HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

香 港 小 輪 (集 團) 有 限 公 司

(Stock Code: 50)

Annual Report 2019

15 years+ 商界展關懷 caringcompany
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香港社會服務聯會頒發

90 HKF (since 1923)

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Forward-looking Statements

This Annual Report contains certain statements and terminologies that are forward-looking. These statements are made on the basis of the current beliefs, assumptions, expectations and projections of the Board of Directors of the Company. They are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Dr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive Directors:

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee

Independent Non-executive Directors:

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

AUDIT COMMITTEE

Mr. Ho Hau Chong, Norman *(Chairman)*
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

REMUNERATION COMMITTEE

Mr. Wu King Cheong *(Chairman)*
Dr. Lam Ko Yin, Colin
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina

NOMINATION COMMITTEE

Dr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

GROUP GENERAL MANAGER

Ir. Dr. Ho Chi Shing, David

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter

AUDITOR

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
OCBC Wing Hang Bank Limited
Mizuho Bank, Limited

REGISTERED OFFICE

98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

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Facsimile	:	(852) 2786 9001
Website	:	www.hkf.com
E-Mail	:	hkferry@hkf.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 50

SHARE REGISTRAR

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

DIRECTORS' PROFILE

Dr. Lam Ko Yin, Colin, *SBS, FCILT, FHKIoD, DB(Hon),* aged 68, was appointed on 1 July 1986, is the Chairman of the Company. Dr. Lam has over 46 years' experience in banking and property development. He is also a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is also a director of Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. He was awarded the Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region in 2017. Dr. Lam is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research, a Director of Fudan University Education Development Foundation and an honorary Court member of Hong Kong Baptist University. Dr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. Dr. Lam is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors.

Dr. Lam Ko Yin, Colin
Chairman

Mr. Li Ning, *BSc, MBA,* aged 63, was appointed on 20 October 1989, is an Executive Director of the Company. Mr. Li is also an Executive Director of Henderson Investment Limited, a listed public company. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr. Li is the son-in-law of Dr. Lee Shau Kee, a Non-executive Director of the Company.

Mr. Li Ning

Mr. Au Siu Kee, Alexander

Mr. Au Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB,* aged 73, was appointed as an Independent Non-executive Director on 17 January 2005 and re-designated as a Non-executive Director of the Company on 7 November 2005. Mr. Au was a well-known banker in Hong Kong and had more than 32 years' experience in local and international banking business, having been the Chief Executive Officer of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). He was an executive director and the chief financial officer of Henderson Land Development Company Limited ("Henderson Land") from December 2005 to June 2011. He stepped down from the position of chief financial officer and was re-designated as a non-executive director of Henderson Land on 1 July 2011. On 18 December 2012, Mr. Au was re-designated as an independent non-executive director of Henderson Land until his retirement on 2 June 2015. In December 2018, Mr. Au rejoined Henderson Land as an independent non-executive director. Mr. Au previously served as an independent non-executive director of The Wharf (Holdings) Limited until 23 November 2017. Currently, he is an independent non-executive director of Henderson Investment Limited and Wharf Real Estate Investment Company Limited, and a non-executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr. Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Mr. Lau Yum Chuen, Eddie

Mr. Lau Yum Chuen, Eddie, aged 73, was appointed on 5 May 1988, is a Non-executive Director of the Company. He has over 50 years of experience in banking, finance and investment. Mr. Lau is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and Miramar Hotel and Investment Company, Limited, both are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance.

Dr. the Hon. Lee Shau Kee, *GBM, DBA(Hon), DSSc(Hon), LLD(Hon),* aged 91, was appointed on 15 December 1981, is a Non-executive Director of the Company. He has been engaged in property development in Hong Kong for more than 60 years. Dr. Lee, the founder of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, was the Chairman and Managing Director of Henderson Land from 1976 to 28 May 2019, upon his retirement from such position. He continues to act as an Executive Director of Henderson Land after his stepping down as Chairman and Managing Director. He is also the Vice Chairman of Sun Hung Kai Properties Limited. Dr. Lee previously served as the Chairman of The Hong Kong and China Gas Company Limited and an Executive Director of Henderson Investment Limited until 28 May 2019 as well as a non-executive director of Miramar Hotel and Investment Company, Limited until 4 June 2019, all of which are listed public companies. Dr. Lee was awarded the Grand Bauhinia Medal (GBM) by the Government of the Hong Kong Special Administrative Region in 2007. He is a director of Pataca Enterprises Limited ("Pataca"), Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Pataca, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Dr. Lee is the father-in-law of Mr. Li Ning, an Executive Director of the Company.

Dr. the Hon. Lee Shau Kee

Mr. Ho Hau Chong, Norman, *BA, ACA, FCPA,* aged 64, was appointed on 28 March 1995, is an Independent Non-executive Director of the Company. Mr. Ho is a member of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company, Limited and has over 28 years of experience in management and property development. He is also a Director of Lee Hing Development Limited, Miramar Hotel and Investment Company, Limited, Vision Values Holdings Limited and Shun Tak Holdings Limited, all of which are listed public companies.

Mr. Ho Hau Chong, Norman

Ms. Wong Yu Pok, Marina

Ms. Wong Yu Pok, Marina, *JP,* aged 71, was appointed on 8 May 2008, is an Independent Non-executive Director of the Company. Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong is a member of a number of Government advisory and other bodies in Hong Kong, including The Dental Council of Hong Kong and was the Chairman of The Applied Research Council up to February 2017. Ms. Wong is the Vice-Chairman of the Hong Kong Federation of Women and a director of China Tibetan Children Health & Education Fund. An accountant by training, Ms. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. She is also an Independent Non-Executive Director of Kerry Properties Limited, Luk Fook Holdings (International) Limited, Kerry Logistics Network Limited and SJM Holdings Limited, all of which are listed public companies in Hong Kong. She ceased to act as an independent director of China World Trade Center Company Ltd. on 23 November 2016, a company listed on the Shanghai Stock Exchange.

Mr. Wu King Cheong

Mr. Wu King Cheong, *BBS, JP,* aged 69, was appointed as an Independent Non-executive Director of the Company on 17 January 2005. He is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. Mr. Wu is currently an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited, Miramar Hotel and Investment Company, Limited and Yau Lee Holdings Limited, all of which are listed public companies. Henderson Land has discloseable interests in the Company under the provisions of Part XV of the Securities and Futures Ordinance. Mr. Wu was awarded an Honorary Fellowship by Lingnan University in 2009.

SENIOR MANAGEMENT'S PROFILE

The Senior Management of the Company is as follows:

Ir. Dr. Ho Chi Shing, David	Group General Manager and General Manager – Ferry and Property Operations
Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Wong Kam Chuen, Terence	Deputy General Manager – Finance and Accounts
Mr. Yuen Wai Kuen, Peter	Company Secretary

Ir. Dr. Ho Chi Shing, David, *JP, DBA, FCILT, FHKIE, FCIM, FHKIoD, MPIA, MCIArb, MCIHT,* aged 63, joined the Company in 1981 and has been the Group General Manager since 1996. He has over 39 years of experience in ferry operations. Dr. Ho was appointed as a Justice of the Peace in 2013. He is presently a member of the Logistics Industry Training Advisory Committee, the Deputy Convener of Transportation & Logistics Industry Consultative Network of Employees Retraining Board, a Director of The Shipowners' Mutual Protection & Indemnity Association (Luxembourg), a Council Member of the Chartered Institute of Logistics and Transport in Hong Kong, the Chairman of Adventure-Ship, a board member of The Hong Kong Sea School, an Adjunct Professor at the College of Business of City University of Hong Kong and a member to the Review Committee of The Dental Council of Hong Kong. Dr. Ho has been extensively involved in works of the Vocational Training Council and was awarded VTC Honorary Fellow Award in 2007. He is currently the Chairman of the Transport and Logistics Training Board and the Chairman of Languages Discipline Advisory Board. Dr. Ho is also a General Committee Member and the Group 21 Chairman (Transport and Logistics Services Council) of the Federation of Hong Kong Industries.

Mr. Leung Shu Keung, Brian, *BA, CIA, CRMA, CFE, CBM, PgD,* aged 58, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 30 years of experience in accounting, auditing and management assurance.

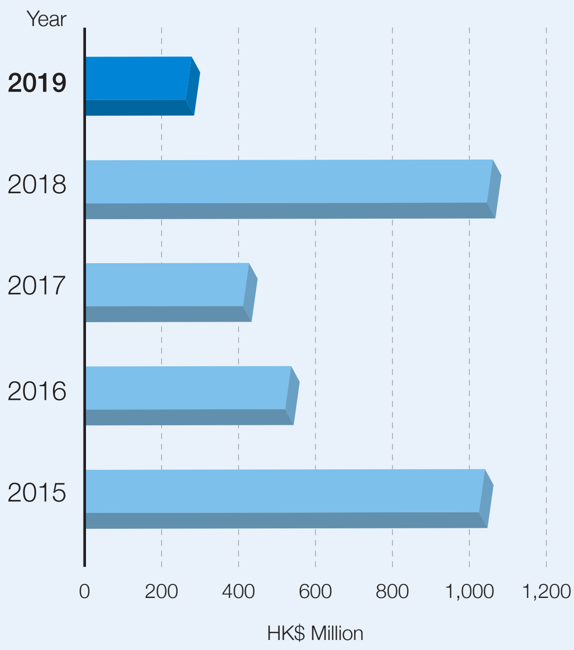
Mr. Wong Kam Chuen, Terence, *MCF, BA(Hons), FCCA, CPA, ACIS, ACS,* aged 51, has been the Deputy General Manager of Finance and Accounts Department of the Company since September 2013. He joined the Company in 1995 and has over 20 years of experience in accounting, auditing and corporate finance.

Mr. Yuen Wai Kuen, Peter, *BA(Hons), MBA, FCIS, FCS, FFA,* aged 61, has joined the Company in January 2005 and has been appointed Company Secretary of the Company on 1 April 2005. Mr. Yuen has over 20 years of experience in company secretarial, corporate advisory and general management.

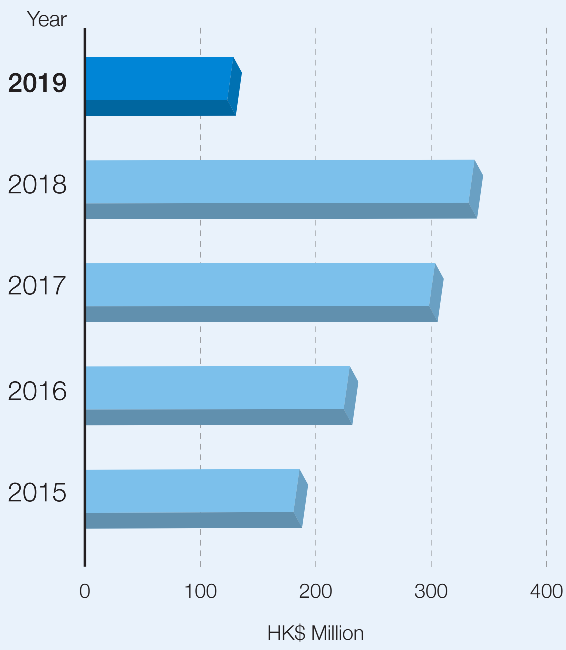
FINANCIAL HIGHLIGHTS

		2019	2018	Variance
Revenue	*HK$M*	**299**	1,089	-72.5%
Profit attributable to shareholders	*HK$M*	**136**	345	-60.6%
Dividends	*HK$M*	**135**	135	–
Shareholders' funds	*HK$M*	**6,133**	6,130	–
Basic earnings per share	*HK$*	**0.38**	0.97	-60.8%
Dividend per share	*HK$*	**0.38**	0.38	–
Dividend cover	*Times*	**1.0**	2.6	-61.5%
Return on equity	*%*	**2.2**	5.6	-60.7%
Net assets per share	*HK$*	**17.2**	17.2	–

Group Revenue



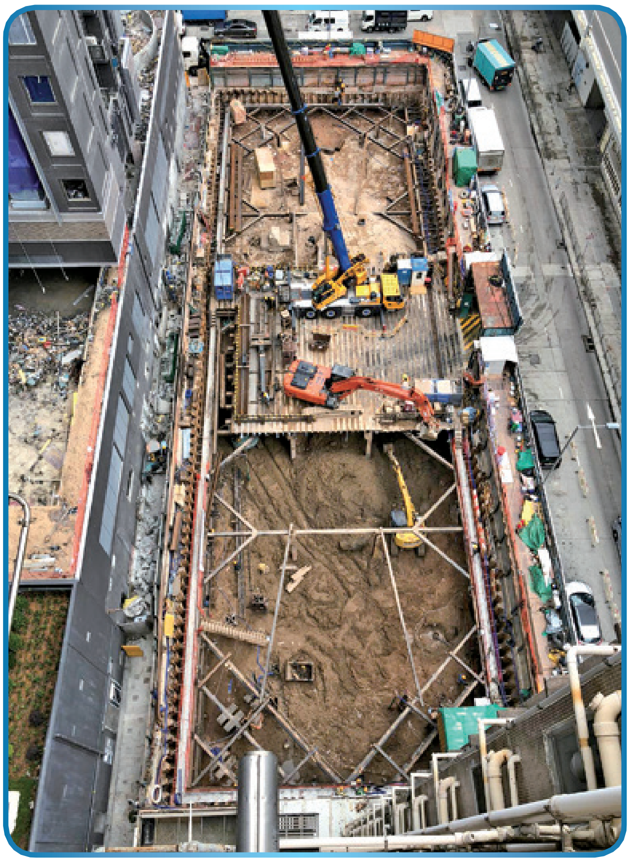
Profit attributable to shareholders



TUEN MUN TOWN LOT NO. 547

The construction of the Group's 50%/50% equity joint venture project with Empire Group located at Castle Peak Road – Castle Peak Bay, Area 48, Tuen Mun, New Territories (Tuen Mun Town Lot No. 547), has made good progress.

Project consists of six residential towers with sea or landscape views. The gross floor area of the project is about 663,062 square feet.



KWEILIN STREET/TUNG CHAU STREET REDEVELOPMENT PROJECT

In June 2018, the Group was awarded the contract for the Kweilin Street/Tung Chau Street redevelopment project in Sham Shui Po by the Urban Renewal Authority. The project is with a total gross floor area of about 144,345 square feet and the Group will be entitled to the residential gross floor area of about 97,845 square feet.

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders my report on the operations of the Group for the year ended 31 December 2019.

Dr. Lam Ko Yin, Colin
Chairman

BUSINESS RESULTS

All the residential units of the Group were completely sold in 2018. Due to the absence of profits from sale of residential properties, the Group's consolidated profit after taxation for the year ended 31 December 2019 decreased by 60% to approximately HK$136 million as compared with the same period of 2018. Earnings per share decreased correspondingly to HK$0.38. During the year under review, the profit for the Group was mainly derived from rental income from shops and commercial arcades.

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend for the year ended 31 December 2019 of HK28 cents per share (2018: HK28 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Friday, 29 May 2020, the final dividend will be paid on or about Thursday, 18 June 2020 to shareholders whose names appear on the register of members of the Company on Thursday, 11 June 2020. The final dividend, together with the interim dividend of HK10 cents per share has already paid, will make a total distribution of HK38 cents for the full year.

BUSINESS REVIEW

During the year under review, Hong Kong was hit by internal and external adversities which seriously hurt the economy. Hong Kong's export and re-export businesses have been impacted by the US-Sino trade war. Social activities have significantly reduced the number of tourists visiting Hong Kong, dragging down the tourism, hotel, retail and catering businesses. Poor turnover have resulted in the reduction of profits and in some cases losses. As a consequence, Hong Kong's economy has fallen by 3.2% quarter-to-quarter in the third quarter after a 0.5% decline in the second quarter of 2019, implying that Hong Kong has entered into a technical recession. Seasonally adjusted unemployment rate reached 3.4% by the end of last year, the highest level in the last three years.

All the residential units of the Group were completely sold in 2018. During the year under review, the profit for the Group was mainly derived from rental income from shops and commercial arcades. Despite the above-mentioned adverse factors, the Group's rental income during the year was not noticeably affected.

BUSINESS REVIEW (Continued)

Property Development and Investment Operations

During 2019, the gross rental income arising from the commercial arcades of the Group amounted to approximately HK$104 million. The commercial arcade of Metro6 was fully let at the end of 2019. The occupancy rate of the commercial arcades of Shining Heights and The Spectacle were 95% and 91% respectively. The occupancy rate of commercial arcades of Metro Harbour View and Green Code were 87% and 89% respectively. Besides, the profit arising from the sale of car parking spaces amounted to approximately HK$19 million.

Tuen Mun Town Lot No. 547

The construction of the Group's 50%/50% equity joint venture project with Empire Group located at Castle Peak Road – Castle Peak Bay, Area 48, Tuen Mun, New Territories (Tuen Mun Town Lot No. 547), has made good progress. The foundation works have been completed and the superstructure works have commenced. The project is expected to be completed by phases in 2022. The project under construction consists of six residential towers providing about 1,782 units with sea or landscape views. The gross floor area of the project is about 663,062 square feet.

Kweilin Street/Tung Chau Street, Sham Shui Po Redevelopment Project

In June 2018, the Group was awarded the contract for the Kweilin Street/Tung Chau Street redevelopment project in Sham Shui Po by the Urban Renewal Authority at a consideration of HK$1,029.2 million. The Group is responsible for the construction of the project with a total gross floor area of about 144,345 square feet. Upon development, the Group will be entitled to the residential gross floor area of about 97,845 square feet and the project is expected to be completed in 2023. The foundation works are expected to be completed in the first half year of 2020 and superstructure works will commence thereafter.

Green Code

Ferry, Shipyard and Related Operations

During the year under review, the Ferry, Shipyard and Related Operations recorded a loss of HK$5 million. The loss was mainly due to social activities leading to a significant decline of revenue in the Harbour Cruise – Bauhinia.

Securities Investment

During the year, a profit of HK$13 million in Securities Investment was recorded.

PROSPECTS

The novel coronavirus infection known as "COVID-19" has spread around the world since the end of last year, culminating in the World Health Organization declaring it a "pandemic" this month. Many countries have implemented travel bans. Various industrial and business sectors have been hard-hit with supply chains disrupted. The tourism, hotel and aviation industries have almost come to a standstill. Global concerns about an impending recession have caused stock markets worldwide to crash, led by the US. Hong Kong's economy has also been severely affected.

The epidemic is expected to cause adverse effects on all businesses of the Group in 2020, with the Harbour Cruise – Bauhinia particularly hard hit.

Following the launching of four rounds of relief measures last year, the Government of Hong Kong also announced the establishment of the HK$30 billion Anti-epidemic Fund in mid-February 2020. In late February 2020, the Government announced counter-cyclical measures involving more than HK$120 billion in the Budget, including the disbursement of HK$10,000 to all Hong Kong permanent residents aged 18 or above, a concessionary low-interest loan with Government guarantee for enterprises capped at HK$2 million, waiving of profits tax, salaries tax and tax under personal assessment each subject to a ceiling of HK$20,000, introduction of a fixed-rate Mortgage Pilot Scheme up to HK$10 million each to homebuyers, funding of HK$700 million for the Hong Kong Tourism Board to step up promotion, waiving rates for residential properties subject to a ceiling of HK$1,500 per quarter, and other relevant measures. As it is pre-mature to assess whether the epidemic can be controlled in the next few months in Hong Kong and around the world, or whether there will be a second wave, the economy of Hong Kong is forecast to continue to decline and unemployment rate will further rise. Small and medium-sized businesses will continue to face difficulties. With the decrease in demand for shops and retail space, rentals will fall. Many shop and retail space owners have already agreed to provide relief measures in reducing rentals. The Group will also take appropriate actions to assist tenants in need of assistance to sail through the difficulties.

The rental income from the shops and commercial arcades will be the main source of profit for the coming year. Tuen Mun and Kweilin Street/Tung Chau Street residential projects are expected to be sold by phases in 2020 and 2021 respectively.

ACKNOWLEDGEMENT

The Board has been informed by Dr. Lee Shau Kee, Non-executive Director of the Company that he, being advanced in age, has decided not to offer himself for re-election as Director at the conclusion of the forthcoming Annual General Meeting to be held on 29 May 2020.

On behalf of the shareholders and the Board, I would like to take this opportunity to express our deep appreciation to Dr. Lee for his contributions during his tenure of office as director of the Company. I would also like to thank all our staff for their dedication and hard work during the year.

Dr. Lam Ko Yin, Colin
Chairman

Hong Kong, 19 March 2020

The following comments should be read in conjunction with the Audited Consolidated Financial Statements of the Company and the related notes to the financial statements.

REVIEW OF RESULTS

The Group's revenue for the year amounted to approximately HK$299 million, representing a decrease of 73% when compared to the previous year. This was mainly attributed to the fact that no residential units were sold during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2019, shareholders' funds of the Group showed a mild increase of around 0.1% as compared to the previous year and amounted to approximately HK$6,133 million. The increase was mainly due to the net effect of the profit realised from property leasing and sales, the gains on revaluation of the Group's investment properties and the payment of dividends.

There was no change to the capital structure of the Group during the year. Funding for the Group's activities during the year under review was mainly generated from the sale of the Group's properties and other operations.

Current assets of the Group were recorded at approximately HK$2,481 million and the current liabilities were approximately HK$180 million as of 31 December 2019. Current ratio of the Group had been increased to 13.8 as at 31 December 2019, mainly attributed to the increase in cash and bank balances.

CHARGE OF ASSETS

As at 31 December 2019, shares in the Joint Venture Company were charged to secure the loan facility made available by banks to the Joint Venture Company. Details of the loan facility, the relevant guarantees granted and the securities provided are set out in note 27 on page 151 and note 28(b)(xi) on page 157 to the financial statements of this Annual Report.

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no borrowing as at 31 December 2019, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar.

EMPLOYEES

As at 31 December 2019, the number of employees of the Group stood at about 210 (2018: about 220). Total employees' costs for the year amounted to approximately HK$93 million. The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies.

Harbour Park

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 December 2019.

PRINCIPAL PLACE OF BUSINESS

Hong Kong Ferry (Holdings) Company Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development, property investment, ferry, shipyard and related businesses and securities investment.

The analysis of the principal activities of the Company and its subsidiaries (the "Group") during the financial year are set out in note 3 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year is provided in Management Discussion and Analysis on page 13 and Chairman's Statement on pages 10 to 12 of this Annual Report. A discussion on the Group's future business development is provided in the Chairman's Statement on pages 10 to 12 of this Annual Report. Description of the principal risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 10 to 12 and the sub-section of Risk Management and Internal Controls on pages 32 to 35 of Corporate Governance Report of this Annual Report. Financial risk management of the Group can be found in note 24 to the financial statements on pages 146 to 149 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 8 and Five Years' Financial Summary on pages 160 to 162 of this Annual Report respectively.

Discussions on the Group's environmental policies and performance, relationships with its key stakeholders which have a significant impact on the Group are contained in Environmental, Social and Governance Report on pages 39 to 68 of this Annual Report. These discussions form part of this Report of the Directors.

Discussion on Environmental Policies and Performance

The Hong Kong Ferry Group is devoted to integrating sustainable practices in its operations to contribute to a better future. We constantly search for opportunities to enhance our resource conservation and to minimise negative impacts on the environment. Since 2011, our two fuel-intensive subsidiaries have undergone carbon audits conducted under the Energy and Carbon Management Programme. At our Principal Office, we commission environmental consultants to monitor our energy usage and explore energy savings solutions. Our property development and investment businesses incorporate sustainability features from the beginning of our projects in the design and construction phases, and conduct energy-simulation modelling studies to identify the most optimal energy-saving approaches.

In response to the growing severity of climate change impacts, the Group aims to reduce greenhouse gases ("GHG") emissions in our operations through technological upgrades and energy optimisation. We have installed wall-mounted solar lights at the carpark and solar panels at the Shipyard pontoon to further reduce our electricity consumption. The Dangerous Goods Vehicular Ferry Services started a trial for an ultrasonic anti-fouling system which aims to avoid increased friction and drag on the hull thereby improving fuel efficiency.

