b> <ul style="list-style-type: none"> <li>Excellent Residence Service – Beijing Kerry Residence</li> <li>The Most Popular Serviced Apartment for Business Travelers – Jing An Kerry Residences, Shanghai</li> <li>Family-Friendly Serviced Apartment of the Year – Residences at Kerry Parkside and Central Residences II, Shanghai</li> </ul>	<i>That's Magazine</i>
<b>That's 2019 Lifestyle Awards</b> <ul style="list-style-type: none"> <li>Outstanding Serviced Apartment (Living Experience) – Beijing Kerry Residence</li> <li>Residential Serviced Apartment of the Year – Central Residences II, Shanghai</li> </ul>	<i>That's Magazine</i>
<b>The Most Beautiful Passageway</b> <ul style="list-style-type: none"> <li>Central Residences II, Shanghai</li> </ul>	Changning District Jiangsu Road Sub-district Office
<b>Time Out Hospitality Awards 2019 – Serviced Apartments of the Year</b> <ul style="list-style-type: none"> <li>Central Residences II, Shanghai</li> </ul>	<i>TimeOut Family</i>
<b>Top Ten Property Management Services Enterprises in Qinhuangdao 2017 (Composite Capability)</b> <ul style="list-style-type: none"> <li>Habitat, Qinhuangdao</li> </ul>	Qinhuangdao Property Management Institute

## AWARDS AND CITATIONS



### COMMUNICATIONS AND PROMOTIONS

Effective communication helps build mutual understanding and trust. While we constantly enhance the skills and tools we employ in order to deliver corporate and marketing messages in an informative and creative way, we are mindful of the importance of upholding strict principles of openness, authenticity and sincerity in our interaction with stakeholders.

#### Global Corporate Sustainability Awards – Reporting Award

Our Sustainability Report 2018 was commended in the “Global Corporate Sustainability Awards” under the “Corporate Sustainability Report” category. We are honoured to be the first Hong Kong company that receives the “Sustainability Reporting (World Class)” Award which recognises outstanding performance in communication, credibility, completeness, disclosure quality and interactivity. The award was presented to us by the Taiwan Academy of Corporate Sustainability, Taiwan Institute for Sustainable Energy and the Center for Corporate Sustainability.

### The International Annual Report Design Awards 2019 – Silver and Bronze Awards

The “International Annual Report Design Awards” (“IADA”) is a yearly programme to praise exceptional work that exemplifies the best in artistic design of annual reports worldwide. Our Annual Report 2018 was presented with a Silver Award (Printed Version – Traditional Format: Real Estate Development – Integrated Presentation) and a Bronze Award for its cover design. Our Sustainability Report 2018 also clinched a Silver Award (Online Version – Overall: Real Estate Development) on the merit of its design and creativity. We are honoured to be selected and commended by IADA judges who represent highly respected experts from renowned design institutes and houses.



### **GALAXY Awards 2018 – Silver and Bronze Awards**

The “GALAXY programme” is organised by MerComm, Inc. and is the only competition judged by peers in the profession of communications and marketing. Our Annual Report 2018 received a Bronze Award (Annual Reports – Print: Property Development) while our Sustainability Report 2018 was also presented with a Bronze Award (Annual Reports – Online: Sustainability Report). The “KerryOn Music Live” held in Hangzhou Kerry Centre during March to December 2019, as part of our commitment to place-making for neighbourhood engagement, won a Silver Award (Special Events: Community Involvement). We take pride in our communication and marketing teams’ consistent efforts to communicate creatively and effectively in order to reach the targeted audience and to meet the planned objectives.

### **MERCURY Excellence Awards 2018-2019 – Silver and Honours Awards**

Organised by MerComm, Inc., the “MERCURY Excellence Awards” is an important international honour programme in the field of communications. Our Sustainability Report 2017 won a Silver Award (Annual Reports – Overall Presentation: Sustainability) in the 2018-2019 programme, along with an Honours Award for the online version. MegaBox’s crossover-themed Christmas promotions also received an Honours Award (Promotion/Marketing: Christmas Campaign). All winners were selected by international professionals in the industry.

### **Asia Sustainability Reporting Awards 2019**

Sustainability reporting has increasingly become an important tool for investors and stakeholders to assess a company’s full and true value. The “Asia Sustainability Reporting Awards” is a highly coveted programme driven by CSRWorks International of Singapore to promote and celebrate best practices in ESG communications. Our Sustainability Report 2018 was selected from among hundreds of entries received from Asia as a finalist in the categories of “Asia’s Best Sustainability Report (Standalone)”, “Asia’s Best Sustainability Report (Design)”, “Asia’s Best Materiality Reporting” and “Asia’s Best Stakeholder Reporting”. We were honoured to enter the final round of competition against many listed companies and large multinational conglomerates from across Asia.

## AWARDS AND CITATIONS

Award/Citation	Issuing Authority
<b>ASTRID Awards 2019</b> <ul style="list-style-type: none"> <li>• Bronze Award (Annual Reports – Specialised: Sustainability Report) – Sustainability Report 2017 of Kerry Properties Limited</li> <li>• Bronze Award (Excellence in Design – Special Projects: Summer Promotion) – Jurassic World @MegaBox Hong Kong Stop</li> </ul>	MerComm, Inc.
<b>Best Malls Awards – Top 10 My Favourite Malls</b> <ul style="list-style-type: none"> <li>• MegaBox Development Company Limited</li> </ul>	<i>Apple Daily Action News</i>
<b>HKMA Best Annual Reports Awards 2019 – Citation for Design</b> <ul style="list-style-type: none"> <li>• Annual Report 2018 of Kerry Properties Limited</li> </ul>	The Hong Kong Management Association
<b>International ARC Awards 2019 – Honours (PDF Version of Annual Report – Sustainability Report: Asia, Mid-East &amp; Pacific)</b> <ul style="list-style-type: none"> <li>• Sustainability Report 2017 of Kerry Properties Limited</li> </ul>	MerComm, Inc.
<b>Parents’ Choice Awards 2019 – Best Loved Kids-Friendly Shopping Mall</b> <ul style="list-style-type: none"> <li>• MegaBox Development Company Limited</li> </ul>	<i>Mommy’s/Whiz-kids Express Weekly</i>
<b>Quality of Life Awards 2019 – The Best Home &amp; Living Shopping Mall</b> <ul style="list-style-type: none"> <li>• MegaBox Development Company Limited</li> </ul>	<i>Mommy’s/Whiz-kids Express Weekly</i>
<b>The Best Bang! Awards 2019 Shanghai – Best Family Shopping Center</b> <ul style="list-style-type: none"> <li>• Kerry Parkside, Shanghai</li> </ul>	Bang Media
<b>Trusted Family Brand of the Year 2019 – Life Plus Top 50 Brand List</b> <ul style="list-style-type: none"> <li>• Beijing Kerry Centre</li> <li>• Beijing Kerry Residence</li> </ul>	<i>TimeOut Family</i>

# CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2019, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except that Mr Wong Siu Kong is both the Chairman and the Chief Executive Officer (“CEO”) of the Company from 1 January 2019 to 31 May 2019. This is a deviation from A.2.1 of the code provisions which requires that the roles of chairman and chief executive should be separated and should not be performed by the same individual. However, the Board believes that the balance of power and authority had not been impaired by such arrangement as the Board comprises experienced and high caliber individuals.

On 1 June 2019, Mr Wong Siu Kong has relinquished his position as the CEO of the Company and remains as the Chairman and an Executive Director of the Company and Mr Kuok Khoon Hua, the Non-executive Director of the Company, has been re-designated as an Executive Director of the Company and appointed as the Vice Chairman and CEO of the Company. The Company has therefore complied with A.2.1 of the code provision since 1 June 2019.

The following sections set out how the principles of good governance and code provisions under the Listing Rules have been complied with by the Company during the financial year ended 31 December 2019.

## A. DIRECTORS

### A.1 The Board of Directors of the Company (the “Board”)

1. The Board is responsible for:–
  - (i) the leadership and control of the Company;
  - (ii) overseeing the Group’s businesses, strategic directions and financial performance;
  - (iii) setting the Company’s values and standards;
  - (iv) ensuring that its obligations to the Company’s shareholders (the “Shareholders”) are understood and met; and
  - (v) strategy formulation, corporate governance and performance monitoring.
  
2. Proposed Board meeting dates for a financial year are agreed in the final Board meeting of the preceding year. The Board has four scheduled meetings a year at approximately quarterly interval and meets more frequently as and when required. Notice of more than 14 days was given to all the Directors of the Company (the “Directors”) to attend a regular Board meeting. For all other Board meetings, reasonable notice will be given to the Directors. During the financial year ended 31 December 2019, the Board held four meetings and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of Board Meetings during the Directors’ tenure of office
<b>Executive Directors:</b>	Wong Siu Kong	4/4
	Kuok Khoon Hua <i>(re-designated as Executive Director on 1 June 2019)</i>	3/4
	Bryan Pallop Gaw	4/4
	Wong Chi Kong, Louis	4/4
<b>Independent Non-executive Directors:</b>	Ku Moon Lun	4/4
	Wong Yu Pok, Marina, JP	4/4
	Chang Tso Tung, Stephen	4/4

# CORPORATE GOVERNANCE REPORT

3. Board and Board Committees minutes kept by the Company Secretary are sent to the Directors for records and are open for inspection by the Directors.
4. The Company has arranged appropriate insurance cover for the Directors.

## **A.2 Division of Responsibilities**

1. Mr Wong Siu Kong, the Chairman of the Company, is responsible for providing leadership to the Board in terms of establishing policies and business directions. He ensures that the Board discharges its responsibilities effectively and all key issues are discussed by the Board timely.
2. Mr Kuok Khoon Hua, the Vice Chairman and CEO, is responsible for the overall operation and the executive responsibilities of the Group and the full implementation of the directions and policies established by the Board.
3. The other Executive Directors of the Company (“**ED**”) are delegated with responsibility to oversee and monitor the operations of specific business areas and to implement the strategies and policies set by the Board.
4. The Independent Non-executive Directors of the Company (“**INED**”) bring strong independent judgement, knowledge and experience to the Board. Apart from their appointments as INED, none of them has any form of service contract with the Company or any of its subsidiaries. The INED are able to give the Board and/or any committees they served the benefit of their skills, expertise and knowledge through their regular attendance and active participation of the Company’s businesses.
5. The Chairman has encouraged all Directors to make a full and active contribution to the Board’s affairs and takes the lead to ensure that the Board acts in the best interest of the Company. He has promoted a culture of openness and debate by facilitating the effective contribution of INED and ensuring constructive relations between ED and INED. Accordingly, the Board operates in a functional manner with clearly defined objectives, strategies and responsibilities.
6. During the financial year ended 31 December 2019, the Chairman has held two meetings with the INED without the other ED present.

## **A.3 Board Composition**

1. The composition of the Board is stated in the section headed “Corporate Information & Key Dates” of this annual report. The Board has a balanced composition and strong independent element. The biographies of the Directors are set out in the section headed “Directors and Senior Management” of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.
2. The Company has complied with Rules 3.10 and 3.10A of the Listing Rules in the following manner:–
  - (i) the Board includes three INED;
  - (ii) two of the INED have appropriate professional qualifications, accounting and related financial management expertise; and
  - (iii) INED represent more than one-third of the Board.
3. The Company has received annual confirmation of independence from all the INED in accordance with Rule 3.13 of the Listing Rules. The Nomination Committee has assessed their independence and concluded that all the INED are independent within the definition of the Listing Rules.



4. A list of all the Directors identifying their roles, functions and titles is available on the websites of the Stock Exchange and the Company. The names of the INED have been identified in all corporate communications that disclosed the names of the Directors.

#### **A.4 Directors' Appointment, Re-election and Removal**

1. Pursuant to the Company's bye-laws and the code provisions of the Listing Rules, each Director shall retire from office no later than the third annual general meeting of the Company after he/she was last elected or re-elected (i.e. the term of appointment of all Directors, including the INED, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director is subject to re-election at the next general meeting following his/her appointment.
2. For INED who has served the Company for more than nine years, his/her further appointment will be subject to a separate resolution to be approved by the Shareholders at the general meeting and the papers to the Shareholders accompanying that resolution will include the reasons why the Board believes he/she is still independent and should be re-elected.

#### **A.5 Nomination Committee**

1. The Company established a Nomination Committee ("**NC**") in 2012. Details of the NC and the work performed by it during the year are set out in the section headed "Nomination Committee Report" of this annual report. During the financial year ended 31 December 2019, a NC meeting was held on 16 January 2019 and the attendance record, on a named basis, is set out in the table below.

<b>Directors</b>		<b>Attendance/Number of NC Meeting during the NC members' tenure of office</b>
<b>ED:</b>	Wong Siu Kong	1/1
	Kuok Khoon Hua <i>(a member of NC since 1 June 2019)</i>	N/A
<b>INED:</b>	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen	1/1

2. A summary of each of the board diversity policy and the nomination policy adopted by the Board is set out in the section headed "Nomination Committee Report" of this annual report.

#### **A.6 Responsibilities of Directors**

1. Every newly appointed Director will be given a comprehensive, formal and tailored induction on appointment and continually updated with legal and regulatory requirements, business and market changes and development of the Company to facilitate him/her in discharging his/her responsibilities.
2. The INED take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. Independent Board Committee comprising all INED will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company. The INED are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

## CORPORATE GOVERNANCE REPORT

- The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code for securities transactions by Directors of the Company (the “**Model Code**”). The Directors have confirmed compliance with the required standards set out in the Model Code throughout the financial year ended 31 December 2019. Employees of the Company, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code.
- In order to ensure the Directors’ contribution to the Board remains informed and relevant and to develop and refresh knowledge and skills of the Directors, the Company has encouraged and funded suitable trainings for Directors to participate in continuous professional developments. During the financial year ended 31 December 2019, the record of the trainings of the Directors, on a named basis, is set out in the table below.

Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences, webcast training and/or forums	Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives
<b>ED:</b> Wong Siu Kong	✓	✓	✓
Kuok Khoon Hua <i>(re-designated as ED on 1 June 2019)</i>	✓	✓	✓
Bryan Pallop Gaw	✓	✓	✓
Wong Chi Kong, Louis	✓	✓	✓
<b>INED:</b> Ku Moon Lun	✓	✓	✓
Wong Yu Pok, Marina, JP	✓	✓	✓
Chang Tso Tung, Stephen	✓	✓	✓

*Note: All of the abovementioned trainings are relevant to the Group’s business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors’ duties and responsibilities.*

### **A.7 Supply of and Access to Information**

- The Board members are supplied with comprehensive board papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting). All Directors are given opportunity to include matters in the agenda for regular Board meetings. To facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required.
- All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that Board procedures, and all applicable rules and regulations, are being followed. The Directors can obtain independent professional advice at the Company’s expense.

## B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

### B.1 Remuneration Committee

Details of the Remuneration Committee (“RC”) and the work performed by it during the year are set out in the section headed “Remuneration Committee Report” of this annual report. During the financial year ended 31 December 2019, a RC meeting was held on 16 January 2019 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of RC Meeting during the RC members’ tenure of office
ED:	Wong Siu Kong	1/1
	Kuok Khoon Hua <i>(a member of RC since 1 June 2019)</i>	N/A
INED:	Ku Moon Lun	1/1
	Wong Yu Pok, Marina, JP	1/1
	Chang Tso Tung, Stephen	1/1

### B.2 Remuneration of Directors and Senior Management

Details of the amount of the Directors’ emoluments (including the ED who are members of senior management of the Group) during the financial year ended 31 December 2019 are set out in notes 14(a) and 14(b) to the financial statements of this annual report. Details of the Company’s share option scheme are set out in the Directors’ Report and note 38 to the financial statements of this annual report.

### B.3 Board Evaluation

During the year, the Board has regularly reviewed the contributions from the Directors and confirmed that they have spent sufficient time performing their responsibilities.

## C. ACCOUNTABILITY AND AUDIT

### C.1 Financial Reporting

1. The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Auditor’s Report to the Shareholders is included in this annual report.
2. Towards the end of 2019, the Board has reviewed the financial projections of the Group in respect of the five financial years ending 31 December 2024. On the basis of this review, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group’s ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.
3. During the financial year ended 31 December 2019, all members of the Board have been provided with monthly updates to enable them to discharge their duties.

# CORPORATE GOVERNANCE REPORT

## C.2 Risk Management and Internal Controls

Details on the Group's risk management and internal controls framework and the Board's process to evaluate the Group's system of risk management and internal controls are set out in the section headed "Risk Management and Internal Controls Report" of this annual report.

## C.3 Audit and Corporate Governance Committee

1. Details of the ACGC and the works performed by it during the year are set out in the section headed "Audit and Corporate Governance Committee Report" of this annual report. The ACGC met four times during the financial year ended 31 December 2019 and the attendance record, on a named basis, is set out in the table below.

Directors		Attendance/Number of ACGC Meetings during the ACGC members' tenure of office
INED:	Ku Moon Lun	4/4
	Wong Yu Pok, Marina, JP	4/4
	Chang Tso Tung, Stephen	4/4

2. The Board has delegated duties regarding the corporate governance to the ACGC as set out in the code provisions of the Listing Rules.

## C.4 Auditors' Remuneration

1. The Company's external auditor is PricewaterhouseCoopers, Hong Kong ("**PwC**"). During the financial year ended 31 December 2019, the fees paid/payable to PwC and other firms of the worldwide network of PricewaterhouseCoopers in respect of the audit of the Group's consolidated financial statements and non-audit services provided to the Group were as follows:–

Nature of services	HK\$' 000
Audit services	9,158
Non-audit services: Tax services and others	2,130

2. The ACGC had developed and implemented policy on engaging PwC to supply non-audit services. Non-audit services from PwC include, but not limited to, provision of tax services, internal control review of system and financial due diligence. Services which may be considered to be in conflict with PwC's role as auditor have to be submitted to the ACGC for approval.
3. During the year, the ACGC had reviewed PwC's independence and objectivity in relation to both audit and non-audit services provided to the Group by PwC.

## **D. DELEGATION BY THE BOARD**

### ***D.1 Management Functions***

The responsibilities, accountabilities and contributions of the Chairman, the CEO and ED of the Company are set out in A.2 of this Corporate Governance Report. The day-to-day running of the Company is delegated to the management, with divisional heads responsible for different aspects of the Group's businesses.

### ***D.2 Finance Committee***

In addition to delegating specific responsibilities to the ACGC, the NC and the RC, the Board has established a Finance Committee with delegated authority for reviewing and approving certain financial matters of the Group. Currently, the Finance Committee comprises Mr Wong Siu Kong and Mr Wong Chi Kong, Louis. The Board has approved and adopted a written terms of reference of the Finance Committee for it to deal with matters such as the investment of surplus funds, undertakings, determination and approval of investment acquisitions and disposals with amounts not exceeding HK\$2.5 billion, arrangement of banking facilities and approval of guarantees and indemnities within designated limits. The decisions or recommendations of the Finance Committee were reported back to the Board at the Board meetings.

### ***D.3 Executive Committee***

The Executive Committee of the Board meets from time to time as determined by the Executive Committee members and operates as a general management committee. The Board has approved and adopted a written terms of reference of the Executive Committee for it to (i) discuss the corporate and development strategies of the Company; (ii) evaluate and determine the nature and extent of the risks the Company is willing to take in achieving its strategic objectives; and (iii) consider and assess the potential adverse impact on the Company's business caused by prevailing internal and external risks and formulate corrective or mitigating actions required. The decisions or recommendations of the Executive Committee will be reported back to the Board. The members of the Executive Committee comprise all ED.

# CORPORATE GOVERNANCE REPORT

## E. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

### E.1 Communication Channels

In order to develop and maintain a continuing investors' relationship programme, the Company has established various channels of communication with the Shareholders and the investor community:–

- (i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting of the Company ("**AGM**").
- (ii) Press and analysts' conferences are held twice a year in relation to the interim and final results announcements, at which ED are available to answer questions regarding the Group's operational and financial performances.
- (iii) The Company also avails itself of opportunities to communicate and explain its strategies to Shareholders and the investor community, through active participation in investors' conferences and regular meetings with financial analysts, fund managers and potential investors. The Group had participated in a number of roadshows and investors' conferences during the year ended 31 December 2019 and some of them are set out below:–

Event	Venue
CGS-CIMB HK/China Property Conference	Hong Kong
Citi's Asia Pacific Property Conference 2019	Hong Kong
DBS HK Property Corporate Day	Hong Kong
Goldman Sachs Greater China Corporate Day 2019	Hong Kong

The Group plans to enhance its investors' relationship by participating in future roadshows and conferences.

- (iv) The Company's website at [www.kerryprops.com](http://www.kerryprops.com) contains important corporate information, annual and interim reports, as well as announcements and circulars issued by the Company to enable the Shareholders and the investor community to have timely access to updated information about the Group.
- (v) The Board has established a shareholders' communication policy since 2012 and will review it on a regular basis to ensure its effectiveness.

### E.2 Dividend Policy

1. The Board has approved and adopted a dividend policy for the Company (the "**Dividend Policy**") with effect from 1 January 2019. The Board targets to distribute not less than 30% of the Group's core net profit for each financial year to the Shareholders. In proposing any distribution of dividend, the Board will take into consideration of the following factors:–
  - (i) the long-term interest of the Group;
  - (ii) the general interest of all the Shareholders;
  - (iii) the sustainable development of the Group;

- (iv) the earnings, cash flow, financial condition, capital requirement and distributable reserves of the Group; and
  - (v) any other factors that the Board deems relevant.
2. The Board will review the Dividend Policy regularly.

### ***E.3 Shareholders' Rights***

1. Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Abacus Limited, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.
2. Shareholders and members of the investor community are welcome to send their enquiries to the Company's Corporate Communication and Investor Relations Departments, whose contact details are stated in the section headed "Corporate Information & Key Dates" of this annual report.
3. Shareholders who wish to put enquiries to the Board can send their enquiries to the Company Secretary at the Company's Head Office and Principal Place of Business as stated in the section headed "Corporate Information & Key Dates" of this annual report. The Company Secretary will ensure these enquiries to be properly directed to the Board.
4. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.
5. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).
6. Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting and state the purpose therefor at the Company's registered office in Bermuda at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.
7. Shareholders who wish to put forward proposals for the Company's consideration at the general meetings can send their proposals to the Company Secretary.

### ***E.4 General Meetings***

1. The general meeting provides a forum for the Board to communicate with the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues, including the election of Directors, are dealt with under separate resolutions at general meetings.
2. The members of the Board, including the chairman of the Board Committees and any other committees of the Company or their duly appointed delegates, are available at AGM to answer questions raised by the Shareholders. The chairman of the independent board committee is also present to answer questions at any general meeting which is convened to approve a connected transaction or any other transaction that requires independent Shareholders' approval.
3. The Board will ensure the external auditor attends the AGM to answer questions relating to the conduct of the audit, the preparation and content of the auditor's report, the accounting policy and auditor independence.

## CORPORATE GOVERNANCE REPORT

- Relevant resolutions were passed by way of poll at the AGM and the Special General Meeting (“SGM”) held in 2019. Shareholders who are unable to attend the AGM and the SGM can appoint proxies to attend and vote at the AGM and the SGM. The chairman of the AGM and the SGM had provided explanation of the detailed procedures for conducting a poll and then answered questions (if any) from the Shareholders regarding voting by way of poll. The Company had sent the AGM notice to Shareholders more than 20 clear business days before the AGM and the SGM notice to Shareholders more than 10 clear business days before the SGM.
- During the financial year ended 31 December 2019, the Company held an AGM on 21 May 2019 and a SGM on 31 May 2019 and the attendance record of the Directors, on a named basis, is set out in the table below.

Directors		Attendance/Number of General Meetings during the Directors' tenure of office
<b>ED:</b>	Wong Siu Kong	2/2
	Kuok Khoon Hua <i>(re-designated as ED on 1 June 2019)</i>	1/2
	Bryan Pallop Gaw	2/2
	Wong Chi Kong, Louis	2/2
<b>INED:</b>	Ku Moon Lun	2/2
	Wong Yu Pok, Marina, JP	2/2
	Chang Tso Tung, Stephen	2/2

### F. COMPANY SECRETARY

- The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. She is reporting to the Chairman.
- All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.
- For the financial year ended 31 December 2019, the Company Secretary has complied with paragraph 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.



# AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

The Audit Committee of the Board was established in 1998 and renamed as Audit and Corporate Governance Committee (“**ACGC**”) in 2012 to also monitor and carry out the corporate governance duties as set out in the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Currently, the ACGC comprises three Independent Non-executive Directors of the Company, who among themselves possess a wealth of experience in the accounting profession, finance and commercial sectors.

The ACGC operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. Set out below is a summary of the audit work and related tasks performed by the ACGC during the financial year ended 31 December 2019:-

- (i) The ACGC reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.
- (ii) The ACGC reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group’s financial statements.
- (iii) The ACGC reviewed and monitored the external auditor’s independence and objectivity and the effectiveness of audit process in accordance with applicable standards.
- (iv) The ACGC assessed the independence of the Company’s external auditor, prior to formally engaging the external auditor to carry out the audit for the Company’s financial statements for the year ended 31 December 2019.
- (v) Prior to the actual commencement of the audit, the ACGC discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the ACGC reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.
- (vi) The ACGC recommended to the Board regarding the appointment and remuneration of the external auditor.
- (vii) The ACGC reviewed and approved the internal audit programme, reviewed the internal audit reports and discussed any significant issues with the Company’s Internal Audit Department and the Group’s senior management.
- (viii) The ACGC reviewed the independence of the internal audit function and the level of support and co-operation given by the Group’s management to the Internal Audit Department, as well as the resources of the Internal Audit Department when undertaking its duties and responsibilities.
- (ix) The ACGC reviewed the adequacy and effectiveness of the Group’s systems of risk management and internal controls through a review of the work undertaken by the Group’s internal and external auditor, written representations by the senior management of each of the Group’s business divisions and discussions with the Board.
- (x) The ACGC reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group’s accounting, internal audit and financial reporting functions through a review of the work undertaken by the Group’s senior financial management and internal audit, as well as the questionnaire report by the financial head of each of the Group’s business divisions and discussions with the Board.

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

Set out below is a summary of the corporate governance work performed by the ACGC during the financial year ended 31 December 2019:–

- (a) The ACGC reviewed the Company's policies and practices on corporate governance and made recommendations to the Board.
- (b) The ACGC reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements.
- (c) The ACGC reviewed the Company's compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report issued by the Stock Exchange.
- (d) The ACGC reviewed reports on the Company's continuing connected transactions and connected transactions with the connected persons.
- (e) The ACGC ensured that good corporate governance practices and procedures are established.

During the financial year ended 31 December 2019, the ACGC met four times and the ACGC also conducted meetings with the Group's senior management, the external auditor and the Internal Audit Department from time to time. Minutes of the ACGC Meetings were documented and circulated to the Board for information. The ACGC also reported and presented its findings and made recommendations for consideration and discussion at Board Meetings.

On 6 March 2020, the ACGC also reviewed the financial statements of the Group for the year ended 31 December 2019 prior to recommending them to the Board for approval.

### MEMBERS OF THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE

**Wong Yu Pok, Marina, JP (Chairman)**

**Ku Moon Lun**

**Chang Tso Tung, Stephen**

Hong Kong, 17 March 2020

# REMUNERATION COMMITTEE REPORT

The Company established the Remuneration Committee (“**RC**”) in 1997 with the Independent Non-executive Directors of the Company (“**INEDs**”) constituting the majority of the RC. The chairman of the RC is an INED and the other members comprise two INEDs, the Chairman and the Chief Executive Officer of the Company.

The RC operates pursuant to the written terms of reference which are available on the websites of the Stock Exchange and the Company. The primary responsibilities of the RC are, *inter alia*, the recommendations on the Company’s policy and structure for the remuneration of all Directors and the determination, with delegated responsibility, the remuneration packages of Executive Directors of the Company (“**ED**”). The RC also administers and makes determinations with respect to the Company’s share option scheme. When the remuneration package of an individual Director is under review, such Director will abstain from voting.

The RC adopted a Directors’ Remuneration Policy (the “**Policy**”) for the Company in 2012. The Policy aims to provide remuneration levels which shall be sufficient to attract and retain Directors to run the Company successfully. Pursuant to the Policy, the following key principles have been established for the ED remuneration and non-executive directors’ (“**NED**”) fees:–

- (a) ED’s salaries shall be reviewed annually by the RC;
- (b) revision to the ED’s salaries shall be made to reflect the performance, contribution and responsibilities of each ED and/or by reference to market/sector trends;
- (c) ED shall be eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances;
- (d) the RC shall annually review and recommend (if appropriate) to the Board for approval the grant of share options to the ED under the Company’s share option scheme;
- (e) the NED’s fees shall be reviewed annually by the Board; and
- (f) recommendations shall be made by the Board to the Company’s shareholders (the “**Shareholders**”) to approve at the Shareholders’ meeting any revision (if appropriate) to the NED’s fees according to their responsibilities and/or by reference to market/sector trends.

During the financial year ended 31 December 2019, the RC held a meeting on 16 January 2019 and the following matters were reviewed and approved at the meeting:–

- (i) the salaries and pension contributions of the ED for the financial year ended 31 December 2019; and
- (ii) the payment of bonuses to the ED, which amounted to HK\$48,000,000 in respect of the financial year ended 31 December 2018.

During the year, the RC has approved the monthly salary payable to Mr Kuok Khoon Hua after his re-designation as an ED starting from 1 June 2019.

## MEMBERS OF THE REMUNERATION COMMITTEE

**Wong Yu Pok, Marina, JP (Chairman)**

**Wong Siu Kong**

**Kuok Khoon Hua**

**Ku Moon Lun**

**Chang Tso Tung, Stephen**

Hong Kong, 17 March 2020

# NOMINATION COMMITTEE REPORT

The Company established the Nomination Committee (“**NC**”) in 2012 with the Independent Non-executive Directors (“**INEDs**”) constituting the majority of the NC. The chairman of the NC is the Chairman of the Company and the other members comprise the three INEDs and the Chief Executive Officer of the Company.

The NC operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. The primary responsibilities of the NC are, *inter alia*, the review of the structure, size and composition of the Board, the recommendation to the Board on any proposed changes to the Board, the identification of individuals suitably qualified to become Board members and the assessment of the independence of the INEDs.

The Company has adopted a board diversity policy (the “**Board Diversity Policy**”) which is summarized as below:–

- (a) In reviewing the Board’s composition, the NC will consider a number of aspects of the Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services (the “**Board Diversity Criteria**”) and consider the appropriate balance of skills, experience and knowledge of the Board members that are required to complement the Company’s corporate strategy.
- (b) In identifying qualified individuals to become Board members, the NC will consider the Board Diversity Criteria according to the circumstances of the Company and take into account factors based on the Company’s own business model and specific needs.
- (c) Selection of Board members to ensure diversity will be, in part, dependent on the pool of such candidates with the necessary skills, knowledge and experience. All Board appointments will be based on merit and contribution that the chosen candidate will bring to the Board.
- (d) The ultimate decision on the appointment of the Board members will be made by the Board after consideration of the recommendation made by the NC.
- (e) The NC will consider measurable objectives (if any) for implementing Board diversity and recommend them to the Board for adoption.

During the financial year ended 31 December 2019, the NC held a meeting and the following matters were reviewed and approved:–

- (i) after review of the structure, size and composition of the Board, it was agreed that the Board has a strong independent element and balanced composition of skills, expertise, experience and qualifications to contribute to the corporate strategy and the development of the businesses of the Company; and
- (ii) after taking into consideration of the fact that the INEDs have not been engaged in any executive management positions of the Group since their appointment and each of them has confirmed his/her independence by issuing an annual confirmation to the Company pursuant to the requirements of the Listing Rules, it was agreed that each of the INEDs is considered to be independent under the Listing Rules.

During the year, the NC has recommended the re-designation of a Non-executive Director, namely, Mr Kuok Khoon Hua, as an Executive Director and the appointment of Mr Kuok as the Vice Chairman and Chief Executive Officer of the Company with effect from 1 June 2019 to the Board for approval.

Pursuant to the requirement of the Listing Rules, the Company has adopted a nomination policy which is summarized as below:–

Selection criteria:–

- (a) the perspective, skill and experience that the candidate can bring to the Board;
- (b) the merit and contribution which the candidate is expected to bring to the Board;
- (c) the accomplishment and experience of the candidate in relation to similar nature of business of the Company;
- (d) the expected commitment of time of the candidate;
- (e) how the candidate contributes to diversity of the Board;
- (f) a number of aspects of the Board diversity as stated in the Board Diversity Policy; and
- (g) any other factors that the Board deems relevant.

Nomination procedures:–

- (a) A meeting of the NC will be called or a written resolution of the NC will be circulated to NC members to consider the candidate(s) to be nominated before a meeting of the Board to be held or a written resolution of the Board to be circulated to Board members to approve the appointment of the candidate(s) as Board member(s).
- (b) Each proposed new appointment, election or re-election of a Director of the Company will be evaluated, assessed and/or considered against the factors as stated in the selection criteria above. The NC will recommend its views to the Board and/or the shareholders of the Company for consideration and determination.
- (c) The ultimate decision of appointment will be made by the Board after consideration of the recommendation made by the NC.

MEMBERS OF THE NOMINATION COMMITTEE

**Wong Siu Kong (Chairman)**

**Kuok Khoon Hua**

**Ku Moon Lun**

**Wong Yu Pok, Marina, JP**

**Chang Tso Tung, Stephen**

Hong Kong, 17 March 2020

# RISK MANAGEMENT AND INTERNAL CONTROLS REPORT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's systems of risk management and internal controls (the "**Systems**"). The Systems are designed to meet the Group's particular needs and to minimize the risks to which the Group is exposed, and are designed to manage rather than eliminate the risks of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatements or losses.

Each business unit of the Group ("**BU**") is responsible for managing and maintenance of its own appropriate and effective Systems.

The Board has authorized the Audit and Corporate Governance Committee ("**ACGC**") to review the Systems annually with the assistance of the Company's Internal Audit ("**IA**") Department and/or delegated party.

## **Main Features of the Systems**

The framework of the Systems covers (i) the setting of objectives, budgets and targets; (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; (iii) the delegation of authority and the establishment of clear lines of accountability; and (iv) the review, evaluation and disclosure of the Systems annually.

### ***(i) Setting of Objectives, Budgets and Targets***

Strategies and objectives of the Group as a whole are determined by the Board. Budgets are prepared annually and financial projections of the Group for the next five years are also prepared and reviewed by the Board. In implementing these strategies and achieving these objectives, each Executive Director has specific responsibilities for monitoring the conduct and operations of individual BU. This includes the review and approval of business strategies and plans, the setting of business-related performance targets as well as the design and implementation of internal controls and risk management.

### ***(ii) Establishment of Regular Reporting of Financial Information***

Monthly financial information is provided to the Directors. Variance analysis between actual performances and targets are prepared and documented in the Board paper, for discussions at Board Meetings with explanations noted for any material variances and deviations between actual performances and budgets/targets. This helps the Board and the Group's management (the "**Management**") to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports will also be prepared for the Board and its various committees, to ensure that the Directors are supplied with all the requested information in a timely and appropriate manner.

### ***(iii) Delegation of Authority and Establishment of Clear Lines of Accountability***

To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organizational structure exists which details different levels of authority and control responsibilities within each BU. Certain specific matters are reserved for the Board's decision and are not delegated. These include, amongst others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, Board structure and its composition and succession.

### ***(iv) Review and Evaluation of the Systems***

In order to better review and evaluate the adequacy and effectiveness of the Group's existing Systems, an internal self-assessment process was formulated during the financial year ended 31 December 2019. Under this process, individual BU was requested to assess the effectiveness of its operations including financial controls, operating controls, risk management and other contingency measures. Each BU then submitted to the Board the confirmation of the internal self-assessment questionnaires on the adequacy and effectiveness of its risk management and controls system, which were discussed at the ACGC Meeting of 15 November 2019.

## Process Used to Identify, Evaluate and Manage Risks

The Board monitors the Group's business risks, operating risk management and internal controls. The Group has established an IA function. The IA Department assists to review the major operational, financial and risk management controls of the Group's businesses on a continuing basis. The scope of review and the audit programme of the IA Department, which are formulated based on a risk assessment approach and focuses on areas with relatively higher perceived risks, are approved by the ACGC at the end of the preceding financial year in conjunction with the Management.

The IA function reports directly to the ACGC. Accordingly, IA reports are quarterly circulated to the Chairman, the Chief Executive Officer, the ACGC members and the Chief Financial Officer (the "CFO") for their review in accordance with the approved IA programme. Such reports are also circulated to the external auditor on a quarterly basis.

## Procedures and Internal Controls for Handling and Dissemination of Inside Information

The Board has approved and adopted an Inside Information Disclosure Policy (the "Policy") for the Company since 2013 for monitoring inside information to ensure compliance with the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Exchange") and the Securities and Futures Ordinance. The procedures and internal controls for handling and dissemination of inside information as set out in the Policy are summarized below:–

### (i) Handling of Inside Information

- (a) Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the Management should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.
- (b) BU shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors, the CFO and/or the Company Secretary immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.
- (c) The Group's Finance Department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests under the Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

### (ii) Dissemination of Inside Information

- (a) Inside information is announced promptly through the websites of the Exchange and the Company. The electronic publication system of the Exchange is the first channel of dissemination of the Group's information before any other channel.
- (b) Briefing sessions on the Group's performance and results are organised for the analysts and the media in the afternoon on the same day after the interim/final results have been announced. Presentation materials shall be reviewed in advance before they are released at the briefing sessions.

# RISK MANAGEMENT AND INTERNAL CONTROLS REPORT

## Annual Review

A review of the adequacy of resources, qualifications and experience of staff of the Group's accounting, IA and financial reporting functions and their training programmes and budget was conducted during the financial year ended 31 December 2019. Under this review process, each of the Group's IA and Divisional Finance Head was requested to assess such adequacy at its own level by submission of an internal questionnaire report to the Group, which was discussed at the ACGC Meeting of 15 November 2019.

During the year, the Board has received a written confirmation of the internal self-assessment questionnaires on the adequacy and effectiveness of the Systems from each BU. An annual review of the effectiveness of the Systems (including business, operational and functional risks) and material controls of the Group (including financial, operational and compliance controls) has been conducted by the IA which was also discussed at the ACGC meeting on 15 November 2019. Based on the results of the annual review by the ACGC and IA, the Board considered that the Systems are effective and adequate. There is no significant change in the nature and extent of risks and the Company's ability to respond to changes in its business and the external environment since the last annual review.

Based on the quarterly financial reporting by the CFO, the quarterly Listing Rules compliance reporting by the Company Secretary and the quarterly IA reports submitted by the IA Director to the ACGC, the Group's processes for financial reporting and Listing Rules compliance and the Group's IA function are considered by the ACGC and the Board as effective.

During the financial year ended 31 December 2019, there were no significant control failings or weaknesses identified which might have a material impact on the Company's financial performance or condition.



# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors



#### MR WONG SIU KONG

Aged 68, is the Chairman of the Company, the chairman of the Company's Nomination Committee and a member of the Company's Remuneration Committee, Finance Committee and Executive Committee. He has been an Executive Director of the Company since 1996 and the Chairman of the Board of the Company since 2013. Mr Wong was a Joint Managing Director of the Company from 1999 to 2003, the Deputy Chairman of the Board and the Managing Director of the Company from 2003 to 2008, the President and Chief Executive Officer of the Company from 2008 to 2013 and the Chairman and Chief Executive Officer of the Company from September 2015 to January 2018 and from December 2018 to May 2019. Mr Wong is also a director of Kerry Holdings Limited (the controlling shareholder of the Company) and a director of China World Trade Center Co., Ltd. (a listed company in Shanghai). Mr Wong graduated from the South China Normal University in the PRC.



#### MR KUOK KHOON HUA

Aged 41, is the Vice Chairman and Chief Executive Officer of the Company. He is also a member of the Company's Remuneration Committee, Nomination Committee and Executive Committee. Prior to his appointment as the Vice Chairman and the Chief Executive Officer, Mr Kuok was a Non-executive Director of the Company from June 2015 to May 2019. Mr Kuok is the chairman of Kerry Holdings Limited ("KHL") and a director of Kerry Group Limited ("KGL") and Kuok (Singapore) Limited. Both KHL and KGL are the controlling shareholders of the Company. He is the chairman and an executive director of Kerry Logistics Network Limited (a listed company in Hong Kong), a non-independent non-executive director of Wilmar International Limited (a listed company in Singapore) and an independent director of Sea Limited (a listed company in New York). Mr Kuok holds a Bachelor's degree in Economics from Harvard University. He is the brother-in-law of Mr Bryan Pallop Gaw, an Executive Director of the Company.

## DIRECTORS AND SENIOR MANAGEMENT

### **DIRECTORS** *(Continued)*

#### **Executive Directors** *(Continued)*



#### **MR BRYAN PALLOP GAW**

Aged 43, has been an Executive Director of the Company since 2012 and is a member of the Company's Executive Committee. Mr Gaw has previous experience in private equity, management consulting, strategic planning and business development. He holds a Bachelor of Arts in Political Science from Princeton University and a Master of Business Administration from Stanford's Graduate School of Business. Mr Gaw is the brother-in-law of Mr Kuok Khoon Hua, the Vice Chairman and Chief Executive Officer of the Company.



#### **MR WONG CHI KONG, LOUIS**

Aged 58, has been an Executive Director of the Company since December 2018 and a member of each of the Finance Committee and Executive Committee of the Company. He has been the Chief Financial Officer of the Company since 2007. He was trained and qualified as Chartered Accountant with KPMG Peat Marwick, London, England. He had about 10 years of experience in auditing in the United Kingdom and Hong Kong before joining Kerry Group in 1994. Prior to taking up the position of the Chief Financial Officer of the Company, he was involved in the Coca-Cola beverage business in which Kerry Group was a franchised bottler of Coca-Cola products in China. He is a director of Shang Properties, Inc. (a listed company in the Philippines). He is a graduate of University of Cambridge, England.

## **DIRECTORS** *(Continued)*

### **Independent Non-executive Directors**



#### **MR KU MOON LUN**

Aged 69, has been an Independent Non-executive Director of the Company since 2007. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr Ku has over 35 years of experience in the real estate industry. He was an executive director of Davis Langdon and Seah International, chairman of Davis Langdon and Seah Hong Kong Limited, Premas Hong Kong Limited and icFox International and an independent non-executive director of Ascott Residence Trust Management Limited in Singapore. Mr Ku is now an independent non-executive director of Lai Fung Holdings Limited (a listed company in Hong Kong) and a non-executive director of Surbana Jurong Private Limited in Singapore. He was formerly a member of the Hospital Governing Committee (the "Committee") of Tuen Mun Hospital, Hong Kong Hospital Authority ("HKHA") and is now a member of the Committee of Queen Elizabeth Hospital, HKHA. Mr Ku is a Fellow of the Hong Kong Institute of Surveyors.



#### **MS WONG YU POK, MARINA, JP**

Aged 71, has been an Independent Non-executive Director of the Company since 2008. She is now the chairman of the Audit and Corporate Governance Committee and the Remuneration Committee of the Company and also a member of the Nomination Committee of the Company. She had been with PricewaterhouseCoopers for over 30 years specializing in the PRC tax and business advisory services, and has extensive experience in advising both Hong Kong and foreign investors in the structuring of their businesses and investments in the PRC. Ms Wong joined Tricor Services Limited as a director from 2004 to 2006 after her retirement as a partner from PricewaterhouseCoopers in 2004. Ms Wong is now an independent non-executive director of Kerry Logistics Network Limited, Hong Kong Ferry (Holdings) Company Limited, Luk Fook Holdings (International) Limited and SJM Holdings Limited (all of which are listed companies in Hong Kong). She was formerly an independent director of China World Trade Center Co., Ltd. (a listed company in Shanghai). She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

## DIRECTORS AND SENIOR MANAGEMENT

### **DIRECTORS** *(Continued)*

#### **Independent Non-executive Directors** *(Continued)*



#### **MR CHANG TSO TUNG, STEPHEN**

Aged 71, has been an independent Non-executive Director of the Company since 2012. He is now a member of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee of the Company. He has been practising as a certified public accountant in Hong Kong for around 30 years and has extensive experience in accounting, auditing and financial management. He was the deputy chairman of Ernst & Young Hong Kong and China until his retirement in 2004. He is a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Overseas Education Development Foundation. Mr Chang is an independent non-executive director of Hua Hong Semiconductor Limited (a listed company in Hong Kong) and China Life Insurance Company Limited (a listed company in Hong Kong and Shanghai). He was formerly an independent non-executive director of China Cinda Asset Management Co., Ltd. (a listed company in Hong Kong). Mr Chang holds a Bachelor of Science degree from the University of London.

### **SENIOR MANAGEMENT**

The abovementioned Executive Directors of the Company are members of senior management of the Group.

# REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2019.

## Principal Activities and Segmental Analysis of Operations

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries, associates and joint ventures comprise the following:

- (i) property development, investment and management in Hong Kong, the Mainland and the Asia Pacific region;
- (ii) hotel ownership in Hong Kong, and hotel ownership and operations in the Mainland; and
- (iii) integrated logistics and international freight forwarding.

An analysis of the Group's turnover and contribution to gross profit for the year by principal activity and market is set out in note 6 to the financial statements.

## Business Review

A business review of the Group and an analysis of the Group's performance using financial key performance indicators during the year are provided in the Chairman's Statement, Management Discussion & Analysis and Financial Highlights of this annual report. In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the section headed "Sustainability Development and CSR Activities" of this annual report and the Company's Sustainability Report to be published in accordance with The Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the financial year ended 31 December 2019, the Company has complied with the requirements under the Listing Rules, the Securities and Futures Ordinance (the "SFO") and the Bermuda Companies Act. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the Corporate Governance Report of this annual report.

During the financial year ended 31 December 2019, the Group has also complied with the Residential Properties (First-hand Sales) Ordinance through established internal procedures and engagement of external professional advisors including architects, surveyors and solicitors for the checking of the accuracy of the information contained in the relevant documents made available to the public in connection with the sales of first-hand residential properties in Hong Kong.

To protect the privacy of its employees, tenants and purchasers of its properties and to safeguard the interests of its employees, the Group has complied with the requirements of the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to disability, sex, family status, race discrimination and occupational safety through established internal policies and/or procedures during the financial year ended 31 December 2019.

## Results and Appropriations

The results of the Group for the year are set out in the section headed "Consolidated Income Statement" of this annual report.

Particulars of dividends proposed and paid during the year are set out in note 11 to the financial statements.

# REPORT OF DIRECTORS

## **Donations**

Charitable and other donations made by the Group during the year amounted to HK\$913,000.

## **Investment, Hotel and Development Properties**

Particulars of investment, hotel and development properties of the Group are set out in the section headed "Particulars of Properties Held" of this annual report.

## **Distributable Reserves**

As at 31 December 2019, the reserves of the Company available for distribution amounted to approximately HK\$18,665,070,000 (2018: HK\$18,443,707,000).

## **Share Capital**

The movements in the share capital of the Company during the year are set out in note 37 to the financial statements.

## **Bonds**

Details of the bonds of the Group are set out in note 33 to the financial statements.

## **Subsidiaries, Associates and Joint Ventures**

Particulars of the Group's principal subsidiaries, associates and joint ventures as at 31 December 2019 are set out in note 50 to the financial statements.

## **Particulars of Bank Loans**

Particulars of bank loans of the Group as at 31 December 2019 are set out in notes 32 and 45 to the financial statements.

## **Five-Year Financial Summary**

The results, assets and liabilities of the Group for the last five financial years are summarised in the section headed "Five-Year Financial Summary" of this annual report.

## **Directors**

The Directors who held office as at the date of this report of Directors are:

### ***Executive Directors***

Mr Wong Siu Kong (Chairman)  
Mr Kuok Khoon Hua (Vice Chairman and Chief Executive Officer)  
Mr Bryan Pallop Gaw  
Mr Wong Chi Kong, Louis

### ***Independent Non-executive Directors***

Mr Ku Moon Lun  
Ms Wong Yu Pok, Marina, JP  
Mr Chang Tso Tung, Stephen

Mr Wong Siu Kong, Mr Kuok Khoon Hua and Mr Ku Moon Lun are due to retire from the Board by rotation in accordance with bye-law 99 of the Company's bye-laws ("**Bye-laws**") at the forthcoming Annual General Meeting to be held on 20 May 2020 (the "**2020 AGM**"). Mr Ku has decided not to stand for re-election. The other retiring Directors, being eligible, offer themselves for re-election.

During the year and up to the date of this report of Directors, the following changes to the Board were effected:

- (1) on 1 June 2019, Mr Wong Siu Kong has relinquished his position as the Chief Executive Officer of the Company and remained as the Chairman and an Executive Director of the Company; and
- (2) on 1 June 2019, Mr Kuok Khoon Hua, a Non-executive Director of the Company, has been re-designated as an Executive Director of the Company and been appointed as the Vice Chairman and Chief Executive Officer of the Company.

## **Biography of Directors and Senior Management**

Biography of Directors and senior management are set out in the section headed "Directors and Senior Management" of this annual report.

# REPORT OF DIRECTORS

## Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2019, the interests of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### (i) Company

Directors	Number of ordinary shares				Approximate % of shareholding <sup>6</sup>
	Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Other interests <sup>4</sup>	Total	
Wong Siu Kong	–	–	50,000	50,000	0.00
Kuok Khoon Hua	1,179,413	–	3,297,763	4,477,176	0.31
Bryan Pallop Gaw	–	3,324,763	1,202,048	4,526,811	0.31
Wong Chi Kong, Louis	140	–	50,000	50,140	0.00

### (ii) Associated Corporations

Associated Corporations	Directors	Number of ordinary shares				Number of underlying ordinary shares held under equity derivatives <sup>5</sup>	Total	Approximate % of shareholding
		Personal interests <sup>1</sup>	Family interests <sup>2</sup>	Corporate interests <sup>3</sup>	Other interests <sup>4</sup>			
Kerry Group Limited	Wong Siu Kong	4,617,263	–	8,504,300	–	3,000,000	16,121,563	1.06 <sup>7</sup>
	Kuok Khoon Hua	5,000	–	–	225,875,033	1,995,000	227,875,033	15.03 <sup>7</sup>
	Bryan Pallop Gaw	1,500,000	179,095,046	–	46,399,988	2,000,000	228,995,034	15.11 <sup>7</sup>
	Wong Chi Kong, Louis	1,271,725	–	–	–	500,000	1,771,725	0.12 <sup>7</sup>
Kerry Logistics Network Limited	Wong Siu Kong	–	–	–	1,300,000	–	1,300,000	0.08 <sup>8</sup>
	Kuok Khoon Hua	101,000	–	–	3,018,492	1,000,000	4,119,492	0.24 <sup>8</sup>
	Bryan Pallop Gaw	–	1,493,382	–	1,891,024	–	3,384,406	0.20 <sup>8</sup>
	Wong Chi Kong, Louis	–	–	–	1,300,000	–	1,300,000	0.08 <sup>8</sup>
	Wong Yu Pok, Marina	–	–	–	–	200,000	200,000	0.01 <sup>8</sup>
Hopemore Ventures Limited	Kuok Khoon Hua	50	–	–	–	–	50	3.57 <sup>9</sup>
Majestic Tulip Limited	Kuok Khoon Hua	10	–	–	–	–	10	3.33 <sup>10</sup>
Medallion Corporate Limited	Kuok Khoon Hua	48	–	–	–	–	48	4.80 <sup>11</sup>
	Bryan Pallop Gaw	26	26	–	–	–	52	5.20 <sup>11</sup>
Rubyhill Global Limited	Kuok Khoon Hua	1	–	–	–	–	1	10.00 <sup>12</sup>
Shang Properties, Inc.	Bryan Pallop Gaw	–	582,532	–	248,482	–	831,014	0.02 <sup>13</sup>
Vencedor Investments Limited	Kuok Khoon Hua	5	–	–	–	–	5	5.00 <sup>14</sup>
	Bryan Pallop Gaw	5	5	–	–	–	10	10.00 <sup>14</sup>



## Directors' Interests in Shares, Underlying Shares and Debentures (Continued)

Notes:

1. *This represents interests held by the relevant Director as beneficial owner.*
2. *This represents interests held and/or deemed to be held by the spouse of the relevant Director.*
3. *This represents interests deemed to be held by the relevant Director through his controlled corporation(s).*
4. *This represents interests deemed to be held by the relevant Director through discretionary trust(s) of which the relevant Director is a discretionary beneficiary.*
5. *This represents interests in options held by the relevant Director and/or his spouse as a beneficial owner to subscribe for the relevant underlying ordinary shares in respect of the option shares granted by Kerry Group Limited ("KGL") and Kerry Logistics Network Limited ("KLN").*
6. *The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2019 (i.e. 1,456,501,228 ordinary shares).*
7. *The percentage has been compiled based on the total number of ordinary shares of KGL in issue as at 31 December 2019 (i.e. 1,515,829,195 ordinary shares).*
8. *The percentage has been compiled based on the total number of ordinary shares of KLN in issue as at 31 December 2019 (i.e. 1,716,203,112 ordinary shares).*
9. *The percentage has been compiled based on the total number of ordinary shares of Hopemore Ventures Limited in issue as at 31 December 2019 (i.e. 1,400 ordinary shares).*
10. *The percentage has been compiled based on the total number of ordinary shares of Majestic Tulip Limited in issue as at 31 December 2019 (i.e. 300 ordinary shares).*
11. *The percentage has been compiled based on the total number of ordinary shares of Medallion Corporate Limited in issue as at 31 December 2019 (i.e. 1,000 ordinary shares).*
12. *The percentage has been compiled based on the total number of ordinary shares of Rubyhill Global Limited in issue as at 31 December 2019 (i.e. 10 ordinary shares).*
13. *The percentage has been compiled based on the total number of common shares of Shang Properties, Inc. in issue as at 31 December 2019 (i.e. 4,764,056,287 common shares).*
14. *The percentage has been compiled based on the total number of ordinary shares of Vencedor Investments Limited in issue as at 31 December 2019 (i.e. 100 ordinary shares).*

Details of the Share Options, duly granted to the Directors pursuant to the share options schemes, which constitute interests in underlying ordinary shares of equity derivatives of the Company under the SFO are set out in the section headed "Share Options" of this report.

All the interests disclosed in sections (i) and (ii) above represent long positions in the shares of the Company or the Associated Corporations.

Save as aforesaid, as at 31 December 2019, none of the Directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# REPORT OF DIRECTORS

## Permitted Indemnity Provision

Pursuant to the Bye-Laws, the Directors shall be indemnified against all losses and liabilities which they may incur in connection with their duties. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

## Directors' Material Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which a Director of the Company or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Rights to Acquire Shares or Debentures

As at 31 December 2019, the number of outstanding Share Options granted by the Company to the Directors to subscribe for shares of the Company (the "Shares"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out in the section headed "Share Options" of this report of Directors.

Apart from the aforesaid, at no time during the year ended 31 December 2019 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Substantial Interests in the Share Capital of the Company

As at 31 December 2019, the interests of those persons (other than the Directors) in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding <sup>ii</sup>
Kerry Group Limited	Interest of controlled corporations	859,531,055 <sup>i</sup>	Long position	59.01
Kerry Holdings Limited	Interest of controlled corporations	746,090,656 <sup>i</sup>	Long position	51.22
Caninco Investments Limited	Beneficial owner	312,248,193 <sup>i</sup>	Long position	21.44
Darmex Holdings Limited	Beneficial owner	256,899,261 <sup>i</sup>	Long position	17.64
Moslane Limited	Beneficial owner	73,821,498 <sup>i</sup>	Long position	5.07

Notes:

- i. Caninco Investments Limited ("Caninco"), Darmex Holdings Limited ("Darmex") and Moslane Limited ("Moslane") are wholly-owned subsidiaries of Kerry Holdings Limited ("KHL"). KHL itself is a wholly-owned subsidiary of KGL and, accordingly, the shares in which Caninco, Darmex and Moslane are shown to be interested are also included in the shares in which KHL and KGL are shown to be interested.
- ii. The percentage has been compiled based on the total number of Shares in issue as at 31 December 2019 (i.e. 1,456,501,228 ordinary shares).