The Group has made great strides in maintaining air quality within the harbour and the shared community around it. After the completion of our self-initiated and voluntary vessel engine and generator replacement programme, we plan to operate our dangerous goods vehicular ferries using diesel with 0.001% sulphur content starting from 2020 onwards. To augment our water conservation efforts, we installed automated water faucets and water-saving aerators in the restrooms within our Principal Office and Harbour Cruise – Bauhinia operations.

BUSINESS REVIEW (Continued)

Discussion on Environmental Policies and Performance (Continued)

We work hard to ensure waste materials and other useful resources are reused, recovered and recycled whenever possible, before the consideration of landfill disposal. This year, we introduced the "SmartWasher", an environmentally friendly washing machine with reusable cleaning agents which neutralise contaminants and can be used repeatedly. This innovative technology helps our shipyard reduce the use of traditional detergents and avoid the discharge of hazardous wastewater.

Account of Key Relationships with Employees, Customers and Suppliers

The Group seeks to cultivate positive relationships with our key stakeholder groups by upholding the highest standards of business ethics and taking their interests into full account. We regularly engage and communicate with our employees, customers and suppliers and respond in a timely manner to address their needs and concerns.

Employees

The Group is steadfast in providing a supportive, inclusive, caring and safe work environment, with a strong emphasis on equal opportunities, and a fair and transparent recruitment process. All relevant anti-discrimination and personal data protection regulations are strictly observed. Our employees are remunerated with competitive salaries and benefits commensurate with work experience and job duties. We continue to provide apprenticeship and engineer training programmes to new joiners in order to strengthen our talent pipeline and succession planning at our shipyard workshop and ferry operations. To support staff learning and development, the Group encourages our employees to pursue different interests and offers internal and external opportunities to realise their full potential. We ensure our work environments are free from any potential occupational health and safety hazards. At shipyard and property development operations, committees were established to oversee occupational health and safety measures and initiatives. Regular inspections are carried out by our Safety Officer to ensure safe operational practices and identify areas for rectification as appropriate.

Customers

The Group aspires to provide efficient, professional and quality services to satisfy customers' needs. To gather their thoughts and suggestions, we conduct regular customer satisfaction surveys and review detailed client feedback from the Service Evaluation Record. Analysing customer engagement data helps the Group to improve performance and develop business strategies which align with customer expectations. Our Ferry, Shipyard and Harbour Cruise – Bauhinia operations adopt the internationally recognised ISO 9001:2015 Quality Management Systems, to ensure accountability for our quality standards. We operate with a high level of business ethics and product responsibility, and strictly comply with all relevant intellectual property rights and customer data privacy regulations. To proactively address potential regulatory risks that may significantly affect our business, Harbour Cruise – Bauhinia has changed the data collection statement on its website from passive consent to active consent according to the General Data Protection Regulation's user consent requirements.

Suppliers

To demonstrate corporate responsibility, the Group extends its sustainability values throughout our supply chain. Our Code of Conduct provides guidance for fair and open procurement and tendering procedures, and ensures impartial and unbiased selection of competent suppliers and contractors. Through our Supplier Evaluation Report and Supplier Performance Review, we assess the suitability and performance of our suppliers and contractors regularly. These appraisals allow us to maintain our consistent service quality. At our property development operations, we work closely with our contractors to ensure safety compliance, promote industry safety best practices and spread occupational safety messages to all workers on our project sites. All suppliers and contractors must comply with all local environmental, employment and safety related regulations.

BUSINESS REVIEW (Continued)

Compliance Status with Relevant Laws and Regulations that have a Significant Impact on the Business

During the reporting year, there were no reported cases of non-compliance with applicable laws and regulations in Hong Kong on the environment, labour standards, occupational health and safety, anti-corruption, customer privacy and intellectual property that have a significant impact on the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's purchases attributable to the major suppliers during the year is as follows:

	Percentage of the Group's total purchases
The largest supplier	47.7%
Five largest suppliers in aggregate	61.6%

No analysis in respect of the Group's major customers is shown as the percentage of revenue attributable to the Group's five largest customers is less than 30%.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

SUBSIDIARIES

Details of the principal subsidiaries of the Company at 31 December 2019 are set out in note 12 to the financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the financial statements on pages 75 to 159.

An interim dividend of HK10 cents per share (2018: HK10 cents per share) was paid on 26 September 2019. The Board of Directors (the "Board") has recommended the payment of a final dividend for the year ended 31 December 2019 of HK28 cents per share (2018: HK28 cents per share). Subject to shareholders' approval at the annual general meeting to be held on Friday, 29 May 2020 (the "2020 annual general meeting"), the final dividend will be paid on or about Thursday, 18 June 2020 to shareholders whose names appear on the register of members of the Company on Thursday, 11 June 2020.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$2,930 (2018: HK$28,070).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements.

DIRECTORS

The directors of the Company during the year ended 31 December 2019 and up to the date of this report were:

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman of the Board)*
Mr. Li Ning

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

A list of the names of the Directors of the Group's subsidiaries is available on the website of the Company (www.hkf.com).

In accordance with Article 103(A) of articles of association of the Company (the "Articles of Association") and Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Dr. Lam Ko Yin, Colin, Mr. Lau Yum Chuen, Eddie and Dr. Lee Shau Kee shall retire from the Board by rotation at the 2020 annual general meeting. Dr. Lee Shau Kee, being advanced in age, has decided to retire as a Non-executive Director of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company to be held on 29 May 2020 and will not offer himself for re-election while other retiring Directors, Dr. Lam Ko Yin, Colin and Mr. Lau Yum Chuen, Eddie, being eligible, offer themselves for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all of them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details, of Directors and Senior Management are set out in the Directors' and Senior Management's Profile on pages 3 to 7 of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of Directors' and Chief Executive's emoluments are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the "Connected Transactions" as disclosed in this report, no other transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the 2020 annual general meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment other than statutory compensation.

PERMITTED INDEMNITY PROVISION

According to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities to the fullest extent permitted by the Companies Ordinance, Chapter 622 of the Laws of Hong Kong which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 31 December 2019, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 of Hong Kong Limited pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Interests

	THE COMPANY				
	Personal Interests *Number of Shares*	**Corporate Interests** *Number of Shares*	**Family Interests** *Number of Shares*	**Total Interests** *Number of Shares*	**Approximate percentage of the total number of issued shares**
Dr. Lam Ko Yin, Colin	150,000	–	–	150,000	0.04%
Mr. Au Siu Kee, Alexander	–	–	–	–	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	–	–	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	–	–	–	–	0.00%
Dr. Lee Shau Kee	799,220	119,017,090 *(Note 5 on page 20)*	–	119,816,310	33.63%
Mr. Li Ning	–	–	119,017,090 *(Note 4 on page 20)*	119,017,090	33.41%
Ms. Wong Yu Pok, Marina	–	–	–	–	0.00%
Mr. Wu King Cheong	–	–	–	–	0.00%

	2OK COMPANY LIMITED	
	Corporate Interests *Number of Shares*	**Family Interests** *Number of Shares*
Dr. Lee Shau Kee *(Note 1)*	5	–
Mr. Li Ning *(Note 2)*	–	5

	WINWIDE LIMITED	
	Corporate Interests *Number of Shares*	**Family Interests** *Number of Shares*
Dr. Lee Shau Kee *(Note 3)*	70	–
Mr. Li Ning *(Note 4)*	–	70

DISCLOSURE OF INTERESTS (Continued)

Directors' Interests in Securities (Continued)

Interests (Continued)

Notes:

1. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owned the remaining 50% interest) were beneficially owned by wholly-owned subsidiaries of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of the respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 5 shares in 2OK Company Limited.

2. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

3. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest and HD had the remaining 60% indirect interest. HD beneficially owned more than one-third of the total number of issued shares of HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of the respective discretionary trusts held units in the Unit Trust. Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 70 shares in Winwide Limited.

4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2019.

SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 31 December 2019, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	Number of shares in which interested	Approximate percentage of the total number of issued shares
Substantial Shareholders		
Henderson Land Development Company Limited *(Note 1)*	119,017,090	33.41%
Pataca Enterprises Limited *(Note 1)*	119,017,090	33.41%
Wiselin Investment Limited *(Note 1)*	48,817,090	13.70%
Henderson Development Limited *(Note 2)*	119,017,090	33.41%
Hopkins (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Rimmer (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Riddick (Cayman) Limited *(Note 3)*	119,017,090	33.41%
Mr. Li Ning *(Note 4)*	119,017,090	33.41%
Dr. Lee Shau Kee *(Note 5)*	119,816,310	33.63%
Persons other than Substantial Shareholders		
Graf Investment Limited *(Note 1)*	23,400,000	6.57%
Mount Sherpa Limited *(Note 1)*	23,400,000	6.57%
Paillard Investment Limited *(Note 1)*	23,400,000	6.57%

Notes:

1. These 119,017,090 shares included the 48,817,090 shares, 23,400,000 shares, 23,400,000 shares and 23,400,000 shares respectively beneficially owned by Wiselin Investment Limited, Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were subsidiaries of Pataca Enterprises Limited which in turn was a subsidiary of Henderson Land Development Company Limited ("HLD").

2. These 119,017,090 shares are duplicated in the interests described in Note 1. Henderson Development Limited ("HD") beneficially owned more than one-third of the total number of issued shares of HLD.

3. These 119,017,090 shares are duplicated in the interests described in Notes 1 and 2. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of the respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.

4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 119,017,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 119,017,090 shares are duplicated in the interests described in Notes 1, 2 and 3.

5. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 119,017,090 shares which are duplicated in the interests described in Notes 1, 2 and 3. Together with his personal shareholding of 799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,816,310 shares (approximately 33.63% of the total number of issued shares of the Company) as at 31 December 2019.

Save as disclosed, as at 31 December 2019, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

RESERVES

Profits attributable to shareholders, before dividend, of HK$136,416,000 (2018: HK$344,643,000) have been transferred to reserves. Other movements in reserves during the year are set out in note 23 to the financial statements.

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

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

ARRANGEMENT TO PURCHASE SHARES, WARRANTS, OPTIONS OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors, chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares, options, debentures or warrants of the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2019, the Company has not entered into any equity-linked agreements.

FINANCIAL SUMMARIES

The five years' financial summary of the Group are set out on pages 160 to 162 of this Annual Report.

GROUP PROPERTIES

A summary of the Group's properties is set out on pages 163 and 164 of this Annual Report.

RETIREMENT PLANS

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement plans are set out in note 16 to the financial statements.

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES

As at 31 December 2019, the Group had granted financial assistance and a guarantee to Win Standard Enterprises Limited, the Joint Venture Company held indirectly by the Company as to 50% and Empire Development Hong Kong (BVI) Limited ("Empire Group") as to 50% as set out below:

	Group's attributable interest	Amount of advances made by the Group *Note 1* *HK$'000*	Guarantee given for the Joint Venture Company in respect of a bank facility *Note 2* *HK$'000*	Total financial assistance made available by the Group *HK$'000*
The Joint Venture Company	50%	1,391,012	1,500,000	2,891,012

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF THE LISTING RULES (Continued)

Notes:

1. Such advances were funded (in proportion to the Group's 50% equity interest in the Joint Venture Company) by the Group's internal resources and from its cash deposits, to finance the payment of the land premium of HK$2,708,800,000 and professional fees incurred in relation to the acquisition of Tuen Mun Town Lot No. 547 located at Castle Peak Road – Castle Peak Bay, Area 48, Tuen Mun, New Territories, Hong Kong (the "Land") from the Government by public tender.

2. In May 2017, a loan facility agreement was entered into among, among others, the Joint Venture Company (as borrower), the Company (as guarantor), a subsidiary of Empire Group (as guarantor and obligor), and the financial institutions named therein (as lenders) in relation to a term loan facility in the aggregate principal amount of HK$3,000,000,000 for the purpose of financing and refinancing the demolition cost, construction cost and professional fees in relation to the development on the Land and the selling and marketing expenses in relation thereto. The loan facility is secured by, among others, a corporate guarantee granted by the Company in respect of 50% of the loan facility.

The advances made by the Group to the Joint Venture Company consisted of an amount due from the Joint Venture Company and a loan to the Joint Venture Company. The amount due from the Joint Venture Company was unsecured, interest-bearing at a rate to be agreed between the Group and Empire Group and have no fixed terms of repayment (subject to the deed of subordination and assignment in favour of the lenders of the loan facility). The loan to the Joint Venture Company was unsecured, interest-bearing at a rate to be agreed between the Group and Empire Group and recoverable on demand (subject to the deed of subordination and assignment in favour of the lenders of the loan facility).

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of the Company's affiliated companies (as defined in the Listing Rules) with financial assistance from the Group and the Group's attributable interest in those affiliated companies as at 31 December 2019 are presented as follows:

	Combined statement of financial position *HK$'000*	Group's attributable interests *HK$'000*
Non-current assets	11,464	5,732
Current assets	3,053,008	1,526,504
Current liabilities	(102,646)	(51,323)
Total assets less current liabilities	2,961,826	1,480,913
Non-current liabilities	(2,977,071)	(1,488,536)
Net liabilities	(15,245)	(7,623)

The combined statement of financial position of the Company's affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 31 December 2019.

CONNECTED TRANSACTIONS

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 28 to the financial statements.

Continuing Connected Transactions

For the year ended 31 December 2019 and up to the date of this Annual Report, the Company and/or its subsidiaries have been entered into certain continuing connected transactions, with details below, which were subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules:

Date	Connected Persons	Transactions
23 June 2017	Citistore (Hong Kong) Limited ("Citistore"), an indirectly non-wholly owned subsidiary of Henderson Land Development Company Limited ("HLD"), and Henderson Real Estate Agency Limited ("HREAL"), a wholly-owned subsidiary of HLD	The Group (by HREAL as agent) as landlord entered into a renewal offer letter B (the "Renewal Offer Letter B") with Citistore as tenant in respect of the leasing of Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza ("MHP"), Tai Kok Tsui, Kowloon, Hong Kong ("Premises 3") for a term of three years commencing from 1 July 2017 to 30 June 2020. Details of the Renewal Offer Letter B were set out in the announcement of the Company dated 23 June 2017.
22 June 2018	Citistore and HREAL	The Group (by HREAL as agent) as landlord entered into a 2018 renewal offer letter A (the "2018 Renewal Offer Letter A") with Citistore as tenant in respect of the leasing of Shop Nos. G01, Portion of G31, G37-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, MHP ("Premises 1") and Bridge area on Level 1, MHP ("Premises 2") for a term of two years commencing from 1 July 2018 to 30 June 2020. The aggregate rentals, management fees, air-conditioning charges, promotional levy and other miscellaneous charges (exclusive of Government rates) under the 2018 Renewal Offer Letter A and the Renewal Offer Letter B, subject to the revised annual ceiling of HK$15,000,000 for the year ended 31 December 2019. Details of the 2018 Renewal Offer Letter A and the revision of annual caps were set out in the announcement of the Company dated 22 June 2018.

Details of the above continuing connected transactions are set out in note 28 to the financial statements.

CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

The Independent Non-executive Directors of the Company have reviewed and confirmed that the above continuing connected transactions for the year ended 31 December 2019 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor 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. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 23 and 24 of this Annual Report 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 of Hong Kong Limited.

The auditor of the Company have also confirmed to the Board in writing that the above continuing connected transactions for the year ended 31 December 2019 (i) have received the approval of the Board or Connected Transaction Committee which was set up by the Board; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the previous announcements.

CORPORATE GOVERNANCE

The Company is committed to maintaining the high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 25 to 38 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2019 and discussed with internal audit department and independent external auditor in respect of matters on auditing, internal control and financial reports of the Group.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

AUDITOR

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the 2020 annual general meeting.

On behalf of the Board

Dr. Lam Ko Yin, Colin	**Li Ning**
Chairman	*Director*

Hong Kong, 19 March 2020

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance. The Board of Directors (the "Board") is devoted to the ongoing enhancement of the corporate governance practices of the Company as the Board believes that good corporate governance practices are fundamental to the effective operation of a company and enhancement of shareholders' value as a whole.

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2019. The Board shall review and update its corporate governance practices from time to time to ensure its continuous compliance with the Code.

BOARD OF DIRECTORS

Responsibility and delegation

The Board is primarily responsible for considering and deciding on matters covering overall Group strategies, business and investment plans, major acquisitions and disposals, annual financial budgets, approving annual reports and interim reports, announcement of annual results and interim results, dividend policy and payments, appointment of directors, oversight of management and oversee the effectiveness of the risk management and internal control systems of the Group including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and internal audit function, and their respective training programmes and budget, approval of major capital transactions and other significant operational and financial matters.

The functions reserved to the Board are basically provided by the articles of association of the Company (the "Articles of Association") and the Board will from time to time delegate the functions to the management whenever required. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

The Board focuses its attention on matters affecting the Company's long term objectives and plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

The Board has established board committees with written terms of references to assist in the efficient implementation of its functions, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above Board Committees.

Board meetings are held regularly four times a year and additional meetings are held as and when required to discuss significant matters or important issues. In order to meet tight time constraints and make timely decision for the Company's policies and businesses, Board approvals have also been sought by circulation of resolutions in writing from time to time in accordance with the Articles of Association. Directors' attendance by electronic means including telephone conferencing is counted as attendance at a physical board meeting. The Company Secretary shall attend all regular board meetings and additional meetings to advise on statutory compliance and corporate governance, when necessary.

During the year, the Chairman, even though he is an Executive Director, held a meeting with all Independent Non-executive Directors without the presence of another Executive Director.

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, and budget, to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

BOARD COMPOSITION

The Board comprises eight Directors including two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The names of the Directors of the Company are as follows:

Executive Directors

Dr. Lam Ko Yin, Colin *(Chairman of the Board)*
Mr. Li Ning

Non-executive Directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

The changes to the composition of the Board during the year and up to the date of this Annual Report were as follows:

Mr. Wong Man Kong, Peter was the Non-executive Director and served the Board of the Company until 11 March 2019.

Dr. Lee Shau Kee, Non-executive Director of the Company that he, being advanced in age, has decided not to offer himself for re-election as Director at the conclusion of the forthcoming Annual General Meeting to be held on 29 May 2020.

The biographical details of the Directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 3 to 6 of this Annual Report. A list of the Directors and their role and function is available on the websites of the Company (www.hkf.com) and Hong Kong Exchanges and Clearing Limited ("HKEx") (www.hkexnews.hk) respectively.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the total number of issued shares of the Company under Part XV of the Securities and Futures Ordinance ("SFO"). Dr. Lee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee, Dr. Lam Ko Yin, Colin and Mr. Lau Yum Chuen, Eddie are executive directors of Henderson Land Development Company Limited ("HLD"). Mr. Wu King Cheong and Mr. Au Siu Kee, Alexander are independent non-executive directors of HLD. HLD has discloseable interests under the provisions of the SFO in the Company.

Save as disclosed above, there is no financial, business, family or other material or relevant relationship among the Directors.

BOARD DIVERSITY POLICY

The Board approved and adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board in August 2013 and revised the Board Diversity Policy in December 2018. The Nomination Committee of the Company has considered measurable objectives mainly on gender, age, professional experience and ethnicity to implement the Board Diversity Policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The selection and recommendation of candidates will be based on the nomination procedures, process and criteria adopted by the Board and a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board is satisfied that its composition is appropriate being considered the skills, experience and attributes of the Directors. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the policy as appropriate. The Board Diversity Policy can be found and accessible on the website of the Company (www.hkf.com).

NOMINATION POLICY

The Board approved and adopted the Nomination Policy in December 2018 for identifying and evaluating candidates for nomination to the Board. The Nomination Policy aims to set out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment or (ii) shareholders of the Company for election as a director of the Company. The Nomination Committee will also take into account the Board Diversity Policy and the Nomination Policy when identifying suitably qualified candidates for the Board and would review the Policies regularly to ensure their continuing effectiveness. The Nomination Policy sets out the criteria and procedures in making nominations, including but not limited to, skills, experience and professional expertise; diversity; commitment and standing. When the candidate to be nominated as an independent non-executive director, he/she must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. No candidate was nominated for directorship in 2019. The Nomination Policy can be found and accessible on the website of the Company (www.hkf.com).

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee is responsible to review the structure, size, diversity and composition of the Board, identify suitable candidates to the Board, and to make recommendations on any matters in relation to the appointment or re-appointment of members of the Board. Appointment of new Directors is reserved for the Board's approval.

The Nomination Committee ensures that the Board comprises members with mixed skills and experience with appropriate knowledge necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. The Nomination Committee takes into account that person's skills, qualifications and expected contributions to the Company before making any recommendations to the Board in relation to the appointment or re-appointment of members of the Board.

The appointment of independent non-executive directors adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

According to the Articles of Association, a newly appointed Director shall hold office until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting (in case of an addition to the Board) and shall then be eligible for re-election at that general meeting.

In accordance with the Articles of Association, no Director shall hold office for a continuous period in excess of three years, or past the third annual general meeting, following the Director's appointment or re-election, whichever is the longer, without submitting for re-election at an annual general meeting of the shareholders of the Company.

In addition, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at least once every three years.

The procedures for shareholders of the Company to propose a person for election as a Director are available and accessible on the website of the Company (www.hkf.com) and to the sub-section of "Procedures for Shareholders to propose a person for election as a director" on page 38 of this Corporate Governance Report.

CHAIRMAN AND GROUP GENERAL MANAGER

The roles of the Chairman and the Group General Manager of the Company are taken by two separate individuals who are not related to each other. The separation of the roles of the Chairman and the Group General Manager enables a clear division of responsibilities between the Chairman of the Board and the Group General Manager and also provides checks and balances effect.

The role of the Chairman of the Board is taken by Dr. Lam Ko Yin, Colin while the role of the Group General Manager (whose status is equivalent to chief executive officer for the purpose of the Code but not otherwise) is taken by Ir. Dr. Ho Chi Shing, David. The key function of the Chairman is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business.

NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules of having at least three independent non-executive directors, representing one-third of the Board. One of the independent non-executive directors has the appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

All Non-executive Directors (including Independent Non-executive Directors) of the Company have been appointed for a specific term to 31 December 2022. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Articles of Association.

CONFIRMATION OF INDEPENDENCE

The Nomination Committee and the Board noted that Mr. Ho Hau Chong, Norman is an executive director of Miramar Hotel and Investment Company, Limited ("Miramar") and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of HLD. Mr. Ho also has an indirect beneficial interests of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operation of Wealth Team. Miramar, Wealth Team and HLD are connected persons of the Company under the Listing Rules.

In view of the fact that Mr. Ho does not have any material interests in any principal business activity of and is not involved in any material business dealings with the Company, or any of its subsidiaries or with any connected persons of the Company, and that both the management and the operations of the Miramar Group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Ho as an Independent Non-executive Director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team. Save as aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

The Board has received an annual confirmation of independence from each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong, Independent Non-executive Directors of the Company, pursuant to Rule 3.13 of the Listing Rules.

All Independent Non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives comprehensive induction covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (the "Companies Ordinance") and corporate governance practices organised by professional bodies and institutions in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written reading materials to develop and refresh their professional skills; the Group also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the year, the Group arranged for the Directors and senior management to attend presentations of the distinguished speakers from the professional fields on topics of legal, commercial and information technology.

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

According to the records maintained by the Company, the Directors received the following training(s) in compliance with the requirement of the Code regarding the training records receiving on continuous professional development for the year ended 31 December 2019:

Board of Directors	Type of trainings relevant to corporate governance, regulatory updates and/or accounting, finance, tax and information technology
Executive Directors	
Dr. Lam Ko Yin, Colin *(Chairman of the Board)*	A, B
Mr. Li Ning	A, B
Non-executive Directors	
Mr. Au Siu Kee, Alexander	A, B
Mr. Lau Yum Chuen, Eddie	A, B
Dr. Lee Shau Kee	B
Independent Non-executive Directors	
Mr. Ho Hau Chong, Norman	A, B
Ms. Wong Yu Pok, Marina	A, B
Mr. Wu King Cheong	A, B

A: attending seminars and/or presentations
B: reading materials

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

BOARD COMMITTEES

The Board has established three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. Each committee has been delegated with certain functions of the Board.