Apart from the aforesaid, as at 31 December 2019, the Company had not been notified of any interests and short positions in the Shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

## Public Float

Based on the information that is publicly available to the Company as at the date of this report of Directors and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

## Pre-Emptive Rights

There is no provision for pre-emptive rights under the Bye-laws or the laws in Bermuda.

## Staff

As at 31 December 2019, the Company and its subsidiaries had approximately 8,400 employees. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include provident fund, insurance, medical cover, subsidised educational and training programmes as well as share option schemes. Details of employee benefit expense are set out in note 13 to the financial statements.

## Share Options

On 5 May 2011, the shareholders of the Company (the "Shareholders") approved the adoption of a new share option scheme (the "2011 Share Option Scheme") and the termination of a share option scheme adopted in 2002 (the "2002 Share Option Scheme") to the effect that no further share options of the Company (the "Share Options") shall be offered under the 2002 Share Option Scheme but the Share Options which had been granted during the life of the 2002 Share Option Scheme should continue to be valid and exercisable.

A summary of those terms applicable to the outstanding Share Options of the 2002 Share Option Scheme has been disclosed in the Company's 2010 Annual Report.

The 2011 Share Option Scheme is designed to motivate executives and key employees and other persons who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions.

The maximum number of Shares which may be issued upon exercise of all Share Options to be granted under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10% of the Shares in issue as at the date of the adoption of the 2011 Share Option Scheme provided that the Company may seek approval from Shareholders to refresh such limit. Moreover, the maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2011 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30% of the Shares in issue from time to time. As at 17 March 2020 (the date of this annual report), a total of 104,000,348 Shares (representing approximately 7.14% of the number of issued shares of the Company as at 17 March 2020) are available for issue under the 2011 Share Option Scheme. The maximum entitlement of each participant under the 2011 Share Option Scheme in any 12-month period is 1% of the Shares in issue from time to time.

The period within which a Share Option may be exercised will be determined by the Board at its absolute discretion but no Share Option may be exercised later than 10 years from the date on which the Share Option is granted. The minimum period for which a Share Option must be held before it can be exercised is determined by the Board upon the grant of a Share Option. The amount payable on acceptance of a Share Option is HK\$1.

The subscription price of the Share Option under the 2011 Share Option Scheme shall be determined by the Board at its absolute discretion at the time of grant of the Share Option but it shall not be less than whichever is the highest of (a) the nominal value of a Share; (b) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of Share Options; and (c) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of Share Options.

The 2011 Share Option Scheme will expire on 4 May 2021.

Approval will be sought from the Shareholders at the 2020 AGM for the adoption of a new share option scheme and the termination of the 2011 Share Option Scheme (to the effect that no further Share Options shall be offered but the Share Options which had been granted during the life of the 2011 Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects) with effect from the conclusion of the 2020 AGM. Details of the proposal are set out in the circular enclosed with this annual report to be despatched to the Shareholders together with a notice of the 2020 AGM.

# REPORT OF DIRECTORS

## Share Options (Continued)

Movement of the Share Options during the year ended 31 December 2019 are listed below in accordance with Rule 17.07 of the Listing Rules:

Category	Date of grant	Tranche	Number of Share Options			As at 31/12/2019	Exercise Price HK\$	Exercise Period
			As at 01/01/2019	Exercised	Lapsed			
<i>(i) 2002 Share Option Scheme (Note a):</i>								
1. Continuous Contract Employees	06/02/2009	I	70,000	(70,000)	-	-	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	80,000	(80,000)	-	-	17.58	06/02/2011 – 05/02/2019
2. Others	06/02/2009	I	25,000	(25,000)	-	-	17.58	06/02/2010 – 05/02/2019
	06/02/2009	II	30,000	(30,000)	-	-	17.58	06/02/2011 – 05/02/2019
<b>Total:</b>			<b>205,000</b>	<b>(205,000)</b>	<b>-</b>	<b>-</b>		

### *(ii) 2011 Share Option Scheme (Note b):*

<b>1. Directors</b>								
Wong Siu Kong	30/04/2012	I	1,500,000	-	-	1,500,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	1,500,000	-	-	1,500,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	134,000	(134,000)	-	-	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	1,500,000	(716,000)	-	784,000	26.88	08/01/2015 – 07/01/2024
Bryan Pallop Gaw	30/04/2012	I	100,000	-	-	100,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	150,000	-	-	150,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	II	100,000	-	-	100,000	26.88	08/01/2015 – 07/01/2024
Wong Chi Kong, Louis	30/04/2012	I	250,000	-	-	250,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	250,000	-	-	250,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	400,000	-	-	400,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	400,000	-	-	400,000	26.88	08/01/2015 – 07/01/2024
<b>2. Continuous Contract Employees</b>								
	30/04/2012	I	1,886,500	-	-	1,886,500	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	2,415,000	-	-	2,415,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	860,000	(43,000)	-	817,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	1,569,000	(175,000)	-	1,394,000	26.88	08/01/2015 – 07/01/2024
<b>3. Others</b>								
	30/04/2012	I	2,738,000	-	(130,000)	2,608,000	35.45	31/10/2012 – 29/04/2022
	30/04/2012	II	3,151,000	-	(130,000)	3,021,000	35.45	31/10/2013 – 29/04/2022
	08/01/2014	I	738,000	-	-	738,000	26.88	08/07/2014 – 07/01/2024
	08/01/2014	II	860,000	(20,000)	-	840,000	26.88	08/01/2015 – 07/01/2024
<b>Total:</b>			<b>20,501,500</b>	<b>(1,088,000)</b>	<b>(260,000)</b>	<b>19,153,500</b>		

Notes:

- During the year, no Share Option was granted, granted for adjustment, transferred from/to other category, cancelled or lapsed under the 2002 Share Option Scheme.
- During the year, no Share Option was granted, granted for adjustment, transferred from/to other category or cancelled under the 2011 Share Option Scheme.
- During the year, the weighted average closing price of the shares of the Company immediately before the dates on which the Share Options were exercised was HK\$32.33. The vesting period of the Share Options is from the date of grant until the commencement of the exercise period.

## Service Contract

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the 2020 AGM.

## Management Contract

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

## Major Customers and Suppliers

The percentages of the five largest customers combined and the five largest suppliers combined are less than 30% of the Group's total turnover and purchases, respectively.

## Director's Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have disclosed that during the year ended 31 December 2019, they are considered to have interests in the following businesses ("**Excluded Businesses**"), being businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests are as directors appointed to represent the interests of the Group.

During the year ended 31 December 2019, Messrs Wong Siu Kong, Kuok Khoon Hua, Bryan Pallop Gaw and Wong Chi Kong, Louis were directors of subsidiaries of Shangri-La Asia Limited ("**SA**") and Mr Wong Siu Kong, Mr Kuok and Mr Gaw had interests in shares of SA, the businesses of which consisted of hotel ownership and operation. The Directors believed that as the size of that part of these Excluded Businesses in the Mainland, where the Group has hotel businesses, is not insignificant when compared with the hotel business of the Group in the Mainland, it is likely that these Excluded Businesses may compete with the hotel business of the Group in the Mainland.

During the year ended 31 December 2019, Mr Wong Siu Kong was a director of China World Trade Center Co., Ltd. ("**CWTC**") but he did not have any interests in shares of CWTC, the businesses of which consisted of property and hotel business in the Mainland. The Directors believed that as the size of these Excluded Businesses is not insignificant when compared with the property and hotel businesses of the Group in the Mainland, it is likely that these Excluded Businesses may compete with the property and hotel businesses of the Group in the Mainland.

The Excluded Businesses are operated and managed by companies (and in the case of SA and CWTC, by listed companies) with independent management and administration. On this basis, the Directors believed that the Group is capable of carrying on its businesses independently of the Excluded Businesses and at arm's length from the Excluded Businesses.

The Directors, including those interested in the Excluded Businesses, will, as and when required under the Bye-laws, abstain from voting on any resolution of the Board in respect of any contract, arrangement or proposal in which he or any of his associates has a material interest.

# REPORT OF DIRECTORS

## Connected Transactions

### (i) Acquisition of Land Parcel in Singapore

On 22 March 2019, the joint venture companies (the “**JVCOs**”), owned by the Company and Allgreen Properties Limited (“**Allgreen**”) as to 30% and 70% respectively (collectively, the “**Parties**”), has successfully won a tender whereby the lease of the land parcel at Pasir Ris Drive 3/ Pasir Ris Drive 8/ Pasir Ris Central, Singapore with an approximate site area of 409,068 square feet (the “**Lease**”) has been awarded to the JVCOs and the parties have entered into a joint venture agreement accordingly (the “**Transactions**”).

The consideration for the Lease was S\$699,999,999.99 and the Parties agreed to provide a total amount of shareholders’ funds for the consideration and relating taxes of not more than S\$766,400,000 to the JVCOs in accordance with their respective shareholding proportion in the JVCOs. Therefore, the maximum funding commitment to the JVCOs to be contributed by the Company is expected to be S\$230,000,000.

Allgreen is an associate of both KHL (the controlling shareholder of the Company) and Mr Kuok Khoon Hua (the Executive Director of the Company) and is therefore a connected person of the Company. Accordingly, the entering into of the Transactions by the Parties constituted connected transactions for the Company under the Listing Rules.

### (ii) Acquisition of Warehouses

On 28 March 2019, the Company and its wholly-owned subsidiary (the “**Purchaser**”) had entered into sale and purchase agreements with Kerry Logistics Network Limited (“**KLN**”) and its wholly-owned subsidiary (the “**Vendor**”) for the acquisition by the Purchaser from the Vendor of the entire issued share capital in two wholly-owned subsidiaries of KLN, each of which holds a warehouse situated at 50 Ka Yip Street, Chai Wan, Hong Kong (the “**Chai Wan Warehouse**”) and 36-42 Shan Mei Street, Shatin, New Territories, Hong Kong (the “**Shatin Warehouse**”) respectively (the “**Acquisitions**”).

The considerations paid by the Purchaser to the Vendor for the Chai Wan Warehouse and the Shatin Warehouse were HK\$2,270,000,000 and HK\$1,330,000,000 respectively.

KLN is a subsidiary of KHL which is the controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Acquisitions constituted connected transactions for the Company under the Listing Rules and were approved by the independent shareholders of the Company at a special general meeting held on 31 May 2019.

### (iii) New Tenancy Agreements for Kerry Centre

On 13 November 2019, Kerry Properties (H.K.) Limited (“**KPLHK**”), Fine Century Holdings Limited and Asia Insight Investments Limited (all are wholly-owned subsidiaries of the Company) as tenants, have accepted the offers made by Ubagan Limited (“**Ubagan**”) (which is owned as to 60% by KHL and 40% by the Company) as landlord to renew the tenancies in respect of Units 1, 2A and 2B on Level 2, Unit 1 on Level 3, Units 1 and 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre, 683 King’s Road, Quarry Bay, Hong Kong (“**Kerry Centre**”) and to take up a new tenancy for the leasing of Unit 2 on Level 3 of Kerry Centre (collectively, the “**New Tenancy Agreements**”) for a term of 3 years from 19 November 2019 to 18 November 2022.

In accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) 16 “Leases”, the rental payment under the New Tenancy Agreements was recognised as right-of-use assets of the Group on 19 November 2019 for an amount of approximately HK\$157,000,000.

KHL is the controlling shareholder of the Company. Ubagan is an associate of KHL and is therefore a connected person of the Company. Accordingly, the rental payment under the New Tenancy Agreements constituted connected transactions for the Company under the Listing Rules.

## Continuing Connected Transactions

### (i) Hotel Management Agreements and Marketing and Training Services Agreement

#### (a) Kerry Hotel, Beijing

Shangri-La International Hotel Management Limited (“**SLIM-HK**”), a wholly-owned subsidiary of SA, is providing hotel management, marketing, communication and reservation services to Kerry Hotel, Beijing pursuant to the hotel management, marketing and related agreements (the “**Former Beijing Agreements**”) entered into between Beijing Kerry Hotel Co., Ltd. (“**BKH**”) and SLIM-HK on 30 June 1998 (as modified by an addendum dated 26 January 2004). The Former Beijing Agreements were ended on 27 August 2019.

On 26 August 2019, BKH had entered into the hotel management agreement (the “**Beijing HM Agreement**”) and the marketing and training services agreement (the “**MTS Agreement**”) (collectively, the “**New Beijing Agreements**”) with SLIM-HK and Shangri-La Hotel Management (Shanghai) Co., Ltd. (“**SLIM-PRC**”), another wholly-owned subsidiary of SA, respectively, in relation to the provision of hotel management, reservation, sales, marketing and training services by SLIM-HK and SLIM-PRC to Kerry Hotel, Beijing. The Beijing HM Agreement was entered into for 20 years ending on 27 August 2039, with an option to renew for 10 years which is exercisable by mutual agreement of both parties. The MTS Agreement was entered into from 28 August 2019 to the termination date of the Beijing HM Agreement.

BKH, being the owner of Kerry Hotel, Beijing, is owned as to 71.25% by the Group, 23.75% by the SA group and 5% by an independent third party. SA, SLIM-HK and SLIM-PRC are connected persons of the Company. Accordingly, the provision of the hotel management, reservation, sales, marketing and training services by SLIM-HK and SLIM-PRC to BKH are treated as continuing connected transactions of the Company under the Listing Rules.

The annual aggregate fee payable by the Group pursuant to the Former Beijing Agreements and the New Beijing Agreements for the financial year ended 31 December 2019 is not expected to exceed HK\$75,000,000 (“**Cap A**”) and RMB110,000,000 (“**Cap B**”) respectively. The fees paid by the Group under the Former Beijing Agreements and the New Beijing Agreements for the year ended 31 December 2019 amount to approximately HK\$18,213,000 and HK\$11,486,000 which are within Cap A and Cap B respectively.

#### (b) Jing An Shangri-La Hotel

SLIM-HK is also providing hotel management, marketing and reservation services (the “**HM Services**”) to Jing An Shangri-La Hotel pursuant to the hotel management agreement (the “**Jing An Agreement**”) entered into between Shanghai Ji Xiang Properties Co., Ltd. (“**SJXP**”) and SLIM-HK on 17 October 2012. The Jing An Agreement was entered into for a term of 20 years ending on 28 June 2033.

SJXP, being the owner of Jing An Shangri-La Hotel, is owned as to 51% by the Group and 49% by the SA group. SA and SLIM-HK are connected persons of the Company. Accordingly, the provision of the HM Services by SLIM-HK to SJXP is treated as a continuing connected transaction of the Company under the Listing Rules.

The annual aggregate fee payable by the Group pursuant to the Jing An Agreement for the financial year ended 31 December 2019 is not expected to exceed US\$14,000,000 (“**Cap C**”). The fee paid by the Group under the Jing An Agreement for the year ended 31 December 2019 amount to approximately HK\$43,888,000 which is within Cap C.

# REPORT OF DIRECTORS

## Continuing Connected Transactions (Continued)

### (i) Hotel Management Agreements and Marketing and Training Services Agreement (Continued)

#### (c) Midtown Shangri-La Hotel

SLIM-HK and SLIM-PRC are also providing the HM Services to Midtown Shangri-La Hotel, Hangzhou (the “**Hangzhou Hotel**”) pursuant to the hotel management agreement (the “**Hangzhou HM Agreement**”) and the marketing services agreement (the “**MS Agreement**”) (collectively, the “**Hangzhou Agreements**”), entered into by Kerry Real Estate (Hangzhou) Co. Ltd. (“**KREH**”) with SLIM-HK and SLIM-PRC respectively on 4 March 2016. The Hangzhou HM Agreement was entered into for a term of 20 years ending on 11 March 2036. The MS Agreement was entered into from 4 March 2016 to the termination date of the Hangzhou HM Agreement.

KREH, being the owner of the Hangzhou Hotel, is owned as to 75% by the Group and 25% by the SA group. SA, SLIM-HK and SLIM-PRC are connected persons of the Company. Accordingly, the provision of the HM Services by SLIM-HK and SLIM-PRC to KREH are treated as continuing connected transactions of the Company under the Listing Rules.

The annual aggregate fee payable by the Group pursuant to the Hangzhou Agreements for the financial year ended 31 December 2019 is not expected to exceed RMB93,000,000 (“**Cap D**”). The fee paid by the Group under the Hangzhou Agreements for the year ended 31 December 2019 amount to approximately HK\$18,145,000 which is within Cap D.

### (ii) Tenancy and Licence Agreements

On 20 October 2016, KPLHK had entered into a tenancy agreement (the “**Tenancy Agreement**”) with Ubagan for the leasing of Unit 1 on Level 3, Units 1 and 2 on Level 5, Level 22, Level 25 and Level 26 of Kerry Centre (the “**Premises**”). KPLHK had also entered into the licence agreements (the “**Licence Agreements**”, which together with the Tenancy Agreement are referred to as the “**Agreements**”) on various dates between 1 March 2011 and 5 January 2016 with Ubagan in respect of 12 fixed carparking spaces and 6 floating carparking spaces on basement of Kerry Centre for the use by the Group in conjunction with the Premises.

The Tenancy Agreement was entered into for a term of 3 years from 19 November 2016 to 18 November 2019 with a rental of HK\$3,846,144.00 per month and management fee and air-conditioning charges of HK\$552,883.20 per month (subject to revision from time to time by the building manager). The Licence Agreements were entered into on monthly basis with a licence fee of not exceeding HK\$3,500 per month for each fixed carparking space and a licence fee of not exceeding HK\$2,700 per month for each floating carparking space (subject to adjustment by Ubagan from time to time upon giving one month’s prior written notice to KPLHK).

KHL is the controlling shareholder of the Company. Ubagan is an associate of KHL and is therefore a connected person of the Company. Accordingly, the entering into of the Agreements was treated as a continuing connected transaction of the Company under the Listing Rules.

The maximum aggregate annual amount payable by the Group under the Agreements for the financial year ended 31 December 2019 is not expected to exceed HK\$58,000,000 (“**Cap E**”). The aggregate amount paid by the Group under the Agreements for the year ended 31 December 2019 amount to approximately HK\$47,832,000 which is within Cap E.

On 13 November 2019, KPLHK and Ubagan had entered into the New Tenancy Agreements (as set out in the section headed “**Connected Transactions**” of this report). Upon the adoption of the HKFRS 16 “**Leases**” from 1 January 2019, the Group has recognised a right-of-use asset in connection with the new lease arrangement on its consolidated statement of financial position and the new lease arrangement was regarded as an acquisition of asset under the definition of transaction set out in the Listing Rules.



## Continuing Connected Transactions (Continued)

### (iii) Framework Agreement

On 9 December 2016, the Company had entered into a framework agreement (the “**Framework Agreement**”) with KLN for a term from 1 January 2017 to 31 December 2019 in relation to (a) the lease of premises by the Group to KLN and its subsidiaries (the “**KLN Group**”) pursuant to the Framework Agreement, including (i) Units at Phase I Kerry Everbright City, 218 Tianmu Road West, Shanghai, China; (ii) Units at Kerry D.G. Warehouse (Kowloon Bay), 7 Kai Hing Road, Kowloon Bay, Hong Kong; and (iii) Unit at Tavistock, 10 Tregunter Path, Hong Kong; and (b) the provision of such services by the KLN Group to the Group pursuant to the Framework Agreement, comprising delivery services, local courier services, freight services, freight agency services, insurance brokerage and related services, and services relating to management and operation of warehouse facilities, including building management, leasing and licensing management, warrant operations, IT support, human resources, administration and related services (the “**KLN Services**”).

On 29 August 2019, the Company had entered into a supplemental agreement (the “**Supplemental Agreement**”) with KLN to revise the annual caps for the financial year ended 31 December 2019 as set out in the Framework Agreement due to the acquisition of the warehouses by the Group of which some units are leased to the KLN Group.

A new framework agreement (the “**New Framework Agreement**”) was entered into between the Company and KLN on 29 August 2019 for a term of 3 years from 1 January 2020 to 31 December 2022 which may be extended for a further term of three years by the parties, subject to compliance by each party with the applicable requirements under the Listing Rules.

The Supplemental Agreement and the New Framework Agreement have included the premises owned by the Group and leased or to be leased to the KLN Group from time to time, which include but not limited to, office premises, residential premises and warehouses (the “**Leased Premises**”).

KLN is a subsidiary of the controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions between the Group and the KLN Group from time to time in relation to the lease of the Leased Premises by the Group to the KLN Group and the provision of the KLN Services by the KLN Group to the Group constitute continuing connected transactions of the Company under the Listing Rules.

The revised maximum aggregate annual rental income receivable by the Group for the lease of the Leased Premises and the revised maximum aggregate annual service fees payable by the Group for the KLN Services for the financial year ended 31 December 2019 are not expected to exceed HK\$35,000,000 (“**Cap F**”) and HK\$20,000,000 (“**Cap G**”) respectively. The rental income under the Supplemental Agreement for the year ended 31 December 2019 amount to approximately HK\$26,547,000 which is within Cap F. The service fees under the Supplemental Agreement for the year ended 31 December 2019 amount to approximately HK\$13,100,000 which is within Cap G.

# REPORT OF DIRECTORS

## **Continuing Connected Transactions** (Continued)

### ***(iv) Review by Independent Non-executive Directors and the auditor of the Company***

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. either on normal commercial terms or better; and
3. in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 and has issued his unqualified letter containing his findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## **Purchase, Sale or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

## **Auditor**

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for re-appointment.

On behalf of the Board

**Wong Siu Kong**

*Chairman*

Hong Kong, 17 March 2020

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF KERRY PROPERTIES LIMITED**  
*(incorporated in Bermuda with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Kerry Properties Limited (the "Company") and its subsidiaries (the "Group") set out on pages 111 to 215, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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.

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# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties;
- Recoverability of properties under development and completed properties held for sale; and
- Assessment of carrying amounts of hotels properties in Mainland China.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Valuation of investment properties</b></p> <p>Refer to notes 16 and 22 to the consolidated financial statements.</p> <p>The Group had investment properties held by subsidiaries and associates as at 31 December 2019 for which a revaluation gain or loss was recognised and presented as an “increase in fair value of investment properties” and “share of results of associates and joint ventures” respectively in the consolidated income statement. The Group’s investment property portfolio comprises of warehouse, commercial and residential properties in Hong Kong and Mainland China.</p> <p>Management has engaged independent valuers, to estimate the fair value of the investment properties and investment properties under development held by the Group’s subsidiaries and associates as at 31 December 2019. Investment properties were valued using the income capitalisation method and, wherever appropriate, the direct comparison method. For investment properties under development, fair value was derived using the residual method.</p> <p>The valuation of investment properties and investment properties under development depends on certain key assumptions that require significant management judgement. For investment properties, key assumptions included capitalisation rates and prevailing market rents. For investment properties under development, key assumptions included development costs and developer’s profit and risk margins.</p> <p>The estimation uncertainty and management judgement, as mentioned in note 5(a)(i) to the consolidated financial statements, led us to consider this a key audit matter.</p>	<p>Our procedures in relation to the key assumptions used in management’s valuation of investment properties held by the Group’s subsidiaries and associates included:</p> <ul style="list-style-type: none"> <li>• Evaluating the independent valuers’ competence, capabilities and objectivity;</li> <li>• Obtaining the valuation reports and meeting with the independent valuers to discuss the valuation methodologies;</li> <li>• Involving our in-house valuation experts and assessing the valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties;</li> <li>• Checking the accuracy of the input data, on a sample basis, used by the independent valuers including rental income, occupancy rates, estimated development cost and developer’s profit and risk margins by agreeing them back to management’s records, invoices received or other supporting documentations including: <ul style="list-style-type: none"> <li>• key terms of lease agreements;</li> <li>• rental income schedules; and</li> <li>• construction cost schedules and approved budgets.</li> </ul> </li> <li>• Comparing the key assumptions used by the independent valuers against our own expectations using evidence from comparable market transactions, historical records and approved budgets by comparing: <ul style="list-style-type: none"> <li>• capitalisation rates to published market yields;</li> <li>• prevailing market rents to leasing transactions of comparable properties; and</li> <li>• estimated development cost and developer’s profit and risk margins for the investment properties under development to invoices and approved budgets.</li> </ul> </li> </ul> <p>We found the key assumptions used in management’s valuation of investment properties were supported by the available evidence.</p>

## Key Audit Matter

### ***Recoverability of properties under development and completed properties held for sale***

Refer to notes 19 and 28 to the consolidated financial statements.

The Group had HK\$23,040 million and HK\$10,881 million of properties under development and completed properties held for sale respectively as at 31 December 2019.

Management assessed the recoverability of properties under development and completed properties held for sale based on an estimation of the net realisable value of the underlying properties. This involves considerable analyses of estimated costs to completion, construction costs contracts, pre-sale contracts and expected future sales price based on prevailing market conditions such as current market prices of comparable standards and locations.

If the carrying amounts of the underlying stock of properties differ from those values estimated as a result of changes in market condition, reversal of or provision for impairment losses on properties under development and completed properties held for sale may result.

The estimation uncertainty and management judgement, as mentioned in note 5(a)(ii) to the consolidated financial statements, led us to consider this a key audit matter.

## How our audit addressed the Key Audit Matter

Our procedures in relation to management's assessments of recoverability of properties under development and completed properties held for sale included:

- Testing the key controls around the property construction cycle with particular focus on, but not limited to, controls over cost budgeting for estimated costs to completion; and
- Assessing the reasonableness of key assumptions and estimates in management's assessments, on a sample of properties selected, including:
  - expected future sales prices which we compared, on a sample basis to contracted sales prices of the underlying properties or current market prices of properties of comparable standards and locations, where applicable; and
  - anticipated costs to completion and committed contracts that we compared to latest approved budgets on total construction costs and checked, on a sample basis to supporting documentations such as quantity surveyor reports and signed contracts.

We found that management's assessments of recoverability of properties under development and completed properties held for sale are supported by the available evidence.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matter

### ***Assessment of carrying amounts of hotels properties in Mainland China***

Refer to notes 15, 18 and 22 to the consolidated financial statements.

The Group had property, plant and equipment and right-of-use assets held by subsidiaries and associates which included hotel operations in Mainland China as at 31 December 2019. Given the different economic environments in which the Group's hotels operate and the existence of impairment indicators at some of the hotels, there is a risk that the carrying amounts of these hotels held by subsidiaries and associates are higher than their recoverable amounts.

The Group identified certain impairment indicators for the hotel operations in Mainland China. Management has carried out impairment assessments which involved estimating the recoverable amounts, using the value in use method and considered that no further provision for impairment loss or no write back of provision for hotel operations was necessary as at 31 December 2019. The key assumptions and judgements adopted by management in the relevant discounted cash flow method included discount rates, estimated occupancy rates and room rates.

As mentioned in note 5(b)(v) to the consolidated financial statements, the initial analysis to identify the hotel properties with indicators of impairment is subject to management judgement. For those subject to a more detailed impairment assessment, the estimation of recoverable amount is dependent on certain key assumptions that require significant management judgement. Due to the estimation uncertainty and management judgement involved, we considered this a key audit matter.

## How our audit addressed the Key Audit Matter

Our procedures in relation to management's assessments of impairment of property, plant and equipment and right-of-use assets held by the Group's subsidiaries and associates for the hotel operations in Mainland China included:

- Testing management's assessments based on respective hotel performance as to which property, plant and equipment and right-of-use assets demonstrated indicators of impairment;
- Evaluating management's discounted cash flow method to estimate the recoverable amount based on value in use, including testing the underlying calculations and comparing them to the latest approved budgets and the actual results of the prior period;
- Checking, on a sample basis, the accuracy of the input data used by management in their discounted cash flow method including occupancy rates and room rates, by agreeing to management's records, historical actual information or other supporting documentations;
- Testing the discount rates, estimated occupancy rates and room rates with reference to the published industry benchmarks, comparable market transactions and our experience in this industry; and
- Evaluating the sensitivity analysis completed by the management on the key input data and assumptions to understand the impact of reasonable changes in assumptions on the estimated recoverable amounts.

We found that management's assessments of impairment of property, plant and equipment and right-of-use assets held by the Group's subsidiaries and associates for the hotel operations in Mainland China are supported by the available evidence.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

## RESPONSIBILITIES OF DIRECTORS AND AUDIT AND CORPORATE GOVERNANCE COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of 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 Audit and Corporate Governance Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 HKSA's 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 HKSA's, 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.

## INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cho Kin Lun.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 17 March 2020



# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 HK\$' 000	2018 HK\$' 000
Revenue	6	<b>18,025,422</b>	21,433,216
Cost of sales and direct expenses		<b>(9,041,440)</b>	(11,965,122)
Gross profit	6	<b>8,983,982</b>	9,468,094
Other income and net gains	7	<b>692,178</b>	673,010
Provision for impairment loss for property under development	19(a)	–	(1,175,281)
Net increase/(decrease) in fair value on financial assets at fair value through profit or loss	25	<b>4,534</b>	(1,461,152)
Administrative and other operating expenses		<b>(1,602,120)</b>	(1,605,108)
Increase in fair value of investment properties		<b>1,185,018</b>	4,457,289
Operating profit before finance costs	8	<b>9,263,592</b>	10,356,852
Finance costs	9	<b>(812,565)</b>	(584,501)
Operating profit		<b>8,451,027</b>	9,772,351
Share of results of associates and joint ventures	22(d)	<b>1,584,917</b>	2,141,846
Profit before taxation		<b>10,035,944</b>	11,914,197
Taxation	10	<b>(2,342,856)</b>	(3,178,019)
Profit for the year		<b>7,693,088</b>	8,736,178
Profit attributable to:			
Company's shareholders		<b>6,897,450</b>	7,499,295
Non-controlling interests		<b>795,638</b>	1,236,883
		<b>7,693,088</b>	8,736,178
Earnings per share			
– Basic	12	<b>HK\$4.74</b>	HK\$5.16
– Diluted	12	<b>HK\$4.74</b>	HK\$5.16

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK\$' 000	2018 HK\$' 000
Profit for the year		<b>7,693,088</b>	8,736,178
Other comprehensive income			
<b>Items that may be reclassified to profit or loss</b>			
Cash flow hedges	40	<b>(23,899)</b>	(57,059)
Share of other comprehensive income of associates and joint ventures	40	<b>49,056</b>	122,121
Net translation differences on foreign operations		<b>(1,391,680)</b>	(3,348,023)
<b>Items that will not be reclassified to profit or loss</b>			
Fair value gains on financial assets at fair value through other comprehensive income	40	<b>127,482</b>	61,511
Other comprehensive income for the year, net of tax		<b>(1,239,041)</b>	(3,221,450)
Total comprehensive income for the year		<b>6,454,047</b>	5,514,728
Total comprehensive income attributable to:			
Company's shareholders		<b>6,079,120</b>	5,025,143
Non-controlling interests		<b>374,927</b>	489,585
		<b>6,454,047</b>	5,514,728

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK\$' 000	2018 HK\$' 000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	5,250,030	5,693,610
Investment properties	16	80,209,689	74,228,117
Leasehold land and land use rights	17	–	1,940,187
Right-of-use assets	18	2,004,077	–
Properties under development	19	17,693,616	12,621,212
Land deposits	20	7,981,265	10,105,186
Associates and joint ventures	22	28,426,306	23,032,323
Derivative financial instruments	23	42,550	24,877
Financial assets at fair value through other comprehensive income	24	1,453,753	1,326,271
Financial assets at fair value through profit or loss	25	1,095,300	2,448,729
Mortgage loans receivable	26	3,062,327	3,969,991
Intangible assets	27	122,504	122,504
		<b>147,341,417</b>	135,513,007
<b>Current assets</b>			
Properties under development	19	5,346,346	8,408,933
Completed properties held for sale	28	10,881,168	10,151,508
Accounts receivable, prepayments and deposits	29	1,503,907	1,277,878
Current portion of mortgage loans receivable	26	33,838	35,905
Tax recoverable		325,346	217,190
Tax reserve certificates		189,598	189,598
Financial assets at fair value through profit or loss	25	6,863	7,145
Restricted bank deposits	30	511,687	522,698
Cash and bank balances	30	11,743,843	13,860,952
		<b>30,542,596</b>	34,671,807
<b>Current liabilities</b>			
Accounts payable, deposits received and accrued charges	31	6,290,259	6,908,110
Contract liabilities	31	2,549,048	6,499,300
Current portion of lease liabilities	18	50,461	–
Taxation		2,451,597	2,254,966
Short-term bank loans and current portion of long-term bank loans	32	8,494,117	8,141,552
		<b>19,835,482</b>	23,803,928
<b>Net current assets</b>		<b>10,707,114</b>	10,867,879

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Total assets less current liabilities</b>		<b>158,048,531</b>	146,380,886
<b>Non-current liabilities</b>			
Long-term bank loans	32	<b>28,712,976</b>	22,625,008
Fixed rate bonds	33	<b>2,334,345</b>	2,344,683
Amounts due to non-controlling interests	34	<b>2,772,606</b>	2,131,319
Lease liabilities	18	<b>99,958</b>	–
Derivative financial instruments	23	<b>114,228</b>	62,581
Deferred taxation	35	<b>8,631,391</b>	8,275,622
		<b>42,665,504</b>	35,439,213
<b>ASSETS LESS LIABILITIES</b>		<b>115,383,027</b>	110,941,673
<b>EQUITY</b>			
Capital and reserves attributable to the Company's shareholders			
Share capital	37	<b>1,456,501</b>	1,455,208
Share premium	39	<b>13,061,007</b>	13,019,604
Other reserves	40	<b>8,526,697</b>	9,192,306
Retained profits		<b>78,660,305</b>	73,873,846
		<b>101,704,510</b>	97,540,964
Non-controlling interests		<b>13,678,517</b>	13,400,709
<b>TOTAL EQUITY</b>		<b>115,383,027</b>	110,941,673

The financial statements on pages 111 to 215 were approved by the Board of Directors on 17 March 2020 and were signed on its behalf.

**Wong Siu Kong**  
Director

**Wong Chi Kong, Louis**  
Director

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK\$' 000	2018 HK\$' 000
<b>Operating activities</b>			
Net cash generated from operations	41(a)	<b>6,715,552</b>	18,939,254
Interest paid		<b>(1,130,566)</b>	(931,563)
Income tax paid		<b>(1,765,249)</b>	(1,985,629)
Net cash generated from operating activities		<b>3,819,737</b>	16,022,062
<b>Investing activities</b>			
Additions of property, plant and equipment		<b>(48,497)</b>	(293,014)
Additions of investment properties		<b>(2,107,681)</b>	(1,229,089)
Increase in land deposits		<b>(4,235,520)</b>	(9,564,952)
Acquisition of subsidiaries	41(b)	<b>(3,547,614)</b>	–
Proceeds from disposal of partial interest in a subsidiary		<b>12,253</b>	–
Increase in investments in associates and joint ventures		<b>(50,212)</b>	(22,333)
Dividends received from associates		<b>859,253</b>	867,515
Return of capital from an associate		–	280,904
Additional loans to associates and joint ventures		<b>(5,015,345)</b>	(192,397)
Repayment of loans by associates and joint ventures		<b>330,282</b>	1,558,855
Additional loans from associates and joint ventures		<b>165,263</b>	242,361
Repayment of loans to associates and joint ventures		<b>(222)</b>	(140)
Decrease/(increase) in mortgage loans receivable		<b>896,164</b>	(333,966)
Interest received		<b>447,374</b>	569,702
Return of investment from financial assets at fair value through profit or loss		<b>1,326,479</b>	–
Decrease in restricted bank deposits		<b>1,532</b>	43,587
Decrease in short-term bank deposits maturing after more than three months		<b>416,301</b>	40,368
Dividends received from listed and unlisted investments		<b>63,002</b>	70,101
Proceeds from sale of property, plant and equipment		<b>1,524</b>	791
Proceeds from sale of investment properties		<b>117,743</b>	90,902
Net cash used in investing activities		<b>(10,367,921)</b>	(7,870,805)

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK\$' 000	2018 HK\$' 000
<b>Financing activities</b>			
Proceeds from issue of shares		<b>32,849</b>	272,240
Repayment of bank loans	41(c)	<b>(26,638,004)</b>	(26,217,006)
Drawdown of bank loans	41(c)	<b>33,159,414</b>	21,661,124
Principal elements of lease payments	41(c)	<b>(6,400)</b>	–
Dividends paid	11(a)	<b>(1,965,289)</b>	(2,105,875)
Capital injection from non-controlling interests		<b>31,780</b>	13,681
Return of capital to non-controlling interests		<b>(272,025)</b>	(35,948)
Dividends of subsidiaries paid to non-controlling interests		<b>(217,601)</b>	(428,963)
Additional loans from non-controlling interests	41(c)	<b>937,800</b>	20,121
Repayment of loans to non-controlling interests	41(c)	<b>(3,621)</b>	(7,278)
Net cash generated from/(used in) financing activities		<b>5,058,903</b>	(6,827,904)
(Decrease)/increase in cash and cash equivalents		<b>(1,489,281)</b>	1,323,353
Effect of exchange rate changes		<b>(210,452)</b>	(573,723)
Cash and cash equivalents at 1 January		<b>13,400,864</b>	12,651,234
Cash and cash equivalents at 31 December	30(b)	<b>11,701,131</b>	13,400,864

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Attributable to the shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained profits	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance as at 1 January 2019		1,455,208	13,019,604	9,192,306	73,873,846	97,540,964	13,400,709	110,941,673
Profit for the year		-	-	-	6,897,450	6,897,450	795,638	7,693,088
Cash flow hedges	40	-	-	(23,899)	-	(23,899)	-	(23,899)
Share of reserves of associates and joint ventures	40	-	-	49,056	-	49,056	-	49,056
Net translation differences on foreign operations	40	-	-	(970,969)	-	(970,969)	(420,711)	(1,391,680)
Fair value gains on financial assets at fair value through other comprehensive income	40	-	-	127,482	-	127,482	-	127,482
Total comprehensive income for the year ended 31 December 2019		-	-	(818,330)	6,897,450	6,079,120	374,927	6,454,047
Issue of share capital								
– exercise of share options		1,293	38,813	(7,257)	-	32,849	-	32,849
Lapse of share options		-	2,590	(2,590)	-	-	-	-
Dividends paid		-	-	-	(1,965,289)	(1,965,289)	(217,601)	(2,182,890)
Transfer	40	-	-	145,702	(145,702)	-	365,340	365,340
Capital injection from non-controlling interests		-	-	-	-	-	31,780	31,780
Capital reduction of a subsidiary		-	-	-	-	-	(272,025)	(272,025)
Disposal of partial interest in a subsidiary	40	-	-	16,866	-	16,866	(4,613)	12,253
Total transactions with owners		1,293	41,403	152,721	(2,110,991)	(1,915,574)	(97,119)	(2,012,693)
<b>Balance at 31 December 2019</b>		<b>1,456,501</b>	<b>13,061,007</b>	<b>8,526,697</b>	<b>78,660,305</b>	<b>101,704,510</b>	<b>13,678,517</b>	<b>115,383,027</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the shareholders of the Company					Non-controlling interests HK\$' 000	Total equity HK\$' 000
		Share capital	Share premium	Other reserves	Retained profits	Total		
		HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000		
Balance as at 1 January 2018		1,446,538	12,515,673	11,714,445	68,672,800	94,349,456	13,362,354	107,711,810
Profit for the year		–	–	–	7,499,295	7,499,295	1,236,883	8,736,178
Cash flow hedges	40	–	–	(57,059)	–	(57,059)	–	(57,059)
Share of reserves of associates and joint ventures	40	–	–	122,121	–	122,121	–	122,121
Net translation differences on foreign operations	40	–	–	(2,600,725)	–	(2,600,725)	(747,298)	(3,348,023)
Fair value gains on financial assets at fair value through other comprehensive income	40	–	–	61,511	–	61,511	–	61,511
Total comprehensive income for the year ended 31 December 2018		–	–	(2,474,152)	7,499,295	5,025,143	489,585	5,514,728
Issue of share capital – exercise of share options		8,670	333,162	(69,592)	–	272,240	–	272,240
Lapse of share options		–	170,769	(170,769)	–	–	–	–
Dividends paid		–	–	–	(2,105,875)	(2,105,875)	(428,963)	(2,534,838)
Transfer	40	–	–	192,374	(192,374)	–	–	–
Capital injection from non-controlling interests		–	–	–	–	–	13,681	13,681
Capital reduction of a subsidiary		–	–	–	–	–	(35,948)	(35,948)
Total transactions with owners		8,670	503,931	(47,987)	(2,298,249)	(1,833,635)	(451,230)	(2,284,865)
Balance at 31 December 2018		1,455,208	13,019,604	9,192,306	73,873,846	97,540,964	13,400,709	110,941,673



# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Kerry Properties Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”).

The principal activities of the Company’s subsidiaries, associates and joint ventures comprise the following:

- (i) property development, investment and management in Hong Kong, the Mainland and the Asia Pacific region;
- (ii) hotel ownership in Hong Kong, and hotel ownership and operations in the Mainland; and
- (iii) integrated logistics and international freight forwarding.

These financial statements have been approved for issue by the Board of Directors on 17 March 2020.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (together, the “Group”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments and first mortgage loans) at fair value through other comprehensive income or through profit or loss and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### (i) **Adoption of standard, amendments and interpretation to existing standards**

The following standard, amendments and interpretation to existing standards have been published that are effective for the accounting period of the Group beginning on 1 January 2019:

- HKFRS 16, 'Leases'
- Amendments to HKFRS 9, 'Prepayment features with negative compensation'
- Amendments to HKAS 19, 'Plan amendment, curtailment or settlement'
- Amendments to HKAS 28, 'Long-term interests in an associate or joint venture'
- Annual improvements to HKFRSs 2015 – 2017 cycle
- HK(IFRIC)-Int 23, 'Uncertainty over income tax treatments'

The impact of the adoption of HKFRS 16 is disclosed in note 3 below. The adoption of the other amendments and interpretation to existing standards had no material impact on the consolidated financial statements of the Group.

#### (ii) **Amendment to existing standards that is not yet effective but has been early adopted**

The following amendment to existing standards was early adopted by the Group from 1 January 2019:

- Amendments to HKFRS 3, 'Definition of a business'

The amendment clarifies the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The Group considers that the amendment better reflects the substance of the acquisition, and has early adopted the amended standard. Accordingly, the impact to the Group was reflected in the consolidated financial statements.

#### (iii) **Standard and amendments to existing standards and framework which are not yet effective**

The following standard and amendments to existing standards and framework, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020, but the Group has not early adopted them:

	<b>Applicable for accounting periods beginning on/after</b>
Amendments to HKAS 1 and HKAS 8, 'Definition of material'	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9, 'Hedge accounting'	1 January 2020
Conceptual Framework for Financial Reporting 2018	1 January 2020
HKFRS 17, 'Insurance contracts'	1 January 2021
Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

The Group will adopt the above standard, amendments to existing standards and framework as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation

The financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

#### (i) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

#### (ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

#### (iv) Joint arrangements

Under HKFRS 11 'Joint arrangements', investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

##### *Joint ventures*

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Consolidation (Continued)

#### (iv) Joint arrangements (Continued)

##### *Joint ventures (Continued)*

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2(j).

#### (v) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar (HK\$), which is the Company's functional and the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Foreign currency translation (Continued)

#### (ii) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

#### (iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (e) Property, plant and equipment

Properties comprise hotel properties, warehouse, buildings and staff quarters. All property, plant and equipment are stated at historical cost less aggregate depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or re-valued amounts less their residual values over their estimated useful lives as follows:

Properties*	Shorter of remaining lease term of 20 to 50 years or useful lives
Leasehold improvements	Shorter of remaining lease term of 20 to 50 years or useful lives
Motor vehicles, furniture, fixtures and office equipment	3 to 10 years

\* Hotel properties included the respective fixtures and equipment with estimated useful lives of 5 to 10 years.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of all property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the consolidated income statement.

### (f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies of the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Before 1 January 2019, all land held under operating leases was classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. Therefore, the operating leases were accounted for as if they were a finance lease.

After 1 January 2019, all leases that meet the definition of investment property are classified as investment property and measured at fair value.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and ceased once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Investment properties (Continued)

Subsequent expenditure is capitalised to the carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to 'Completed properties held for sale' at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as 'Property, plant and equipment', and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is charged to the consolidated income statement. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity.

#### (g) Properties under development

Properties under development comprise leasehold land, land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. Costs of leasehold land and land use rights are amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis over the lease term. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. Properties under development are stated at cost less accumulated impairment losses where applicable.

Upon completion of the properties which are pre-determined for self-use purpose, the leasehold land portion under lease are classified as 'Right-of-use assets', while the buildings portion are classified as 'Property, plant and equipment'.

Upon the completion of the properties which are pre-determined for sale purpose, the properties including the costs of leasehold land and land use rights are classified as 'Completed properties held for sale' in current assets.

Properties under development are classified as non-current assets unless the construction period of the relevant property development project is expected to be completed within the normal operating cycle and are intended for sale.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Completed properties held for sale

Completed properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

### (i) Intangible assets – goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised separately as a non-current asset. Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisitions of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each operating segment in which it operates.

### (j) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Investments and financial assets

#### (i) Classification

The Group classifies its financial assets in the measurement categories of those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss) and those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in OCI or profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income and net gains using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other income and net gains together with foreign exchange gains and losses. Impairment losses, if material, are presented as separate line item in the consolidated income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Investments and financial assets (Continued)

#### (iii) Measurement (Continued)

##### *Debt instruments (Continued)*

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and net gains. Interest income from these financial assets is included in other income and net gains using the effective interest rate method. Foreign exchange gains and losses are presented in other income and net gains and impairment losses, if material, are presented as separate line item in the consolidated income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement.

##### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income and net gains when the Group's right to receive payments is established.

### (l) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group's other financial assets carried at amortised cost include second mortgage loans receivable, other receivables, amounts due from subsidiaries, associates and joint ventures. The impairment loss of other financial assets carried at amortised cost is measured based on twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

The carrying amount of the receivables is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative and other operating expenses. Subsequent recoveries of amounts previously written off are credited against administrative and other operating expenses in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **(m) Derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); (2) hedges of a particular risk associated with a recognised asset or liability or highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations (net investment hedges).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments are disclosed in note 23. Movements on the hedging reserve in shareholders' equity are shown in note 40. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months after the end of the reporting period. Trading derivatives are classified as a current asset or liability.

#### **(i) Fair value hedge**

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the consolidated income statement over the period to maturity.

#### **(ii) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within finance costs.

When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Derivative financial instruments and hedging activities (Continued)

#### *(iii) Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Gains and losses accumulated in equity are included in the consolidated income statement when the foreign operation is disposed of or sold.

#### *(iv) Derivatives that do not qualify for hedge accounting*

Derivatives that do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivatives instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

### (n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Restricted bank deposits are not included in cash and cash equivalents.

### (o) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **(q) Current and deferred income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary difference arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **(r) Employee benefits**

##### ***(i) Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### ***(ii) Defined contribution plan***

A defined contribution plan is a pension plan which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Employee benefits (Continued)

#### **(iii) Share-based payments**

The Group has outstanding options granted under two share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

#### **(iv) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

#### **(v) Bonus plans**

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

### (s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Financial guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates or joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### (u) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised when it is probable that future economic benefits will flow to the Group and specific criteria for each of the Group's activities as described below have been met. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

- (i) Revenue from sales of properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property. The Group recognised revenue from sales of properties at a point in time during the year.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

Contract acquisition costs incurred to obtain contracts are capitalised and amortised when the related revenue is recognised.

- (ii) Rental revenue and other revenues incidental to the letting of properties are recognised on a straight-line basis over the periods of the respective leases.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Revenue recognition (Continued)

- (iii) Income on development consultancy and project management is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.
- (iv) Income from property management is recognised when services are rendered.
- (v) Hotel revenue from room rental is recognised over time during the period of stay for hotel guests. Revenue from food and beverages sales and other ancillary services is generally recognised at the point in time when the services are rendered.
- (vi) Dividend income is recognised when the right to receive payment is established.
- (vii) Interest income is recognised on a time proportion basis, using the effective interest method.

### (v) Leases

#### (i) *The Group is the lessee*

Until 31 December 2018, payments made under operating leases (net of any incentives received from the lessor), including up-front prepayment made for leasehold land and land use rights for development, are charged to the consolidated income statement or capitalised in the properties under development in accordance with the pattern of benefit provided or on a straight-line basis over the lease term.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Leases (Continued)

#### (i) *The Group is the lessee* (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

When right-of-use assets meet the definition of investment properties, they are presented in investment properties, and are initially measured at cost and subsequently measured at fair value, in accordance with the Group's accounting policy.

The Group also has interests in leasehold land and land use rights for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateable value set by the relevant government authorities. These payments are stated at cost and are amortised over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease liabilities are classified as non-current liabilities unless payments are within 12 months from the end of the reporting period.

#### (ii) *The Group is the lessor*

Until 31 December 2018, when assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

From 1 January 2019, lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expenses over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **(w) Leasehold land and land use rights**

Until 31 December 2018, the Group made upfront payments to obtain operating leases of leasehold land and land use rights on which properties will be developed. Other than those classified as finance lease, the upfront payments of the leasehold land and land use rights are recorded as separate assets and amortised over the lease term in accordance with the pattern of benefit provided or on a straight-line basis. The amortisation during the period of construction of the properties is capitalised as the cost of properties under development. The amortisation during the period before the commencement and after the completion of the construction of the properties (except for investment properties) is expensed in the consolidated income statement. For accounting policies of leasehold land and land use rights applied since 1 January 2019, please refer to note 2(v).

### **(x) Borrowing costs**

Borrowing costs are accounted for on the accrual basis and charged to the consolidated income statement in the period in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

### **(y) Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

### **(z) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. In applying HKFRS 16 for the first time, the Group has applied the practical expedient permitted by the standard to account for operating leases of properties with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases. A reconciliation of the operating lease commitments disclosed as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019 is set out below.

	<b>2019</b>
	<b>HK\$' 000</b>
Operating lease commitments disclosed as at 31 December 2018	<b>50,287</b>
Less: short-term leases as at 1 January 2019 recognised as expenses during the year ended 31 December 2019	<b>(50,287)</b>
	<b>-</b>

The following table shows the reclassifications recognised in the opening balances of each individual consolidated financial statement line item. Line items that were not affected by the changes have not been included.

	<b>As at 1 January 2019</b>		
	<b>As previously stated HK\$' 000</b>	<b>Effect of adoption of HKFRS 16 HK\$' 000</b>	<b>As restated HK\$' 000</b>
Consolidated statement of financial position (extract)			
Right-of-use assets	-	<b>1,940,187</b>	<b>1,940,187</b>
Leasehold land and land use rights	<b>1,940,187</b>	<b>(1,940,187)</b>	-

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

On adoption of HKFRS 16, except for short-term leases and leases of low-value assets, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at the lease commencement date.

### 3 CHANGES IN ACCOUNTING POLICIES (Continued)

Lease payments include fixed payments less any lease incentives receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities on a present value basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. Leasehold land and land use rights were reclassified to right-of-use assets. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as lease expenses in the consolidated income statement.

In the consolidated statement of cash flows, cash payment for the principal portion of the lease liabilities are classified as financing activities and cash payments for the interest portion of the lease liabilities are classified as required for interest paid.

There is no material impact to the Group's financial performance due to the adoption of this new accounting standard.

### 4 FINANCIAL RISK MANAGEMENT

#### (a) Financial risk factors

The Group's major financial instruments include financial assets at fair value through other comprehensive income or through profit or loss, derivative financial instruments, mortgage loans receivable, accounts receivable, cash and bank balances, restricted bank deposits, accounts payable, bank loans, bonds and amounts with associates, joint ventures and non-controlling interests. Details of these financial instruments are disclosed in respective notes.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures.

Risk management is carried out by the Group's management under the supervision of the Finance Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Finance Committee provides guidance for overall risk management.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factors (Continued)

#### (i) Market risk

##### (I) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

During the year, the currencies of certain countries where the Group has foreign operations, including the United States dollar and Renminbi, fluctuated against the Hong Kong dollar. This gave rise to an unrealised loss of approximately HK\$933,492,000 (2018: HK\$2,777,958,000) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associates and joint ventures. This unrealised gain/loss is reflected as a movement in other reserves under the heading of exchange fluctuation reserve.

The Group's major financial instruments in foreign currencies (other than the functional currencies of the Group's entities), that are exposed to foreign exchange risk, are denominated in United States dollar and Renminbi.

Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar. Furthermore, the Group has entered into cross currency swap contracts to manage its exposure to United States dollar from recognised liabilities.

The management considers that there are no significant foreign exchange risks with respect to the United States dollar.

##### (II) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. The Group's interest bearing assets mainly include deposits at bank and amounts due from associates and joint ventures. The Group's floating rate borrowings will be affected by fluctuation of prevailing market interest rates and will expose the Group to cash flow interest rate risk. The Group's borrowings if issued at fixed rates will expose the Group to fair value interest rate risk.

To mitigate the risk, the Group has maintained fixed and floating rate debts. To match with underlying risk faced by the Group, the level of fixed rate debt for the Group is decided after taking into consideration the potential impact of higher interest rates, interest cover and the cash flow cycles of the Group's businesses and investments.

Furthermore, the Group manages its cash flow interest rate risk on certain bank borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At the end of the reporting periods, if interest rates had been increased or decreased by 25 (2018: 25) basis points and all other variables were held constant, the profit of the Group would have decreased or increased by approximately HK\$8,940,000 (2018: HK\$2,633,000) resulting from the change in interest income on bank deposits and the borrowing costs of bank borrowings after capitalisation of interest expenses.

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (a) Financial risk factors (Continued)

#### (i) Market risk (Continued)

##### (iii) Price risk

The Group is exposed to equity securities price risk arising from the listed equity investments held by the Group. The performance of the Group's listed and unlisted equity investments are monitored regularly, together with an assessment of their relevance to the Group's strategic plans. The Group is not exposed to commodity price risk.

The carrying amount of the listed portion of financial assets at fair value through profit or loss would be an estimated HK\$9,286,000 (2018: HK\$8,938,000) lower or higher if the year end share prices of the above-mentioned investments were to differ by 20% (2018: 20%).

The carrying amount of the unlisted portion of financial assets at fair value through profit or loss would be an estimated HK\$131,932,000 (2018: HK\$131,362,000) lower or higher if the year end underlying fair value of the above-mentioned investments were to differ by 20% (2018: 20%).

#### (ii) Credit risk

The carrying amounts of cash and bank balances, restricted bank deposits, mortgage loans receivable, accounts receivable and amounts due from associates and joint ventures represent the Group's maximum exposure to credit risk in relation to financial assets. The Group reviews the recoverable amount on a regular basis and an allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

In order to minimise the credit risk, management of the Company has delegated a team in each business unit responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is adequately covered.

The Group applies the HKFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the debtors to settle the outstanding balance.

There is no concentration of credit risk with respect to trade receivables from third party customers as the Group has a large number of customers which are internationally dispersed.

In respect of credit exposures to customers for sale of properties and mortgage loans, the Group normally receives deposits or progress payments from individual customers prior to the completion of sale transactions. If a customer defaults on the payment of the sale of properties, the Group is able to forfeit the customer's deposit and re-sell the property to another customer. Therefore, the Group's credit risk is significantly reduced.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial risk factors (Continued)

##### (ii) Credit risk (Continued)

For mortgage loans receivable, similar to other financial institutions, credit assessments are part of the normal process before approving loans to applicants. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. At the end of each reporting period, the Group reviews the recoverable amount of each individual receivable to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any.

Management considered the credit risk of other receivables and amounts due from associates and joint ventures is low, as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these other receivables and amounts due from associates and joint ventures were nil under 12 months expected losses method and no provision was recognised.

The credit risk on liquid funds is limited because approximately 96% (2018: 98%) of the funds are placed in banks with high credit rankings, ranging from BBB- to AA, and the remaining 4% (2018: 2%) in local banks in different countries with close monitoring by the management and there is no concentration in any particular bank.

##### (iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group measures and monitors its liquidity through the maintenance of prudent ratio regarding to the liquidity structure of the overall assets, liabilities, loans and commitments of the Group.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.