Audit Committee

The Audit Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Audit Committee was reviewed by the Audit Committee and revised in December 2018 to enhance the procedures and align with regulatory requirements (including the amendments to the Code and the Listing Rules which have come into effect in January 2019), and the Board approved changes to the terms of reference of the Audit Committee. The terms of reference of the Audit Committee are available on the websites of the Company (www.hkf.com) and HKEx (www.hkexnews.hk) respectively.

The major duties and responsibilities of the Audit Committee are to review of the annual and interim results and oversight of the Company's financial reporting principles and practices and discuss with the external auditor on financial reporting and compliance; to recommend the appointment, re-appointment or removal of the external auditor, to determine their independence and objectivity as well as to review the scope of audit and the reporting obligation of the external auditor, to review the representation letter and engagement letter from the external auditor. The Audit Committee oversees the effectiveness of risk management and internal control systems of the Group including the adequacy of resources, staff qualifications, experience, programmes and budget of the accounting and reporting function and internal audit function of the Group. The external auditor was invited to attend the meetings of Audit Committee to present their reports and reviews for the interim and annual results of the Group. The Audit Committee has been delegated the corporate governance functions by the Board to review and monitor the corporate compliance within the Group.

During the year, two audit committee meetings were held. During the meetings, the Audit Committee members reviewed the annual results and the financial statements for the year ended 31 December 2018 with recommendation to the Board for approval, the Annual Internal Audit Report, the continuous professional development training records of Directors and senior management, Continuing Connected Transactions, a review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions and internal audit function, the interim results for the six months ended 30 June 2019, the Interim Internal Audit Report, to approve the representation letter and the terms of engagement of the external auditor, the works of the Company's internal audit department, assessed the effectiveness of the Group's systems of risk management and internal controls.

The Audit Committee performed the corporate governance duties by reviewing the compliance with the Code and disclosure requirements as set out in this Corporate Governance Report. The Audit Committee members also acknowledged the amendments to the Code and the Listing Rules, thus the Audit Committee members reviewed and recommended the amendments to the terms of reference of the Audit Committee, where appropriate.

As a recommended best practice under the Code, the Company has adopted a whistleblowing policy. The policy aims at encouraging and enabling employees of the Group at all levels and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

BOARD COMMITTEES (Continued)

Remuneration Committee

The Remuneration Committee of the Company has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Remuneration Committee comprises three Independent Non-executive Directors, namely, Mr. Wu King Cheong (Chairman of the Remuneration Committee), Mr. Ho Hau Chong, Norman and Ms. Wong Yu Pok, Marina and two Executive Directors namely Dr. Lam Ko Yin, Colin and Mr. Li Ning.

The terms of reference of the Remuneration Committee are available on the websites of the Company (www.hkf.com) and HKEx (www.hkexnews.hk) respectively.

The Remuneration Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's emolument and on the establishment of a formal and transparent procedure for developing emolument policy.

The Remuneration Committee is responsible for reviewing the policy and structure for the emolument of all Directors and senior management of the Company, assessing performance of executive directors and establishment of a formal and transparent procedure for developing policy on such emolument.

The emolument of the Directors and senior management is determined by reference to the skills, knowledge and the tasks assigned and also to the individual performance and the overall profitability, corporate goals and objectives of the Company as a whole. In determining the emolument package, the Committee will also obtain relevant information from external source and consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, etc.

During the year, one remuneration committee meeting was held. During the meeting, the Remuneration Committee members reviewed and determined the emolument package of the staff including the senior management of the Company and made recommendations on the fees of all the Directors of the Company for the year ended 31 December 2019.

Nomination Committee

The Nomination Committee has been established with written terms of reference setting out duties, responsibilities and authorities delegated to them by the Board. The Nomination Committee comprises two Executive Directors namely Dr. Lam Ko Yin, Colin (Chairman of the Nomination Committee) and Mr. Li Ning and three Independent Non-executive Directors, namely, Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The terms of reference of the Nomination Committee was reviewed by the Nomination Committee and revised in December 2018 to enhance the procedures and align with regulatory requirements (including the amendments to the Code and Listing Rules which have come into effect in January 2019), and the Board approved changes to the terms of reference of the Nomination Committee. The terms of reference of the Nomination Committee are available on the websites of the Company (www.hkf.com) and HKEx (www.hkexnews.hk) respectively.

The Nomination Committee is responsible for reviewing the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy, with due regards to the Board Diversity Policy. It also identifies individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and to assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The Nomination Committee shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

Mr. Wong Man Kong, Peter was the Non-executive Director and served the Board of the Company until 11 March 2019. Dr. Lee Shau Kee will, with effect from the conclusion of the annual general meeting of the Company to be held on 29 May 2020, retire from his position as a Non-executive Director. Save for the above, there is no change in the composition of the Board.

BOARD COMMITTEES (Continued)

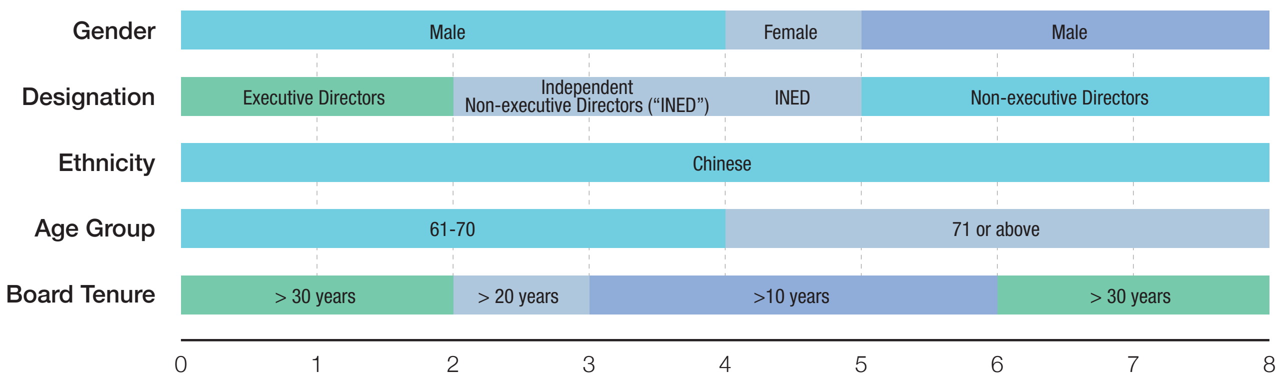
Nomination Committee (Continued)

During the year, two nomination committee meetings were held. During the meetings, the Nomination Committee members reviewed the structure, size, diversity and composition (including the skills, knowledge, experience and length of service) of the Board, assessed the independence of Independent Non-executive Directors and reviewed the Independent Non-executive Directors' annual confirmations on their independence; reviewed the time required for a Director to perform his responsibilities; made recommendations to the Board for re-election of the retiring Directors at the annual general meeting of the Company held on 29 May 2019. The Nomination Committee members also reviewed the Board Diversity Policy and the Nomination Policy remained relevant and no revision was required and reviewed the proposed amendments to the disclosure of corporate governance of the Company, where appropriate, and recommended the same to the Board for approval. The Nomination Committee members made recommendation to the Board for the term of office of all Non-executive Directors (including Independent Non-executive Directors) of the Company for a specific term for three years until 31 December 2022 but is subject to retirement by rotation and re-election in accordance with the articles of association and the Code under the Listing Rules.

The composition of the Board provides a diversity of skills, gender, experience, and knowledge to the Company. The diversity profile of the Board as at 19 March 2020 is as follows:

Board Diversity

Number of Directors: 8



Note:

Multiple professional background and experience may apply to a Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry, the Company confirmed that all Directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2019.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for relevant employees (including employees of the Company or Directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of unpublished inside information in relation to the Company or its securities), in respect of their dealings in the securities of the Company.

POLICY AND PROCEDURES ON DISCLOSURE OF INSIDE INFORMATION

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the directors, officers and relevant employees of the Company to ensure that the inside information of the Company is to be disseminated to public in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the website of the Company (www.hkf.com).

COMPANY SECRETARY

Mr. Yuen Wai Kuen, Peter, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary is set out in the section headed "Directors' and Senior Management's Profile" on page 7 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period to give a true and fair view of the financial position and financial performance of the Group. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable, and have prepared the consolidated financial statements on a going concern basis.

The statement of the Auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 69 to 74 of this Annual Report.

Auditor's Remuneration

Apart from carrying out the annual audit, KPMG, the Auditor of the Company also carried out the review on the interim report of the Company. For the year ended 31 December 2019, the fee of the annual audit amounted to HK$1,762,000 whereas the fee for the interim review amounted to HK$351,000. Save for the interim review, KPMG did not provide any substantial non-audit services to the Company.

Risk Management and Internal Controls

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing the effectiveness at least annually through Audit Committee. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audits on the areas of financial, operational, and compliance controls and risk management functions.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Controls (Continued)

The Group has established an organisational structure with defined levels of responsibility and reporting procedures. The Audit Committee supports the Board in design, implementation and monitoring of the risk management and internal control systems. The operating units of the Group are responsible for the identification, assessment and mitigation of risks at business unit level and across functional areas. The Internal Risk Management Team, composed of nominated department heads and executives, facilitates the implementation of the risk management framework. The Internal Audit Department assists the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors, through the Audit Committee, are kept regularly apprised of significant risks that may impact on the Group's performance.

The process of risk management involves:

- understanding of organisational objectives;
- identifying the risk associated with achieving organisational objectives and assessing the likelihood and potential impact of particular risks;
- developing programmes to address the identified risks; and
- ongoing monitoring and evaluating the risks, internal control and the arrangements in place to address them.

The risk management of the Group combines a top-down strategic view with a complementary bottom-up operational process.

The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group. The Audit Committee supports the Board to review all significant risks in order to ensure that the activities of the business remain within agreed risk appetite tolerances.

The operating units of the Group are responsible for identifying their own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The setting of business objectives and annual budgeting is one of their key control activities, which shall be refined to take into consideration risk factors. The operating units of the Group consult the Group General Manager on setting the business objectives which are pursuant to the Board's strategic objectives and are consistent with its risk appetite. The process involves the maintenance of risk assessment reports setting out particulars of material risks together with the control strategies as reported by the operating units of the Group. This bottom-up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite.

The Internal Audit Department collects the risk assessment reports from the operating units of the Group and then compiles a risk register for review at the meeting of Internal Risk Management Team which is held at least 4 times a year (2 meetings are held before the holding of the Board Meeting to review the interim and annual results of the Group). The Internal Risk Management Team coordinates risk management activities and assesses the effectiveness of the related system of internal control in managing the significant risks, having regard, in particular, to any significant failings or weakness in internal control that have been reported.

The Internal Audit Department adopted a risk-based approach which included all significant risks in each year's annual audit plan and performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2019. It is intended to carry out this evaluation process on an ongoing basis. Key audit findings and recommendations have been shared with the Internal Risk Management Team. The Audit Committee, after reviewing and considering the risk management findings submitted by the Internal Audit Department, reported to the Board of the Company and confirmed to the Board that the risk management and internal control systems are effective and adequate.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Controls (Continued)

The diagram below summarizes the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management.

"Top-down" Approach
Oversight, identification, assessment and mitigation of risk at corporate level

The Board

- Has overall responsibility for the Group's risk management and internal control systems
- Sets strategic objectives
- Reviews the effectiveness of the Group's risk management and internal control systems
- Monitors the nature and extent of risk exposure for the Group's significant risks
- Provides direction on the importance of risk management and risk management culture

Internal Risk Management Team

- Supports the Audit Committee in designing, implementing, and monitoring the Group's risk management and internal control systems
- Supports the Audit Committee in assessing the Group's risks and mitigating measures Company-wide

Audit Committee

- Supports the Board in monitoring risk exposure, design and operating effectiveness of the underlying risk management and internal control systems

Internal Audit

- Supports the Audit Committee in reviewing the effectiveness of the Group's risk management and internal control systems
- Considers risk assessment results, especially for all significant risks in annual audit planning
- Designs audit program with reference to the risk assessment results
- Reports key audit findings and recommendations to the Audit Committee and Internal Risk Management Team

"Bottom-up" Approach
Identification, assessment and mitigation of risk at business unit level and across functional areas

Operational Level

- Sets business objectives
- Risk identification, assessment and mitigation performed across the business
- Risk management process and internal controls measures practised across business operations and functional areas.

Certain significant risks such as business risk, financial risk, regulatory and compliance risk and operational risk have been identified during the year through the process of risk identification and assessment. Relevant control strategies and mitigation on significant risks have been reported to the Audit Committee. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group and considered the risk management and internal control systems to be generally effective and adequate.

The Audit Committee has established and overseen a whistleblowing policy and set comprehensive procedures whereby employees can report any actual or suspected occurrence of improper conduct involving the Company, and for matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Audit Committee has designated the Internal Audit Manager to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to them for consideration by the Audit Committee.

ACCOUNTABILITY AND AUDIT (Continued)

Risk Management and Internal Controls (Continued)

Inside Information

With regard to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules.
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission.
- has included in its Corporate Code of Conduct a strict prohibition on the unauthorized use of confidential or inside information.
- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

ATTENDANCE RECORD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

Details of the attendance of each director at the Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Remuneration Committee Meeting ("RCM") and Nomination Committee Meetings ("NCM") during the year ended 31 December 2019 and Annual General Meeting held on 29 May 2019 ("2019 AGM") are set out in the following table:

	Number of Meetings attended/held				
Board of Directors	**BM**	**ACM**	**RCM**	**NCM**	**2019 AGM**
Executive Directors					
Dr. Lam Ko Yin, Colin *(Note 1)*	4/4	N/A	1/1	2/2	1/1
Mr. Li Ning *(Note 2)*	4/4	N/A	1/1	2/2	1/1
Non-executive Directors					
Mr. Au Siu Kee, Alexander	4/4	N/A	N/A	N/A	1/1
Mr. Lau Yum Chuen, Eddie	4/4	N/A	N/A	N/A	0/1
Dr. Lee Shau Kee	0/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Ho Hau Chong, Norman *(Note 3)*	4/4	2/2	1/1	2/2	1/1
Ms. Wong Yu Pok, Marina *(Note 4)*	4/4	2/2	1/1	2/2	1/1
Mr. Wu King Cheong *(Note 5)*	4/4	2/2	1/1	2/2	1/1

Notes:

1. *Chairman of the Board, Member of the Remuneration Committee and Chairman of the Nomination Committee*
2. *Member of the Remuneration Committee and the Nomination Committee*
3. *Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee*
4. *Member of the Audit Committee, the Remuneration Committee and the Nomination Committee*
5. *Member of the Audit Committee, Chairman of the Remuneration Committee and Member of the Nomination Committee*

COMMUNICATION WITH SHAREHOLDERS

The Company continues to pursue investor relations and communications with shareholders.

The Board has adopted a shareholders communication policy to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company has established an effective communication system. The Company also maintains a website (www.hkf.com) through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The annual general meeting also provides an important opportunity for constructive communication between the Board and the shareholders. The Chairman and the chairmen of the audit committee, remuneration committee and nomination committee as well as the Company's external auditor maintained an on-going dialogue with the shareholders and answered questions raised by the shareholders throughout the annual general meeting.

DIVIDEND POLICY

The Board approved and adopted the Dividend Policy in December 2018 setting out the factors in determination of dividend payment of the Company according to the financial conditions in general, operating results, capital requirements, shareholders' equity, contractual restraints and other factors considered relevant by the Board. The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required. During the year, the Board reviewed the Dividend Policy and it was agreed that it remained relevant and no revision was required. The Dividend Policy can be found and accessible on the website of the Company (www.hkf.com).

With respect to the Financial Statements and Dividends for the year ended 31 December 2019, please refer to the Report of the Directors set out on page 16 of this Annual Report.

SHAREHOLDERS' RIGHTS

Set out below are procedures by which shareholders may: (1) request to call a general meeting; (2) put forward enquiries to the Board; and (3) request to circulate a resolution for an annual general meeting. These procedures are generally governed by the provisions of the Articles of Association and applicable laws, rules and regulations, which prevail over what is stated in this section in case of inconsistencies.

1. Procedures by which shareholders may request to call a general meeting

Pursuant to the Articles of Association and Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call a general meeting.

The request: (a) must state the general nature of the business to be dealt with at the general meeting; (b) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting; (c) may consist of several documents in like form; (d) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at hkferry@hkf.com; and (e) must be authenticated by the shareholders making it.

SHAREHOLDERS' RIGHTS (Continued)

1. Procedures by which shareholders may request to call a general meeting (Continued)

Pursuant to Section 567 of the Companies Ordinance, the Directors must call a general meeting within 21 days after the date on which it becomes subject to the requirement and a general meeting so called must be held on a date not more than 28 days after the date of the notice convening a general meeting. If the Directors do not do so, the shareholders, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting pursuant to Section 568 of the Companies Ordinance, but the meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a general meeting. Any reasonable expenses incurred by the shareholders by reason of the Board's failure to duly call the meeting shall be reimbursed to the shareholders by the Company.

2. Procedures for putting forward enquiries to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

The Company Secretary
Hong Kong Ferry (Holdings) Company Limited
98 Tam Kon Shan Road
TYTL 102
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

E-Mail:	hkferry@hkf.com
Telephone:	(852) 2394 4294
Facsimile:	(852) 2786 9001

3. Procedures to circulate a resolution for an annual general meeting

Pursuant to Section 615 of the Companies Ordinance, shareholders can make a request to circulate a proposed resolution that may properly be moved and is intended to be moved at an annual general meeting, accompanied by a statement of not more than 1,000 words with respect to the matter mentioned in the proposed resolution. The request must be made by: (i) shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relates; or (ii) at least 50 shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relates.

The request: (a) may be sent to the Company Secretary in hard copy form to the registered office of the Company at 98 Tam Kon Shan Road, TYTL 102, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong or in electronic form via e-mail at hkferry@hkf.com; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the shareholders making it; and (d) must be received by the Company not later than 6 weeks before the annual general meeting to which the request relates; or if later, not later than the time at which notice is given of that annual general meeting.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

According to the Articles of Association, a notice signed by a shareholder of his/her intention to propose a person for election and also a notice signed by the person (the "Candidate") to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than 7 days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the Board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include the name of the Candidate together with his/her biographical details set out in Rule 13.51(2) of the Listing Rules, to the shareholders for them to make decision on their election at a general meeting.

INVESTOR RELATIONS

During the year ended 31 December 2019, there has not been any change in the Company's constitutional documents.

MESSAGE FROM THE CHAIRMAN

I am pleased to introduce this Environmental, Social and Governance ("ESG") Report 2019 for Hong Kong Ferry (Holdings) Company Limited (the "Company") and its subsidiaries (collectively, the "Group"). It presents the Group's commitment and dedication to integrating sustainable practices into our business and creating shared values for our stakeholders along our sustainability journey.

Ever since the Group began serving the community in the past years, "Putting people first" has always been our core value in our diverse businesses from ferry and shipyard operations to property development and property investment. Our lasting sustainability values drive us to strengthen relationships with stakeholders along our value chain in the pursuit of the highest standards of integrity and accountability.

Led by our people-oriented culture and core sustainability values, we keep abreast of sustainable development across all our operations and investigate best practices to further enhance our ESG performance. Our principle "Loving Hong Kong and the Harbour" continues to guide our employees to initiate and implement our sustainability strategy through caring, innovation and improvement.

Going forward, our enduring efforts are crucial in achieving the economic, environmental and social development of both the Group and our community in the long run as we tackle future challenges and capitalise on business opportunities. Our unwavering commitment and strong aspiration in delivering value to our stakeholders will guide us to work towards a sustainable future.

Dr. Lam Ko Yin, Colin
Chairman

1. 2019 PERFORMANCE HIGHLIGHTS

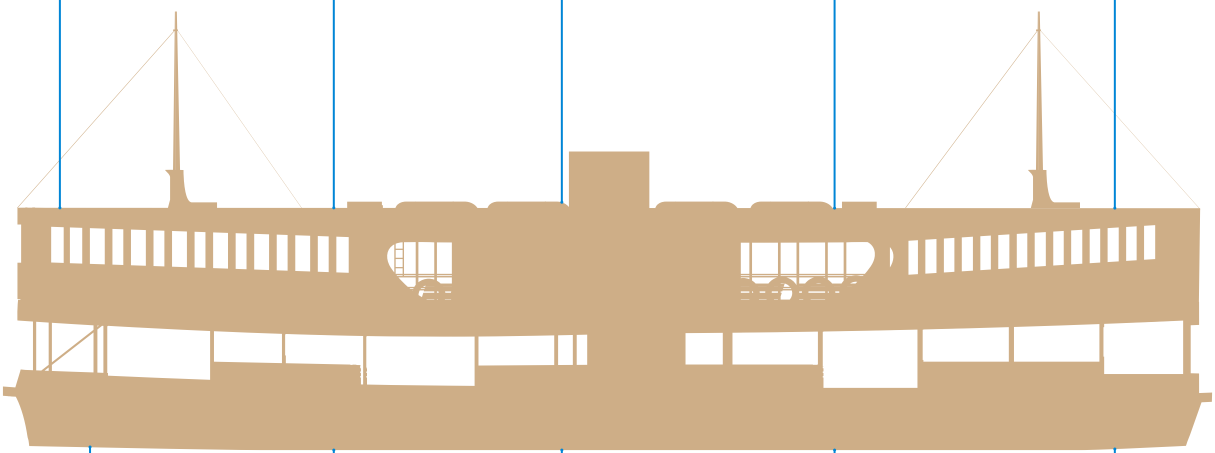
Group Revenue
HK$299 Million

Turnover Rate
Less than 10%

Our Flagship Charity Programme "Loving Hong Kong Loving Home" Invited
800+ People from Grassroots Families

Energy Intensity Reduced Since 2015
21%

Harbour Cruise – Bauhinia Local Procurement Rate
97%



Core Businesses
- Property Development
- Property Investment
- Ferry and Shipyard Operations

Employee Training Hours
4,747 Hours

No. of Community Programmes
20+ Community Programmes

Types of Waste Recycled
- 2 Types of Hazardous Waste Recycled
- 8 Types of Non-hazardous Waste Recycled

Overall Customer Satisfaction Rate
98%

2. ABOUT THIS ESG REPORT

a. Reporting Standard and Scope

This ESG report has been prepared in accordance with the requirements of the ESG Reporting Guide, Appendix 27 ("ESG Reporting Guide") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by Hong Kong Exchanges and Clearing Limited ("HKEx"). It provides an overview of the Group's ESG related policies and management approach and presents its sustainability initiatives and performance for the period from 1 January 2019 to 31 December 2019 (the "reporting year"). The scope of this ESG Report includes property development, property investment, ferry and shipyard operations, and related services. To provide an inclusive representation of the Group's operations, the following companies are included in this ESG Report:

Business Units	Company Name
Principal Office	Hong Kong Ferry (Holdings) Company Limited
Property Development	Win Standard Enterprises Limited World Fame Shipping Limited Jet Legend Limited
Property Investment	Well Dynamic Limited World Light Limited Lenfield Limited HKF Property Investment Limited
Shipyard Operation	The Hong Kong Shipyard Limited
Dangerous Goods Vehicular Ferry Services	The Hongkong and Yaumati Ferry Company Limited
Harbour Cruise – Bauhinia	Galaxy Hotel Management Company Limited

To aid readers in navigating the report content, a HKEx ESG Reporting Guide content index is available on pages 66 to 68.

b. Stakeholder Engagement

In preparation for this ESG Report, an independent consultant was commissioned to develop and implement a comprehensive stakeholder engagement exercise with the aim of understanding stakeholders' views on our initiatives, performance and future strategies in relation to ESG. This year, we invited external and internal stakeholders of the Group to respond to our online survey including clients/customers, suppliers, charity/non-governmental organisations ("NGOs") and employees. During the engagement exercise, stakeholders expressed their views and expectations on the Group's ESG performance which informs the future path of our sustainability journey.

2. ABOUT THIS ESG REPORT (Continued)

c. Materiality Assessment

While the ESG Reporting Guide specifies a wide range of aspects, they may not all be relevant to the operations of the Group. A three-step materiality assessment was conducted by the independent consultant to determine those issues deemed material for disclosure in the ESG Report.

Step 1: Identification

- ESG disclosures of local peers were reviewed for an indication of potential relevant ESG issues of the Group.
- External and internal stakeholders were invited to complete an online survey to rank the importance of ESG topics to themselves and to the Group, respectively.

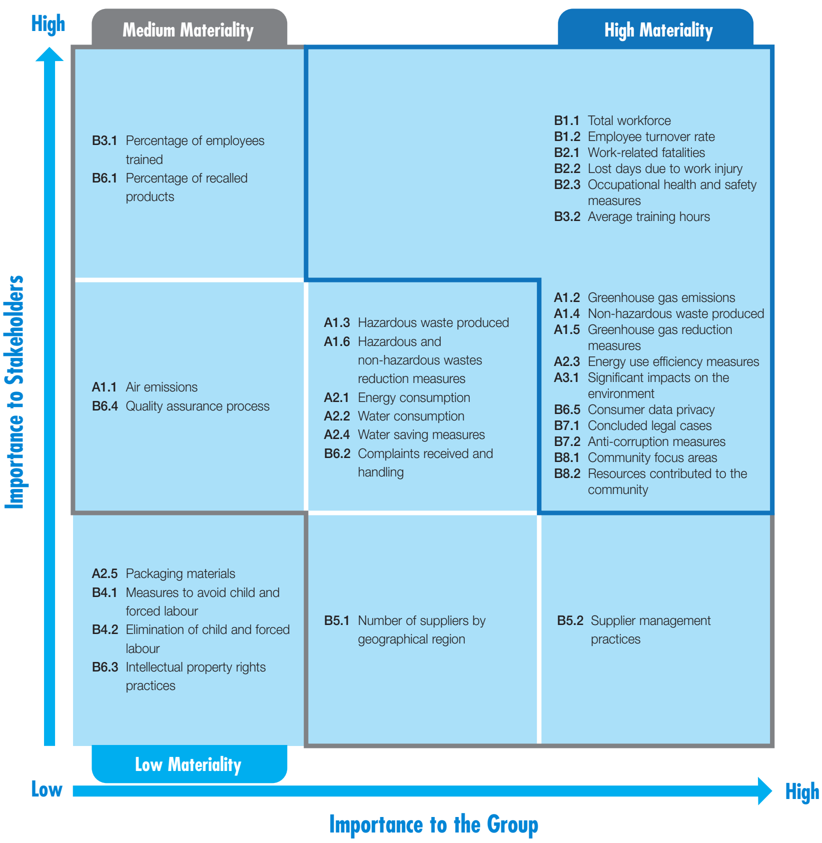
Step 2: Prioritisation

- Results from step 1 were consolidated to develop a prioritised list of prospective material ESG issues.

Step 3: Validation of Material Issues

- The Group's senior management convened a meeting with the independent consultant to confirm a finalised list of material issues and their key performance indicators ("KPIs") for disclosure.

The chart below shows the 32 HKEx KPIs mapped according to their importance to the Group and our stakeholders. The 28 HKEx KPIs which were determined to be of "high" and "medium" materiality are included in this ESG Report.



3. AWARDS, CERTIFICATES AND MEMBERSHIPS IN 2019

Environmental Leadership	
Charter on External Lighting Platinum Award – Metro Harbour Plaza by Environment Bureau, HKSAR **Corporate Environmental Leadership Awards 2018 – EcoPartner and 5 Years+ EcoPioneer Certificate (The Hong Kong Shipyard Limited)** by Bank of China (Hong Kong) Limited and Federation of Hong Kong Industries	
Corporate Environmental Leadership Awards 2018 – EcoPartner and 5 Years+ EcoPioneer Certificate (The Hongkong and Yaumati Ferry Company Limited) by Bank of China (Hong Kong) Limited and Federation of Hong Kong Industries	**Energy Saving Charter 2019** by Environment Bureau & Electrical and Mechanical Services Department, HKSAR
Friends of EcoPark – Certificate of Appreciation (2018 – 2019) by Environment Bureau, HKSAR	**2018 Hong Kong Awards for Environmental Excellence – Certificate of Appreciation – Green Code Plaza** by Environmental Campaign Committee
Indoor Air Quality Certificate (Good Class) 2018-2019 – HKF principal office and Metro Harbour Plaza by Environmental Protection Department, HKSAR	**Quality Water Supply Scheme for Buildings – Fresh Water Certificate – Green Code Plaza and Metro Harbour Plaza** by Water Supplies Department, HKSAR
Rechargeable Battery Recycling Programme – Certificate of Appreciation – Green Code Plaza by Environmental Protection Department, HKSAR	**Programme on Source Separation of Commercial and Industrial Waste Certificate – Metro Harbour Plaza** by Environmental Protection Department, HKSAR

Caring Company	
Caring Company 15 years + Award (2003 – 2019) by The Hong Kong Council of Social Service **ERB Manpower Developer Award Scheme – Manpower Developer 1st Award (2010-2020)** by Employees Retraining Board	
Good MPF Employer 5 Years and MPF Support Award by Mandatory Provident Fund Schemes Authority	**Partner Employer Award 5 years (2019)** by The Hong Kong General Chamber of Small and Medium Business

3. AWARDS, CERTIFICATES AND MEMBERSHIPS IN 2019 (Continued)

Community Contributions	
CSR Recognition Scheme Industry Cares 2019 – 5+ Year Award (Enterprise Group) by Federation of Hong Kong Industries	
Heart To Heart Company 2005 – 2020 by The Hong Kong Federation of Youth Groups	
Social Capital Builder Logo Award 2018-2020 by Labour and Welfare Bureau & Community Investment and Inclusion Fund Committee	**The 10th Hong Kong Outstanding Corporate Citizenship Logo (Enterprise Category)** by Hong Kong Productivity Council and Committee on the Promotion of Civic Education

Quality Services	
2019 APAC Business Awards – Recognised Leaders in Sea Transport Solutions – Hong Kong by APAC Insider, UK	
Food Safety Charter Certificate 2019 by Food & Environmental Hygiene Department and Centre for Food Safety	
ISO 9001:2015 Quality Management System Certification for Harbour Cruise – Bauhinia by Intertek	**ISO 9001:2015 Quality Management System Certification for The Hongkong and Yaumati Ferry Company Limited** by Lloyd's Register Quality Assurance Limited
ISO 9001:2015 Quality Management System Certification for The Hong Kong Shipyard Limited by Lloyd's Register Quality Assurance, Inc. and Lloyd's Register Quality Assurance Limited	**Quality Tourism Services Scheme Certification Mark** by Hong Kong Tourism Board

Memberships	Organisations
Corporate Member	The Institute of Purchasing & Supply of Hong Kong
Corporate Member	International Food Safety Association
Green Cross Group Member	Occupational Safety & Health Council
Member	Hong Kong Federation of Restaurants & Related Trades Limited

4. SUSTAINABILITY GOVERNANCE

We manage ESG-related risks and capture performance enhancement opportunities along our sustainability journey through our ESG working group. It comprises representatives from various business units who work together to formulate a sustainability strategy for the Group and identify and review sustainability issues, risks and opportunities. Regular internal meetings were held in 2019 to discuss ESG topics and ensure that business practices align with our sustainability values. To evaluate the effectiveness of our ESG performance, the progress of our sustainability programmes and performance are reported to the Board for review.

The Group's risk management combines a top-down strategic view with a complementary bottom-up process which includes identification and review of sustainability risks across all business units. Sustainability risks such as staff recruitment challenges and regulatory compliance regularly reviewed, evaluated and monitored in accordance with our risk management process and internal control systems, and are reported to the Board. Please refer to the "Risk Management and Internal Controls" sub-section in the "Corporate Governance Report" on pages 32 to 35 of our Annual Report 2019 for more details.

5. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP

With a strong commitment to protecting the environment, the Group has been stepping up efforts to enhance our sustainability performance over time. Our environmental policies set out the management approaches for minimising any negative impacts arising from our operational processes and raising environmental awareness among our staff and the society. As such, we embrace efficiency, technology and innovation throughout our operations and actively support environmental campaigns launched by The Government of the Hong Kong Special Administrative Region ("HKSAR") of the People's Republic of China (the "Hong Kong Government") and NGOs.

During the reporting year, we complied with all applicable legal and regulatory requirements regarding environmental protection and there were no non-compliance cases relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and the generation of hazardous and non-hazardous wastes.

a. Energy and Climate Change Mitigation

In response to the growing severity of climate change impacts, the Group aims to reduce GHG emissions in our operations through technological upgrades and energy optimisation. In pursuit of this goal, we contribute to the local carbon reduction target[1] set by the Hong Kong Government in Hong Kong's Climate Action Plan 2030+. Since 2011, we have been partnering with external consultants through our Energy and Carbon Management Programme to perform annual energy audits, set strategies and implement measures to reduce GHG emissions at our two most energy-intensive subsidiaries, namely, The Hong Kong Shipyard Limited and The Hongkong and Yaumati Ferry Company Limited. We have also taken steps to understand the contribution of energy consumption in our buildings and offices to our overall GHG emissions. As a result, we have been able to take strategic measures to control our energy use and emissions at our Principal Office, subsidiaries' offices and our managed properties throughout the years.

1 Reduction of carbon intensity by 65% to 70% by 2030, using 2005 as the baseline.

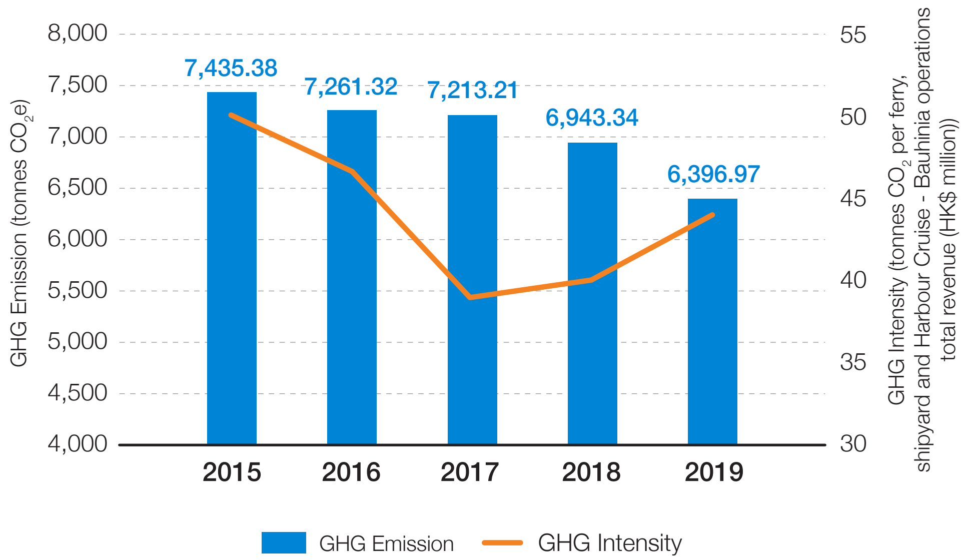
5. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP (Continued)

a. Energy and Climate Change Mitigation (Continued)

We seized energy efficiency improvement opportunities at our Principal Office and Shipyard by installing wall-mounted solar lights at the carpark and solar panels at the Shipyard pontoon. Our energy audit results showed that we have reduced electricity consumption by around 15% at our Principal Office and Shipyard in 2019. Dangerous Goods Vehicular Ferry Services started a trial for an ultrasonic anti-fouling system on one of its ferries which aims to reduce the accumulation of marine organisms such as algae and barnacles on the hull with little impact on the environment. If successful, the system will avoid increased friction and drag on the hull thereby improving fuel efficiency.

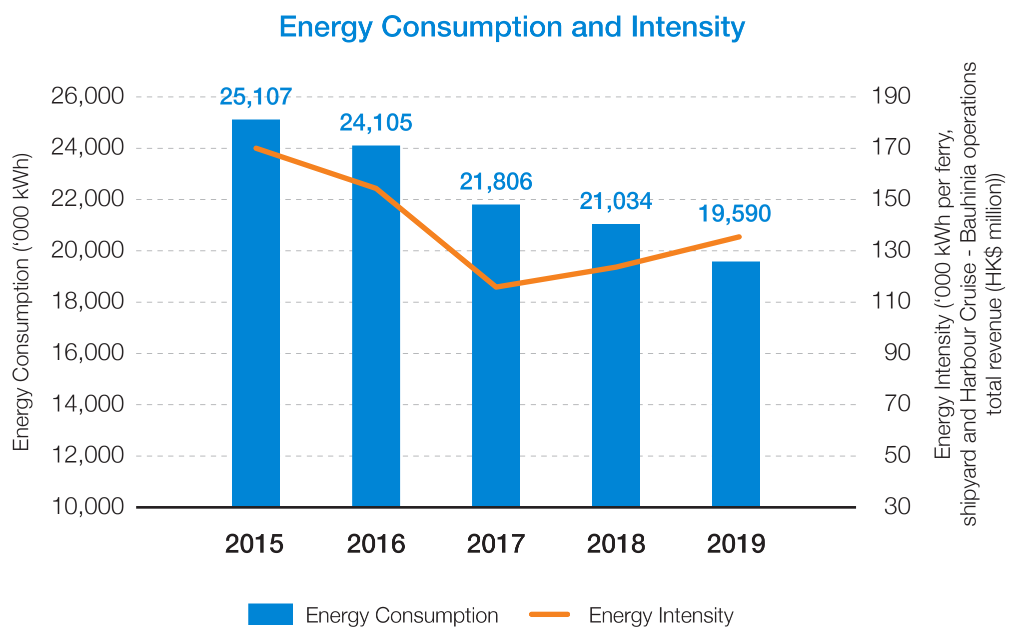
The property development and investment operations also explored energy efficiency opportunities beyond the technical guidance of the Performance-based Building Energy Code published by the Electrical and Mechanical Services Department ("EMSD"). We incorporated sustainability features into the design and construction phases of our projects and conducted energy-simulation modelling studies to identify the most optimal energy-saving approaches. Additionally, our Green Code Plaza and Metro Harbour Plaza pledged to support the Hong Kong Government's Energy Saving Charter 2019 by switching off idle electric appliances and procuring energy efficient electric appliances. As a result of our energy reduction efforts, Green Code Plaza and Metro Harbour Plaza have both received an EcoPartner Award from the Corporate Environmental Leadership Awards 2018.

GHG Emission and Intensity



5. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP (Continued)

a. Energy and Climate Change Mitigation (Continued)



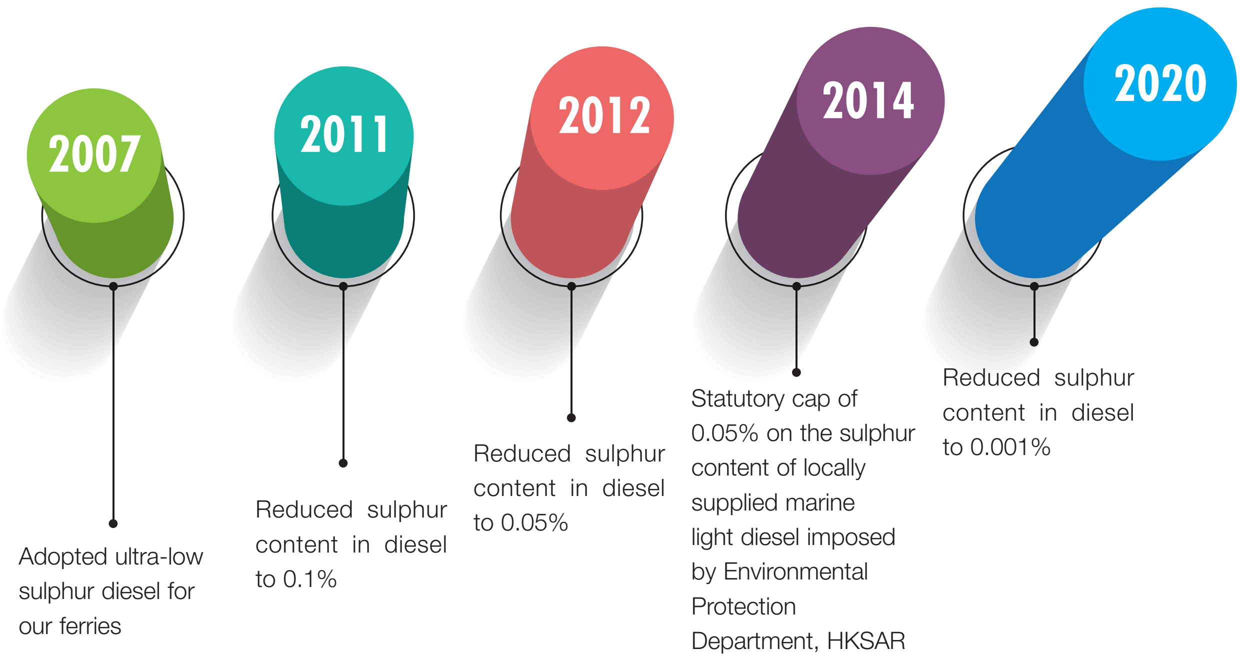
Our ongoing commitment to enhancing our performance combined with the implementation of new initiatives during the reporting year resulted in decreases in the Group's overall energy consumption and GHG emissions by 6.9% and 7.9%, respectively, as compared to 2018. Moving forward, we will continue to identify energy-saving opportunities such as LED lights replacement on our dangerous goods vehicular ferries and rooftop solar panels application at our Principal Office to further augment our sustainability performance.

5. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP (Continued)

b. Air Quality Improvement

As part of our core values "Loving Hong Kong and the Harbour", we are dedicated to maintaining the air quality of the region and the shared community around it. For more than 10 years, the Group has been supporting the Hong Kong Government to enhance local air quality by going beyond the statutory requirements and adopting appropriate fuel-efficient technologies. As early as 2007, The Hongkong and Yaumati Ferry Company Limited voluntarily participated in an ultra-low sulphur diesel[2] trial, 7 years before the mandatory cap on sulphur content of 0.05% in diesel. To reduce our key air pollutant emissions including nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM"), we launched a replacement programme for all generators and engines on-board our ferries. Although the programme was completed in 2016 with a total of 13 generators and 10 engines replaced with more environmentally-friendly alternatives, we still maintain an on-going exploration of ways to optimise the environmental performance of our vessels. To continuously do our part for improving the local air quality, our dangerous goods vehicular ferries will operate on diesel with 0.001% sulphur content starting from 2020 onwards.

Our Commitment to Maintaining the Air Quality in Victoria Harbour



c. Water Conservation

We endeavour to implement water-efficient measures in our operations as water is a scarce resource. As our daily cleaning procedures at our Shipyard have the potential to be water-intensive, we provide our workers with proper training on waterjet applications to enhance water efficiency. Our two rainwater harvesting tanks have a total capacity of 75 cubic metres which we use to collect rainwater for vehicle washing and floor cleaning. Moreover, our automatic water faucets and water-saving aerators in the restrooms at the Principal Office and the Harbour Cruise – Bauhinia are in place to reduce water consumption.

[2] With a maximum sulphur content of 0.05%

5. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP (Continued)

d. Waste and Resources Management

We treat waste as a valuable resource as demonstrated by our diverse waste reduction and recycling practices throughout our operations. At the Shipyard, we engage contractors to classify and separate scrap metals into steel, aluminium and bronze alloys which are then further processed and reused. We are highly conscious of the waste oil produced from our use of cranes, forklifts and emergency generators. To minimise potential environmental impacts, we have appointed licensed collectors to gather and convert the waste oil into high-quality green lubricants. In 2019, we recycled a total of 5,800 litres of waste diesel oil.

At Harbour Cruise – Bauhinia, we implemented a number of initiatives including a green menu to manage our resources responsibly. An onshore sewage system is also in place at the ferry pier, which avoided the direct discharge of 8,470 tonnes of wastewater into the harbour during the reporting year. At our property development and investment operations, Green Code Plaza and Metro Harbour Plaza received certificates of recognition for maintaining sound waste recycling practices and fulfilling the requirements for the Programme on Source Separation of Commercial and Industrial Waste.

Case Study – Introduction of "SmartWasher" at The Shipyard

Machinery equipment cleaning is an integral part of our shipyard operations which utilises different types of detergents. To reduce the use of detergents, we have introduced the "SmartWasher", a new washing equipment which employs a process called bioremediation. This process leverages a powerful aqueous degreasing solution to clean the greasy machinery parts and microbes to break down the oil and other contaminants. This cleaning fluid is more environmentally friendly when compared to traditional detergents as the fluid can be used repeatedly. As a result of this new equipment, the microbes neutralise any contaminants helping to avoid the discharge of hazardous wastewater and related environmental impacts. In addition, we avoided using 360 litres of cleaning fluid in 2019.

RECYCLED ALUMINIUM 800kg

RECYCLED ZINC ALLOY 350kg

RECYCLED STEEL 5,000kg

RECYCLED BRONZE 50kg

5. OUR COMMITMENT TO ENVIRONMENTAL STEWARDSHIP (Continued)

e. Environmental Awareness

Enhancing environmental awareness is essential in driving sustainability and building a lasting green culture within the Group. Therefore, we have formulated environmental policies which specify employees' responsibility for environmental protection. We continue to participate in the Energy Saving Charter 2019 launched by the EMSD and encourage our employees to promote energy savings through internal notices and green tips. Green initiatives and campaigns are organised regularly during the year to further promote environmental stewardship among our employees, including electronic waste recycling talk, "No Air Con Night 2019" and "Lai-See Packet Recycle and Reuse Programme".

In parallel with our internal efforts, we are keen to spread positive messages of environment protection to the wider community. Apart from its leisure purpose, our Harbour Cruise – Bauhinia operation also serves to educate the public and enhance their awareness of harbour protection.

6. OUR GREATEST ASSET – HUMAN CAPITAL

Employees are our greatest asset contributing to the continuous growth and development of the Group. With this in mind, we are fully committed to providing a harmonious, inclusive and safe working environment for our employees to fulfil their professional and personal aspirations.

a. Working Conditions

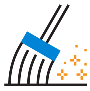
We work to build a strong, diverse and competent workforce through talent acquisition and retention. In support of a harmonious workplace, we are fully committed to providing a fair and safe work environment with equal opportunities for all staff regardless of nationality, race, religion, gender, age or family status. Our employees are rewarded with competitive remuneration and compensation packages as well as attractive fringe benefits which include maternity and paternity leave and medical health insurance coverage which also extends to their families. Annual appraisals are conducted to provide employees with the chance to discuss their work performance, objectives and opportunities for career development. During the reporting year, there were no reported cases of non-compliance with the labour regulations of Hong Kong.

To promote healthy living, an active lifestyle and staff well-being at the Group, we offer a five-day work week for office staff. We also regularly organise company-wide staff recreational and team bonding activities such as staff Christmas parties and company outings to accommodate the diverse interests of our employees and enhance communication between departments. This year, we have continued the "Happy Friday Treat" and "Exclusive Staff Rewards" Campaign to recognise our staff's hard work and devotion. This provides opportunities for our employees to explore new interests and build team spirit. A staff leisure corner is also provided as a relaxation zone separate from their workspace.

6. OUR GREATEST ASSET – HUMAN CAPITAL (Continued)

a. Working Conditions (Continued)

Staff Relaxation
– staff leisure corner



Office Hygiene
– regular deep cleaning

Indoor Air Quality at Offices and Vessels
– air purification system installation

Staff Christmas Party

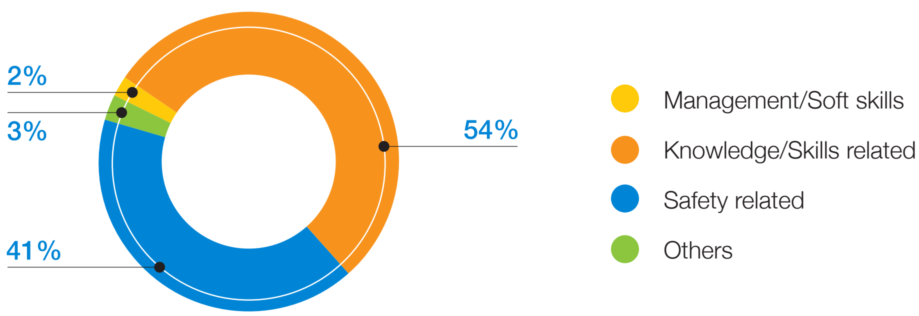
Company Outing – Tin Hau Temple Visit

b. Staff Training and Development

To meet the challenges of an ageing workforce in the industry, we understand it is essential to equip our staff with up-to-date knowledge and skill sets to remain competitive. We identify and arrange a wide variety of training and development programmes tailored to our employees' needs. Our experienced and qualified employees are also encouraged to deliver internal training courses for their respective departments. We continue to provide apprenticeship and engineer training programmes to new joiners in order to strengthen our talent pipeline and succession planning at our shipyard workshop and ferry operations.