#### 4 FINANCIAL RISK MANAGEMENT (Continued)

##### (a) Financial risk factors (Continued)

##### (iii) Liquidity risk (Continued)

The following tables detail the contractual maturity of the Group for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 year HK\$' 000	Between 1 and 2 years HK\$' 000	Between 2 and 5 years HK\$' 000	Over 5 years HK\$' 000	Total HK\$' 000
At 31 December 2019					
Amounts due to associates and joint ventures	–	569,550	–	–	569,550
Bank loans	9,632,510	6,434,188	23,613,091	407,067	40,086,856
Fixed rate bonds	137,299	2,405,649	–	–	2,542,948
Amounts due to non-controlling interests	–	2,797,445	–	–	2,797,445
Accounts payable, deposits received and accrued charges	6,130,436	–	–	–	6,130,436
Lease liabilities	54,855	54,855	48,454	–	158,164
Derivative financial instruments	17,441	15,171	50,333	33,172	116,117
<b>Total</b>	<b>15,972,541</b>	<b>12,276,858</b>	<b>23,711,878</b>	<b>440,239</b>	<b>52,401,516</b>

	Less than 1 year HK\$' 000	Between 1 and 2 years HK\$' 000	Between 2 and 5 years HK\$' 000	Over 5 years HK\$' 000	Total HK\$' 000
At 31 December 2018					
Amounts due to associates and joint ventures	–	411,785	–	–	411,785
Bank loans	9,100,626	9,308,750	14,346,726	–	32,756,102
Fixed rate bonds	138,030	138,030	2,418,465	–	2,694,525
Amounts due to non-controlling interests	–	2,157,238	–	–	2,157,238
Accounts payable, deposits received and accrued charges	6,729,377	–	–	–	6,729,377
Derivative financial instruments	9,221	9,058	49,193	3,097	70,569
<b>Total</b>	<b>15,977,254</b>	<b>12,024,861</b>	<b>16,814,384</b>	<b>3,097</b>	<b>44,819,596</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the loan and equity balance.

The Directors of the Company review the capital structure periodically. As a part of this review, the Directors of the Company assess the annual budget prepared by the finance department which reviews the planned construction projects proposed by project department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital by maintaining prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as net debt to equity attributable to the Company's shareholders. Net debt is calculated as borrowings (including current and non-current borrowings, as shown in the consolidated statement of financial position) less cash and cash equivalents, short-term bank deposits maturing after more than three months and restricted bank deposits.

The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019	2018
Net debt (HK\$ million)	<b>27,286</b>	18,727
Equity attributable to the Company's shareholders (HK\$ million)	<b>101,705</b>	97,541
Gearing ratio	<b>26.8%</b>	19.2%

#### (c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (c) Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2019:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	42,550	–	42,550
Financial assets at fair value through other comprehensive income	–	–	1,453,753	1,453,753
Financial assets at fair value through profit or loss	46,428	–	1,055,735	1,102,163
First mortgage loans receivable	–	–	1,717,988	1,717,988
Total assets	46,428	42,550	4,227,476	4,316,454
<b>Liabilities</b>				
Derivative financial instruments	–	114,228	–	114,228
Total liabilities	–	114,228	–	114,228

## NOTES TO THE FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Derivative financial instruments	–	24,877	–	24,877
Financial assets at fair value through other comprehensive income	–	–	1,326,271	1,326,271
Financial assets at fair value through profit or loss	44,692	–	2,411,182	2,455,874
First mortgage loans receivable	–	–	2,466,390	2,466,390
<b>Total assets</b>	<b>44,692</b>	<b>24,877</b>	<b>6,203,843</b>	<b>6,273,412</b>
<b>Liabilities</b>				
Derivative financial instruments	–	62,581	–	62,581
<b>Total liabilities</b>	<b>–</b>	<b>62,581</b>	<b>–</b>	<b>62,581</b>

There were no transfers between Levels during the year.

## 4 FINANCIAL RISK MANAGEMENT (Continued)

### (c) Fair value estimation (Continued)

#### (i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments listed on the Hong Kong Stock Exchange classified as financial assets at fair value through profit or loss.

#### (ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 2 financial instruments of the Group comprise cross currency swap and interest rate swap contracts. The fair value is calculated as the present value of the estimated future cash flows based on forward exchange rates that are quoted in an active market and/or forward interest rates extracted from observable yield curves.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

#### (iii) Financial instruments in Level 3

The following table presents the changes in Level 3 instruments:

	First mortgage loans receivable (note)		Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
At 1 January	2,466,390	2,442,536	1,326,271	–	2,411,182	–
Reclassification from available-for-sale investments	–	–	–	1,264,760	–	4,018,033
Return of investment	–	–	–	–	(1,326,479)	–
Gains/(losses) recognised in other comprehensive income or profit or loss	–	–	127,482	61,511	2,848	(1,436,616)
Additions	–	57,852	–	–	–	–
Repayments	(748,402)	(33,998)	–	–	–	–
Exchange adjustment	–	–	–	–	(31,816)	(170,235)
At 31 December	1,717,988	2,466,390	1,453,753	1,326,271	1,055,735	2,411,182

Note: The fair value of the first mortgage loans receivable approximates their carrying amount.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Fair value estimation (Continued)

##### **(iii) Financial instruments in Level 3 (Continued)**

The Group established fair value of unlisted financial assets by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the year.

##### **(iv) Valuation techniques used to determine fair value**

Special valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments,
- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves,
- for cross currency swaps – present value of future cash flows based on forward exchange rates that are quoted in an active market and forward interest rates extracted from observable yield curves, and
- for other financial instruments – discounted cash flow analysis.

##### **(v) Group's valuation processes for financial instruments**

The Group's finance department includes a team that performs the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. Discussions of valuation processes and results are held between the management and the valuation team at each reporting date. Reasons for the fair value movements will be explained during the discussions.

##### **(vi) Fair value of financial assets and liabilities measured at amortised cost**

The fair value of the listed fixed rate bonds as at 31 December 2019 was HK\$2,418,561,000 (2018: HK\$2,442,347,000).

The fair value of the following financial assets and liabilities approximates their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade and other payables
- Bank loans
- Second mortgage loans receivable

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) *Estimate of fair value of investment properties*

The valuation of investment properties is performed in accordance with the 'The HKIS Valuation Standards on Properties (2017 Edition)' published by the Hong Kong Institute of Surveyors and the 'International Valuation Standards' published by the International Valuation Standards Committee.

Details of the judgement and assumptions have been disclosed in note 16(b).

#### (ii) *Provision for properties under development and completed properties held for sale*

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their recoverable amounts based on an estimation of the net realisable value of the underlying properties, taking into account estimated costs to completion based on past experience and committed contracts and expected future sales price/rental value based on prevailing market conditions. If the carrying amounts of the underlying stock of properties differ from those values estimated as a result of changes in market condition, material reversal of or provision for impairment losses on properties under development and completed properties held for sale may result. The assessment requires the use of judgement and estimates.

#### (iii) *Income taxes*

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

The Group is subject to land appreciation taxes and withholding tax on capital gains in the Mainland. Significant judgement is required in determining the amount of the land appreciation and capital gains, and its related taxes. The Group recognised these land appreciation taxes and withholding tax on capital gains based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

## NOTES TO THE FINANCIAL STATEMENTS

### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

#### (a) Critical accounting estimates and assumptions (Continued)

##### **(iv) Useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

##### **(v) Fair value of certain financial assets and derivative financial instruments**

The fair value of financial assets and derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Other than the above, the Group in 2016 acquired an equity interest of approximately 24.4% in Shanghai Krupp Stainless Co., Ltd. ("SKS") which owns a site located in Pudong New Area, Shanghai. As set out in note 25, the change in fair value on financial assets through profit or loss for the year ended 31 December 2018 included the decrease in fair value of HK\$1,500 million relating to the investment in SKS. Significant management judgement and assumption was needed in the assessment of the fair value of the investments.

#### (b) Critical judgements in applying the Group's accounting policies

##### **(i) Distinction between investment properties and owner-occupied properties**

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

##### **(ii) Revenue recognition**

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 6 according to the accounting policy as stated in note 2(u)(i). To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts and the relevant local laws, considered the local regulators' views and obtained legal advice, where necessary. Revenue is recognised at a point in time when the underlying completed property unit is legally and/or physically transferred to the customer.



## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (b) Critical judgements in applying the Group's accounting policies (Continued)

#### **(iii) Financial implication of regulations of idle land**

Under the Mainland laws and regulations, if a property developer fails to commence the development of land within the timeframe designated in the land grant contract, the Mainland government may regard the land as idle land and issue a warning or impose a penalty on the developer or reclaim the land.

In making this judgement, the Group evaluates the extent of development of the whole tracts of land, status of negotiation with the government authorities as to the extension of time of commencement or revision of development plans.

#### **(iv) Impairment of associates and joint ventures**

The investments in associates or joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of investments is evaluated based on the financial position of associates or joint ventures, historical and expected future performance by management judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of the investments.

#### **(v) Impairment of property, plant and equipment**

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is higher than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rates, estimated occupancy rates and room rates. Additional information for the impairment assessment of property, plant and equipment is disclosed in note 15.

#### **(vi) Impairment of trade receivables**

The Group assesses whether there is objective evidence as stated in note 2(l) that trade receivables are impaired. 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 based on the expected credit loss model.

## NOTES TO THE FINANCIAL STATEMENTS

### 6 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

(a) Revenue recognised during the year is as follows:

	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>		
Sale of properties	<b>11,161,481</b>	14,474,951
Rental and others	<b>4,910,425</b>	4,850,191
Hotel revenue	<b>1,953,516</b>	2,108,074
	<b>18,025,422</b>	21,433,216

(b) An analysis of the Group's revenue and gross profit for the year by principal activity and market is as follows:

	Revenue		Gross profit	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Principal activities:				
Property rental and others				
– Mainland property	<b>3,635,915</b>	3,685,853	<b>2,781,823</b>	2,905,140
– Hong Kong property	<b>1,274,510</b>	1,164,338	<b>999,175</b>	926,071
	<b>4,910,425</b>	4,850,191	<b>3,780,998</b>	3,831,211
Property sales				
– Mainland property (note (i))	<b>6,150,265</b>	7,515,833	<b>2,107,875</b>	2,381,200
– Hong Kong property	<b>5,011,216</b>	6,959,118	<b>2,333,765</b>	2,398,477
	<b>11,161,481</b>	14,474,951	<b>4,441,640</b>	4,779,677
Hotel operations				
– Mainland property	<b>1,953,516</b>	2,108,074	<b>761,344</b>	857,206
	<b>18,025,422</b>	21,433,216	<b>8,983,982</b>	9,468,094
Principal markets:				
– Mainland	<b>11,739,696</b>	13,309,760	<b>5,651,042</b>	6,143,546
– Hong Kong	<b>6,285,726</b>	8,123,456	<b>3,332,940</b>	3,324,548
	<b>18,025,422</b>	21,433,216	<b>8,983,982</b>	9,468,094

(i): Sales of investment properties for the year ended 31 December 2019 amounting to HK\$117,743,000 (2018: HK\$90,902,000) are excluded from revenue.

## 6 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(c) Information about operating segment:

Management has determined the operating segments based on the reports reviewed by the Board of Directors.

The Board of Directors considers the business by principal activities and markets, management assesses the performance of the principal activities of the Group namely property business. The property business is further segregated into the Mainland property, Hong Kong property and Overseas property.

Property segment derives revenue primarily from sales of properties, rental revenue and hotel revenue.

Others mainly include corporate activities including central treasury management and administrative function and results of other business not categorised as operating segments.

The Board of Directors assesses the performance of the operating segments based on a measure of gross profit.

## NOTES TO THE FINANCIAL STATEMENTS

### 6 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(d) An analysis of the Group's financial results by operating segment is as follows:

	2019				
	Mainland Property HK\$' 000	Hong Kong Property HK\$' 000	Total Operating Segments HK\$' 000	Others HK\$' 000	Total HK\$' 000
Revenue	11,739,696	6,285,726	18,025,422	–	18,025,422
Results					
Segment results – gross profit	5,651,042	3,332,940	8,983,982	–	8,983,982
Other income and net gains					692,178
Net increase in fair value on financial assets at fair value through profit or loss					4,534
Administrative and other operating expenses					(1,602,120)
Increase in fair value of investment properties					1,185,018
Operating profit before finance costs					9,263,592
Finance costs					(812,565)
Operating profit					8,451,027
Share of results of associates and joint ventures					1,584,917
Profit before taxation					10,035,944
Taxation					(2,342,856)
Profit for the year					7,693,088
Profit attributable to:					
Company's shareholders					6,897,450
Non-controlling interests					795,638
					7,693,088
Depreciation and amortisation	452,758	22,043	474,801	2,712	477,513

## 6 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(d) An analysis of the Group's financial results by operating segment is as follows: (Continued)

	2018				
	Mainland Property HK\$' 000	Hong Kong Property HK\$' 000	Total Operating Segments HK\$' 000	Others HK\$' 000	Total HK\$' 000
Revenue	13,309,760	8,123,456	21,433,216	–	21,433,216
Results					
Segment results – gross profit	6,143,546	3,324,548	9,468,094	–	9,468,094
Other income and net gains					673,010
Provision for impairment loss for property under development					(1,175,281)
Net decrease in fair value on financial assets at fair value through profit or loss					(1,461,152)
Administrative and other operating expenses					(1,605,108)
Increase in fair value of investment properties					4,457,289
Operating profit before finance costs					10,356,852
Finance costs					(584,501)
Operating profit					9,772,351
Share of results of associates and joint ventures					2,141,846
Profit before taxation					11,914,197
Taxation					(3,178,019)
Profit for the year					8,736,178
Profit attributable to:					
Company's shareholders					7,499,295
Non-controlling interests					1,236,883
					8,736,178
Depreciation and amortisation	490,022	16,114	506,136	3,148	509,284

## NOTES TO THE FINANCIAL STATEMENTS

### 6 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (CONTINUED)

(e) An analysis of the Group's financial position by operating segment is as follows:

	2019						
	Mainland Property HK\$'000	Hong Kong Property HK\$'000	Overseas Property HK\$'000	Total Operating Segments HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	88,468,135	58,403,212	1,125,672	147,997,019	60,503,018	(65,251,905)	143,248,132
Associates and joint ventures	5,800,955	10,572,058	1,911,118	18,284,131	10,142,175	-	28,426,306
Derivative financial instruments	-	-	-	-	42,550	-	42,550
Financial assets at fair value through other comprehensive income	-	-	1,453,753	1,453,753	-	-	1,453,753
Financial assets at fair value through profit or loss	396,546	705,280	250	1,102,076	87	-	1,102,163
Mortgage loans receivable	-	3,096,165	-	3,096,165	-	-	3,096,165
Tax recoverable	283,148	1,600	219	284,967	40,379	-	325,346
Tax reserve certificates	-	343	-	343	189,255	-	189,598
<b>Total assets</b>	<b>94,948,784</b>	<b>72,778,658</b>	<b>4,491,012</b>	<b>172,218,454</b>	<b>70,917,464</b>	<b>(65,251,905)</b>	<b>177,884,013</b>
Segment liabilities	36,073,672	31,091,827	1,189,973	68,355,472	5,886,159	(65,251,905)	8,989,726
Bank loans	3,299,098	-	-	3,299,098	33,907,995	-	37,207,093
Fixed rate bonds	-	-	-	-	2,334,345	-	2,334,345
Derivative financial instruments	-	-	-	-	114,228	-	114,228
Taxation and deferred taxation	9,285,719	1,442,520	156,108	10,884,347	198,641	-	11,082,988
Amounts due to non-controlling interests	1,967,965	633,726	171,540	2,773,231	(625)	-	2,772,606
<b>Total liabilities</b>	<b>50,626,454</b>	<b>33,168,073</b>	<b>1,517,621</b>	<b>85,312,148</b>	<b>42,440,743</b>	<b>(65,251,905)</b>	<b>62,500,986</b>
<b>Segment non-current assets*</b>	<b>74,460,986</b>	<b>54,373,214</b>	<b>2,706,910</b>	<b>131,541,110</b>	<b>10,146,377</b>	<b>-</b>	<b>141,687,487</b>

\* Other than derivative financial instruments, financial assets at fair value through other comprehensive income and through profit or loss and mortgage loans receivable. Additions to non-current assets mainly comprise of additions to investment properties and properties under development as set out in notes 16 and 19 to the financial statements respectively.

## 6 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(e) An analysis of the Group's financial position by operating segment is as follows: (Continued)

	2018						
	Mainland	Hong Kong	Overseas	Total	Others	Eliminations	Consolidated
	Property HK\$'000	Property HK\$'000	Property HK\$'000	Operating Segments HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	89,510,360	54,464,791	1,105,904	145,081,055	49,849,432	(55,997,702)	138,932,785
Associates and joint ventures	5,960,799	3,223,451	1,374,314	10,558,564	12,473,759	–	23,032,323
Derivative financial instruments	–	–	–	–	24,877	–	24,877
Financial assets at fair value through other comprehensive income	–	–	1,326,271	1,326,271	–	–	1,326,271
Financial assets at fair value through profit or loss	1,754,841	700,680	200	2,455,721	153	–	2,455,874
Mortgage loans receivable	–	4,005,896	–	4,005,896	–	–	4,005,896
Tax recoverable	186,147	752	–	186,899	30,291	–	217,190
Tax reserve certificates	–	343	–	343	189,255	–	189,598
<b>Total assets</b>	<b>97,412,147</b>	<b>62,395,913</b>	<b>3,806,689</b>	<b>163,614,749</b>	<b>62,567,767</b>	<b>(55,997,702)</b>	<b>170,184,814</b>
Segment liabilities	40,928,429	22,440,427	762,942	64,131,798	5,273,314	(55,997,702)	13,407,410
Bank loans	4,199,743	–	–	4,199,743	26,566,817	–	30,766,560
Fixed rate bonds	–	–	–	–	2,344,683	–	2,344,683
Derivative financial instruments	–	–	–	–	62,581	–	62,581
Taxation and deferred taxation	8,727,766	1,441,663	144,004	10,313,433	217,155	–	10,530,588
Amounts due to non-controlling interests	1,328,026	630,456	173,462	2,131,944	(625)	–	2,131,319
<b>Total liabilities</b>	<b>55,183,964</b>	<b>24,512,546</b>	<b>1,080,408</b>	<b>80,776,918</b>	<b>34,463,925</b>	<b>(55,997,702)</b>	<b>59,243,141</b>
Segment non-current assets*	73,057,683	40,073,657	2,130,914	115,262,254	12,480,885	–	127,743,139

\* Other than derivative financial instruments, financial assets at fair value through other comprehensive income and through profit or loss and mortgage loans receivable. Additions to non-current assets mainly comprise of additions to investment properties and properties under development as set out in notes 16 and 19 to the financial statements respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### 6 PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS (Continued)

(f) An analysis of the Group's operating segment non-current assets by geographical area is as follows:

	Operating segment non-current assets*	
	2019 HK\$'000	2018 HK\$'000
Mainland	74,460,986	73,057,683
Hong Kong	53,849,333	39,549,967
Others	3,230,791	2,654,604
	<b>131,541,110</b>	115,262,254

\* Other than derivative financial instruments, financial assets at fair value through other comprehensive income and through profit or loss and mortgage loans receivable.

### 7 OTHER INCOME AND NET GAINS

	2019 HK\$'000	2018 HK\$'000
Dividend income	63,002	70,101
Interest income	570,289	676,569
Loss on disposal of property, plant and equipment	(1,314)	(283)
Gain on sale of investment properties net of selling expenses	51,384	37,924
Exchange loss, net	(114,918)	(312,504)
Others	123,735	201,203
	<b>692,178</b>	673,010



## 8 OPERATING PROFIT BEFORE FINANCE COSTS

Operating profit before finance costs is stated after charging the following:

	2019 HK\$'000	2018 HK\$'000
Cost of sales of properties and sales related expenses	<b>6,641,919</b>	9,610,912
Direct operating expenses in respect of investment properties	<b>753,505</b>	690,299
Depreciation of property, plant and equipment	<b>411,707</b>	446,829
Depreciation of right-of-use assets – leasehold land and land use rights	<b>59,732</b>	62,455
Depreciation of right-of-use assets – buildings – offices	<b>6,074</b>	–
Hotel direct operating expenses	<b>1,192,172</b>	1,250,868
Expenses relating to short-term leases	<b>51,526</b>	–
Operating lease charges – land and buildings	–	54,455
Auditors' remuneration		
– audit services	<b>10,887</b>	11,121
– non-audit services	<b>3,296</b>	3,683

## 9 FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Finance costs		
– bank loans	<b>1,027,635</b>	901,936
– fixed rate bonds	<b>140,102</b>	140,450
– derivative financial instruments	<b>(9,902)</b>	(27,128)
– lease liabilities	<b>634</b>	–
– fair value loss on derivative financial instruments designated as cash flow hedges, transfer from equity (note 40)	<b>10,075</b>	21,632
– others (note)	<b>(1,704)</b>	(65,656)
Total finance costs incurred	<b>1,166,840</b>	971,234
Less: amount capitalised in properties under development and investment properties under development	<b>(354,275)</b>	(386,733)
Total finance costs expensed during the year	<b>812,565</b>	584,501

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 2.7% and 5.2% per annum (2018: between 2.3% and 5.3% per annum).

Note: The amount included net exchange gains from financing activities of HK\$32,276,000 (2018: HK\$92,987,000) for the year ended 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

### 10 TAXATION

#### Hong Kong and overseas profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Income tax on the overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the overseas countries in which the Group operates.

#### Mainland corporate income tax

Mainland corporate income tax has been provided at the rate of 25% (2018: 25%) on the estimated assessable profit for the year.

#### Withholding tax on distributed/undistributed profits

Withholding tax is levied on profit distribution upon declaration/remittance at the rates of taxation prevailing in the Mainland and overseas countries.

#### Mainland land appreciation tax

Land appreciation tax in the Mainland is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

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

	2019 HK\$'000	2018 HK\$'000
Mainland taxation		
– Current	<b>(1,389,442)</b>	(1,474,115)
– (Under)/over-provision in prior years	<b>(1,177)</b>	903
– Deferred	<b>(443,237)</b>	(1,199,041)
	<b>(1,833,856)</b>	(2,672,253)
Hong Kong profits tax		
– Current	<b>(468,970)</b>	(469,618)
– Over-provision in prior years	<b>671</b>	2,630
– Deferred	<b>(23,803)</b>	(22,255)
	<b>(492,102)</b>	(489,243)
Overseas taxation		
– Current	<b>(8,170)</b>	(9,037)
– Over/(under)-provision in prior years	<b>1,131</b>	(1,905)
– Deferred	<b>(9,859)</b>	(5,581)
	<b>(16,898)</b>	(16,523)
	<b>(2,342,856)</b>	(3,178,019)

The Group's share of taxation of associates and joint ventures for the year of HK\$451,401,000 (2018: HK\$483,954,000) is included in the share of results of associates and joint ventures in the consolidated income statement.

## 10 TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	<b>10,035,944</b>	11,914,197
Less: Share of results of associates and joint ventures	<b>(1,584,917)</b>	(2,141,846)
	<b>8,451,027</b>	9,772,351
Calculated at Hong Kong profits tax rate of 16.5% (2018: 16.5%)	<b>1,394,419</b>	1,612,438
Tax effect of different taxation rates in other countries	<b>455,070</b>	753,030
Utilisation of previously unrecognised tax losses	<b>(45,621)</b>	(32,725)
Tax effect of net income/expenses that are not taxable/deductible in determining taxable profit	<b>36,905</b>	277,030
Tax loss not recognised	<b>52,412</b>	71,346
Over-provision of taxation in prior years	<b>(625)</b>	(1,628)
	<b>1,892,560</b>	2,679,491
Withholding tax on distributed/undistributed profits	<b>162,877</b>	177,172
Land appreciation tax	<b>383,225</b>	428,474
Tax effect of deduction of land appreciation tax	<b>(95,806)</b>	(107,118)
Taxation charge	<b>2,342,856</b>	3,178,019

## NOTES TO THE FINANCIAL STATEMENTS

### 11 DIVIDENDS

#### (a) Ordinary shares

	2019 HK\$'000	2018 HK\$'000
Final dividend for the year ended 31 December 2018 of HK\$0.95 (2017: HK\$0.9) per fully paid share	1,382,688	1,306,123
Special dividend for the year ended 31 December 2017 of HK\$0.15 per fully paid share	–	217,687
Interim dividend for the year ended 31 December 2019 of HK\$0.4 (2018: HK\$0.4) per fully paid share	582,601	582,065
Total dividends paid	1,965,289	2,105,875

#### (b) Dividends not recognised at the end of the reporting period

At a meeting held on 17 March 2020, the Board of Directors proposed a final dividend of HK\$0.95 (2018: HK\$0.95) per ordinary share for the year ended 31 December 2019 totalling to HK\$1,383,676,000 based on 1,456,501,228 ordinary share in issue as at 31 December 2019 (2018: HK\$1,382,448,000 based on 1,455,208,228 ordinary share in issue as at 31 December 2018). The actual amount of final dividend payable in respect of the year ended 31 December 2019 will be subject to the actual number of ordinary shares in issue on the record date, which is expected to be on or about 27 May 2020.

### 12 EARNINGS PER SHARE

#### Basic

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

	2019	2018
Weighted average number of ordinary shares in issue	1,455,974,642	1,452,417,742

	2019 HK\$'000	2018 HK\$'000
Profit attributable to shareholders	6,897,450	7,499,295

Basic earnings per share	HK\$4.74	HK\$5.16
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## 12 EARNINGS PER SHARE (Continued)

### Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	2019	2018
Weighted average number of ordinary shares in issue	<b>1,455,974,642</b>	1,452,417,742
Adjustment for share options	<b>514,809</b>	1,621,526
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>1,456,489,451</b>	1,454,039,268

	2019 HK\$' 000	2018 HK\$' 000
Profit attributable to shareholders	<b>6,897,450</b>	7,499,295
Diluted earnings per share	<b>HK\$4.74</b>	HK\$5.16

## 13 EMPLOYEE BENEFIT EXPENSE

	2019 HK\$' 000	2018 HK\$' 000
Staff costs, including directors' emoluments	<b>1,511,768</b>	1,491,243
Pension costs – defined contribution plans (note 36)	<b>87,864</b>	92,987
	<b>1,599,632</b>	1,584,230

## NOTES TO THE FINANCIAL STATEMENTS

### 14 BENEFITS AND INTERESTS OF DIRECTORS

#### (a) Directors' and senior management's emoluments

The remuneration of the Directors for the year ended 31 December 2019, excluding share option benefits, is set out below:

Name of Director	Fees HK\$' 000	Salary HK\$' 000	Discretionary bonuses HK\$' 000	Employer's contribution to retirement benefit scheme HK\$' 000	Total HK\$' 000
Mr Wong Siu Kong*	–	6,960	18,000	120	25,080
Mr Kuok Khoon Hua <sup>1</sup>	124	2,800	8,160	70	11,154
Mr Bryan Pallop Gaw	–	4,320	7,550	120	11,990
Mr Wong Chi Kong, Louis	–	5,040	8,500	120	13,660
Mr Ku Moon Lun	560	–	–	–	560
Ms Wong Yu Pok, Marina, JP	600	–	–	–	600
Mr Chang Tso Tung, Stephen	550	–	–	–	550

<sup>1</sup> Appointed as the Vice Chairman and Chief Executive Officer of the Group on 1 June 2019

\* Chairman

The remuneration of the Directors for the year ended 31 December 2018, excluding share option benefits, is set out below:

Name of Director	Fees HK\$' 000	Salary HK\$' 000	Discretionary bonuses HK\$' 000	Employer's contribution to retirement benefit scheme HK\$' 000	Total HK\$' 000
Mr Wong Siu Kong*	–	6,960	20,000	120	27,080
Mr Ho Shut Kan <sup>2</sup>	–	6,240	20,000	120	26,360
Mr Bryan Pallop Gaw	–	4,116	8,000	120	12,236
Mr Wong Chi Kong, Louis <sup>1</sup>	–	–	–	–	–
Mr Kuok Khoon Hua	320	–	–	–	320
Mr Ku Moon Lun	560	–	–	–	560
Ms Wong Yu Pok, Marina, JP	600	–	–	–	600
Mr Chang Tso Tung, Stephen	560	–	–	–	560

<sup>1</sup> Appointed on 31 December 2018

<sup>2</sup> Retired on 31 December 2018

\* Chairman

## 14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (b) Share options granted to the Directors of the Company

Pursuant to the 2002 Share Option Scheme and the 2011 Share Option Scheme of the Company (note 38), the Company granted to the Directors share options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of share options granted to the Directors were included in the total employee benefit expense during the vesting period.