We also encourage our employees to supplement their career development through external training courses. For instance, a professional development credit system is in place for employees to attend seminars and trainings related to their disciplines. Shipyard technicians and crew members on vessels are encouraged to participate in external courses to obtain work-related professional licenses, permits and qualifications. Employees who have completed one year of service with satisfactory performance are eligible for sponsorship in external training courses for professional development. During the reporting year, our Group's employees received total approximately 4,747 training hours.

Percentage of Training Hours by Categories



6. OUR GREATEST ASSET – HUMAN CAPITAL (Continued)

b. Staff Training and Development (Continued)

Case Study – Introducing New Talent Into Our Shipyard Workshop and Ferry Operations

At our shipyard and ferry operations, we foster young talent entering the workforce through apprenticeship and engineering training programmes. Our apprenticeship at the shipyard workshop collaborates with the Vocational Training Council to host a 3 to 4-year ship repair technician programme targeted at recipients of the Hong Kong Diploma of Secondary Education and other graduates. The apprentices receive classroom and on-the-job training for both knowledge and practical skill enhancements. Furthermore, we provide monthly allowances and assign mentors to ensure our apprentices are supported adequately throughout the programme. Through this programme, we have successfully trained hundreds of shipyard technicians preparing them to join us and the industry. Some of our apprenticeship graduates pursued further studies and were later promoted to engineering and managerial positions.

Tea Gathering at the Apprenticeship

c. Occupational Health and Safety

We thrive to maintain a safe and healthy environment for our employees, contractors and visitors by driving policies and programmes that minimise occupational health and safety risks in the workplace. Our Safety Policy guides the management and mitigation of occupational health and safety impacts across all our business units. To prevent alcohol and drug consumption at the workplace, we introduced our Substance Use Policy which applies to all our employees, contractors and suppliers who perform duties at the Shipyard. Employees are regularly reminded to follow the Safety Policy and Substance Use Policy with any violations possibly resulting in disciplinary action up to and including termination of employment. Our Group medical insurance plan provides outpatient and hospitalisation coverage for both our staff and their families. Additional insurance plans such as self-subscribed medical top-up insurance and dental care plans are also provided as voluntary options for employees. During the reporting year, there were no reported cases of non-compliance with applicable occupational health and safety laws and regulations in Hong Kong that have a significant impact on the Group.

At our property development operations, we work closely with our contractors to ensure safety compliance, promote industry safety best practices and spread occupational safety messages to all workers on our project sites. A Construction Site Safety Committee is in place to govern the safety standards stipulated in the Safety Policy. Safety inspections are conducted regularly to help us uphold the highest safety levels. At the Shipyard, our Safety Committee provides assurance on the adequacy of safety management and risk control. Our Safety Officer and Supervisor are responsible for implementing safety management systems, performing regular safety inspections and monitoring activities in the Shipyard to ensure all employees are working safely and are equipped with appropriate safety gear and personal protection equipment. A safety inspection report is prepared on a weekly basis to identify areas with potential safety hazards for immediate rectification and recommendations for future safety best practices. Through our daily morning safety sessions, we thoroughly remind our employees of safety measures and enhance their safety awareness. A Safety Quiz Competition is organised annually to raise Shipyard employees' awareness of occupational health and safety and cultivate an occupational safety culture.

6. OUR GREATEST ASSET – HUMAN CAPITAL (Continued)

c. Occupational Health and Safety (Continued)

Case Study – Implementing Precautionary Measures Against Health and Safety Hazards

We have implemented various precautionary measures to strengthen our preparedness in response to health and safety incidents. To ensure the provision of immediate care in the case of emergency health situations, this year we engaged Hong Kong St. John Ambulance to provide Automated External Defibrillation ("AED") and Cardio-Pulmonary Resuscitation ("CPR") courses to our relevant staff. We also offer regular health check-up and vaccination subsidies to support our employees in maintaining their health and wellness and in preventing diseases. In addition, frontline and operational staff members at the shipyard, cruise restaurant and kitchen and ferry operations are eligible for free medical check-up once every two years. This year, we arranged two health talks focusing on heart strokes and an on-site stroke risk assessment "Automatic Retinal Image Analysis" for our staff. These occupational health initiatives help to educate, motivate and inspire our employees to get more involved in their own wellness journey and be aware of any health alerts in their lives.

Stroke Risk Assessment

AED and CPR Courses

At the Shipyard and the Principal Office, fire drills are conducted annually to refresh our employees on safety and emergency evacuation procedures. To ensure our crew members are fully familiarised with emergency procedures, emergency drills including fire and major injury incidents are conducted twice a month on the vessels and at the piers for Dangerous Goods Vehicular Ferry Services, whilst emergency drills are conducted quarterly at Harbour Cruise – Bauhinia. Collaboration between business units is critical to achieving safety excellence. Joint fire drills are arranged quarterly to exchange knowledge between the Dangerous Goods Vehicular Ferry Services and Harbour Cruise – Bauhinia, and to develop coordination for any unforeseeable incidents. Additionally, we provided training on manual handling to our staff at the Dangerous Goods Vehicular Ferry Services. Through these precautionary measures, we strengthened coordination and communication within the Group when responding to emergency cases in a robust, orderly and effective manner.

Staff Occupational Health and Safety ("OHS") Training at Dangerous Goods Vehicular Ferry Services

Joint Fire Drills at Harbour Cruise – Bauhinia

6. OUR GREATEST ASSET – HUMAN CAPITAL (Continued)

d. Anti-Corruption

The Group takes a zero-tolerance approach to corruption or malpractice of any form including bribery, money laundering, extortion and fraud. Our Code of Conduct details the requirements of professional behaviour with which all staff are required to comply. All our staff are strictly forbidden from giving bribes to or accepting bribes from customers, suppliers, contractors, authorities or other business partners. To reinforce this message, we send out reminder memos to our employees on a regular basis. During the reporting year, there were no confirmed cases of non-compliance with the anti-corruption regulations of Hong Kong.

To update our employees of the latest developments in anti-corruption enforcement, we arranged biennial seminars and talks with the Independent Commission Against Corruption ("ICAC") for relevant staff members, especially for business units that may be exposed to higher corruption risks, such as purchasing and procurement, tendering, sales and marketing. As part of the commitment, we invite representatives from ICAC to deliver seminars to refresh best practice procedures and knowledge on anti-corruption once every two years.

In support of implementation of our policies on ethical behaviours, the Company's whistle-blowing policy provides channels for our employees at all levels to report violations or suspected violations and raise concerns of any improper behaviours. To encourage and assist whistle-blowers to raise grievances without fear of reprisal, all whistle-blowing reports are treated confidentially and submitted to the Internal Audit Manager for further investigation. Furthermore, our whistle-blowing policy is regularly reviewed by the Internal Audit Manager to evaluate its effectiveness. Please refer to the "Risk Management and Internal Controls" sub-section in the "Corporate Governance Report" on pages 32 to 35 of our Annual Report 2019 for more details.

7. OUR CONTRIBUTION TO THE COMMUNITY

Deeply rooted in the local community, the Group has a long history of flourishing with Hong Kong and creating shared value with our stakeholders since our establishment in 1923.

a. The Group and the Hong Kong Community

Guided by our Board of Directors and supported by our employees, we leverage our resources to connect people and places, and our business and NGO partners to bring about long-lasting benefits in the community. Three principles guide our CSR initiatives and corporate culture: love Hong Kong, love Victoria Harbour, and care for the people.

Caring for our community has been a core value of the Group since our founding in 1923. For more than 60 years, our cross-harbour vehicular ferry services played an important part in supporting the economic development of Hong Kong by providing transportation services to commuters between Hong Kong Island and the Kowloon peninsula until its suspension in 1998. Nowadays, we continue to hold our signature "Classic Vehicular Ferry Ride"(「懷舊汽車渡輪遊」) to remind the community of this commute. Over a thousand participants joined, some of whom drove their private cars onto our ferries. For many of the participants, this was their first experience of this unique journey previously shared in the stories of their elders. Through this event, we hope to preserve the collective memories and experiences of the Hong Kong community, and allow the new generations to also have a taste of old Hong Kong.

7. OUR CONTRIBUTION TO THE COMMUNITY (Continued)

a. The Group and the Hong Kong Community (Continued)

Our CSR Principles: Love Hong Kong, Love Victoria Harbour, and Care for the People

Through the years, we have proactively upgraded our ferry equipment and operating systems with the aim of further elevating our service safety as well as our environmental and social responsibility. For instance, in the 1980's and 1990's we installed radar detectors and Automatic Identification Systems on our vessels to raise our safety standards beyond the Hong Kong Government requirements at the time. We also commonly go beyond statutory requirements to adopt environmentally-friendly measures. For example, our policy of switching off ferry engines when stationed at the pier for a prolonged period was implemented in 1980s and 1990s long before the practice became mandatory. In recent years, the Group has also leveraged our unique resources to deliver CSR programmes.

7. OUR CONTRIBUTION TO THE COMMUNITY (Continued)

b. Caring for the Community

Our corporate social responsibility initiatives focus on serving underprivileged families, children and the elderly as well as providing a platform for learning and exchanging knowledge.

"Loving Hong Kong Loving Home"

In response to community needs, we develop programmes which aim to help future generations to succeed. With this in mind, Harbour Cruise – Bauhinia utilises their fleet to organise harbour cruises for underprivileged groups. We have collaborated with Wofoo Social Enterprises for eight consecutive years to invite underprivileged children and family members to a series of "Loving Hong Kong Loving Home" cruise parties along Victoria Harbour. In July 2019, we invited around 800 people from different areas of grassroots families to "Loving Hong Kong Loving Home – Cruise Party 2019" aboard the Harbour Cruise – Bauhinia. We invited health practitioners to share child-related health care information. Daily necessities, such as electrical appliances, stationery and condiments were distributed to the families as gifts. During the event, the children have the opportunity to enjoy the remarkable view of Victoria Harbour with their family members in a fun and relaxed atmosphere. Additionally, we led primary school students to the Hong Kong Sea School to have a better understanding of life at this unconventional boarding school.

Loving Hong Kong Loving Home – Cruise Party 2019


Hong Kong Sea School Visit

7. OUR CONTRIBUTION TO THE COMMUNITY (Continued)

b. Caring for the Community (Continued)

Internship and Shipyard Visits

Knowledge and experience sharing across professionals, academia, NGOs, students and the like will bring positive effects to the industry thus further contributing to the social and economic development of Hong Kong. This year, the Group continued to offer internship programmes and arrange shipyard visits for students from tertiary institutions, Hong Kong Sea School and secondary schools. These learning opportunities help students to gain operational insights and industry experience and better prepare themselves for the job market in the future. To provide a valuable learning experience outside the classroom, we organise shipyard visits for students from different tertiary institutions throughout the year.

To encourage the young generations to join the marine industry in Hong Kong, we offer a Naval Architect internship programme for those who are learning naval architecture outside of Hong Kong (i.e. United Kingdom and Australia). Through the practical naval architecture experience acquired from this training programme, our interns can better equip themselves from universities to the start of their career journey in the marine industry.

Internship Programme at Shipyard – The Hong Kong Polytechnic University

Shipyard Visit – The Hongkong Federation of Youth Groups

Corporate Volunteer Team

As part of our core values in promoting a caring culture in our community, the Group is dedicated to serving the environment and underprivileged groups. In 2019, our Corporate Volunteer Team supported and participated in more than 20 volunteer services and contributed more than 400 volunteer hours to benefit around 1,400 people in our community.

7. OUR CONTRIBUTION TO THE COMMUNITY (Continued)

b. Caring for the Community (Continued)

Highlights

18 January 2019	Volunteers visited the Elderly Toy Library at the Hong Kong Lutheran Social Service to express their care to around 40 elderly people affected by dementia.	
21 February 2019	During Chinese New Year, volunteers delivered Lucky bag (福袋) and festive greetings to senior citizens at the Pok Oi Hospital Elderly Centre.	
15 March 2019	We invited students from The Hong Kong Polytechnic University Community College to visit our Harbour Cruise – Bauhinia and Dangerous Goods Vehicular Ferry Services operations.	

7. OUR CONTRIBUTION TO THE COMMUNITY (Continued)

b. Caring for the Community (Continued)

Highlights (Continued)

20 and 21 April 2019	Metro Harbour Plaza and Love Adopt Animal Society jointly organised a dog adoption day at the shopping mall to encourage our customers and the general public to adopt these loveable dogs and promote the importance of animal welfare.	
27 April; 25 May; and 29 June 2019	Volunteers participated in three "Neighbourhood First – Rice-giving Scheme" events organised by The Hong Kong Federation of Youth Groups to deliver and distribute rice to low-income and underprivileged groups in our society.	
8 November 2019	Volunteers delivered gift packs to the elderly during a visit at Pok Oi Elderly Centre.	
14 December 2019	Around 30 colleagues participated in the fund-raising event organised by Tin Shui Wai Women Associated Limited to support families in need.	

8. OUR RESPONSIBILITY IN THE VALUE CHAIN MANAGEMENT

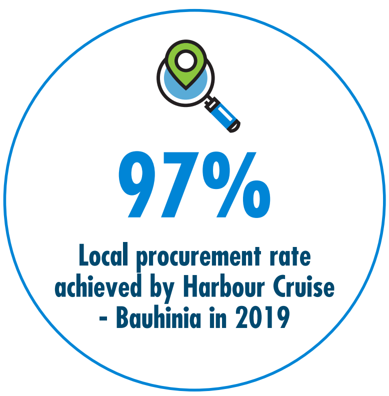
Our diverse business portfolio connects us to a wide range of stakeholders along the value chain, including business partners, suppliers and customers in Hong Kong. We work with our stakeholders to create shared value, deliver high quality products and services and uphold high standard of business ethics.

a. Supply Chain Management

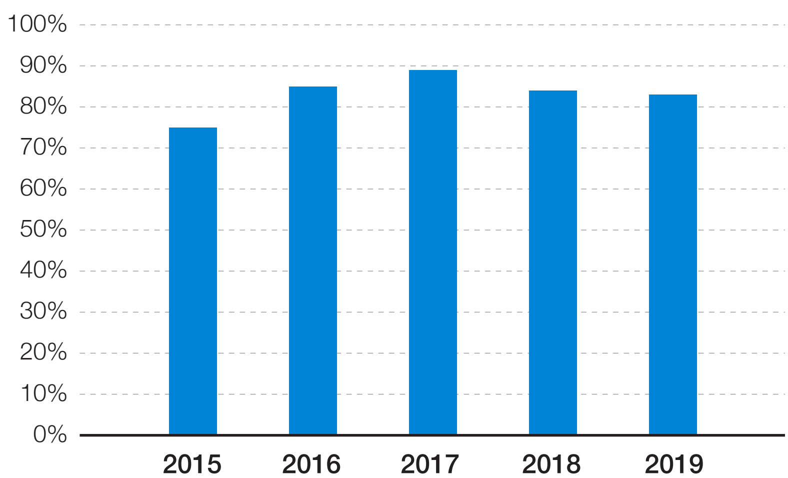
Our Code of Conduct outlines the policies that guide the Group's supplier engagement to ensure that we are operating under the highest standard of ethics and fair business practices to prevent incidents of misconduct such as bribery or other malpractice. Our supplier selection and evaluation processes are in place to ensure environmental and social impacts, which may arise from our supply chain, are sufficiently mitigated and managed. When issuing contracts, the selection process considers suppliers' and contractors' environmental practices alongside the quality of products and services, the Group's needs and cost. All our suppliers and contractors are strictly required to comply with all local environmental, employment and safety regulations.

A stringent monitoring mechanism is crucial to reducing potential risks. Our property development operations carry out monthly joint safety inspections with onsite contractors. We also prepare tender requirements for the implementation of construction waste management plans during relevant works. Contractors are required to ensure all on-site workers obtain Green Card qualifications and acquire competency-based safety knowledge. Furthermore, suppliers are reviewed intermittently, and the results are issued in a Supplier Evaluation Report and Supplier Performance Review. Suppliers who fail to meet the Group's standards are subject to a comprehensive inspection. Areas of concern are identified and addressed through corrective actions subsequently developed by the Group in conjunction with the supplier for future improvement.

As a company that has strong ties to the local community, we prioritise local suppliers to support domestic economies. Local procurement also helps to lessen the environmental impact of our operations by reducing the fuel and energy required to procure our materials, goods, supplies and services. During the reporting year, we achieved an overall local procurement rate of 83%.



Overall local procurement rate of the Group



8. OUR RESPONSIBILITY IN THE VALUE CHAIN MANAGEMENT (Continued)

b. Responsible Products and Services

Our continued success hinges on the delivery of excellent and caring product and service offerings. Comprehensive policies are in place to guide our approach on a wide range of issues that concern us as a responsible service provider such as quality assurance, protection of intellectual property rights and protection of customer data and privacy. During the reporting year, there were no reported cases of non-compliance with relevant laws and regulations.

Our customers can be assured that we are protecting their personal data and privacy at all times. We do not take this responsibility lightly and take great care to ensure our operations are in compliance with all relevant laws and regulations. Our employees are required to adhere to our Employee Internet and Email Use Policy to ensure all confidential data is handled in a safe and secure manner. To address potential regulatory risks that may significantly affect our business, Harbour Cruise – Bauhinia has changed the data collection statement on its website from passive consent to active consent according to the General Data Protection Regulation's ("GDPR") user consent requirements[3].

Due to the nature of services provided by Harbour Cruise – Bauhinia, we are mindful of the potential concerns regarding intellectual property rights and music copyright laws. As such, in compliance with all relevant music copyright laws, the Group has paid all necessary music royalties under a Copyright Music Performance Licence Contract. The Harbour Cruise – Bauhinia is also registered as a trademark with the Trade Marks Registry, Intellectual Property Department of the Hong Kong Government.

Our shipyard operations and Harbour Cruise – Bauhinia have adopted the ISO 9001:2015 Quality Management Systems to demonstrate our ability to consistently provide products and services which meet customer and regulatory requirements and expectations. To strengthen the capability of our property development and investment operations to meet the needs of customers with respect to fresh and flushing water quality, Metro Harbour Plaza enrolled in the Water Supplies Department's Quality Water Supply Schemes For Buildings and achieved the required standards. Furthermore, our regular customer satisfaction surveys serve as a communication channel to make sure customers' voices are being heard. The data gathered from our detailed client feedback is consolidated in our Service Evaluation Record and is reviewed quarterly for non-contractual customers and annually for contractual customers. The results from our customer satisfaction survey and Service Evaluation Record are an essential part of our business strategy development by helping us augment our customer service and service offerings. During the reporting year, there were no significant complaints received regarding our products or services.

The frequency and overall results of customer satisfaction surveys

Business Units	Frequency	Satisfaction Rate
Harbour Cruise – Bauhinia	Weekly	97%
Shipyard Operation	Quarterly	97%
Dangerous Goods Vehicular Ferry Services	Bi-annually	100%

3 According to the consent requirements of GDPR, consent of customer means specific, informed and unambiguous indication of the wishes by the customer, using a statement or a clear affirmative action, which signifies agreement to the processing of personal data relating to the customer.

9. THE WAY FORWARD

It has been a remarkable year for the Group as we continued our efforts to integrate sustainability into our business. Through caring, innovation and enrichment, we strive to achieve sustainable development as a company with our dedicated and committed employees and the management leading the way. As the effects of climate change are becoming more evident, we recognise that the transition to a low-carbon economy is vital to secure sustainable economic growth and community prosperity. At the same time, we are aware that climate change poses significant financial challenges and opportunities for many investors. Therefore, we are mindful of the resilience of our sustainability strategy in the long term. Under the leadership of the Board, our operating businesses are responsible for identifying and managing sustainability risks and capturing opportunities. In addition to our demonstrated efforts in climate change mitigation through technological upgrades and energy optimisation, the Board is also stepping up in driving the ESG agenda to align with the market regulator's standards and investors' expectations. In 2019 and the years beyond, we see ample enhancement opportunities in sustainability governance, environmental stewardship, employee well-being, community investment and social responsibility and will continue to pursue excellence in our sustainability journey.

10. PERFORMANCE DATA SUMMARY

HKEx KPI	Description	Unit	2019	2018
A. Environmental				
A1.1	**The types of emissions and respective emissions data** (Note 1)			
	NOx	Tonnes	110.54	114.27
	SOx	Tonnes	0.37	0.13
	PM	Tonnes	2.82	2.89
A1.2	**Greenhouse gas emissions in total and intensity** (Note 2)			
	– in total	Tonnes of CO_2e	6,396.97	6,943.34
	– in intensity	Tonnes of CO_2e per ferry, shipyard and Harbour Cruise – Bauhinia operations total revenue (HK$ million)	43.88	40.12
A1.3	**Total hazardous waste recycled and intensity**			
	Recycled Spent Oil (Note 4) – in total – in intensity	 Litres Litres/FTE (Note 3)	 5,800 28.16	 4,600 20.91
	Used Battery (Note 4) – in total – in intensity	 kg kg/FTE	 1,300 6.31	 1,800 8.18

10. PERFORMANCE DATA SUMMARY (Continued)

HKEx KPI	Description	Unit	2019	2018
A. Environmental (Continued)				
A1.4	**Total non-hazardous waste produced and intensity**			
	General Waste (Note 5) – in total – in intensity	 kg kg/FTE	 1,672 8.12	 2,675 12.16
	Food Waste (Note 5) – in total – in intensity	 kg kg/FTE	 3,852 18.70	 5,022 22.83
	Paper Waste (Note 5) – in total – in intensity	 kg kg/FTE	 1,656 8.04	 2,380 10.82
	Recycled Glass Bottle (Note 5) – in total – in intensity	 kg kg/FTE	 611 2.97	 87 0.4
	Recycled Paper (Note 6) – in total – in intensity	 kg kg/FTE	 1,110 5.39	 1,880 8.55
	Recycled Aluminium (Note 4) – in total – in intensity	 kg kg/FTE	 800 3.88	 666 3.03
	Recycled Bronze (Note 4) – in total – in intensity	 kg kg/FTE	 50 0.24	 278 1.26
	Recycled Steel (Note 4) – in total – in intensity	 kg kg/FTE	 5,000 24.27	 4,400 20
	Recycled Zinc Alloy (Note 4) – in total – in intensity	 kg kg/FTE	 350 1.70	 1,200 5.45
	Recycled Used Cooking Oil (Note 4) – in total – in intensity	 Litres Litres/FTE	 320 1.55	 1,152 5.24
	Recycled Oily Water (Note 4) – in total – in intensity	 Litres Litres/FTE	 11,770 57.14	 4,000 18.18

10. PERFORMANCE DATA SUMMARY (Continued)

HKEx KPI	Description	Unit	2019			2018		
A. Environmental (Continued)								
A2.1	**Energy consumption by type and intensity** (Note 2)							
	– Fuel oil	kWh	18,179,111			19,333,990		
	– Electricity	kWh	1,411,059			1,700,545		
	– in total	In 1,000 kWh	19,590			21,034		
	– in intensity	1,000 kWh per ferry, shipyard and Harbour Cruise – Bauhinia operations total revenue (HK$ million)	134.38			121.53		
A2.2	**Water consumption in total and intensity**							
	– in total	m^3	27,260			44,652		
	– in intensity	m^3/FTE	132.33			202.96		
B. Social								
Employment and Labour Practices								
B1.1	**Total workforce by employment type and gender**		Male	Female		Male	Female	
	Full-time	No. of people	166	40		180	40	
	Part-time	No. of people	1	0		1	0	
	Total workforce by employment type and age group		<30	30-50	>50	<30	30-50	>50
	Full-time	No. of people	24	53	129	30	59	131
	Part-time	No. of people	0	0	1	0	0	1
B1.2	**Employee turnover rate by gender**		Male	Female		Male	Female	
		%	8.7	1.0		5.9	3.2	
	Employee turnover rate by age group		<30	30-50	>50	<30	30-50	>50
		%	4.9	3.4	1.5	5.0	2.7	1.4
B2.1	**Number and rate of work-related fatalities**							
	– By number	No. of people	0			0		
	– By rate	%	0			0		
B2.2	**Lost days due to work injury**							
		Days	833			787		

10. PERFORMANCE DATA SUMMARY (Continued)

HKEx KPI	Description	Unit	2019			2018		
B. Social (Continued)								
Employment and Labour Practices (Continued)								
B3.1	**The percentage of employees trained by gender and employee category**		Total	Male	Female	Total	Male	Female
	– General	%	95.88	97.18	89.29	93.99	97.44	74.07
	– Supervisors to Managers	%	96.43	94.12	100	93.10	88.24	100
	– Management	%	100	100	100	100	100	100
	– Overall	%	96.12	96.99	92.5	94.09	96.67	82.5
B3.2	**The average training hours completed per employee by gender and employee category**		Total	Male	Female	Total	Male	Female
	– General	Hours	23.58	27.24	5.04	24.39	27.23	8.01
	– Supervisors to Managers	Hours	12.57	13.60	10.98	21.09	23.62	17.52
	– Management	Hours	48.19	51.14	27.50	49.44	52.57	27.50
	– Overall	Hours	23.04	26.85	7.23	24.87	27.88	11.35
Operating Practices								
B5.1	**Number of suppliers by geographical region** (Note 7)							
	– Hong Kong	No. of organisations	865			824		
	– Mainland China	No. of organisations	72			58		
	– Others (e.g. Asia and Europe)	No. of organisations	102			98		
B6.2	**Number of products and services related complaints received**							
	No. of cases		1			2		
B7.1	**Number of concluded legal cases regarding corrupt practices brought against Hong Kong Ferry or its employees during the reporting year**							
	No. of cases		0			0		

Notes:

1. Emission data are confined to The Hongkong and Yaumati Ferry Company Limited. Marine air emissions data are calculated based on harbour craft emissions estimation methodology in Port of Los Angeles Inventory of Air Emissions 2005 Technical Report (https://kentico.portoflosangeles.org/getmedia/59baf614-fdfe-4cfa-9d58-3032d32583d7/2005_Air_Emissions_Inventory_Full_Doc).