During the years ended 31 December 2019 and 31 December 2018, there were no share options granted to the Directors.

As at 31 December 2019, certain Directors held the following share options to acquire shares of the Company:

Number of share options held	Exercise price per share HK\$	Exercise period
1,850,000	35.45	31/10/2012 – 29/04/2022
1,900,000	35.45	31/10/2013 – 29/04/2022
400,000	26.88	08/07/2014 – 07/01/2024
1,284,000	26.88	08/01/2015 – 07/01/2024

As at 31 December 2018, certain Directors held the following share options to acquire shares of the Company:

Number of share options held	Exercise price per share HK\$	Exercise period
1,850,000	35.45	31/10/2012 – 29/04/2022
1,900,000	35.45	31/10/2013 – 29/04/2022
534,000	26.88	08/07/2014 – 07/01/2024
2,000,000	26.88	08/01/2015 – 07/01/2024

The closing market price of the Company's share as at 31 December 2019 was HK\$24.75 (2018: HK\$26.75) per share.

## NOTES TO THE FINANCIAL STATEMENTS

### 14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

#### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2018: three) Directors. The emoluments payable to the five highest paid individuals during the year are as follows:

	2019 HK\$' 000	2018 HK\$' 000
Salaries and fees	23,612	26,316
Discretionary bonuses	49,410	65,000
Pension contributions	550	600
	<b>73,572</b>	<b>91,916</b>

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HK\$11,000,001 – HK\$11,500,000	1	–
HK\$11,500,001 – HK\$12,000,000	2	–
HK\$12,000,001 – HK\$12,500,000	–	2
HK\$13,500,001 – HK\$14,000,000	1	1
HK\$25,000,001 – HK\$25,500,000	1	–
HK\$26,000,001 – HK\$26,500,000	–	1
HK\$27,000,001 – HK\$27,500,000	–	1
	<b>5</b>	<b>5</b>

Pursuant to the 2002 Share Option Scheme and the 2011 Share Option Scheme of the Company (note 38), the Company granted to the individual share options to subscribe for shares in the Company subject to terms and conditions stipulated therein. The fair values of share options granted to the individual were included in the total employee benefit expense during the vesting period.



## 14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the Company or its subsidiaries undertaking of the Group, where applicable, in favour of directors is as follows:

Loan to Directors:

Name of the Director	Outstanding amount at the beginning of the year HK\$'000	Outstanding amount at the end of the year HK\$'000	Maximum outstanding during the year HK\$'000	Term	Interest rate	Security
At 31 December 2018 and 2019:						
Mr Kuok Khoon Hua	13,187	13,187	13,187	Repayable in January 2022	According to the mortgage plan offered by the Group to buyers	Property units purchased from the Group

### (e) Directors' material interests in transactions, arrangements or contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which a Director of the Company or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 15 PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK\$' 000	Warehouse and buildings HK\$' 000	Staff quarters HK\$' 000	Leasehold improvements HK\$' 000	Motor vehicles, furniture, fixtures and office equipment HK\$' 000	Total HK\$' 000
Cost						
At 1 January 2019	6,948,867	478,701	47,931	64,037	265,695	7,805,231
Additions	30,336	–	17	351	17,793	48,497
Disposals	(12,882)	–	–	–	(9,246)	(22,128)
Transfer and reclassification	–	15,407	–	2,098	(43)	17,462
Exchange adjustment	(124,608)	(1,426)	(873)	(209)	(3,673)	(130,789)
At 31 December 2019	6,841,713	492,682	47,075	66,277	270,526	7,718,273
Aggregate depreciation and accumulated impairment losses						
At 1 January 2019	1,751,003	73,021	10,453	59,875	217,269	2,111,621
Charge for the year	374,066	15,938	1,639	1,777	18,852	412,272
Disposals	(10,711)	–	–	–	(8,579)	(19,290)
Transfer and reclassification	–	–	–	1,981	(43)	1,938
Exchange adjustment	(34,810)	(274)	(216)	(154)	(2,844)	(38,298)
At 31 December 2019	2,079,548	88,685	11,876	63,479	224,655	2,468,243
<b>Net book value as at 31 December 2019</b>	<b>4,762,165</b>	<b>403,997</b>	<b>35,199</b>	<b>2,798</b>	<b>45,871</b>	<b>5,250,030</b>
Net book value as at 1 January 2019	5,197,864	405,680	37,478	4,162	48,426	5,693,610

## 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel properties HK\$' 000	Warehouse and buildings HK\$' 000	Staff quarters HK\$' 000	Leasehold improvements HK\$' 000	Motor vehicles, furniture, fixtures and office equipment HK\$' 000	Total HK\$' 000
<b>Cost</b>						
At 1 January 2018	6,947,747	480,341	50,450	60,539	268,106	7,807,183
Additions	274,079	2,286	–	1,900	14,749	293,014
Disposals	(8,094)	–	–	–	(6,053)	(14,147)
Transfer and reclassification	86,620	–	–	1,791	(1,791)	86,620
Exchange adjustment	(351,485)	(3,926)	(2,519)	(193)	(9,316)	(367,439)
At 31 December 2018	6,948,867	478,701	47,931	64,037	265,695	7,805,231
<b>Aggregate depreciation and accumulated impairment losses</b>						
At 1 January 2018	1,366,820	57,779	9,279	58,733	205,403	1,698,014
Charge for the year	403,280	15,809	1,715	1,410	25,166	447,380
Disposals	(7,364)	–	–	–	(5,709)	(13,073)
Transfer and reclassification	75,225	–	–	(130)	130	75,225
Exchange adjustment	(86,958)	(567)	(541)	(138)	(7,721)	(95,925)
At 31 December 2018	1,751,003	73,021	10,453	59,875	217,269	2,111,621
Net book value as at 31 December 2018	5,197,864	405,680	37,478	4,162	48,426	5,693,610
Net book value as at 1 January 2018	5,580,927	422,562	41,171	1,806	62,703	6,109,169

As at 31 December 2019, property, plant and equipment with an aggregate net book value of HK\$1,963,306,000 (2018: HK\$2,127,973,000) were pledged as security for bank loan facilities granted to the Group (note 45).

The Group had property, plant and equipment held by subsidiaries and associates which included hotel operations in the Mainland as at 31 December 2019. Given the different economic environments in which the Group's hotels operate, there is a risk that the carrying amounts of these hotels held by subsidiaries and associates are higher than their recoverable amounts. The Group assesses the carrying amounts of hotel properties when there is any indicator that the assets may be impaired. These indicators include continuing adverse changes in the local market conditions in which the hotel operates or will operate, or when the hotel continues to operate at a loss position and its financial performance is worse than expected.

During the year ended 31 December 2019 and 31 December 2018, the Group considered that no provision for impairment loss or written back of hotel properties was necessary. The Group has made key assumptions and estimates on the appropriate discount rate, estimated occupancy rate and room rate. The discount rates adopted in the model by the Group range from 8.25% to 9.5% (2018: 8.5% to 9.25%).

## NOTES TO THE FINANCIAL STATEMENTS

### 16 INVESTMENT PROPERTIES

	2019 HK\$' 000	2018 HK\$' 000
At 1 January	74,228,117	64,340,586
Additions	2,107,681	1,229,089
Acquisition of subsidiaries (note 41(b))	3,600,000	–
Increase in fair value	1,185,018	4,457,289
Disposals	(64,803)	(51,075)
Transfer	–	6,634,566
Exchange adjustment	(846,324)	(2,382,338)
<b>At 31 December</b>	<b>80,209,689</b>	<b>74,228,117</b>

(a) As at 31 December 2019, investment properties amounting to HK\$13,328,781,000 (2018: HK\$13,503,135,000) were pledged as securities for bank loan facilities granted to the Group (note 45).

(b) Valuation of investment properties

	Residential properties under development	Commercial properties under development	Completed residential properties	Completed commercial properties		Completed warehouses	Total HK\$' 000
	Hong Kong HK\$' 000	Mainland HK\$' 000	Hong Kong HK\$' 000	Hong Kong HK\$' 000	Mainland HK\$' 000	Hong Kong HK\$' 000	
At 1 January 2019	1,780,000	5,271,919	14,755,800	11,309,750	41,110,648	–	74,228,117
Additions	921,191	306,718	70,413	29,349	232,296	547,714	2,107,681
Acquisition of subsidiaries (note 41(b))	–	–	–	–	–	3,600,000	3,600,000
Change in fair value	69,547	159,578	402,099	241,651	359,857	(47,714)	1,185,018
Disposals	–	–	–	–	(64,803)	–	(64,803)
Transfer	(1,376,738)	–	1,376,738	–	–	–	–
Exchange adjustment	–	(97,333)	–	–	(748,991)	–	(846,324)
<b>At 31 December 2019</b>	<b>1,394,000</b>	<b>5,640,882</b>	<b>16,605,050</b>	<b>11,580,750</b>	<b>40,889,007</b>	<b>4,100,000</b>	<b>80,209,689</b>

## 16 INVESTMENT PROPERTIES (Continued)

### (b) Valuation of investment properties (Continued)

	Residential properties under development	Commercial properties under development	Completed residential properties	Completed commercial properties		Total  HK\$' 000
	Hong Kong HK\$' 000	Mainland HK\$' 000	Hong Kong HK\$' 000	Hong Kong HK\$' 000	Mainland HK\$' 000	
	At 1 January 2018	865,000	–	14,383,100	10,649,720	
Additions	171,077	324,794	2,216	16,710	714,292	1,229,089
Increase in fair value	30,152	1,349,730	370,484	643,320	2,063,603	4,457,289
Disposals	–	–	–	–	(51,075)	(51,075)
Transfer	713,771	3,858,932	–	–	2,061,863	6,634,566
Exchange adjustment	–	(261,537)	–	–	(2,120,801)	(2,382,338)
At 31 December 2018	1,780,000	5,271,919	14,755,800	11,309,750	41,110,648	74,228,117

#### Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Cushman & Wakefield Limited, Savills Valuation and Professional Services Limited and Prudential Surveyors (Hong Kong) Limited, independent qualified valuers not related to the Group, who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued, at 31 December 2019. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit and Corporate Governance Committee. Discussions of valuation processes and results are held between the management and valuers.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuers.

#### Valuation techniques

Fair value of completed properties in Hong Kong and the Mainland is mainly derived using the income capitalisation method and wherever appropriate, by direct comparison method.

Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

## NOTES TO THE FINANCIAL STATEMENTS

### 16 INVESTMENT PROPERTIES (Continued)

#### (b) Valuation of investment properties (Continued)

##### *Valuation techniques (Continued)*

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

Fair value of properties under development in Hong Kong and the Mainland is generally derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation.

##### *Significant unobservable inputs used to determine fair value*

Capitalisation rates are estimated by valuers based on the risk profile of the investment properties being valued. The higher the rates, the lower the fair value. At 31 December 2019, capitalisation rates of 2.7% to 5.2% (2018: 2.8% to 5.2%) and 4.8% to 8.8% (2018: 4.8% to 8.8%) are used in the income capitalisation method for Hong Kong and the Mainland properties respectively.

Prevailing market rents are estimated based on recent lettings for Hong Kong and the Mainland investment properties, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Estimated costs to completion, developer's profit and risk margins required are estimated by valuers based on market conditions at the reporting date for investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

### 17 LEASEHOLD LAND AND LAND USE RIGHTS

	2019 HK\$'000	2018 HK\$'000
At 1 January, as previously stated	1,940,187	2,114,323
Adjustment on adoption of HKFRS 16	(1,940,187)	–
At 1 January	–	2,114,323
Amortisation	–	(62,455)
Exchange adjustment	–	(111,681)
At 31 December	–	1,940,187

As at 1 January 2019, leasehold land and land use rights have been reclassified to right-of-use assets (note 18) as a result of adoption of HKFRS 16.

## 18 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The consolidated statement of financial position shows the following amounts relating to leases:

	2019 HK\$' 000	2018 HK\$' 000
<b>Right-of-use assets</b>		
Leasehold land and land use rights	1,853,966	–
Buildings – offices	150,111	–
	<b>2,004,077</b>	–

Notes:

- (a) As at 31 December 2019, right-of-use assets regarding land use rights in the Mainland with an aggregate net book value of HK\$743,175,000 (2018: leasehold land and land use rights of HK\$777,623,000) were pledged as security for bank loan facilities granted to the Group (note 45).
- (b) For the year ended 31 December 2019, in respect of buildings – offices, additions to the right-of-use assets were HK\$156,185,000 (2018: HK\$Nil) and total cash outflows of leases was HK\$6,400,000 (2018: HK\$Nil).

Rental contracts for offices are typically made for fixed periods of three years, but have extension options which majority of these options are exercisable only by the Group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that held by the lessor.

	2019 HK\$' 000	2018 HK\$' 000
<b>Lease liabilities</b>		
Current portion of lease liabilities	50,461	–
Non-current portion of lease liabilities	99,958	–
	<b>150,419</b>	–

As at 31 December 2019, the weighted average lessee's incremental borrowing rates applied was 3.5%.

As at 31 December 2019, the balance represented the lease liabilities payable to an associate of HK\$150,419,000 (2018: HK\$Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 19 PROPERTIES UNDER DEVELOPMENT

	2019 HK\$' 000	2018 HK\$' 000
At 1 January	21,030,145	27,395,167
Additions	2,932,828	3,040,386
Provision for impairment loss (note (a))	–	(1,175,281)
Transfer	(668,478)	(7,715,400)
Exchange adjustment	(254,533)	(514,727)
At 31 December	<b>23,039,962</b>	21,030,145

	2019 HK\$' 000	2018 HK\$' 000
The above are represented by:		
Amount included in non-current assets		
Hong Kong	9,111,611	8,131,542
Outside Hong Kong	8,582,005	4,489,670
	<b>17,693,616</b>	12,621,212
Amount included in current assets		
Hong Kong	–	3,508,977
Outside Hong Kong	5,346,346	4,899,956
	<b>5,346,346</b>	8,408,933
	<b>23,039,962</b>	21,030,145



## 19 PROPERTIES UNDER DEVELOPMENT (Continued)

- (a) In May 2018, Macau SAR Government gazetted the expiry of the land lease of the Nam Van Lake Project for the reason of non-development. The Group filed an appeal ("Appeal") in June 2018 in the Second Instance Court of Macau SAR ("Second Instance Court") against the decision of the Chief Executive of Macau SAR in declaring the expiry of the land lease. Full impairment provision for the Nam Van Lake Project amounting to HK\$1,175,281,000 was therefore made during the year ended 31 December 2018.

In January 2020, the Second Instance Court handed down its decision dismissing the Appeal. The Group filed a further appeal ("Final Appeal") in the Court of Final Appeal of Macau SAR in February 2020 seeking to overturn Second Instance Court's decision.

The Group also filed with the Administrative Court of Macau SAR a petition in July 2019 against the Macau SAR Government claiming, *inter alia*, due compensation for damages and loss of profits caused and the case is still under judicial proceedings.

## 20 LAND DEPOSITS

Balance as at 31 December 2019 mainly comprised land deposits paid for the acquisition of lands located in the Mainland. These deposits will be transferred to properties under development once the respective land use rights certificate is obtained.

## 21 SUMMARISED FINANCIAL INFORMATION OF A SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Set out below are the summarised financial information of a subsidiary, Shanghai Ji Xiang Properties Co., Ltd., that has non-controlling interests of 49% that are material to the Group. The principal place of business of Shanghai Ji Xiang Properties Co., Ltd. is Shanghai, the Mainland.

### Summarised statement of financial position as at 31 December 2019

	2019 HK\$' 000	2018 HK\$' 000
Current		
Assets	558,612	340,737
Liabilities	(990,665)	(812,243)
Total current net liabilities	(432,053)	(471,506)
Non-current		
Assets	14,214,148	14,497,528
Liabilities	(4,098,050)	(4,539,051)
Total non-current net assets	10,116,098	9,958,477
Net assets	9,684,045	9,486,971

## NOTES TO THE FINANCIAL STATEMENTS

### 21 SUMMARISED FINANCIAL INFORMATION OF A SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

#### Summarised statement of comprehensive income for the year ended 31 December 2019

	2019 HK\$' 000	2018 HK\$' 000
Revenue	1,765,210	1,889,966
Profit before income tax	996,649	1,251,775
Income tax expenses	(252,537)	(306,384)
Profit for the year	744,112	945,391
Other comprehensive income	(118,905)	(312,052)
Total comprehensive income	625,207	633,339
Total comprehensive income allocated to non-controlling interests	306,351	310,336
Dividend paid to non-controlling interests	207,386	220,646

#### Summarised cash flows for the year ended 31 December 2019

	2019 HK\$' 000	2018 HK\$' 000
Cash flows from operating activities		
Cash generated from operations	1,122,391	1,164,478
Interest paid	(72,321)	(101,051)
Income tax paid	(200,801)	(156,798)
Net cash generated from operating activities	849,269	906,629
Net cash (used in)/generated from investing activities	(1,447)	894
Net cash used in financing activities	(674,492)	(1,103,758)
Net increase/(decrease) in cash and cash equivalents	173,330	(196,235)
Cash and cash equivalents at 1 January	240,445	469,504
Effect of exchange rate changes	(4,642)	(32,824)
Cash and cash equivalents at 31 December	409,133	240,445

The information above is the amount before inter-company eliminations.

## 22 ASSOCIATES AND JOINT VENTURES

	2019			2018		
	Associates HK\$' 000	Joint ventures HK\$' 000	Total HK\$' 000	Associates HK\$' 000	Joint ventures HK\$' 000	Total HK\$' 000
Unlisted investments	7,426,090	963,884	8,389,974	7,222,876	930,428	8,153,304
Listed equity securities, in Hong Kong	10,278,382	–	10,278,382	9,932,043	–	9,932,043
Listed equity securities, outside Hong Kong	1,507,181	–	1,507,181	1,374,219	–	1,374,219
Share of net assets, including goodwill (note (a))	19,211,653	963,884	20,175,537	18,529,138	930,428	19,459,566
Amounts due from associates and joint ventures (note (b))	2,048,742	6,771,577	8,820,319	1,662,977	2,321,565	3,984,542
Amounts due to associates (note (c))	(569,550)	–	(569,550)	(411,785)	–	(411,785)
	<b>20,690,845</b>	<b>7,735,461</b>	<b>28,426,306</b>	19,780,330	3,251,993	23,032,323

- (a) Details of principal associates and joint ventures are set out in note 50(b).
- (b) The amounts due from associates and joint ventures are unsecured, not repayable within twelve months from the end of each reporting period and interest-free except for amounts totalling HK\$7,978,141,000 (2018: HK\$3,647,075,000) which bear interest at prevailing market rates.
- (c) The amounts due to associates are unsecured, interest-free and not repayable within twelve months from the end of each reporting period.
- (d) The following sets out the aggregate amount of the Group's share of results of associates and joint ventures for the year:

	2019 HK\$' 000	2018 HK\$' 000
Share of results of associates	1,585,039	2,140,628
Share of results of joint ventures	(122)	1,218
	<b>1,584,917</b>	2,141,846

- (e) The following sets out the commitments in respect of associates and joint ventures:

	2019 HK\$' 000	2018 HK\$' 000
Commitments to provide funding for capital commitments of associates and joint ventures, if called	2,865,420	1,004,500

## NOTES TO THE FINANCIAL STATEMENTS

### 22 ASSOCIATES AND JOINT VENTURES (Continued)

- (f) Set out below are the summarised financial information for the associate of the Group, Kerry Logistics Network Limited ("Kerry Logistics"), which, in the opinion of the Directors, is material to the Group. The associate is accounted for using the equity method.

#### Summarised consolidated statement of financial position as at 31 December 2019

	2019 HK\$' 000	2018 HK\$' 000
Current		
Assets	16,998,502	14,883,928
Liabilities	(10,980,788)	(12,318,918)
Total current net assets	6,017,714	2,565,010
Non-current		
Assets	33,432,080	29,375,365
Liabilities	(11,279,105)	(7,176,633)
Total non-current net assets	22,152,975	22,198,732
Net assets	28,170,689	24,763,742

#### Summarised consolidated statement of comprehensive income for the year ended 31 December 2019

	2019 HK\$' 000	2018 HK\$' 000
Revenue	41,139,102	38,138,528
Operating expenses and others	(33,993,066)	(33,821,396)
Depreciation and amortisation	(1,921,303)	(779,236)
Interest income	61,789	64,532
Interest expense	(358,171)	(224,245)
Profit before taxation	4,928,351	3,378,183
Taxation	(588,951)	(506,561)
Profit for the year	4,339,400	2,871,622
Other comprehensive income	122,904	(527,318)
Total comprehensive income	4,462,304	2,344,304
Dividends received from the associate	431,005	251,419

The information above reflects the amounts presented in the consolidated financial statements of Kerry Logistics (and not the Group's share of those amounts) for the year adjusted for differences in accounting policies between the Group and the associate.

## 22 ASSOCIATES AND JOINT VENTURES (Continued)

(f) (Continued)

### Reconciliation of summarised financial information

	2019 HK\$' 000	2018 HK\$' 000
Opening net assets as at 1 January	20,525,627	18,337,847
Profit for the year attributable to shareholders	3,788,323	2,439,775
Other comprehensive income attributable to shareholders	89,479	(414,602)
Dividends paid	(1,028,244)	(594,744)
Changes in other reserves	(12,679)	684,313
Elimination of unrealised gains	(1,957,540)	–
Others	75,524	73,038
Closing net assets as at 31 December	<b>21,480,490</b>	20,525,627
Interest in the associate (approximately 41.86%) (2018: 42.12%)	<b>8,991,733</b>	8,645,394
Goodwill	<b>1,286,649</b>	1,286,649
Carrying value as at 31 December	<b>10,278,382</b>	9,932,043

As at 31 December 2019, the fair value of the Group's interest in Kerry Logistics, which is listed on the Hong Kong Stock Exchange, was HK\$9,611,403,000 (2018: HK\$8,347,122,000).

(g) The aggregate amount of the Group's share of results of its associates and joint ventures which are individually immaterial are as follows:

	2019 HK\$' 000	2018 HK\$' 000
Results for the year	846,817	1,114,213
Other comprehensive income	9,812	296,751
Total comprehensive income	<b>856,629</b>	1,410,964

## NOTES TO THE FINANCIAL STATEMENTS

### 23 DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Non-current				
Cash flow hedges				
Cross currency and interest rate swap contracts, at fair value (note (a))	<b>42,550</b>	<b>114,228</b>	24,877	62,581

Derivatives holding for trading purpose are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the end of the reporting period and, as a current asset or liability, if the maturity of the hedged item is less than 12 months after the end of the reporting period.

(a) Cross currency swap and interest rate swap contracts that qualify for hedge accounting – cash flow hedges

The changes in fair value of cross currency swap and interest rate swap contracts that are designated and qualified as cash flow hedges amounting to a loss of HK\$33,974,000 (2018: HK\$78,691,000) are recognised in hedging reserve in equity. Under cash flow hedges, the loss of HK\$10,075,000 (2018: HK\$21,632,000) was reclassified from hedging reserve to finance costs in the consolidated income statement.

(i) Hedge for fixed rate bonds

During the year ended 31 December 2011, an indirect wholly-owned subsidiary of the Company entered into cross currency swap contracts amounting to US\$297,000,000, under which the principal amounts were exchanged at inception and will be re-exchanged on expiring date in April 2021 at an average exchange rate of US\$1 to HK\$7,776. Under these contracts, the fixed interest rates ranging from 5.26% to 5.275% per annum on the exchanged Hong Kong dollar principal amounts would be paid and the fixed interest rate of 5.875% per annum on the United States dollar principal amounts would be received.

(ii) Hedge for Hong Kong dollar bank borrowings

During the year ended 31 December 2018, the Group entered into a total of notional principal amounts of HK\$1,500,000,000 10-year interest rate swap contracts. Such interest rate swap contracts have the economic effect of converting borrowings from floating rates to fixed rates. The contracted fixed rates range from approximately 2.45% to 2.50% per annum.

During the year ended 31 December 2019, the Group entered into notional principal amount of HK\$200,000,000 10-year interest rate swap contract. Such interest rate swap contract has the economic effect of converting borrowings from floating rates to fixed rates. The contracted fixed rate is 1.565% per annum.

## 23 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Cross currency swap and interest rate swap contracts that qualify for hedge accounting – cash flow hedges (Continued)

(iii) Hedge for Australian dollar bank borrowings

During the year ended 31 December 2018, the Group entered into cross currency swap contract amounting to AUD180,000,000, under which the principal amount was exchanged at inception in December 2018 and will be re-exchanged on expiring date in December 2023 at an exchange rate of AUD1 to HK\$5.6709. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating Australian dollar interest rate on the Australian dollar principal amount would be received.

During the year ended 31 December 2019, the Group entered into cross currency swap contract amounting to approximately AUD148,478,000, under which the principal amount was exchanged at inception in September 2019 and will be re-exchanged on expiring date in September 2023 at an exchange rate of AUD1 to HK\$5.388. Under the contract, the floating Hong Kong dollar interest rate on the exchanged Hong Kong dollar principal amount would be paid and the floating Australian dollar interest rate on the Australian dollar principal amount would be received.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

## 24 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	2019 HK\$' 000	2018 HK\$' 000
Unlisted equity securities, at fair value	<b>1,453,753</b>	1,326,271

## 25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial assets at fair value through profit or loss:

- investments that are held for trading, and
- investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

	2019 HK\$' 000	2018 HK\$' 000
Non-current portion		
Listed equity securities	<b>39,565</b>	37,547
Unlisted equity securities (note)	<b>1,055,735</b>	2,411,182
	<b>1,095,300</b>	2,448,729
Current portion		
Listed equity securities	<b>6,863</b>	7,145
	<b>1,102,163</b>	2,455,874

## NOTES TO THE FINANCIAL STATEMENTS

### 25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Note: The Group in 2016 acquired an equity interest of approximately 24.4% in Shanghai Krupp Stainless Co. Ltd. ("SKS"), which owns a site located in Pudong New Area, Shanghai. As the Group does not have any significant influence over financial and operating policies to SKS, the Group recorded its investments as financial assets at fair value through profit or loss.

In May 2016, the Shanghai Municipal Government issued an approval covering the planning change for the site to commercial development use ("May approval"). Subsequently in August 2017, the Shanghai Municipal Government changed the development plan of the site as part of the newly planned World Expo Cultural Park.

The Group's investment made in the second half of 2016 was on the basis of the May approval. Amongst the investors, a state-owned company through different investment vehicles collectively is the largest investor in the project.

In the second quarter of 2018, the Shanghai municipal authority communicated to the project company their intention to incorporate the project site in the World Expo Cultural Park development. Since then discussions and negotiations had been ongoing with the Shanghai municipal authority with a view to arriving at a mutually acceptable solution to enable the Group to withdraw from the project.

Given the above mentioned situation, management has engaged an independent valuer, Savills Valuation and Professional Services Limited, who holds recognised relevant professional qualifications, to estimate the fair value of SKS as at 31 December 2018. Savills Valuation and Professional Services Limited adopted an asset-based valuation approach, which is a means of estimating the value of a business using methods based on the market value of individual business assets less liabilities and judgement was required to determine the fair value.

The change in fair value on financial assets through profit or loss for the year ended 31 December 2018 included the decrease in fair value of HK\$1,500 million relating to the investment in SKS.

In October 2019, an agreement was entered between SKS and the Shanghai municipal authority, pursuant to which SKS agreed to handover the project site to the government for a cash compensation of approximately RMB4,270 million. The project site was then handed over to the government in November 2019.

Up to 31 December 2019, the Group received through short-term loans from the investee of approximately RMB1,180 million, mainly related to the Group's share of the compensations. These loans are intended to be set off against the future return of capital by the investee, hence these balances are set off against the carrying value of the investment as at 31 December 2019.

As at 31 December 2019, the net carrying value of the Group's investment in SKS amounts to approximately HK\$396 million which the Group expects to recover through the remaining compensations and distribution of the remaining assets of the investment.