2. GHG emission data and energy consumption data in 2018 and 2019 are confined to The Hong Kong Shipyard Limited, The Hongkong and Yaumati Ferry Company Limited, Harbour Cruise – Bauhinia and the Principal Office. With consideration of the scope, the intensity figures of GHG emissions and energy consumption are calculated using the ferry, shipyard and Harbour Cruise – Bauhinia operations total revenue (HK$ million).

10. PERFORMANCE DATA SUMMARY (Continued)

Notes: (Continued)

3. FTE: Full-time equivalent employee; excluding part-time employees.

4. The data are confined to The Hong Kong Shipyard Limited.

5. The data are confined to Harbour Cruise – Bauhinia.

6. The data are confined to the Principal Office.

7. Supplier data are confined to The Hong Kong Shipyard Limited, The Hongkong and Yaumati Ferry Company Limited and Harbour Cruise – Bauhinia and calculated based on the number of suppliers, contractors, subcontractors, consultants and service providers engaged during the year.

11. HKEX ESG GUIDE CONTENT INDEX

Aspect	HKEx KPI	Description	Page Number/ Remarks
A. Environmental			
A1 Emissions	A1	General Disclosure	45-48
	A1.1	The types of emissions and respective emissions data	62
	A1.2	Greenhouse gas emissions in total and intensity	62
	A1.3	Total hazardous waste produced and intensity	62
	A1.4	Total non-hazardous waste produced and intensity	63
	A1.5	Description of measures to mitigate emissions and results achieved	45-48
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	49
A2 Use of Resources	A2	General Disclosure	45-49
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	64
	A2.2	Water consumption in total and intensity	64
	A2.3	Description of energy use efficiency initiatives and results achieved	45-47
	A2.4	Description of issue in sourcing water, water efficiency initiatives and results achieved	48
	A2.5	Total packaging material used for finished products	Due to the business nature of the Group, this KPI is considered not material.
A3 The Environment and Natural Resources	A3	General Disclosure	45-50
	A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	45-50

11. HKEX ESG GUIDE CONTENT INDEX (Continued)

Aspect	HKEx KPI	Description	Page Number/ Remarks
B. Social			
Employment and Labour Practices			
B1 Employment	B1	General Disclosure	50-51
	B1.1	Total workforce by gender, employment type, age group and geographical region	64
	B1.2	Employee turnover rate by gender, age group and geographical region	64
B2 Health and Safety	B2	General Disclosure	52-53
	B2.1	Number and rate of work-related fatalities	64
	B2.2	Lost days due to work injury	64
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	52-53
B3 Development and Training	B3	General Disclosure	51-52
	B3.1	Percentage of employees trained by gender and employee category	65
	B3.2	Average training hours completed per employee by gender and employee category	65
B4 Labour Standards	B4	General Disclosure	We abide by relevant employment ordinances and statutory requirements of Hong Kong. No relevant cases of non-compliance were recorded.
	B4.1	Description of measures to review employment practices to avoid child and forced labour	
	B4.2	Description of steps taken to eliminate such practices when discovered	

11. HKEX ESG GUIDE CONTENT INDEX (Continued)

Aspect	HKEx KPI	Description	Page Number/ Remarks
B. Social (Continued)			
Operating Practices			
B5 Supply Chain Management	B5	General Disclosure	60
	B5.1	Number of suppliers by geographical region	65
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where and how the practices are being implemented and monitored	60
B6 Product Responsibility	B6	General Disclosure	61
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Due to the business nature of the Group, this KPI is considered not material.
	B6.2	Number of products and services related complaints received and how they are dealt with	61,65
	B6.3	Description of practices relating to observing and protecting intellectual property rights	61
	B6.4	Description of quality assurance process and recall procedures	61
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	61
B7 Anti-corruption	B7	General Disclosure	54
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	65
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	54
Community			
B8 Community Investment	B8	General Disclosure	54-59
	B8.1	Focus areas of contribution	54-59
	B8.2	Resources contributed to the focus area	54-59

Independent auditor's report to the members of
Hong Kong Ferry (Holdings) Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Hong Kong Ferry (Holdings) Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 75 to 159, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Valuation of investment properties

Refer to note 1 (accounting policy) and note 11 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group's investment properties which comprise retail properties, car parking spaces and godowns are located in Hong Kong. These investment properties were stated at their fair values of HK$2,186 million as at 31 December 2019 which accounted for 56% of the Group's non-current assets as at that date. The fair values of the Group's investment properties as at 31 December 2019 were assessed by the board of directors based on independent valuations prepared by a firm of qualified external property valuers. The net changes in fair values of investment properties recorded in the consolidated profit or loss represented 23% of the Group's profit for the year ended 31 December 2019. The valuation of the Group's investment properties is complex and involves a significant degree of management judgement and estimation in respect of the determination of capitalisation rates and prevailing market rents, particularly given the dissimilar nature of the investment properties held by the Group. We identified valuation of investment properties as a key audit matter because these properties represent the majority of the Group's non-current assets and because the valuations are inherently subjective and involve a significant degree of judgement and estimation by management which increases the risk of error or potential management bias.	Our audit procedures in relation to valuation of investment properties included the following: – obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties was based; – assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; – with the assistance of our internal property valuation specialists, discussing with the external property valuers their valuation methodology, without the presence of management, and challenging the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with the market available data and government produced market statistics; – comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis.

KEY AUDIT MATTERS (Continued)

Assessing the net realisable value of properties under development for sale ("PUD") owned by the Group and a joint venture

Refer to note 1 (accounting policy) and note 17 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The PUD projects of the Group are located in Hong Kong and held either directly or through its joint venture, which are stated at lower of cost and net realisable value. The determination of the net realisable value of the PUD projects are performed by management. It involves significant judgement and estimation in preparing and updating project feasibility studies and estimations of the costs to complete the property development projects as well as in assessing the expected future selling prices for the properties and the expected future selling costs. Changes in government policies in relation to the stamp duty regime, restrictions on residential property mortgage loans and the impact of the global economy on local interest rates could lead to volatility in property prices in Hong Kong. We identified the assessment of net realisable value of the PUD projects owned by the Group and its joint venture as a key audit matter because of the inherent risks involved in estimating the costs to complete each property development project and in estimating the future selling prices for each property development project.	Our audit procedures to assess the net realisable value of the PUD projects included the following: – obtaining management's assessment of the net realisable value of each PUD project and discussing with management the development progress of each project; – conducting site visits to the PUD projects to observe the development progress and comparing the observed development progress with management's records; – discussing with management their valuation methodology and challenging the key estimates and assumptions adopted, including expected future selling prices and costs to completion, by comparison with recently transacted prices for similar properties or the prices of comparable properties located in the nearby vicinity of the PUD projects and by comparison with market statistics for estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group; – performing sensitivity analyses by making adjustments to the key estimates and assumptions adopted by management in the determination of net realisable value to assess the risk of possible management bias in the net realisable value assessment exercise.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 Yau Ngai Lun, Alan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 (note) HK$'000
Revenue	3(a)	**298,846**	1,088,563
Direct costs		**(176,758)**	(694,315)
		122,088	394,248
Other revenue	3(a) & 4	**52,619**	53,271
Other net loss	4	**(458)**	(1,760)
Valuation gains on investment properties	3(d) & 11	**31,770**	43,885
Selling and marketing expenses		**(594)**	(32,516)
Administrative expenses		**(48,594)**	(49,981)
Other operating expenses		**(2,336)**	(10,264)
Profit from operations	3(b)	**154,495**	396,883
Interest on lease liabilities		**(52)**	–
Share of profits less losses of associates		**719**	1,005
Share of loss of a joint venture		**(415)**	(131)
Profit before taxation	5	**154,747**	397,757
Taxation	6(a)	**(18,331)**	(53,114)
Profit attributable to equity shareholders of the Company		**136,416**	344,643
Earnings per share	10		
– Basic and diluted		**$0.38**	$0.97

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 82 to 159 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 9.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 (note) HK$'000
Profit attributable to equity shareholders of the Company	**136,416**	344,643
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Remeasurement of employee retirement benefits liabilities	**1,217**	(329)
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (non-recycling)	**(5,649)**	(40,911)
Item that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income – net movement in securities revaluation reserve (recycling)	**6,786**	(4,758)
Other comprehensive income for the year	**2,354**	(45,998)
Total comprehensive income attributable to equity shareholders of the Company	**138,770**	298,645

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 82 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK$'000	2019 HK$'000	2018 (note) HK$'000	2018 (note) HK$'000
Non-current assets					
Investment properties	11		2,185,970		2,151,470
Other property, plant and equipment	11		52,275		52,657
Interest in leasehold land	11		37,662		39,031
			2,275,907		2,243,158
Interest in associates	13		7,145		8,048
Interest in a joint venture	14		1,363,748		1,364,163
Other financial assets	15		248,107		337,304
Deferred tax assets	22(b)		3,526		3,618
			3,898,433		3,956,291
Current assets					
Inventories	17(a)	1,162,449		1,116,208	
Trade and other receivables	18	313,788		361,234	
Cash and bank balances	19(a)	974,746		903,362	
Tax recoverable	22(a)	29,715		37,349	
		2,480,698		2,418,153	
Current liabilities					
Trade and other payables	20	137,611		139,045	
Lease liabilities	21	644		–	
Tax payable	22(a)	41,438		41,318	
		179,693		180,363	
Net current assets			2,301,005		2,237,790
Total assets less current liabilities			6,199,438		6,194,081
Non-current liabilities					
Net employee retirement benefits liabilities	16(a)	854		4,003	
Lease liabilities	21	588		–	
Deferred tax liabilities	22(b)	64,510	65,952	59,930	63,933
NET ASSETS			6,133,486		6,130,148

		2019		2018 (note)	
	Note	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES					
Share capital	*23(b)*		**1,754,801**		1,754,801
Reserves			**4,378,685**		4,375,347
TOTAL EQUITY			**6,133,486**		6,130,148

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

Approved and authorised for issue by the board of directors on 19 March 2020.

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

The notes on pages 82 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Share capital HK$'000 (Note 23(b))	Securities revaluation reserve (non-recycling) HK$'000 (Note 23(c))	Securities revaluation reserve (recycling) HK$'000 (Note 23(c))	Other capital reserves HK$'000 (Note 23(c))	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2018		1,754,801	–	(1,784)	605	4,213,265	5,966,887
Changes in equity for 2018:							
Profit for the year		–	–	–	–	344,643	344,643
Other comprehensive income		–	(40,911)	(4,758)	–	(329)	(45,998)
Total comprehensive income		–	(40,911)	(4,758)	–	344,314	298,645
Dividends approved in respect of the previous year	9	–	–	–	–	(99,757)	(99,757)
Dividends declared in respect of the current year	9	–	–	–	–	(35,627)	(35,627)
Balance at 31 December 2018 *(Note)*		1,754,801	(40,911)	(6,542)	605	4,422,195	6,130,148
Effect of adoption of HKFRS 16		–	–	–	–	(48)	(48)
Adjusted balance at 1 January 2019		**1,754,801**	**(40,911)**	**(6,542)**	**605**	**4,422,147**	**6,130,100**
Changes in equity for 2019:							
Profit for the year		**–**	**–**	**–**	**–**	**136,416**	**136,416**
Other comprehensive income		**–**	**(5,649)**	**6,786**	**–**	**1,217**	**2,354**
Total comprehensive income		**–**	**(5,649)**	**6,786**	**–**	**137,633**	**138,770**
Dividends approved in respect of the previous year	9	**–**	**–**	**–**	**–**	**(99,757)**	**(99,757)**
Dividends declared in respect of the current year	9	**–**	**–**	**–**	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2019		**1,754,801**	**(46,560)**	**244**	**605**	**4,424,396**	**6,133,486**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

The notes on pages 82 to 159 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Note	2019 HK$'000	2019 HK$'000	2018 (note) HK$'000	2018 (note) HK$'000
Operating activities					
Profit before taxation			**154,747**		397,757
Adjustments for:					
Depreciation	*5(b)*	**6,849**		5,445	
Amortisation of leasehold land premium	*5(b)*	**1,369**		1,369	
Impairment losses on trade and other receivables	*5(b)*	**16**		122	
Change in fair value of other financial assets designated at fair value through profit or loss	*4*	**(3,393)**		2,977	
Net profit on disposal of other property, plant and equipment	*4*	**(30)**		(40)	
Net loss/(profit) on disposal of other financial assets	*4*	**4,731**		(86)	
Valuation gains on investment properties	*11*	**(31,770)**		(43,885)	
Interest income		**(32,713)**		(37,105)	
Interest expenses		**52**		–	
Dividend income from listed investments		**(12,200)**		(12,610)	
Share of profits less losses of associates		**(719)**		(1,005)	
Share of loss of a joint venture		**415**		131	
			(67,393)		(84,687)
Operating profit before changes in working capital			**87,354**		313,070
(Increase)/decrease in net employee retirement benefits liabilities		**(1,932)**		650	
Increase in inventories		**(26,265)**		(538,845)	
Decrease in trade and other receivables		**46,512**		267,191	
Decrease in trade and other payables		**(22,565)**		(613,930)	
			(4,250)		(884,934)
Cash generated from/(used in) operations			**83,104**		(571,864)
Profits tax paid		**(5,905)**		(22,339)	
			(5,905)		(22,339)
Net cash generated from/(used in) operating activities			**77,199**		(594,203)

	Note	2019 HK$'000	2019 HK$'000	2018 (note) HK$'000	2018 (note) HK$'000
Investing activities					
Interest received		33,779		39,170	
Payment for purchase of other property, plant and equipment		(5,385)		(1,979)	
Net repayment from associates		839		1,023	
Payment for purchase of other financial assets		–		(282,657)	
Proceeds from disposal of other financial assets designated at fair value through other comprehensive income (recycling)		88,996		73,099	
Proceeds from disposal of other property, plant and equipment		30		40	
Advances to a joint venture		(205)		(1,116)	
Dividends received from listed investments		12,200		12,610	
Dividends received from an associate		840		1,080	
Decrease/(increase) in bank deposits with maturity over three months at acquisition		154,338		(487,938)	
Net cash generated from/(used in) investing activities			285,432		(646,668)
Financing activities					
Capital element of lease rental paid	*19(b)*	(1,473)		–	
Interest element of lease rental paid	*19(b)*	(52)		–	
Dividends paid		(135,384)		(135,384)	
Net cash used in financing activities			(136,909)		(135,384)
Net increase/(decrease) in cash and cash equivalents			225,722		(1,376,255)
Cash and cash equivalents at 1 January			415,424		1,791,679
Cash and cash equivalents at 31 December	*19(a)*		641,146		415,424

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of HK$2,734,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 19(b)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

The notes on pages 82 to 159 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 1(g)); and

– investments in debt and equity securities (see note 1(f)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this financial statement.

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

HKFRS 16, *Leases*

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

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

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

(i) New definition of a lease (Continued)

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

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 11. For an explanation of how the Group applies lessee accounting, see note 1(i).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.125%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(A) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(B) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

(ii) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 25 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	At 1 January 2019 *HK$'000*
Operating lease commitments at 31 December 2018	1,498
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(340)
	1,158
Less: total future interest expenses	(28)
Present value of remaining lease payments recognised, discounted using the incremental borrowing rate at 1 January 2019	1,130

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

HKFRS 16, *Leases* (Continued)

(ii) Lessee accounting and transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *HK$'000*	Capitalisation of operating lease contracts *HK$'000*	**Carrying amount at 1 January 2019** ***HK$'000***
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	52,657	1,082	53,739
Total non-current assets	**3,956,291**	**1,082**	**3,957,373**
Lease liabilities (current)	–	1,052	1,052
Current liabilities	**180,363**	**1,052**	**181,415**
Net current assets	**2,237,790**	**(1,052)**	**2,236,738**
Total assets less current liabilities	**6,194,081**	**30**	**6,194,111**
Lease liabilities (non-current)	–	78	78
Net assets	**6,130,148**	**(48)**	**6,130,100**

(iii) Leasehold investment property

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint arrangements

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

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint arrangements (Continued)

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

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 1(j)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

A joint operation whereby the Group and other party contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses attributable to its interest with similar items on a line-by-line basis.

(f) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 24(e). These investments are subsequently accounted for as follows, depending on their classification.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments in debt and equity securities (Continued)

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(s)(v)).
- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECL"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the securities revaluation reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the securities revaluation reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as revenue in accordance with the policy set out in note 1(s)(vi).

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(s)(ii).

In the comparative period, when the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(i).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Other property, plant and equipment

The following property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

Land	Over the unexpired terms of the leases
Buildings	40 years or over the unexpired terms of the leases, if shorter
Leasehold land	Over the unexpired terms of the leases
Ferry vessels and other crafts	8 to 20 years
Machinery, furniture and other plant and equipment	
– Dry dock and ship lift	30 to 40 years
– Others	4 to 10 years

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

(i) Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(h) and 1(j)(iii)), except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(g).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Other property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

As a lessee (Continued)

(ii) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(g)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates and joint venture);

– contract assets as defined in HKFRS 15 (see note 1(k)(iii));

– debt securities measured at FVOCI (recycling); and

– lease receivables.

Financial assets measured at fair value, including units in trust funds and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate; and

– lease receivables: discount rate used in the measurement of the lease receivable.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Measurement of ECLs (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the securities revaluation reserve (recycling).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(s)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(iii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- other property, plant and equipment; and
- investments in subsidiaries in the Company's statement of financial position, associates and a joint venture in the consolidated and Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

(i) Trading stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Spare parts and consumables

Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

(iii) Contract assets

Contract assets are recognised when the Group recognises revenue (see note 1(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 1(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(l)).

(iv) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories (Continued)

(iv) Property development (Continued)

– Completed properties held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(k)(iii)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(j)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Contract liabilities

A contract liability is recognised as forward sales deposits received when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 1(j).

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated as part of "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on Government Bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions, contingent liabilities and onerous contracts

(i) Other provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue recognition policies are as follows:

(i) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under contract liabilities (see note 1(n)).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iv) Ferry and shipyard operations

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

Revenue from shipyard operations is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Revenue from shipyard operations was recognised on a similar basis in the comparative period.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. Effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(j)(i)).

(vi) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(A) has control or joint control over the Group;

(B) has significant influence over the Group; or

(C) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(A) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(B) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(C) Both entities are joint ventures of the same third party.

(D) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(E) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(F) The entity is controlled or jointly controlled by a person identified in note (u)(i).

(G) A person identified in note (u)(i)(A) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(H) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 16 and 24 contain information about the assumptions and their risk factors relating to defined benefit retirement obligation and financial instruments. Other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are as follows:

(a) Valuation of investment properties

In determining the fair value of the investment properties, the Group has considered information from different sources, including a valuation performed by an independent firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to expected future market rents and the appropriate capitalisation rate.

(b) Recognition of deferred tax assets

At 31 December 2019, the Group had recognised deferred tax assets in relation to the unused tax losses amounting to approximately HK$7,590,000 (2018: HK$7,033,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

3 SEGMENT INFORMATION

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

– Property development: development and sale of properties.

– Property investment: rental income from leasing of properties.

– Ferry, shipyard and related operations: income from operation of dangerous goods vehicular ferry service and ship repairs and maintenance services and sales of goods on cruise vessels.

– Securities investment: dividend, interest and other income from listed securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as substantially all of the Group's revenue and profit from operations were derived from activities in Hong Kong.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

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

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

The segment information for the years ended 31 December 2019 and 2018 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2019	2018	2019	2018	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property development	20,003	783,921	–	–	20,003	783,921
Property investment	142,089	136,738	–	–	142,089	136,738
Ferry, shipyard and related operations	145,778	173,077	1,106	1,220	144,672	171,857
Securities investment	15,056	20,716	–	–	15,056	20,716
Others	94,006	97,728	64,361	69,126	29,645	28,602
	416,932	1,212,180	65,467	70,346	351,465	1,141,834
Analysed by:						
Revenue					298,846	1,088,563
Other revenue					52,619	53,271
					351,465	1,141,834

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses and securities investment.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(a) Segment revenue (Continued)

Disaggregation in revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Property development	19,850	783,656
– Revenue from ferry operations	72,603	90,941
– Revenue from shipyard operations	60,694	73,578
	153,147	948,175
Revenue from other sources		
– Property investment	103,911	99,229
– Securities investment	12,200	12,610
– Others	29,588	28,549
	145,699	140,388
	298,846	1,088,563

Apart from revenue from shipyard which are recognised over time, the Group's other revenue streams within the scope of HKFRS 15 are recognised at a point in time.

Revenue represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

At 31 December 2019, the aggregate amount of revenue expected to be recognised in profit or loss in the future from construction and repairing contracts entered into in relation to the Group's shipyard operations amounted to HK$11,995,000 (2018: HK$10,394,000), which will be recognised overtime until the work is completed, which is expected to occur over the next 12 months.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(b) Segment result

	Reportable segment profit/(loss)	
	2019	2018
	HK$'000	*HK$'000*
Property development	**18,652**	238,059
Property investment *(note 3(d))*	**103,338**	109,933
Ferry, shipyard and related operations	**(4,979)**	8,407
Securities investment	**12,861**	16,766
Others *(note 3(e))*	**24,623**	23,718
	154,495	396,883

(c) Reconciliation of reportable segment profit

	2019	2018
	HK$'000	*HK$'000*
Reportable segment profit derived from external customers	**154,495**	396,883
Interest on lease liabilities	**(52)**	–
Share of profits less losses of associates and a joint venture	**304**	874
Profit before taxation in the consolidated statement of profit or loss	**154,747**	397,757

(d) The segment result of the "Property investment" included valuation gains on investment properties of HK$31,770,000 (2018: HK$43,885,000).

(e) "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

3 SEGMENT INFORMATION (Continued)

Segment results (Continued)

(f) Other segment information

	Depreciation and amortisation		Impairment losses		Capital expenditure incurred	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Property investment	**–**	1	**16**	–	**2,730**	–
Ferry, shipyard and related operations	**7,808**	6,543	**–**	122	**4,150**	1,817
Others	**410**	270	**–**	–	**1,235**	162
	8,218	6,814	**16**	122	**8,115**	1,979

4 OTHER REVENUE AND NET LOSS

	2019	2018
	HK$'000	*HK$'000*
Other revenue		
Management fee income	**22,401**	22,063
Air-conditioning charges income	**14,507**	14,060
Other income	**12,585**	8,592
Other interest income	**3,126**	8,556
	52,619	53,271
Other net loss		
Change in fair value of other financial assets designated at FVPL	**3,393**	(2,977)
Sundry income	**681**	706
Income from sale of spare parts	**177**	376
Net profit on disposal of other property, plant and equipment	**30**	40
Net exchange (losses)/gains	**(8)**	9
Net (loss)/profit on disposal of other financial assets	**(4,731)**	86
	(458)	(1,760)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs:

	2019 HK$'000	2018 HK$'000
Expense recognised in respect of defined benefit retirement plan *(note 16(a)(v))*	**1,376**	1,337
Contributions to defined contribution retirement plan	**2,418**	2,675
Total retirement costs	**3,794**	4,012
Salaries, wages and other benefits	**89,007**	97,301
	92,801	101,313

(b) Other items:

	2019 HK$'000	2018 HK$'000
Amortisation of leasehold land premium	**1,369**	1,369
Depreciation	**6,849**	5,445
Cost of inventories *(note 17(b))*	**6,742**	512,935
Auditor's remuneration		
– audit services	**1,762**	1,764
– other services	**351**	351
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 *(note (i))*		
– property rentals	**–**	2,734
Total minimum lease payments on short-term leases exempted from capitalisation under HKFRS 16		
– property rentals	**1,804**	–
Impairment losses on trade and other receivables	**16**	122
Rentals receivable from investment properties less direct outgoings of HK$54,223,000 (2018: HK$54,125,000) *(note (ii))*	**(49,689)**	(45,096)
Rentals receivable from leases, other than those relating to investment properties, less direct outgoings of HK$1,249,000 (2018: HK$2,309,000)	**(6,868)**	(887)
Interest income	**(32,713)**	(37,105)
Dividend income from other financial assets designated at FVPL	**(4,165)**	(3,174)
Dividend income from other financial assets designated at FVOCI	**(8,035)**	(9,436)

5 PROFIT BEFORE TAXATION (Continued)

(b) Other items: (Continued)

Note (i): The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

Note (ii): Included contingent rental income which is determined based on turnover of certain shops and commercial arcades of HK$3,096,000 (2018: HK$4,054,000).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**13,127**	46,847
Under/(over)-provision in respect of prior years	**532**	(186)
	13,659	46,661
Deferred tax		
Origination and reversal of temporary differences	**4,672**	6,453
	18,331	53,114

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for Hong Kong Profits Tax for 2019 taken into account a reduction granted by the Government of Hong Kong Special Administrative Region of 100% of the tax payable for the year of assessment 2018/19 subject to a maximum reduction of HK$20,000 for each business (2018: a maximum reduction of HK$30,000 was granted for the year of assessment 2017/18 and was taken into account in calculating the provision for 2018).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Taxation in the consolidated statement of profit or loss represents: (Continued)

In prior years, the Inland Revenue Department ("IRD") raised additional profits tax assessments on a subsidiary of the Group covering the years of assessment from 2001/02 to 2009/10 as the IRD disallowed the deduction of certain capital expenditure incurred by the subsidiary. Notices of objection were filed with the IRD by the subsidiary. In February 2017, the IRD further raised additional profits tax assessments covering the years of assessment from 2010/11 to 2014/15 in respect of such disallowance. Management has sought advice from the Group's tax adviser and has filed a notice of objection against such additional tax assessments. No change in the circumstances for the years ended 31 December 2018 and 31 December 2019.

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	2019 *HK$'000*	2018 *HK$'000*
Profit before taxation	**154,747**	397,757
Notional tax on profit before taxation, calculated at the rates applicable profit in tax jurisdictions concerned	**25,370**	65,465
Tax effect of non-deductible expenses	**1,815**	1,664
Tax effect of non-taxable income	**(11,596)**	(13,731)
Tax effect of current year's tax losses not recognised	**2,159**	1,051
Tax effect of prior years' unrecognised tax losses utilised this year	**(167)**	(1,187)
Tax effect of temporary differences on investment properties and other property, plant and equipment	**218**	38
Under/(over)-provision in respect of prior years	**532**	(186)
Actual tax expense	**18,331**	53,114

7 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and Chief Executive's emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and Appendix 16 to the Listing Rules are as follows:

	Directors' fees		Retirement scheme contribution	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors				
Dr. Lam Ko Yin, Colin	**200**	200	**–**	–
Mr. Li Ning	**150**	150	**–**	–
Non-executive directors				
Mr. Au Siu Kee, Alexander	**100**	100	**–**	–
Mr. Lau Yum Chuen, Eddie	**100**	100	**–**	–
Dr. Lee Shau Kee	**100**	100	**–**	–
Mr. Wong Man Kong, Peter (deceased on 11 March 2019)	**25**	100	**–**	–
Independent non-executive directors				
Mr. Ho Hau Chong, Norman	**300**	300	**–**	–
Mr. Leung Hay Man (deceased on 11 October 2018)	**–**	250	**–**	–
Ms. Wong Yu Pok, Marina	**300**	300	**–**	–
Mr. Wu King Cheong	**300**	300	**–**	–
	1,575	1,900	**–**	–

	Salaries and other emoluments	
	2019	2018
	HK$'000	*HK$'000*
Group General Manager		
Dr. Ho Chi Shing, David	**3,444**	3,684

8 EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Five highest paid individuals

Of the five individuals with the highest emoluments, one (2018: one) is the chief executive whose emoluments is disclosed in note 7. The aggregate of the emoluments in respect of the remaining four (2018: four) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other emoluments	4,494	4,404
Retirement scheme contributions	174	170
	4,668	4,574

The emoluments of the four (2018: four) individuals with the highest emoluments are within the following bands:

HK$	2019 Number of individuals	2018 Number of individuals
1,000,000 or below	1	1
1,000,001–1,500,000	3	3

(b) Emoluments of senior management

Other than the emoluments of directors, chief executive and five highest paid individuals disclosed in note 7 and 8(a), the emoluments of the remaining senior management whose profiles are provided in Directors' and Senior Management's Profile fell within the following bands:

HK$	2019 Number of individuals	2018 Number of individuals
500,001–1,000,000	1	1

9 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2019 HK$'000	2018 HK$'000
Interim dividend declared and paid of HK10 cents (2018: HK10 cents) per ordinary share	35,627	35,627
Final dividend proposed after the end of the reporting period of HK28 cents (2018: HK28 cents) per ordinary share	99,757	99,757
	135,384	135,384

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2019 HK$'000	2018 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK28 cents (2018: HK28 cents) per ordinary share	99,757	99,757

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$136,416,000 (2018: HK$344,643,000) and 356,273,883 (2018: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2019 and 2018, therefore diluted earnings per share are the same as basic earnings per share for both years.

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2018	73,704	119,114	278,162	470,980	2,107,585	159,407	2,737,972
Additions	–	290	1,689	1,979	–	–	1,979
Disposals	–	–	(341)	(341)	–	–	(341)
Valuation gains	–	–	–	–	43,885	–	43,885
At 31 December 2018	73,704	119,404	279,510	472,618	2,151,470	159,407	2,783,495
Representing:							
Cost	73,704	119,404	279,510	472,618	–	159,407	632,025
Valuation	–	–	–	–	2,151,470	–	2,151,470
	73,704	119,404	279,510	472,618	2,151,470	159,407	2,783,495
Accumulated amortisation and depreciation:							
At 1 January 2018	61,964	116,986	235,907	414,857	–	119,007	533,864
Charge for the year	722	613	4,110	5,445	–	1,369	6,814
Written back on disposals	–	–	(341)	(341)	–	–	(341)
At 31 December 2018	62,686	117,599	239,676	419,961	–	120,376	540,337
Net book value:							
At 31 December 2018	11,018	1,805	39,834	52,657	2,151,470	39,031	2,243,158

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:							
At 31 December 2018	73,704	119,404	279,510	472,618	2,151,470	159,407	2,783,495
Impact of initial application of HKFRS 16 *(note)*	1,082	–	–	1,082	–	–	1,082
At 1 January 2019	74,786	119,404	279,510	473,700	2,151,470	159,407	2,784,577
Additions	1,337	708	3,340	5,385	2,730	–	8,115
Disposals	–	–	(287)	(287)	–	–	(287)
Valuation gains	–	–	–	–	31,770	–	31,770
At 31 December 2019	76,123	120,112	282,563	478,798	2,185,970	159,407	2,824,175
Representing:							
Cost	76,123	120,112	282,563	478,798	–	159,407	638,205
Valuation	–	–	–	–	2,185,970	–	2,185,970
	76,123	120,112	282,563	478,798	2,185,970	159,407	2,824,175
Accumulated amortisation and depreciation:							
At 1 January 2019	62,686	117,599	239,676	419,961	–	120,376	540,337
Charge for the year	2,071	400	4,378	6,849	–	1,369	8,218
Written back on disposals	–	–	(287)	(287)	–	–	(287)
At 31 December 2019	64,757	117,999	243,767	426,523	–	121,745	548,268
Net book value:							
At 31 December 2019	11,366	2,113	38,796	52,275	2,185,970	37,662	2,275,907

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

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

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

		Fair value measurements as at 31 December 2019 categorised into		
	Fair value at 31 December 2019	**Level 1**	**Level 2**	**Level 3**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement				
Investment properties	**2,185,970**	**–**	**–**	**2,185,970**

		Fair value measurements as at 31 December 2018 categorised into		
	Fair value at 31 December 2018	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Investment properties	2,151,470	–	–	2,151,470

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation process

All the Group's investment properties were revalued as at 31 December 2019. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among their staff Members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) Information about Level 3 fair value measurements

The fair values of investment properties were determined using income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of properties after expiry of the current leases except for an investment property which was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available.

Below is a table which presents the significant unobservable inputs:

Income capitalisation approach

	Range of capitalisation rates		Range of occupancy rates	
	2019	2018	**2019**	2018
	%	%	**%**	%
Retail	**3.5% – 4.75%**	3.5% – 4.75%	**87% – 100%**	93% – 100%
Car park	**4.5% – 7%**	4.5% – 7%	**69% – 99%**	67% – 100%

Market comparison approach

	Market unit sales price	
	2019	2018
	HK$/sq. ft.	*HK$/sq. ft.*
Godown	**405 – 654**	477 – 560

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(a) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value measurement of investment properties is positively correlated to the occupancy rate and market unit sales price and negatively correlated to the capitalisation rate.

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

	2019 *HK$'000*	2018 *HK$'000*
Investment properties		
At 1 January	2,151,470	2,107,585
Additions	2,730	–
Valuation gains	31,770	43,885
At 31 December	2,185,970	2,151,470

Fair value adjustment of investment properties is recognised in the line item "valuation gains on investment properties" on the face of the consolidated statement of profit or loss.

All the gains recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(b) The analysis of the net book value of all the properties, which are held in Hong Kong, is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Medium-term leases	2,234,998	2,201,519

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one month to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain of the leases include contingent rentals calculated with reference to the revenue of tenants.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 year	**76,016**	74,035
After 1 year but within 2 years	**46,822**	50,276
After 2 years but within 3 years	**9,010**	21,558
After 3 years but within 4 years	**–**	161
	131,848	146,030

(d) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**At 31 December 2019** ***HK$'000***	**At 1 January 2019** ***HK$'000***
Other properties leased for own use, carried at depreciated cost	*(i)*	**599**	**1,082**
Machinery, furniture and others, carried at depreciated cost	*(ii)*	**618**	**–**
		1,217	**1,082**

11 INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (Continued)

(d) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 HK$'000	2018 (note) HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	1,324	–
Machinery, furniture and others	116	–
	1,440	–
Interest on lease liabilities	52	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	2,734
Expenses relating to short-tem leases and other leases with remaining lease term ended on or before 31 December 2019	1,804	–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

During the year, additions to right-of-use assets were HK$1,575,000. The amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Note (i): Other properties leased for own use

The Group has obtained the right to use other properties as its office space and ferry pier through tenancy agreements. The leases typically run for an initial period of two to three years.

Note (ii): Other leases

The Group leases office equipment under leases expiring for four years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

12 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

	Particulars of issued and paid up capital	Proportion of ownership interests: Held by the Company	Proportion of ownership interests: Held by subsidiaries	Principal activities
HYFCO Development Company, Limited	1,200,003 shares	100%	–	Investment holding
The Hong Kong Shipyard Limited	170,000 shares	100%	–	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2 shares	100%	–	Trading
HYFCO Estate Management & Agency Limited	2,500,000 shares	100%	–	Property management
The Hongkong and Yaumati Ferry Company Limited	1,000,000 shares	100%	–	Ferry operations
Galaxy Hotel Management Company Limited	1,000,000 shares	–	100%	Floating restaurant business
Genius Star Development Limited	2 shares	100%	–	Property investment
Pico International Limited	6,000,000 shares	100%	–	Investment holding
Hong Kong Ferry Finance Company Limited	2 shares	100%	–	Funding for group companies
Thommen Limited	2 shares	100%	–	Investment holding
Lenfield Limited	2 shares	100%	–	Property development, investment and financing
HKF Property Investment Limited	2 shares	100%	–	Property investment
Join Galaxy Limited	2 shares	–	100%	Property financing
Merry World Assets Limited	50,000 shares	100%	–	Investment holding
Jet Legend Limited	1 share	100%	–	Property development and financing
World Light Limited	1 share	100%	–	Property development, investment and financing
Well Dynamic Limited	1 share	100%	–	Property development, investment and financing
World Fame Shipping Limited	2 shares	100%	–	Property development

All the subsidiaries listed above are incorporated in Hong Kong except for Merry World Assets Limited which is incorporated in the British Virgin Islands.

13 INTEREST IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Share of net assets	**595**	672
Amounts due from associates	**13,989**	14,771
Share of net liabilities	**(645)**	(601)
	13,344	14,170
Less: impairment loss	**(6,794)**	(6,794)
	7,145	8,048

Except for the amount advanced to 2OK Company Limited ("2OK") which is interest-bearing at Hong Kong dollar prime rate minus 3% (2018: Hong Kong dollar prime rate minus 3%) per annum, as disclosed in note 28(b)(ii), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts due from associates are not expected to be recovered within one year.

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

	Particulars of issued and paid up capital	Proportion of ownership interest held by subsidiaries	Principal activities
2OK	10 ordinary shares	50%	Property financing
Authian Estates Limited	5,000 A shares 5,000 B shares	50%	Property investment
Winwide Limited	100 ordinary shares	30%	Trading

All of the associates are incorporated and operate in Hong Kong.

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

13 INTEREST IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2019 *HK$'000*	2018 *HK$'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**(50)**	71
Aggregate amounts of the Group's share of those associates'		
Profit for the year	**719**	1,005
Total comprehensive income	**719**	1,005

14 INTEREST IN A JOINT VENTURE

	2019 *HK$'000*	2018 *HK$'000*
Share of net liabilities	**(652)**	(237)
Loan to a joint venture	**1,364,400**	1,364,400
	1,363,748	1,364,163

The loan to a joint venture is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and recoverable on demand. The balance is not expected to be recovered within one year. During the years and as at 31 December 2019 and 2018, the balance did not bear any interest.

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued capital	Proportion of ownership interest held by subsidiaries	Principal activity
Win Standard Enterprises Limited	Incorporated	Hong Kong	10,000 ordinary shares	50%	Property development

The joint venture is an unlisted corporate entity whose quoted market price is not available.

14 INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

Gross amounts of the joint venture's	2019 HK$'000	2018 HK$'000
Current assets	3,052,474	2,909,697
Non-current assets	–	–
Current liabilities	(81,790)	(109,038)
Non-current liabilities	(2,971,987)	(2,801,132)
Deficit	(1,303)	(473)
Included in the above assets and liabilities:		
Cash and cash equivalents	4,990	10,511
Current financial liabilities (excluding trade and other payables and provisions)	(52,974)	(52,957)
Non-current financial liabilities	(2,971,987)	(2,801,132)
Revenue	–	–
Loss for the year	(829)	(263)
Other comprehensive income	–	–
Total comprehensive income	(829)	(263)
Included in the above profit:		
Interest expenses	(655)	(218)

No depreciation and amortisation, interest income and income tax expenses is included in the above profit.

	2019 HK$'000	2018 HK$'000
Reconciled to Group's interest in the joint venture		
Gross amounts of the joint venture's net liabilities	(1,303)	(474)
Group's effective interest	50%	50%
Group's share of the joint venture's net liabilities	(652)	(237)

15 OTHER FINANCIAL ASSETS

	2019 HK$'000	2018 HK$'000
Financial assets designated at FVOCI (non-recycling) *(note)*		
– Equity securities listed in Hong Kong	**130,511**	136,160
Financial assets designated at FVOCI (recycling)		
– Listed debt securities inside Hong Kong	**–**	39,671
– Listed debt securities outside Hong Kong	**11,594**	58,864
Financial assets designated at FVPL		
– Unit trust listed in Hong Kong	**106,002**	102,609
	248,107	337,304
Market value of listed securities at 31 December	**248,107**	337,304

Note: The Group has designated certain investments as equity securities designated as financial assets at FVOCI (non-recycling) as the investments are held for strategic purposes. Details of the investments are as follows:

Name of equity securities	2019 HK$'000	2018 HK$'000
HSBC Holdings Plc	**79,105**	84,240
Bank of China Ltd	**34,256**	34,770
Agricultural Bank of China Limited	**17,150**	17,150
As at 31 December	**130,511**	136,160

16 NET EMPLOYEE RETIREMENT BENEFITS LIABILITIES

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong), which covers 10.2% (2018: 10.8%) of the Group's employees. The plan is administered by independent trustees with their assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuation of the plan was at 31 December 2019 and was prepared by qualified staff of Towers Watson Hong Kong Limited, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that 97.7% (2018: 89.6%) of the Group's obligations under the defined benefit retirement plan are covered by the plan assets held by the trustees.

The plan exposes the Group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the plan is disclosed below:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

	2019	2018
	HK$'000	*HK$'000*
Present value of wholly or partly funded obligations	**(37,798)**	(38,643)
Fair value of plan assets	**36,944**	34,640
	(854)	(4,003)

The plan assets do not include any share issued by the Company or any property occupied by the Group.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$486,000 in contributions to defined benefit retirement plan in 2020.

16 NET EMPLOYEE RETIREMENT BENEFITS LIABILITIES (Continued)

(a) Defined benefit retirement plan (Continued)

(ii) Plan assets consist of the following:

	2019	2018
Equity securities	37.8%	38.3%
Fixed deposits	62.2%	61.7%
Total	100.0%	100.0%

All of the equity securities have quoted prices in active markets.

(iii) Movements in the present value of the defined benefit obligations:

	2019 HK$'000	2018 HK$'000
At 1 January	38,643	37,109
Remeasurements:		
– Actuarial loss/(gain) arising from changes in financial assumptions	204	(500)
– Actuarial (gain)/loss arising from changes in experience	(289)	219
– Actuarial loss arising from change in demographic assumptions	3	6
	(82)	(275)
Current service cost	1,191	1,180
Interest cost	731	629
Benefits paid by the plan	(2,685)	–
At 31 December	37,798	38,643

16 NET EMPLOYEE RETIREMENT BENEFITS LIABILITIES (Continued)

(a) Defined benefit retirement plan (Continued)

(iv) Movements in plan assets:

	2019 HK$'000	2018 HK$'000
At 1 January	**34,640**	34,085
Interest income	**662**	583
Return greater/(less) than discount rate	**1,135**	(604)
Benefits paid by the plan	**(2,685)**	–
Administrative expenses paid	**(116)**	(111)
Contributions paid to the plan	**3,308**	687
At 31 December	**36,944**	34,640

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2019 HK$'000	2018 HK$'000
Current service cost	**1,191**	1,180
Net interest on net defined benefit liability	**69**	46
Administrative expenses paid	**116**	111
Total amounts recognised in profit or loss	**1,376**	1,337
Actuarial gain	**(82)**	(275)
Return on plan assets, excluding interest income	**(1,135)**	604
Total amounts recognised in other comprehensive income	**(1,217)**	329
Total defined benefit costs	**159**	1,666

16 NET EMPLOYEE RETIREMENT BENEFITS LIABILITIES (Continued)

(a) Defined benefit retirement plan (Continued)

(v) (Continued)

The current service cost, the net income on defined benefit liability and the administrative expenses paid are recognised in the following item in the consolidated statement of profit or loss:

	2019 HK$'000	2018 HK$'000
Administrative expenses	1,376	1,337

(vi) Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2019	2018
Discount rate	1.8%	1.9%
Long-term salary increase rate	3.5%	3.5%

The below analysis shows how the net defined benefit liability would have (increased)/decreased as a result of 0.25% change in the significant actuarial assumptions:

	Increase in 0.25%		Decrease in 0.25%	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Discount rate	507	611	(521)	(628)
Future salary	(486)	(587)	475	574

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plan

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2019 HK$'000	2018 HK$'000
Property development		
Properties under development for sale	1,092,648	1,033,957
Completed properties held for sale	63,497	71,243
	1,156,145	1,105,200
Other operations		
Trading stocks	1,351	1,544
Spare parts and consumables	1,263	1,327
Contract assets	3,690	8,137
	6,304	11,008
	1,162,449	1,116,208

The above properties are situated in Hong Kong and held under medium-term leases.

All of the inventories are expected to be recovered within one year.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 HK$'000	2018 HK$'000
Carrying amount of inventories sold	6,742	512,935

18 TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	245,558	296,483
Less: allowance for doubtful debts	(122)	(2,185)
	245,436	294,298
Other receivables and prepayments	41,657	40,446
Amount due from a joint venture	26,695	26,490
	313,788	361,234

All of the trade and other receivables except for instalment receivables of HK$172,674,000 (2018: HK$208,332,000) are expected to be recovered or recognised as expense within one year. Included in the trade and other receivables are amounts due from related companies of HK$59,799,000 (2018: HK$56,685,000) which are unsecured, interest-free and have no fixed terms of repayment.

The amount due from a joint venture is unsecured, interest-bearing at a rate to be agreed by the Group and the joint venture partner and has no fixed terms of repayment. During the years and as at 31 December 2019 and 2018, the balance did not bear any interest.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of loss allowance) with the following ageing analysis based on due date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Current	213,129	250,963
1 to 3 months overdue	28,289	34,558
More than 3 months but less than 12 months overdue	4,018	5,375
More than 12 months overdue	–	3,402
	245,436	294,298

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Further details on the Group's credit policy are set out in note 24(a).

18 TRADE AND OTHER RECEIVABLES (Continued)

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(j)(i)).

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which include a specific element based on individual receivables and a collective element calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group has recognised an ECL on trade debtors amounting to HK$122,000 (2018: HK$2,185,000) as at 31 December 2019, calculated on 100% of certain individual trade debtors with specific risk. The identified impairment loss on the remaining trade debtors was immaterial as at 31 December 2019 and 31 December 2018.

The movement in the loss allowance accounts during the year is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
At 1 January	**2,185**	2,151
Impairment losses recognised	**16**	122
Uncollectible amount written off	**(2,079)**	(88)
At 31 December	**122**	2,185

The decrease in the loss allowance was mainly contributed by the decrease in the gross carrying amounts of trade receivables as a result of a write-off of trade receivables with a gross carrying amount of HK$2,079,000 (2018: HK$88,000).