## 26 MORTGAGE LOANS RECEIVABLE

	2019 HK\$' 000	2018 HK\$' 000
Non-current mortgage loans receivable	3,062,327	3,969,991
Current portion of mortgage loans receivable	33,838	35,905
Total mortgage loans receivable	3,096,165	4,005,896

The balance included first mortgage loans of HK\$1,717,988,000 (2018: HK\$2,466,390,000) offered to buyers of certain properties developed by the Group in Hong Kong. For these first mortgage loans receivable, the fair value was calculated based on cash flows discounted using lending rates from financial institutions and assuming the loans will be repaid according to the contract terms. The valuation process of the Group is set out in note 4(c)(v) to the consolidated financial statements.

The remaining amounts mostly represented the second mortgage loans receivable which are carried at amortised cost.

The mortgage loans receivable are repayable by monthly installments with various tenors not more than 30 years (2018: not more than 30 years) at the date of the consolidated statement of financial position and carrying interest at floating rates.

The Group determines the provision for expected credit losses by grouping together second mortgage loans receivable with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For second mortgage loans receivable relating to amounts which are long over-due with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

The Group has not provided any loss allowance for its mortgage loans receivable during the year (2018: nil).

Mortgage loans receivable are denominated in Hong Kong dollars.

## 27 INTANGIBLE ASSETS

	2019 HK\$' 000	2018 HK\$' 000
At 1 January and 31 December	122,504	122,504

## NOTES TO THE FINANCIAL STATEMENTS

### 28 COMPLETED PROPERTIES HELD FOR SALE

	2019 HK\$' 000	2018 HK\$' 000
Land costs	5,163,890	4,475,048
Other development costs	5,717,278	5,676,460
	<b>10,881,168</b>	10,151,508

These completed properties held for sale are located in Hong Kong and the Mainland.

### 29 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2019 HK\$' 000	2018 HK\$' 000
Trade receivables (note (a))	135,500	163,464
Prepayments	270,389	230,012
Others	1,098,018	884,402
	<b>1,503,907</b>	1,277,878

The carrying amounts of accounts receivable approximate their fair value.

The carrying amounts of the Group's accounts receivable, prepayments and deposits are denominated in the following currencies:

	2019 HK\$' 000	2018 HK\$' 000
Hong Kong dollar	697,754	582,132
Renminbi	718,698	610,277
Other currencies	87,455	85,469
	<b>1,503,907</b>	1,277,878

## 29 ACCOUNTS RECEIVABLE, PREPAYMENTS AND DEPOSITS (Continued)

- (a) The Group maintains defined credit policies and applies those appropriate to the particular business circumstances of the Group. At 31 December 2019, the ageing analysis of the trade receivables based on date of the invoice or the terms of the related sales and purchase agreements and net of impairment losses of the Group is as follows:

	2019 HK\$' 000	2018 HK\$' 000
Below 1 month	77,960	120,826
Between 1 month and 3 months	41,044	16,544
Over 3 months	16,496	26,094
	<b>135,500</b>	163,464

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected credit loss allowance for all trade receivables. Trade receivables are grouped based on shared credit risk characteristics and the days past due as follows:

	2019 HK\$' 000	2018 HK\$' 000
Up to 3 months	119,004	88,339
Over 3 months	16,496	26,094

The Group determines the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The management considers the credit risk for the net balance is not high.

The trade receivables, other receivables and deposits do not contain impaired asset.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

#### (a) Restricted bank deposits

	2019 HK\$' 000	2018 HK\$' 000
Restricted bank deposits (note)	<b>511,687</b>	522,698

Note: As at 31 December 2019, the Group's bank balances amounting to approximately HK\$511,687,000 (2018: HK\$522,698,000) were deposited in certain banks respectively as guarantee deposits for bank facilities of the Group, including mortgage loan facilities (note 44(b)) granted by the banks to the purchasers of the Group's certain properties and as amounts required to be reserved by the relevant Mainland authorities for the Group's pre-sale of certain properties.

#### (b) Cash and cash equivalents

	2019 HK\$' 000	2018 HK\$' 000
Cash at bank and on hand	<b>9,063,539</b>	11,539,826
Short-term bank deposits (note (i))	<b>2,680,304</b>	2,321,126
Cash and bank balances (note (ii))	<b>11,743,843</b>	13,860,952
Less: short-term bank deposits maturing after more than three months	<b>(42,712)</b>	(460,088)
Cash and cash equivalents	<b>11,701,131</b>	13,400,864

Cash and bank balances are denominated in the following currencies:

	2019 HK\$' 000	2018 HK\$' 000
Renminbi	<b>9,042,355</b>	11,647,042
Hong Kong dollar	<b>1,592,629</b>	2,058,351
United States dollar	<b>1,055,110</b>	84,028
Other currencies	<b>53,749</b>	71,531
	<b>11,743,843</b>	13,860,952

- (i) The effective interest rate on short-term bank deposits was 2.64% (2018: 2.80%) per annum; these deposits have an average maturity of less than 6 months.
- (ii) Cash at bank and on hand and short-term bank deposits of HK\$9,868,230,000 (2018: HK\$12,245,385,000) are held in the Mainland and are subject to local exchange control regulations.

### 31 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES AND CONTRACT LIABILITIES

#### (a) Accounts payable, deposits received and accrued charges

	2019 HK\$' 000	2018 HK\$' 000
Trade payables	477,658	366,770
Construction costs payable	2,954,478	3,378,982
Rental deposits	1,420,209	1,378,167
Others	1,437,914	1,784,191
	<b>6,290,259</b>	6,908,110

The ageing analysis of trade payables of the Group as at 31 December 2019 is as follows:

	2019 HK\$' 000	2018 HK\$' 000
Below 1 month	444,515	334,407
Between 1 month and 3 months	22,706	22,732
Over 3 months	10,437	9,631
	<b>477,658</b>	366,770

The carrying amounts of the Group's accounts payable, deposits received and accrued charges are denominated in the following currencies:

	2019 HK\$' 000	2018 HK\$' 000
Renminbi	4,026,016	4,412,025
Hong Kong dollar	2,192,794	2,450,193
Other currencies	71,449	45,892
	<b>6,290,259</b>	6,908,110

#### (b) Contract liabilities

	2019 HK\$' 000	2018 HK\$' 000
Contract liabilities	2,549,048	6,499,300

The balance represents the contract liabilities recognised in relation to property development activities.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES AND CONTRACT LIABILITIES (Continued)

#### (b) Contract liabilities (Continued)

- (i) The following table shows the amount of revenue recognised in the current reporting period that relates to contract liability balance at the beginning of the year:

	2019 HK\$' 000	2018 HK\$' 000
Property sales	<b>6,029,790</b>	5,337,237

- (ii) The following table shows the aggregate amount of the transaction price allocated to the unsatisfied/partially satisfied performance obligations resulting from property sales for contracts with an original expected duration of one year or more:

	2019 HK\$' 000	2018 HK\$' 000
Revenue expected to be recognised within one year	<b>3,600,079</b>	5,942,983
Revenue expected to be recognised after one year	<b>2,119,603</b>	2,974,085
	<b>5,719,682</b>	8,917,068

### 32 BANK LOANS

	2019 HK\$' 000	2018 HK\$' 000
Non-current		
Bank loans		
– unsecured	<b>28,016,833</b>	20,305,632
– secured (note 45)	<b>696,143</b>	2,319,376
	<b>28,712,976</b>	22,625,008
Current		
Bank loans		
– unsecured	<b>7,271,168</b>	8,073,145
– secured (note 45)	<b>1,222,949</b>	68,407
	<b>8,494,117</b>	8,141,552
Total bank loans	<b>37,207,093</b>	30,766,560

## 32 BANK LOANS (Continued)

The maturity of bank loans is as follows:

	2019 HK\$' 000	2018 HK\$' 000
Within 1 year	<b>8,494,117</b>	8,141,552
Between 1 and 2 years	<b>5,586,658</b>	8,731,082
Between 2 and 5 years	<b>22,726,318</b>	13,893,926
Repayable within 5 years	<b>36,807,093</b>	30,766,560
Over 5 years	<b>400,000</b>	–
	<b>37,207,093</b>	30,766,560

The effective annual interest rates of the major bank loans at the end of the reporting period were as follows:

	2019		2018	
	HK\$	RMB	HK\$	RMB
Bank loans	<b>3.33%</b>	<b>4.31%</b>	3.05%	4.25%

The carrying amounts of all bank loans approximate their fair value.

The carrying amounts of the bank loans are denominated in the following currencies:

	2019 HK\$' 000	2018 HK\$' 000
Hong Kong dollar	<b>30,936,000</b>	24,205,000
Renminbi	<b>4,474,515</b>	5,567,888
Australian dollar	<b>1,796,578</b>	993,672
	<b>37,207,093</b>	30,766,560

## NOTES TO THE FINANCIAL STATEMENTS

### 33 FIXED RATE BONDS

	2019 HK\$' 000	2018 HK\$' 000
Fixed rate bonds	<b>2,334,345</b>	2,344,683

On 6 April 2011, Wiseyear Holdings Limited ("Wiseyear"), a wholly-owned subsidiary of the Company, issued fixed rate bonds in the aggregate principal amount of US\$300,000,000. The fixed rate bonds are guaranteed by the Company as to repayment, and carry a coupon rate of 5.875% per annum and have a maturity term of 10 years.

The fixed rate bonds are listed on the Singapore Exchange Securities Trading Limited. The market value of the fixed rate bonds as at 31 December 2019 was HK\$2,418,561,000 (2018: HK\$2,442,347,000). The fair value of the fixed rate bonds is within Level 1 of the fair value hierarchy.

### 34 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests represent proportionate funding from the non-controlling interests of subsidiaries including an amount of approximately HK\$822,512,000 (2018: HK\$1,119,551,000) due to certain subsidiaries of Shangri-La Asia Limited ("SA"), a related company whose shares are listed on Hong Kong Stock Exchange. These loans are unsecured, subordinated to the bank loans of the relevant subsidiaries, not repayable within twelve months from the end of reporting period, and interest-free except for a total amount of HK\$689,833,000 (2018: HK\$693,452,000) which bears interest at prevailing market rates.

The carrying values of the Group's amounts due to non-controlling interests are denominated in the following currencies:

	2019 HK\$' 000	2018 HK\$' 000
Hong Kong dollar	<b>2,048,473</b>	1,407,424
United States dollar	<b>582,767</b>	581,332
Other currencies	<b>141,366</b>	142,563
	<b>2,772,606</b>	2,131,319



### 35 DEFERRED TAXATION

	2019 HK\$' 000	2018 HK\$' 000
At 1 January	8,275,622	7,606,669
Deferred taxation charged to consolidated income statement	476,899	1,226,877
Acquisition of subsidiaries (note 41(b))	19,232	–
Exchange adjustment	(140,362)	(557,924)
<b>At 31 December</b>	<b>8,631,391</b>	<b>8,275,622</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$1,824,321,000 (2018: HK\$1,803,765,000) to be carried forward in offsetting the future taxable profits. These tax losses have no expiry dates except for the tax losses of HK\$777,332,000 (2018: HK\$686,706,000) which will expire at various dates up to and including year 2024 (2018: year 2023).

As at 31 December 2019, the aggregate amount of unrecognised deferred tax liabilities associated with investments in subsidiaries totalled approximately HK\$1,099,593,000 (2018: HK\$1,060,821,000), as the Directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

The movements in deferred tax (assets) and liabilities during the year were as follows:

	Revaluation HK\$' 000	Accelerated depreciation allowances HK\$' 000	Tax losses HK\$' 000	Others HK\$' 000	Total HK\$' 000
At 1 January 2019	7,255,927	544,557	(1,653)	476,791	8,275,622
Deferred taxation charged to consolidated income statement	298,619	23,310	1,526	153,444	476,899
Acquisition of subsidiaries	–	19,232	–	–	19,232
Exchange adjustment	(136,033)	(3,371)	–	(958)	(140,362)
<b>At 31 December 2019</b>	<b>7,418,513</b>	<b>583,728</b>	<b>(127)</b>	<b>629,277</b>	<b>8,631,391</b>

	Revaluation HK\$' 000	Accelerated depreciation allowances HK\$' 000	Tax losses HK\$' 000	Others HK\$' 000	Total HK\$' 000
At 1 January 2018	6,592,464	527,805	(1,653)	488,053	7,606,669
Deferred taxation charged to consolidated income statement	1,038,984	24,932	–	162,961	1,226,877
Exchange adjustment	(375,521)	(8,180)	–	(174,223)	(557,924)
<b>At 31 December 2018</b>	<b>7,255,927</b>	<b>544,557</b>	<b>(1,653)</b>	<b>476,791</b>	<b>8,275,622</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 36 RETIREMENT BENEFITS

Group companies operate various pension schemes. The schemes are funded through payments to independent trustee-administered funds. The Group has defined contribution plans during the year.

#### **Defined contribution plans**

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000.

The MPF Scheme is a master trust scheme established under a trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Employees and employer who are covered by the MPF system are each required to make regular mandatory contributions calculated at 5% of the employee's relevant income as defined in the MPF Ordinance to the MPF Scheme, subject to the minimum and maximum relevant income levels. The MPF Contributions made by the employer (the "MPF Contribution") are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. Investment income or profit derived from the investment of accrued benefits (after taking into account any loss arising from such investment) is also immediately vested in the employees.

Certain companies within the Group are also participants of the Kerry Trading Co. Limited – Provident Fund Scheme (the "Fund") which is a defined contribution scheme as defined in the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong). The Fund is for certain salaried persons (the "Fund Members") under the employment of the companies participating in the Fund. The assets of the Fund are managed by the trustees of the Fund. Contributions are made to the Fund by companies participating in the Fund at 10% of the Fund Members' monthly basic salaries up to a maximum of HK\$10,000 (2018: HK\$10,000) per Fund Member per month (the "Basic Contribution") less the MPF Contribution if the Basic Contribution is higher than the MPF Contribution. Fund Members are entitled to 100% of the employers' contributions to the Fund plus investment earnings upon leaving employment after completing ten years of service or more, or upon retirement after attaining the retirement age after any number of years of service, or upon retirement due to ill health. Fund Members are also entitled to the employers' contributions to the Fund plus investment earnings calculated at a reduced scale of between 20% and 90% after completing a period of service of at least two but less than ten years. The unvested benefits of employees terminating employment forfeited in accordance with the terms of the Fund can be utilised by the companies participating in the Fund to reduce future contributions. During the year, forfeited contributions totalling HK\$392,000 (2018: HK\$1,224,000) were utilised leaving HK\$2,229,000 (2018: HK\$933,000) – at the year end to reduce future contributions.

The Group also made defined contributions to pension plans as required by the relevant municipality or provincial governments in the Mainland. The rates of contributions for the relevant periods ranged from 14% to 20% of the staff's salary.

## 37 SHARE CAPITAL

	Authorised Ordinary shares of HK\$1 each	
	Number of shares	HK\$' 000
At 31 December 2018 and 2019	10,000,000,000	10,000,000

	Issued and fully paid Ordinary shares of HK\$1 each			
	2019		2018	
	Number of shares	HK\$' 000	Number of shares	HK\$' 000
At 1 January	<b>1,455,208,228</b>	<b>1,455,208</b>	1,446,537,728	1,446,538
Issue of shares as a result of exercise of share options (note (a))	<b>1,293,000</b>	<b>1,293</b>	8,670,500	8,670
At 31 December	<b>1,456,501,228</b>	<b>1,456,501</b>	1,455,208,228	1,455,208

Note:

- (a) During the year ended 31 December 2019, a total of 1,293,000 share options were exercised at exercise prices of HK\$17.58 and HK\$26.88 per share. Details of movements in share options during the year are set out in note 38. Total amount of proceeds of HK\$32,849,340 received in respect of shares issued following the exercise of the share options were used as additional working capital for the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 38 SHARE OPTIONS

#### (a) 2002 Share Option Scheme

Under the 2002 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

The 2002 Share Option Scheme was terminated on 5 May 2011 such that no further share options shall be offered but the share options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options under the 2002 Share Option Scheme are as follows:

	2019		2018	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	17.58	205,000	46.18	10,635,000
Exercised during the year	17.58	(205,000)	17.58	(330,000)
Lapsed during the year	–	–	–	(10,100,000)
At 31 December (note (i))	–	–	17.58	205,000

As at 31 December 2019, all the outstanding share options granted under the 2002 Share Option Scheme were exercised. For the share options exercised during the year, the related weighted average share price at the time of exercise was HK\$30.93 (2018: HK\$34.28) and the total amount of proceeds received was HK\$3,603,900 (2018: HK\$5,801,400). No share option was granted, granted for adjustment or cancelled during the year (2018: Nil).

Note:

- (i) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share	Number of share options	
	(HK\$)	2019	2018
06/02/2010 – 05/02/2019	17.58	–	95,000
06/02/2011 – 05/02/2019	17.58	–	110,000
		–	205,000

## 38 SHARE OPTIONS (Continued)

### (b) 2011 Share Option Scheme

Under the 2011 Share Option Scheme, the Directors of the Company may, at their discretion, grant share options to executives and key employees in the service of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular share option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant share option subject to the compliance with the Listing Rules.

Details of the movement of the share options under the 2011 Share Option Scheme are as follows:

	2019		2018	
	Weighted average exercise price in HK\$ per share	Number of share options	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January	32.71	20,501,500	32.50	29,002,000
Exercised during the year	26.88	(1,088,000)	31.95	(8,340,500)
Lapsed during the year	35.45	(260,000)	35.45	(160,000)
At 31 December (note (i))	33.00	19,153,500	32.71	20,501,500

As at 31 December 2019, 19,153,500 (2018: 20,501,500) outstanding share options granted under the 2011 Share Option Scheme were exercisable. For the share options exercised during the year, the exercise price per share was HK\$26.88, the related weighted average share price at the time of exercise was HK\$32.75 (2018: HK\$39.07) and the total amount of proceeds received was HK\$29,245,440 (2018: HK\$266,438,455). No share option was granted, granted for adjustment or cancelled during the year (2018: Nil).

Note:

(i) Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK\$)	Number of share options	
		2019	2018
31/10/2012 – 29/04/2022	35.45	6,344,500	6,474,500
31/10/2013 – 29/04/2022	35.45	7,336,000	7,466,000
08/07/2014 – 07/01/2024	26.88	1,955,000	2,132,000
08/01/2015 – 07/01/2024	26.88	3,518,000	4,429,000
		19,153,500	20,501,500

## NOTES TO THE FINANCIAL STATEMENTS

### 39 SHARE PREMIUM

	2019 HK\$' 000	2018 HK\$' 000
At 1 January	13,019,604	12,515,673
Arising from exercise of share options (note 38)	31,556	263,570
Transfer from share options reserve (note 40(a))	9,847	240,361
At 31 December	13,061,007	13,019,604

### 40 OTHER RESERVES

	Other property revaluation reserve HK\$' 000	Financial assets at FVOCI reserve HK\$' 000	Hedging reserve HK\$' 000	Others (note (a)) HK\$' 000	Total HK\$' 000
At 1 January 2019	48,728	1,007,580	(30,465)	8,166,463	9,192,306
Cash flow hedges:					
– Fair value losses	–	–	(33,974)	–	(33,974)
– Transfer to finance costs (note 9)	–	–	10,075	–	10,075
Fair value gains on financial assets at fair value through other comprehensive income	–	127,482	–	–	127,482
Share of exchange fluctuation reserve of associates and joint ventures	–	–	–	37,477	37,477
Share of other reserves of associates and joint ventures	(301)	4,367	–	7,513	11,579
Net translation differences on foreign operations	–	–	–	(970,969)	(970,969)
Disposal of partial interest in a subsidiary	–	–	–	16,866	16,866
Transfer to share premium (note 39)	–	–	–	(9,847)	(9,847)
Transfer from retained profits	–	–	–	145,702	145,702
<b>At 31 December 2019</b>	<b>48,427</b>	<b>1,139,429</b>	<b>(54,364)</b>	<b>7,393,205</b>	<b>8,526,697</b>

#### 40 OTHER RESERVES (Continued)

	Other property revaluation reserve HK\$' 000	Financial assets at FVOCI reserve HK\$' 000	Hedging reserve HK\$' 000	Others (note (a)) HK\$' 000	Total HK\$' 000
Balance at 1 January 2018	48,994	941,336	26,594	10,697,521	11,714,445
Cash flow hedges:					
– Fair value losses	–	–	(78,691)	–	(78,691)
– Transfer to finance costs (note 9)	–	–	21,632	–	21,632
Fair value gains on financial assets at fair value through other comprehensive income	–	61,511	–	–	61,511
Share of exchange fluctuation reserve of associates and joint ventures	–	–	–	(177,233)	(177,233)
Share of other reserves of associates and joint ventures	(266)	4,733	–	294,887	299,354
Net translation differences on foreign operations	–	–	–	(2,600,725)	(2,600,725)
Transfer to share premium (note 39)	–	–	–	(240,361)	(240,361)
Transfer from retained profits	–	–	–	192,374	192,374
At 31 December 2018	48,728	1,007,580	(30,465)	8,166,463	9,192,306

## NOTES TO THE FINANCIAL STATEMENTS

### 40 OTHER RESERVES (Continued)

(a) Others

	Capital reserve (note (b)) HK\$' 000	Share options reserve HK\$' 000	Exchange fluctuation reserve HK\$' 000	Enterprise expansion and general reserve funds (note (c)) HK\$' 000	Capital redemption reserve (note (d)) HK\$' 000	Acquisition reserve (note (e)) HK\$' 000	Put option reserve (note (f)) HK\$' 000	Total HK\$' 000
At 1 January 2019	7,935,251	176,231	(450,677)	554,957	10,576	433,266	(493,141)	8,166,463
Share of exchange fluctuation reserve of associates and joint ventures	-	-	37,477	-	-	-	-	37,477
Share of other reserves of associates and joint ventures	-	-	-	3,203	-	(2,154)	6,464	7,513
Net translation differences on foreign operations	-	-	(970,969)	-	-	-	-	(970,969)
Disposal of partial interest in a subsidiary	-	-	-	-	-	16,866	-	16,866
Transfer to share premium (note 39)	-	(9,847)	-	-	-	-	-	(9,847)
Transfer from retained profits	-	-	-	145,702	-	-	-	145,702
<b>At 31 December 2019</b>	<b>7,935,251</b>	<b>166,384</b>	<b>(1,384,169)</b>	<b>703,862</b>	<b>10,576</b>	<b>447,978</b>	<b>(486,677)</b>	<b>7,393,205</b>



## 40 OTHER RESERVES (Continued)

### (a) Others (Continued)

	Capital reserve (note (b)) HK\$' 000	Share options reserve HK\$' 000	Exchange fluctuation reserve HK\$' 000	Enterprise expansion and general reserve funds (note (c)) HK\$' 000	Capital redemption reserve (note (d)) HK\$' 000	Acquisition reserve (note (e)) HK\$' 000	Put option reserve (note (f)) HK\$' 000	Total HK\$' 000
At 1 January 2018	7,935,251	416,592	2,327,281	365,018	10,576	158,766	(515,963)	10,697,521
Share of exchange fluctuation reserve of associates and joint ventures	-	-	(177,233)	-	-	-	-	(177,233)
Share of other reserves of associates and joint ventures	-	-	-	(2,435)	-	274,500	22,822	294,887
Net translation differences on foreign operations	-	-	(2,600,725)	-	-	-	-	(2,600,725)
Transfer to share premium (note 39)	-	(240,361)	-	-	-	-	-	(240,361)
Transfer from retained profits	-	-	-	192,374	-	-	-	192,374
At 31 December 2018	7,935,251	176,231	(450,677)	554,957	10,576	433,266	(493,141)	8,166,463

## NOTES TO THE FINANCIAL STATEMENTS

### 40 OTHER RESERVES (Continued)

- (b) Capital reserve of the Group arose from the Group's reorganisation in preparation for its listing on Hong Kong Stock Exchange in August 1996, adjusted by the excess or deficit of the fair values of the net assets of subsidiaries and associates subsequently acquired over the cost of investment at the date of acquisition before 1 January 2001.
- (c) Enterprise expansion and general reserve funds are set up by subsidiaries and associates established and operating in the Mainland. According to the Mainland Foreign Enterprise Accounting Standards, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.
- (d) Capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998, 2002 and 2016 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.
- (e) Acquisition reserve arose from the acquisition of additional interest or disposal of interest in subsidiaries that do not result in a loss of control, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid or received.
- (f) Put option reserve is set up by an associate of the Group, Kerry Logistics, which has granted written put options to its certain subsidiaries' non-controlling interests to sell their interests to Kerry Logistics with an exercise period up to 2021.

## 41 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of profit before taxation to net cash generated from operations

	2019 HK\$' 000	2018 HK\$' 000
Profit before taxation	<b>10,035,944</b>	11,914,197
Depreciation of property, plant and equipment and right-of-use assets and amortisation of leasehold land and land use rights	<b>477,513</b>	509,284
Dividend income on listed and unlisted investments	<b>(63,002)</b>	(70,101)
Interest income	<b>(570,289)</b>	(676,569)
Loss on disposal of property, plant and equipment	<b>1,314</b>	283
Gain on sale of investment properties	<b>(52,940)</b>	(39,827)
Net (increase)/decrease in fair value of financial assets at fair value through profit or loss	<b>(4,534)</b>	1,461,152
Provision for impairment loss for property under development	–	1,175,281
Increase in fair value of investment properties	<b>(1,185,018)</b>	(4,457,289)
Finance costs	<b>812,565</b>	584,501
Share of results of associates and joint ventures	<b>(1,584,917)</b>	(2,141,846)
Operating profit before working capital changes	<b>7,866,636</b>	8,259,066
Increase in properties under development	<b>(2,529,867)</b>	(2,398,524)
Decrease in completed properties held for sale	<b>6,203,621</b>	9,052,258
(Increase)/decrease in accounts receivable, prepayments and deposits	<b>(211,922)</b>	6,288,368
Decrease in accounts payable, deposits received and accrued charges	<b>(777,063)</b>	(1,031,519)
Decrease in contract liabilities	<b>(3,835,853)</b>	(1,230,395)
Net cash generated from operations	<b>6,715,552</b>	18,939,254

### (b) Analysis of the net cash outflow in respect of the acquisition of subsidiaries

On 28 March 2019, the Group entered into the sale and purchase agreements to acquire 100% equity interest in DEC Limited and Belmonton Inc. where the principal assets are two warehouses located in Chai Wan and Shatin, at a total consideration of HK\$3,600,000,000 from a subsidiary of Kerry Logistics Network Limited, an associate of the Group. The Group will consider redevelopment of the warehouses for long-term investment. The transaction was completed in June 2019.

## NOTES TO THE FINANCIAL STATEMENTS

### 41 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (b) Analysis of the net cash outflow in respect of the acquisition of subsidiaries (Continued)

Aggregate net cash outflow of the above transaction is as follows:

	2019 HK\$' 000	2018 HK\$' 000
Cash consideration paid	3,600,000	–
Cash and bank balances acquired	(52,386)	–
Net cash outflow arising from the acquisition	3,547,614	–

The fair value of net assets acquired as at the date of acquisition is as follows:

	2019 HK\$' 000	2018 HK\$' 000
Investment properties (note 16)	3,600,000	–
Accounts receivable, prepayments and deposits	657	–
Cash and bank balances	52,386	–
Accounts payable, deposits received and accrued charges	(25,670)	–
Taxation	(8,141)	–
Deferred taxation (note 35)	(19,232)	–
Total identifiable net assets	3,600,000	–

## 41 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

### (c) Reconciliation of liabilities arising from financing activities

	Bank loans non-current HK\$'000	Bank loans current HK\$'000	Fixed rate bonds HK\$'000	Amounts due to non- controlling interests HK\$'000	Lease liabilities HK\$'000	Derivative financial instruments held to hedge fixed rate bonds and bank loans HK\$'000	Total HK\$'000
Balances as at 1 January 2019	22,625,008	8,141,552	2,344,683	2,131,319	–	37,704	35,280,266
Cash flows	15,143,125	(8,621,715)	–	934,179	(6,400)	–	7,449,189
Non-cash changes							
Reclassifications	(8,944,117)	8,944,117	–	(365,340)	–	–	(365,340)
Foreign exchange movement	(111,040)	30,163	(10,338)	48,822	–	–	(42,393)
New leases	–	–	–	–	156,819	–	156,819
Other non-cash movement	–	–	–	23,626	–	33,974	57,600
<b>Balances as at 31 December 2019</b>	<b>28,712,976</b>	<b>8,494,117</b>	<b>2,334,345</b>	<b>2,772,606</b>	<b>150,419</b>	<b>71,678</b>	<b>42,536,141</b>

	Bank loans non-current HK\$'000	Bank loans current HK\$'000	Fixed rate bonds HK\$'000	Amounts due to non- controlling interests HK\$'000	Derivative financial instruments held to hedge fixed rate bonds and bank loans HK\$'000	Total HK\$'000
Balances as at 1 January 2018	26,781,716	8,903,148	2,336,901	2,106,291	(37,342)	40,090,714
Cash flows	3,253,173	(7,809,055)	–	12,843	–	(4,543,039)
Non-cash changes						
Reclassifications	(7,213,119)	7,213,119	–	–	–	–
Foreign exchange movement	(196,762)	(165,660)	7,782	(3,698)	–	(358,338)
Other non-cash movement	–	–	–	15,883	75,046	90,929
<b>Balances as at 31 December 2018</b>	<b>22,625,008</b>	<b>8,141,552</b>	<b>2,344,683</b>	<b>2,131,319</b>	<b>37,704</b>	<b>35,280,266</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 42 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out with related parties during the year:

#### (a) Purchases of services/lease of premises

	2019 HK\$' 000	2018 HK\$' 000
Marketing, consultancy and administrative management fees expense (note (i))	<b>124,420</b>	124,668
Rental expenses/lease payments (note (ii))	<b>57,926</b>	56,633
Logistics, insurance brokerage and service fee paid (note (iii))	<b>13,100</b>	8,668
Rental income (note (iv))	<b>26,547</b>	8,595

(i) This represents payment of services fees to Shangri-La International Hotel Management Limited, a subsidiary of SA, which provided marketing, consultancy and administrative management services to members of the Group. The service fees payable during the year were determined at either a fixed amount or a certain percentage of the gross operating revenue of the relevant company in accordance with the agreement for the provision of the above services.

(ii) This represents payment of rental expenses/lease payments to Ubagan Limited, an associate of the Group, in respect of leasing of several units and floors of Kerry Centre as corporate offices and several car parking spaces for the use by the Group in conjunction with such offices.

On 13 November 2019, the Group renewed and/or took up new tenancies in respect of certain units and floors of Kerry Centre with Ubagan Limited for a term of 3 years from 19 November 2019 to 18 November 2022. In accordance with HKFRS 16, the rental payment under these tenancy agreements was recognised as right-of-use assets on 19 November 2019 for an amount of HK\$156,185,000.

(iii) This represents payment for delivery services, local courier services, freight services, freight agency services, insurance brokerage and related services, and services relating to management and operation of warehouse facilities provided by Kerry Logistics.

(iv) This represents rental income received from Kerry Logistics in relation to the lease of certain premises held by the Group.

## 42 RELATED PARTY TRANSACTIONS (Continued)

### (b) Key management compensation, excluding share option benefits

	2019 HK\$' 000	2018 HK\$' 000
Salaries and other short-term benefits	61,454	65,316
Post-employment benefits	430	360
	<b>61,884</b>	65,676

### (c) Year-end balances

	2019 HK\$' 000	2018 HK\$' 000
Receivables from related parties:		
Associates and joint ventures (note 22)	<b>8,820,319</b>	3,984,542
Payables to related parties:		
Included under amounts due to non-controlling interests (note 34)		
– Subsidiaries of SA	<b>822,512</b>	1,119,551
Associates and joint ventures (note 22)	<b>569,550</b>	411,785
Lease liabilities (note 18)	<b>150,419</b>	–

### (d) Guarantees for banking facilities of certain associates and joint ventures

The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2019 amounted to approximately HK\$2,702,503,000 (2018: HK\$2,680,659,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2019 amounted to approximately HK\$3,303,412,000 (2018: HK\$2,680,659,000). The above-mentioned amounts are also reflected in the guarantees given by the Group for banking facilities disclosed in note 44(a).

## NOTES TO THE FINANCIAL STATEMENTS

### 42 RELATED PARTY TRANSACTIONS (Continued)

#### (e) Other related party transactions

- (i) On 22 March 2019, the joint venture companies (the "JVCOs"), owned by the Company and Allgreen Properties Limited (an associate of Kerry Holdings Limited, the controlling shareholder of the Group) as to 30% and 70% respectively (collectively, the "Parties"), has successfully won a tender whereby the lease of the land parcel at Pasir Ris Drive 3/Pasir Ris Drive 8/Pasir Ris Central, Singapore (the "Lease") has been awarded to the JVCOs and the Parties have entered into a joint venture agreement accordingly.

The consideration for the Lease was approximately S\$700,000,000 and the Parties agreed to provide a total amount of shareholders' funds for the consideration and relating taxes of not more than S\$766,400,000 to the JVCOs in accordance with their respective shareholding proportion in the JVCOs.

- (ii) On 28 March 2019, the Group entered into the sale and purchase agreements to acquire 100% equity interest in DEC Limited and Belminton Inc. where the principal assets are two warehouses located in Chai Wan and Shatin, at a total consideration of HK\$3,600,000,000 from a subsidiary of Kerry Logistics Network Limited, an associate of the Group. The transaction was completed in June 2019.
- (iii) During the year ended 31 December 2017, a Director of the Group entered into loan arrangements with a wholly-owned subsidiary of the Group, as disclosed in note 14(d). The loan arrangements were in the ordinary course of business of the wholly-owned subsidiary of the Group.



### 43 COMMITMENTS

- (a) At 31 December 2019, the Group had capital and other commitments in respect of investment properties, land costs, properties under development, interest in joint ventures and others contracted for at the end of the year but not provided for in these financial statements as follows:

	2019 HK\$' 000	2018 HK\$' 000
Investment properties	779,226	920,725
Land costs	7,906,141	4,005,274
Properties under development	8,711,199	4,237,180
Interest in joint ventures	–	126,251
Others	–	297,635
	<b>17,396,566</b>	<b>9,587,065</b>

- (b) At 31 December 2019, the Group had future aggregate minimum lease rental receivable under non-cancellable operating leases as follows:

	2019 HK\$' 000	2018 HK\$' 000
Land and buildings:		
Within one year	3,240,374	3,295,711
In the second to fifth year, inclusive	4,865,114	4,653,305
Over five years	334,177	447,749
	<b>8,439,665</b>	<b>8,396,765</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 44 CONTINGENT LIABILITIES

#### Guarantees for banking facilities

	2019 HK\$' 000	2018 HK\$' 000
Guarantees for banking facilities of certain associates and joint ventures (note (a))	<b>2,702,503</b>	2,680,659
Guarantees to certain banks for mortgage facilities granted to first buyers of certain properties in the Mainland (note (b))	<b>1,826,090</b>	2,296,125
	<b>4,528,593</b>	4,976,784

- (a) The Group has executed guarantees for banking facilities granted to certain associates and joint ventures. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2019 amounted to approximately HK\$2,702,503,000 (2018: HK\$2,680,659,000). The total amount of such facilities covered by the Group's guarantees as at 31 December 2019 amounted to approximately HK\$3,303,412,000 (2018: HK\$2,680,659,000).
- (b) The Group has executed guarantees to certain banks for mortgage facilities granted to first buyers of certain properties developed by the Group in the Mainland. The utilised amount of such facilities covered by the Group's guarantees which also represented the financial exposure of the Group as at 31 December 2019 amounted to approximately HK\$1,826,090,000 (2018: HK\$2,296,125,000).

### 45 PLEDGE OF ASSETS

At 31 December 2019, the Group's total bank loans of HK\$37,207,093,000 (2018: HK\$30,766,560,000) included an aggregate amount of HK\$35,288,001,000 (2018: HK\$28,378,777,000) which is unsecured and an aggregate amount of HK\$1,919,092,000 (2018: HK\$2,387,783,000) which is secured. The securities provided for the secured banking facilities available to the Group are as follows:

- (a) legal charges over certain properties (notes 15 to 18); and
- (b) assignments of insurance proceeds of certain properties.

### 46 COMPARATIVES

Hotel depreciation and amortisation previously reported under cost of sales and direct expenses have been reclassified to administrative and other operating expenses. The comparative figures have been reclassified to conform with the current year's presentation.

### 47 ULTIMATE HOLDING COMPANY

The Directors regard Kerry Group Limited, a company incorporated in the Cook Islands, as being the ultimate holding company.

## 48 EVENTS AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented in the Mainland and Hong Kong. The Group has paid close attention to the development of the COVID-19 outbreak and evaluated its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the Group’s consolidated financial statements for the year ended 31 December 2019 as a result of the COVID-19 outbreak. The Group will continue to monitor the situation closely and carry out any necessary assessment on the potential financial impact to the Group’s consolidated financial statements.

## 49 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

### Statement of financial position of the Company as at 31 December 2019

	Note	2019 HK\$' 000	2018 HK\$' 000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,863	5,245
Subsidiaries		27,715,313	27,936,636
Associates		2,396,605	1,992,970
		<b>30,115,781</b>	29,934,851
<b>Current assets</b>			
Dividends receivable		2,000,000	2,000,000
Accounts receivable, prepayments and deposits		5,600	8,606
Cash and bank balances		1,324,985	1,258,860
		<b>3,330,585</b>	3,267,466
<b>Current liabilities</b>			
Accounts payable and accrued charges		97,404	107,567
		<b>3,233,181</b>	3,159,899
<b>Net current assets</b>		<b>3,348,962</b>	33,094,750
<b>ASSETS LESS LIABILITIES</b>			
<b>EQUITY</b>			
Capital and reserves attributable to the Company’s shareholders			
Share capital	37	1,456,501	1,455,208
Share premium	39	13,061,007	13,019,604
Other reserves (note (a))		10,604,475	10,614,322
Retained profits (note (b))		8,226,979	8,005,616
<b>TOTAL EQUITY</b>		<b>33,348,962</b>	33,094,750

## NOTES TO THE FINANCIAL STATEMENTS

### 49 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

#### (a) Other reserves movement of the Company

	Contributed Surplus (note (i)) HK\$' 000	Share options reserve HK\$' 000	Capital redemption reserve (note (ii)) HK\$' 000	Total HK\$' 000
At 1 January 2019	10,427,515	176,231	10,576	10,614,322
Transfer to share premium (note 39)	–	(9,847)	–	(9,847)
<b>At 31 December 2019</b>	<b>10,427,515</b>	<b>166,384</b>	<b>10,576</b>	<b>10,604,475</b>
At 1 January 2018	10,427,515	416,592	10,576	10,854,683
Transfer to share premium (note 39)	–	(240,361)	–	(240,361)
At 31 December 2018	10,427,515	176,231	10,576	10,614,322

- (i) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of companies being acquired, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the companies acquired. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (ii) The capital redemption reserve arose from the purchase of the Company's shares for cancellation during 1998, 2002 and 2016 and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

#### (b) Retained profits movement of the Company

	2019 HK\$' 000	2018 HK\$' 000
At 1 January	8,005,616	7,883,064
Profit for the year	2,186,652	2,228,427
Dividends paid	(1,965,289)	(2,105,875)
At 31 December	8,226,979	8,005,616

## 50 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

### (a) Principal Subsidiaries

As at 31 December 2019, the Company held interests in the following subsidiaries which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ operation	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital	Indirect interest held	Notes
<b>Property Division – Mainland</b>					
Beijing Jia Ao Real Estate Development Co., Ltd.	PRC	Property investment	US\$77,967,600	71.25%	(6)(9)
Beijing Kerry Hotel Co., Ltd.	PRC	Hotel ownership and operation	US\$33,000,000	71.25%	(6)(9)
Beijing Kerry Huayuan Real Estate Development Co., Ltd.	PRC	Property trading	RMB68,500,000	71%	(3)(6)(9)
Excellent (Beijing) Management Consultancy Ltd.	PRC	Investment holding and management	RMB100,000	100%	(3)(5)(9)
Full Fortune Real Estate (Putian) Co., Ltd.	PRC	Property trading	RMB500,000,000	60%	(3)(5)
Grand Glory Real Estate (Wuhan) Co., Ltd.	PRC	Property development	RMB6,700,000,000	100%	(3)(5)
Grand Luck Real Estate (Fuzhou) Co., Ltd.	PRC	Property development	RMB2,600,000,000	100%	(3)(5)
Great Universe Development (Shenzhen) Co., Ltd.	PRC	Property development	RMB2,800,000,000	70%	(5)
Hong Kong Shanghai Development Co Limited	HK	Investment holding	HK\$8,000,000	75%	
Huilong Real Estate (Hangzhou) Co., Ltd.	PRC	Property development	RMB200,000,000	100%	(3)(5)(9)
Huiyao Real Estate (Hangzhou) Co., Ltd.	PRC	Property trading and development	RMB1,240,000,000	100%	(3)(5)(9)
Jian'an Real Estate (Kunming) Co., Ltd.	PRC	Property development	RMB400,000,000	55%	(3)(5)(9)
Kerry Cao Jia Yan Properties (Shanghai) Co., Ltd.	PRC	Property investment and trading	US\$5,000,000	100%	(3)(5)
Kerry Centre Real Estate (Shenzhen) Co. Ltd.	PRC	Property investment	HK\$1,500,000	100%	(3)(5)(9)
Kerry Development (Chengdu) Ltd.	PRC	Property trading	RMB10,000,000	55%	(3)(5)(9)
Kerry Development (Manzhouli) Co., Ltd.	PRC	Property trading	US\$6,800,000	100%	(3)(5)
Kerry Development (Shanghai) Co., Ltd.	PRC	Property investment	US\$2,500,000	100%	(3)(5)
Kerry Development (Shenzhen) Co., Ltd.	PRC	Property investment	HK\$708,350,000	100%	(3)(5)(9)
Kerry Huafeng Property Development (Hangzhou) Co., Ltd.	PRC	Property trading	HK\$35,000,000	100%	(3)(5)
Kerry Properties (China) Investment Co., Ltd.	PRC	Provision of consultancy services	RMB53,626,513.09	100%	(3)(5)
Kerry Properties (China) Limited	HK	Investment holding and provision of administrative support services	HK\$10,000,000,000	100%	
Kerry Properties (Shenzhen) Co., Ltd.	PRC	Property trading	HK\$1,500,000	100%	(3)(5)(9)
Kerry Properties Development Management (Shanghai) Co., Ltd.	PRC	Real estate and project management	RMB8,962,190	100%	(5)(9)
Kerry Real Estate (Hangzhou) Co. Ltd.	PRC	Property investment, trading and hotel ownership and operation	US\$425,750,000	75%	(5)
Kerry Real Estate (Nanchang) Co., Ltd.	PRC	Property trading and development	RMB800,000,000	80%	(3)(5)
Kerry (Shenyang) Real Estate Development Co., Ltd.	PRC	Property investment, trading and development	RMB2,687,500,000	60%	(3)(5)
Lucky Billion Development (Qinhuangdao) Co., Ltd.	PRC	Property trading and development	RMB1,617,000,000	60%	(3)(5)(9)
Million Palace Development (Shenzhen) Co., Ltd.	PRC	Property trading and development	RMB3,980,000,000	100%	(5)(9)
Risenland Development (Fuzhou) Co., Ltd.	PRC	Property investment	HK\$1,500,000	100%	(3)(5)
Shanghai Gang Hu Properties Co., Ltd.	PRC	Property investment and trading	US\$90,000,000	74.25%	(3)(6)
Shanghai Ji Xiang Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US\$311,250,000	51%	(5)
Shanghai Kerry Real Estate Development Co., Ltd.	PRC	Property investment	US\$250,000	55.20%	(3)(6)
Shanghai Xin Ci Hou Properties Co., Ltd.	PRC	Property investment	US\$60,000,000	74.25%	(6)
Shangri-La Hotel (Shenyang) Co., Ltd.	PRC	Hotel ownership and operation	RMB700,000,000	60%	(3)(5)
Sheng Xiang Real Estate (Shenyang) Co., Ltd.	PRC	Property development	RMB1,200,000,000	60%	(3)(5)

# NOTES TO THE FINANCIAL STATEMENTS

## 50 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

### (a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital	Indirect interest held	Notes
<b>Property Division – Mainland (Continued)</b>					
Wealthy Plaza Development (Chengdu) Ltd.	PRC	Property trading	RMB150,000,000	55%	(3)(5)(9)
Well Fortune Real Estate (Putian) Co., Ltd.	PRC	Property development	RMB200,000,000	60%	(3)(5)
Xiang Heng Real Estate (Jinan) Co., Ltd.	PRC	Property investment, trading and hotel ownership and operation	RMB600,000,000	55%	(3)(5)
Ying He Company Limited	HK	Investment holding	HK\$10 HK\$21,000,000 <sup>(2)</sup>	100%	
Yong Yu Real Estate (Nanjing) Co., Ltd.	PRC	Property trading	RMB1,350,000,000	100%	(3)(5)(9)
Zhengzhou Yuheng Real Estate Co., Ltd.	PRC	Property development	RMB600,000,000	55%	(3)(5)
<b>Property Division – Hong Kong</b>					
All First Investments Limited	BVI / HK	Property investment	US\$2	100%	
Asia Insight Investments Limited	HK	Restaurant operation	HK\$1	100%	
Best Insight Limited	HK	Property investment	HK\$1	100%	
Bethan Company Limited	HK	Property trading	HK\$2	100%	
Classic Gold Holdings Limited	HK	Property trading	HK\$1	100%	
Crystal Link Holdings Limited	HK	Property trading	HK\$1	100%	
Crystal Talent Limited	HK	Property investment	HK\$1	100%	
Fine Century Holdings Limited	HK	Restaurant operation	HK\$1	100%	
Fortune Mega Investments Limited	BVI / HK	Investment holding	US\$1	100%	
Golden Concord Properties Limited	HK	Property trading	HK\$1	100%	
Interseed Company Limited	HK	Property trading	HK\$2	100%	
Kerry D.G. Warehouse (Kowloon Bay) Limited	HK	Warehouse ownership	HK\$20,000,000	100%	
Kerry Properties (H.K.) Limited	HK	Investment holding and provision of administrative support services	HK\$1,000 HK\$200,000,000 <sup>(2)</sup>	100%	
Kerry Properties (Macau) Limited	Macau	Property development	MOP1,000,000	71%	
Kerry Warehouse (Chai Wan) Limited	HK	Warehouse ownership	HK\$10,000,000	100%	
Kerry Warehouse (Shatin) Limited	HK	Warehouse ownership	HK\$10,000,000	100%	
Kildare Limited	HK	Property trading	HK\$2	100%	
Mable Road Company Limited	HK	Property investment	HK\$10 HK\$10,000 <sup>(2)</sup>	100%	
Magnifair Company Limited	HK	Property trading	HK\$10,000	100%	
Mani Holdings Limited	HK	Property investment	HK\$1	100%	
Many Treasure Limited	HK	Property investment	HK\$1	100%	
Maple Crest Development Limited	BVI / HK	Recreation park operation	US\$120	75%	
MegaBox Development Company Limited	HK	Property investment	HK\$2	100%	
MegaBox Management Services Limited	HK	Property management	HK\$2	100%	
Mid-Levels Portfolio (Aigburth) Limited	Cook Islands / HK	Property investment	US\$9	100%	
Mid-Levels Portfolio (Branksome) Limited	HK	Property investment	HK\$1,000	100%	
Mid-Levels Portfolio (Gladdon) Limited	HK	Property investment	HK\$1,000	100%	
Mid-Levels Portfolio (Tavistock) Limited	HK	Property investment	HK\$1,000	100%	
Mid-Levels Portfolio (Valverde) Limited	HK	Property trading	HK\$1,000	100%	

## 50 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

### (a) Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Principal activities	Issued share capital <sup>(1)</sup> / Registered capital	Indirect interest held	Notes
<b>Property Division – Hong Kong (Continued)</b>					
NMC 6 Limited	BVI / HK	Property development	US\$1	100%	
NMC 7 Limited	BVI / HK	Property investment	US\$1	100%	
NMC 8 Limited	BVI / HK	Property trading	US\$1	100%	
NMC 9 Limited	BVI / HK	Property investment	US\$1	100%	
Norminster Limited	HK	Property investment	HK\$1,000	100%	
Pettico Limited	HK	Provision of financial services	HK\$20	100%	
Precise Skill Investments Limited	HK	Provision of financial services	HK\$1	71%	
Prismatic Limited	HK	Property trading and investment	HK\$20	100%	
Right Century Investments Limited	HK	Property trading	HK\$1	100%	
Rink Management Group Limited	HK	Ice rink operation	HK\$1,000,000	100%	
Senworld Investment Limited	HK	Property trading	HK\$2	100%	
Smart Value Investments Limited	HK	Property development	HK\$1	100%	
Sociedade de Investimento Imobiliário Tim Keng Van, S.A.	Macau	Property development	MOP1,000,000	100%	(3)
Taskan Limited	HK	Property trading	HK\$2	100%	
Trebanos Investment Company Limited	HK	Investment holding	HK\$2	100%	
Wealthy State Investments Limited	HK	Property investment	HK\$1	100%	
<b>Property Division – Overseas</b>					
Shang Properties (Pvt) Ltd	Sri Lanka	Property development	LKR1,000	80%	
<b>Other Divisions</b>					
Apex Ally Limited	HK	Group financing	HK\$1	100%	
Dragon Fame Limited	HK	Group financing	HK\$1	100%	
Kerry Project Management (H.K.) Limited	HK	Project management	HK\$300,000	100%	
Kerry Properties (Beijing) Development Co. Ltd.	PRC	Project management and investment holding	RMB5,000,000	100%	(3)(5)(9)
Kerry Property Management Services Limited	HK	Property management	HK\$20	100%	
Kerry Real Estate Agency Limited	HK	Estate agency	HK\$2	100%	
Perfect Delight Limited	HK	Group financing	HK\$1	100%	
Thinkwise Technovation Limited	HK	IT system and consulting services	HK\$1	100%	
Twickenham Limited	HK	Group financing	HK\$1	100%	
Upsmart Investments Limited	HK	Provision of administrative support services	HK\$2	100%	
Win House Industries Limited	HK	Provision of construction work	HK\$1,000,000	100%	
Wiseyear Holdings Limited	BVI / HK	Group financing	US\$1	100%	

# NOTES TO THE FINANCIAL STATEMENTS

## 50 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

### (b) Principal Associates and Joint Ventures

As at 31 December 2019, the Company held interests in the following associates and joint ventures which are categorised according to the business divisions of the Group, namely, Property Division and Other Divisions as listed below:

Name	Place of incorporation/ operation	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
<b>Associates</b>					
<b>Property Division – Mainland</b>					
Hengyun Real Estate (Tangshan) Co., Ltd.	PRC	Property trading	RMB561,000,000	40%	(3)(5)
Ningbo Ruifeng Real Estate Co., Ltd.	PRC	Property trading	RMB8,000,000	50%	(3)(5)
Ruihe Real Estate (Tangshan) Co., Ltd.	PRC	Hotel ownership and operation	RMB600,000,000	40%	(3)(5)
Shanghai Pudong Kerry City Properties Co., Ltd.	PRC	Property investment, hotel ownership and operation	US\$171,361,400	40.80%	(6)(9)
Shangri-La Hotel (Nanjing) Co., Ltd.	PRC	Hotel ownership and operation	RMB750,000,000	45%	(3)(5)
Tianjin Kerry Real Estate Development Co., Ltd.	PRC	Property investment, trading and development, hotel ownership and operation	RMB2,261,250,000	49%	(3)(5)
<b>Property Division – Hong Kong</b>					
Capital Faith (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Cardiff Investments Limited	HK	Investment holding	Ordinary	30%	(3)
Century Link (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Cheerjoy Development Limited	HK	Property trading	Ordinary	35%	
Dragons Range Finance Company Limited	HK	Provision of financial services	Ordinary	40%	
Enterprico Investment Limited	HK	Loan financing	Ordinary	47.50%	(3)
Excel Wisdom Development Limited	HK	Property investment	Ordinary	47.37%	(3)
Fine Winner Holdings Limited	HK	Hotel ownership and operation	Ordinary	30%	
Grand Rise Investments Limited	HK	Property investment	Ordinary	47.37%	(3)
Harley Investments Limited	HK	Property investment	Ordinary	47.37%	(3)
Jet Fame (Hong Kong) Limited	HK	Property investment	Ordinary	47.37%	(3)
Joint Prospect Limited	HK	Property investment	Ordinary	47.37%	(3)
Kerry Hung Kai Warehouse (Cheung Sha Wan) Limited	HK	Warehouse operation	Ordinary	50%	(3)
Orient Field Holdings Limited	HK	Property investment	Ordinary	47.37%	(3)
Pembrooke Development Investments Limited	BVI / HK	Property trading	Ordinary Non-voting deferred	40%	
Sky Vision Development Limited	HK	Property investment	Ordinary	47.37%	(3)
Time Rank Limited	HK	Property trading	Ordinary	50%	(4)
Ubagan Limited	HK	Property investment	Ordinary	40%	
Union Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Victory Top Properties Limited	HK	Property investment	Ordinary	47.37%	(3)
Win Chanford Enterprises Limited	HK	Investment holding and property investment	Ordinary	47.37%	(3)
Wise Grand Limited	HK	Property investment	Ordinary	47.37%	(3)
Wolver Hollow Company Limited	HK	Warehouse ownership	Ordinary	50%	(3)
Wu Wing International Company, Limited	HK	Property trading and investment	Ordinary	45%	(3)(4)



## 50 GROUP STRUCTURE – PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

### (b) Principal Associates and Joint Ventures (Continued)

Name	Place of incorporation/ operation	Principal activities	Class of shares/ Registered capital	Indirect interest held unless denoted with*	Notes
<b>Property Division – Overseas</b>					
Phoenix Commercial Pte. Ltd.	Singapore	Property development	Ordinary	30%*	(3)
Phoenix Residential Pte. Ltd.	Singapore	Property development	Ordinary	30%*	(3)
Shang Properties, Inc.	Philippines	Property development, real estate management and investment holding	Common	34.61%	(7)
<b>Other Divisions</b>					
Kerry Logistics Network Limited	BVI (continued into Bermuda) / HK	Integrated logistics and international freight forwarding business	Ordinary	41.86%*	(7)
Western Harbour Tunnel Company Limited	HK	Tunnel operation and management	Ordinary	15%	(3)(4)(8)
<b>Joint Ventures</b>					
<b>Property Division – Mainland</b>					
Million Fortune Development (Shenzhen) Co., Ltd.	PRC	Property development	RMB3,500,000,000	25%	(5)
<b>Property Division – Hong Kong</b>					
High Crown Holdings Limited	HK	Property development	Ordinary	50%	
WCH Property Development Company Limited	HK	Property development	Ordinary	50%	

#### Notes:

- (1) all being ordinary shares and fully paid up except otherwise stated
- (2) non-voting deferred shares
- (3) companies not audited by PricewaterhouseCoopers
- (4) companies having a financial accounting period which is not coterminous with the Group
- (5) wholly foreign-owned enterprise
- (6) sino-foreign equity joint venture enterprise
- (7) listed company
- (8) significant influence is obtained by the Group through participation in the board of directors of this associate
- (9) English translation of name only

BVI British Virgin Islands

HK Hong Kong

PRC The People's Republic of China

## FIVE-YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are as follows:

	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Results</b>					
Revenue	<b>18,025,422</b>	21,433,216	35,548,123	12,990,536	10,392,897
Profit attributable to shareholders	<b>6,897,450</b>	7,499,295	9,242,116	6,537,258	5,529,963
<b>Assets and liabilities</b>					
Non-current assets	<b>147,341,417</b>	135,513,007	127,891,757	112,725,292	103,519,869
Net current assets	<b>10,707,114</b>	10,867,879	18,651,630	28,985,949	23,617,115
Total assets less current liabilities	<b>158,048,531</b>	146,380,886	146,543,387	141,711,241	127,136,984
Long-term liabilities and non-controlling interests	<b>(56,344,021)</b>	(48,839,922)	(52,193,931)	(58,966,834)	(45,783,625)
Shareholders' funds	<b>101,704,510</b>	97,540,964	94,349,456	82,744,407	81,353,359