19 CASH AND BANK BALANCES

(a)

	2019 HK$'000	2018 HK$'000
Deposits with banks and other financial institutions	**959,250**	883,967
Cash at bank and in hand	**15,496**	19,395
Cash and bank balances in the consolidated statement of financial position	**974,746**	903,362
Less: Bank deposits with maturity over three months at acquisition	**(333,600)**	(487,938)
Cash and cash equivalents in the consolidated cash flow statement	**641,146**	415,424

Included in cash and bank balances are the following amounts denominated in a currency other than Hong Kong dollars:

	2019 '000	2018 '000
United States dollars	**74**	62
Renminbi	**46**	46

19 CASH AND BANK BALANCES (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities *HK$'000* *(Note 21)*
At 31 December 2018	–
Impact on initial application of HKFRS 16 *(Note)*	1,130
At 1 January 2019	**1,130**
Changes from financing cash flows:	
Capital element of lease rentals paid	**(1,473)**
Interest element of lease rentals paid	**(52)**
Total changes from financing cash flows	**(1,525)**
Other changes:	
Increase in lease liabilities from entering into new leases during the period	**1,575**
Interest expenses	**52**
Total other changes	**1,627**
At 31 December 2019	**1,232**

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

19 CASH AND BANK BALANCES (Continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 HK$'000	2018 (note) HK$'000
Within operating cash flows	1,804	2,734
Within financing cash flows	1,525	–
	3,329	2,734

Note: As explained in the note to the consolidated cash flow statement, the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 HK$'000	2018 HK$'000
Lease rentals paid	3,329	2,734

20 TRADE AND OTHER PAYABLES

All of the trade and other payables except for an amount of HK$16,072,000 (2018: HK$12,783,000) are expected to be settled within one year. Included in the trade and other payables are amounts due to related companies of HK$49,395,000 (2018: HK$58,502,000) which are unsecured, interest-free and repayable within 30 – 45 days or have no fixed terms of repayment.

Included in trade and other payables are trade payables with the following ageing analysis based on due date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Due within 1 month or on demand	82,843	80,808
Due after 1 month but within 3 months	513	1,614
Due after 3 months but within 12 months	9	21
More than 12 months	9	8
	83,374	82,451

21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	At 31 December 2019		At 1 January 2019 *(note)*		At 31 December 2018 *(note)*	
	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*
Within 1 year	644	663	1,052	1,080	–	–
After 1 year but within 2 years	253	262	78	78	–	–
After 2 years but within 5 years	335	343	–	–	–	–
	588	605	78	78	–	–
	1,232	1,268	1,130	1,158	–	
Less: total future interest expenses		(36)		(28)		–
Present value of lease liabilities		1,232		1,130		–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax payable/(recoverable) in the consolidated statement of financial position represents:

	2019 **HK$'000**	2018 HK$'000
Provision for Hong Kong Profits Tax for the year	**13,127**	46,847
Provisional Profits Tax paid	**(5,050)**	(24,792)
	8,077	22,055
Balance of Hong Kong Profits Tax payable/(recoverable) relating to prior years	**3,646**	(18,086)
	11,723	3,969

Represented by:

	2019 **HK$'000**	2018 HK$'000
Tax recoverable	**(29,715)**	(37,349)
Tax payable	**41,438**	41,318
	11,723	3,969

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Temporary differences from investment properties and other property, plant and equipment *HK$'000*	Future benefit of tax losses *HK$'000*	Intra-group interest capitalised in properties under development *HK$'000*	Total *HK$'000*
At 1 January 2018	55,380	(2,568)	(2,953)	49,859
Charged to profit or loss *(note 6(a))*	4,953	1,242	258	6,453
At 31 December 2018 and 1 January 2019	**60,333**	**(1,326)**	**(2,695)**	**56,312**
Charged to profit or loss *(note 6(a))*	**4,597**	**75**	**–**	**4,672**
At 31 December 2019	**64,930**	**(1,251)**	**(2,695)**	**60,984**

	2019 ***HK$'000***	2018 *HK$'000*
Represented by:		
Net deferred tax asset recognised in the consolidated statement of financial position	**(3,526)**	(3,618)
Net deferred tax liability recognised in the consolidated statement of financial position	**64,510**	59,930
	60,984	56,312

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(q), the Group has not recognised the following deferred tax assets in respect of deductible temporary differences and cumulative tax losses as it is not probable that future taxable profits against which the deductible temporary differences and tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

	2019		2018	
	Deductible temporary differences/ tax losses	**Deferred tax assets**	Deductible temporary differences/ tax losses	Deferred tax assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
(i) Excess of tax written down values over accounting carrying values of other property, plant and equipment	**61**	**10**	114	19
(ii) Tax losses	**119,532**	**19,723**	114,720	18,929
	119,593	**19,733**	114,834	18,948

23 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital HK$'000 (note 23(b))	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2018		1,754,801	928,375	2,683,176
Changes in equity for 2018:				
Profit for the year		–	41,375	41,375
Other comprehensive income		–	(329)	(329)
Total comprehensive income		–	41,046	41,046
Dividends approved in respect of the previous year	9	–	(99,757)	(99,757)
Dividends declared in respect of the current year	9	–	(35,627)	(35,627)
Balance at 31 December 2018 and 1 January 2019		**1,754,801**	**834,037**	**2,588,838**
Changes in equity for 2019:				
Profit for the year		**–**	**6,389**	**6,389**
Other comprehensive income		**–**	**1,217**	**1,217**
Total comprehensive income		**–**	**7,606**	**7,606**
Dividends approved in respect of the previous year	9	**–**	**(99,757)**	**(99,757)**
Dividends declared in respect of the current year	9	**–**	**(35,627)**	**(35,627)**
Balance at 31 December 2019		**1,754,801**	**706,259**	**2,461,060**

23 CAPITAL AND RESERVES (Continued)

(b) Share capital

	2019		2018	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Ordinary shares, issued and fully paid:				
At 1 January/31 December	**356,273,883**	**1,754,801**	356,273,883	1,754,801

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

(c) Nature and purpose of reserves

(i) Securities revaluation reserve (recycling)

The securities revaluation reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 1(f)). Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39. This amount has been reclassified to securities revaluation reserve (recycling) upon the initial adoption of HKFRS 9 at 1 January 2018.

(ii) Securities revaluation reserve (non-recycling)

The securities revaluation reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(f)).

(iii) Other capital reserves

The other capital reserves comprise the unrealised profit on inter-company interest capitalised under investment properties.

23 CAPITAL AND RESERVES (Continued)

(d) Distributability of reserves

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance, was HK$239,136,000 (2018: HK$366,867,000). After the end of the reporting period the directors proposed a final dividend of HK28 cents (2018: HK28 cents) per ordinary share, amounting to HK$99,757,000 (2018: HK$99,757,000) (note 9). This dividend has not been recognised as a liability at the end of the reporting period.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and ensure that it maintains a healthy capital ratio in order to support its business and provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

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

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk. In respect of other trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is not influenced by the individual characteristics of each customer as the Group does not have a certain concentration of credit risk of the total trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial positions. Except for the financial guarantees given by the Group as set out in note 27, the Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

The treasury functions of the Group is centralised at the head office. Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loan to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

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

	2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	**121,539**	**11,196**	**4,876**	**–**	**137,611**	**137,611**

	2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	126,262	5,385	5,998	1,400	139,045	139,045

(c) Currency risk

The Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow are primarily denominated in Hong Kong dollars.

(d) Equity price risk

The Group is exposed to equity price change arising from other financial assets designated through FVOCI and FVPL held for non-trading purposes (see note 15).

Listed investments held by the Group have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Equity price risk (Continued)

Sensitivity analysis

At 31 December 2019, it is estimated that an increase/decrease of 10% (2018: 10%) in the market prices of equity and debt investments in other financial assets, with all other variables held constant would have increased/decreased the securities revaluation reserve by approximately HK$24,811,000 (2018: HK$33,730,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that none of the Group's other financial assets would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*.

The fair value measurements of the Group's financial assets as at 31 December 2019 and 31 December 2018 are categorised into Level 1. During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair values of financial assets and liabilities carried at other than fair value

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

25 OPERATING LEASE COMMITMENTS

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 *HK$'000*
Within 1 year	1,420
After 1 year but within 5 years	78
	1,498

The Group is the lessee in respect of a number of properties held under leases and piers which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(i), and the details regarding the Group's future lease payments are disclosed in note 21.

26 CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2019 not provided for in the financial statements were as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Contracted for	**57,213**	106,740
Authorised but not contracted for	**617,876**	682,596
	675,089	789,336

27 CONTINGENT LIABILITIES

Financial guarantees issued

At 31 December 2019, the Company has issued the following guarantees:

(a) guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries; and

(b) guarantees to banks in respect of banking facilities granted to its wholly-owned subsidiaries and a joint venture.

Under the guarantees, the Company is liable to the amount due from the subsidiaries and the joint venture to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued above is the outstanding amount due to the relevant parties by its wholly-owned subsidiaries and the joint venture, being HK$132,275,000 (2018: HK$36,244,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured using observable market data and its transaction price was HK$Nil.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to certain of the Company's directors, chief executive and the highest paid employees as disclosed in notes 7 and 8 respectively, is as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Short-term employee benefits	**6,319**	6,491
Post-employment benefits	**126**	123
	6,445	6,614

Total remuneration is included in "staff costs" (see note 5(a)).

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions

(i) In 1999, the Group entered into a development agreement (the "Agreement") with Henderson Land Development Company Limited ("HLD") and two wholly-owned subsidiaries of HLD ("HLD Sub 1" and "HLD Sub 2"), whereby HLD Sub 1 and HLD Sub 2 acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") for a consideration of HK$1,500,000,000.

As part of the Agreement, HLD Sub 1 and HLD Sub 2 agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 31 December 2019, an amount of HK$209,000 (2018: HK$286,000) remained unpaid and was included in trade and other receivables.

In February 2017, the Group entered into a deed of novation (the "Deed of Novation") with HLD, HLD Sub 1 and HLD Sub 2 pursuant to which HLD Sub 1 transferred and assigned unto HLD Sub 2, and HLD Sub 2 took and assumed all of the rights and obligations of the HLD Sub 1 under the Agreement subject to the terms and conditions as stated in the Deed of Novation. The Deed of Novation was supplemental to the Agreement.

(ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiary beneficially owned the remaining 50% equity interest in 2OK at 31 December 2019. During the year, the Group received management and administrative fees in the total of HK$50,000 (2018: HK$Nil) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK$57,000 (2018: HK$78,000) from 2OK. At 31 December 2019, the amount advanced by the Group totalling HK$2,532,000 (2018: HK$3,107,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

(iii) In December 2002, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub A") as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza ("MHP"), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing. An amount of HK$2,166,000 (2018: HK$2,105,000) was charged to the Group for the year. At 31 December 2019, an amount of HK$2,165,000 (2018: HK$1,058,000) remained unpaid and was included in trade and other payables.

As the aforementioned agreement was renewable on the yearly basis until terminated by either party, the Group had monitored the receipt of the funds during the year.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(iv) In May 2006, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub C") as the main contractor for a fee of 5% on all works relating to the development of Shining Heights, Nos. 220-222 Tai Kok Tsui Road, Kowloon, Hong Kong. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Group together with the 5% fee were subject to each annual ceiling of HK$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK$5,500,000 and HK$6,500,000 for the nine months ended 31 December 2009 and for the year ended 31 December 2010 respectively.

During the years ended 31 December 2019 and 2018, there were no change in cost estimates. At 31 December 2019, an amount of HK$2,294,000 (2018: HK$2,294,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

(v) In March 2011, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub D") as the main contractor for a fee of 5% on all works relating to the development of Green Code at No. 1 Ma Sik Road, Fanling, New Territories, Hong Kong (formerly known as Fanling Sheung Shui Town Lot No. 177). The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee were subject to the total ceilings of the respective years.

In October 2014, the Group entered into a Fanling Prime Cost Contract Extension Letter with HLD Sub D to extend the period of payment of fees for the respective ceilings of HK$6,800,000 and HK$19,000,000 for the period from 1 June 2014 to 31 December 2014 and for the year ended 31 December 2015 respectively. During the years ended 31 December 2019 and 2018, there were no change in cost estimates. At 31 December 2019, an amount of HK$14,725,000 (2018: HK$14,725,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

Under the term of Fanling Prime Cost Contract Extension Letter, the contract expired in December 2015.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(vi) In January 2017, the Group appointed a wholly-owned subsidiary of HLD ("HLD Sub B") as the sales manager of the development of Hung Hom Inland Lot No. 555, Kowloon, Hong Kong located at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom, Kowloon, Hong Kong (the "Hung Hom Property") for a term of one year commencing from 1 January 2017 in consideration for a fee of 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) (the "Letter Agreement"). The aggregate amount of fees receivable by HLD Sub B as remuneration under the appointment were subject to a ceiling of HK$1,000,000 for the year ended 31 December 2017. Pursuant to the terms of the Letter Agreement, the appointment of HLD Sub B as sales manager expired in December 2017.

In December 2017, the Group entered into a second letter agreement with HLD Sub B and HLD Sub B continued to act as the sales manager of the Group in respect of the sale and purchase of the remaining residential units of the Hung Hom Property for a further term of three years commencing from 1 January 2018 to 31 December 2020 (the "Term of Appointment"). The aggregate amount of fees receivable by HLD Sub B as remuneration under the appointment shall be subject to a ceiling of HK$1,000,000 per annum during the Term of Appointment.

A total fee of HK$Nil (2018: HK$47,000) was charged to the Group for the year ended 31 December 2019. At 31 December 2019, an amount of HK$Nil (2018: HK$47,000) remained unpaid and was included in trade and other payables.

(vii) In June 2017, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a renewal offer letter A (the "Renewal Offer Letter A") in respect of the leasing of Shop Nos. G01, Portion of G31, G35-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, MHP ("Previous Premises 1") and Bridge area on Level 1, MHP ("Premises 2") for a term of one year commencing from 1 July 2017 to 30 June 2018 at a monthly rental of HK$244,000 for Previous Premises 1 and HK$6,000 for Premises 2 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Previous Premises 1 and Premises 2 over HK$50,000,000, which shall be payable monthly in arrears. The term of the Renewal Offer Letter A expired in June 2018.

In June 2017, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a renewal offer letter B (the "Renewal Offer Letter B") in respect of the leasing of Shop Nos. 127-161 and corridors and toilets on Level 1, MHP ("Premises 3") for a term of three years commencing from 1 July 2017 to 30 June 2020 at a monthly rental of HK$238,000 for Premises 3 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Premises 3 over HK$70,000,000, which shall be payable monthly in arrears.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(vii) (Continued)

In June 2018, the indirectly non-wholly owned subsidiary of HLD as tenant and HLD Sub A (as agent of the Group) as landlord entered into a 2018 renewal offer letter A (the "2018 Renewal Offer Letter A") in respect of the leasing of Shop Nos. G01, Portion of G31, G37-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, MHP ("Premises 1") and Premises 2 for a term of two years commencing from 1 July 2018 to 30 June 2020 at a monthly rental of HK$243,000 for Premises 1 and HK$7,000 for Premises 2 together with other ancillary expenses and a turnover rent of 7% of the excess (if any) of such annual gross turnover of the tenant's business conducted at Premises 1 and Premises 2 over HK$50,000,000, which shall be payable monthly in arrears.

The aggregate amounts of rentals and other ancillary expenses receivable under the Renewal Offer Letter A and the Renewal Offer Letter B are subject to the annual ceilings for the period from 1 July 2017 to 31 December 2017 of HK$7,500,000. In December 2019, the aggregate amounts of rentals and other ancillary expenses receivable under the 2018 Renewal Offer Letter A and the Renewal Offer Letter B are subject to the revised annual ceilings for the years ended 31 December 2018 and 31 December 2019 of HK$15,000,000 (inclusive of the relevant cap applicable to the Renewal Offer Letter A) and HK$15,000,000, and for the period from 1 January 2020 to 30 June 2020 of HK$7,500,000 respectively. The 2018 Renewal Offer Letter A was terminated on 1 April 2019.

During the year, an amount of HK$7,668,000 (2018: HK$13,279,000), being aggregate rental and fees receivable under the aforementioned lease and licences agreements in June 2017 and June 2018, was credited to the Group.

(viii) In October 2015, the Group appointed HLD Sub A as the project manager of the comprehensively planned development consisting of residential component together with ancillary supporting facilities at 208 Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the "TCS Property" or the "Proposed TCS Development") for a term of three years commencing from 2 November 2015 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the Proposed TCS Development, subject to the annual ceilings for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018 of HK$1,500,000, HK$4,100,000, HK$1,600,000 and HK$1,500,000 respectively. A total fee of HK$Nil (2018: HK$756,000) was charged to the Group during the year. At 31 December 2019, an amount of HK$Nil (2018: HK$1,444,000) remained unpaid and was included in trade and other payables.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(ix) In October 2015, the Group appointed HLD Sub C as the main contractor of the Proposed TCS Development for a fee of 5% on all works of the Proposed TCS Development. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee subject to the annual ceilings for the years ended 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018 of HK$1,260,000, HK$19,990,000, HK$16,740,000 and HK$970,000 respectively. During the year ended 31 December 2019, there was no change in cost estimate. In accordance with the contract entered into the Group, an amount of HK$16,057,000, of which HK$970,000 being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the superstructure work of the development of the TCS Property during the year ended 31 December 2018. At 31 December 2019, an amount of HK$4,620,000 (2018: HK$10,913,000) remained unpaid and was included in trade and other payables.

(x) In October 2015, the Group entered into a letter agreement with HLD Sub B and appointed HLD Sub B as the agent of the Group to lease certain shops and spaces of Mira Place One (formerly known as Miramar Shopping Centre) ("Premises 4") for the marketing services of the TCS Property for the period from 5 November 2015 to the earlier of 4 January 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the respective ceilings of HK$2,000,000 for the period from 5 November 2015 to 31 December 2015 and HK$3,600,000 for the period from 1 January 2016 to 4 January 2017. The letter agreement expired in January 2017.

In January 2017, the Group entered into a second letter agreement with HLD Sub B and HLD Sub B continued to act as the agent of the Group to lease the Premises 4 for use as show flats and sales office for the sale of the residential units of the TCS Property for the period from 5 January 2017 to the earlier of 4 May 2017 and the date on which the last residential unit in the TCS Property is sold, subject to the ceiling of HK$1,700,000. The second letter agreement expired in May 2017.

No fee has been charged to the Group during the years ended 31 December 2019 and 2018. At 31 December 2019, an amount of HK$997,000 (2018: HK$997,000) remained unpaid and was included in trade and other payables.

28 MATERIAL RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

(b) Other material related party and connected transactions (Continued)

(xi) In May 2017, a loan facility agreement was entered into among, among others, a joint venture company (the "Joint Venture Company") (as borrower), held indirectly by the Company as to 50% and the joint venture partner as to 50%, the Company (as guarantor), a subsidiary of the joint venture partner (as guarantor and obligor), and the financial institutions named therein (as lenders) in relation to a term loan facility in the aggregate principal amount of HK$3,000,000,000 for the purpose of financing and refinancing the demolition cost, construction cost and professional fees in relation to the development on Tuen Mun Town Lot No. 547 located at Castle Peak Road - Castle Peak Bay, Area 48, Tuen Mun, New Territories, Hong Kong and the selling and marketing expenses in relation thereto (the "Loan Facility"). The Loan Facility is secured by, among others, a corporate guarantee in respect of 50% of the Loan Facility and a funding undertaking for project cost overrun (with completion guarantee) given by the Group (on a several basis and pro rata to the Group's 50% equity interest in the Joint Venture Company), as well as a share charge in respect of the issued share capital of the Joint Venture Company and a deed of subordination and assignment in respect of all indebtedness currently owing and which may in future become owing by the Joint Venture Company to its shareholders.

(xii) At 31 December 2019, HLD, a substantial shareholder (as defined in the Listing Rules) of the Company is interested in approximately 33.41% (2018: 33.41%) of the total number of issued shares of the Company.

Dr. Lee Shau Kee, being a director of the Company, is deemed to have been interested in the above transactions (except note 28(b)(xi)) as a deemed controlling shareholder of HLD.

To the extent the above transactions (except note 28(b)(xi)) constituted connected transactions (as defined in the Listing Rules), the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of notes 28(b)(v), (vi), (vii), (viii), (ix) and (x) above constitute connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules). The disclosures required by Chapter 14A of the Listing Rules are provided in the paragraph headed "Connected Transactions" in the Report of the Directors as set out in the Company's annual report for the year ended 31 December 2019.

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 HK$'000	2019 HK$'000	2018 (note) HK$'000	2018 (note) HK$'000
Non-current assets					
Interest in subsidiaries	12		4,239,073		4,297,414
Interest in associate			2,988		2,988
			4,242,061		4,300,402
Current assets					
Trade and other receivables		32,174		31,782	
Cash and bank balances		1,106		995	
		33,280		32,777	
Current liabilities					
Amounts due to subsidiaries		1,803,946		1,730,722	
Trade and other payables		9,481		9,616	
		1,813,427		1,740,338	
Net current liabilities			(1,780,147)		(1,707,561)
Total assets less current liabilities			2,461,914		2,592,841
Non-current liability					
Net employee retirement benefits liabilities			854		4,003
NET ASSETS			2,461,060		2,588,838
CAPITAL AND RESERVES	23(a)				
Share capital			1,754,801		1,754,801
Reserves			706,259		834,037
TOTAL EQUITY			2,461,060		2,588,838

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

Approved and authorised for issue by the board of directors on 19 March 2020.

Dr. Lam Ko Yin, Colin
Chairman

Li Ning
Director

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 9.

31 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts,* which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

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

FIVE YEARS' FINANCIAL SUMMARY

	2015 HK$ Million	2016 HK$ Million	2017 HK$ Million	2018 HK$ Million	**2019** ***HK$ Million***
Results					
Revenue					
– Continuing operations	974	502	448	1,089	**299**
– Discontinued operation	94	60	–	–	**–**
	1,068	562	448	1,089	**299**
Profit/(loss) attributable to shareholders					
– Continuing operations	203	245	311	345	**136**
– Discontinued operation	(10)	(8)	–	–	**–**
	193	237	311	345	**136**
Dividends	128	128	135	135	**135**
Assets and liabilities					
Investment properties, other property, plant and equipment and leasehold land	2,106	2,151	2,204	2,243	**2,276**
Interest in associates	11	10	9	8	**7**
Interest in a joint venture	–	1,355	1,364	1,364	**1,364**
Properties under development for sale	241	339	443	1,034	**1,093**
Other financial assets	918	682	176	337	**248**
Deferred tax assets	5	5	5	4	**3**
Other assets	2,893	1,965	2,591	1,384	**1,388**
Total assets	6,174	6,507	6,792	6,374	**6,379**
Total liabilities	522	726	825	244	**246**
Net assets employed	5,652	5,781	5,967	6,130	**6,133**

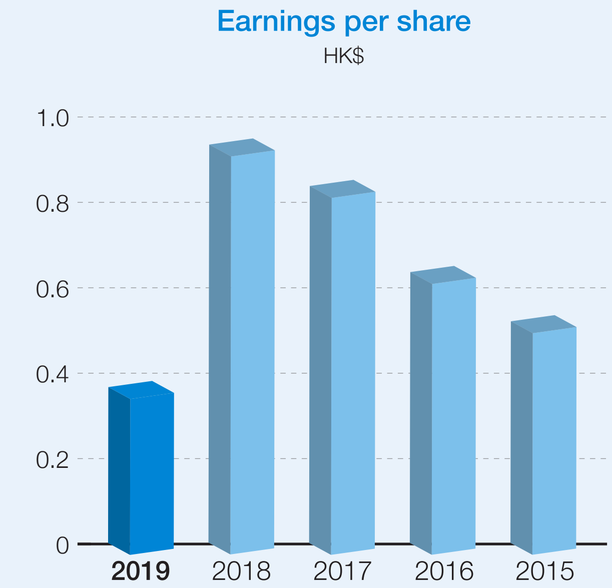
	2015 *HK$*	2016 *HK$*	2017 *HK$*	2018 *HK$*	**2019** ***HK$***
Earnings per share	0.54	0.66	0.87	0.97	**0.38**
Dividend per share	0.36	0.36	0.38	0.38	**0.38**
Net assets per share	15.88	16.24	16.76	17.22	**17.23**
	Times	*Times*	*Times*	*Times*	***Times***
Dividend cover	1.5	1.8	2.3	2.5	**1.0**

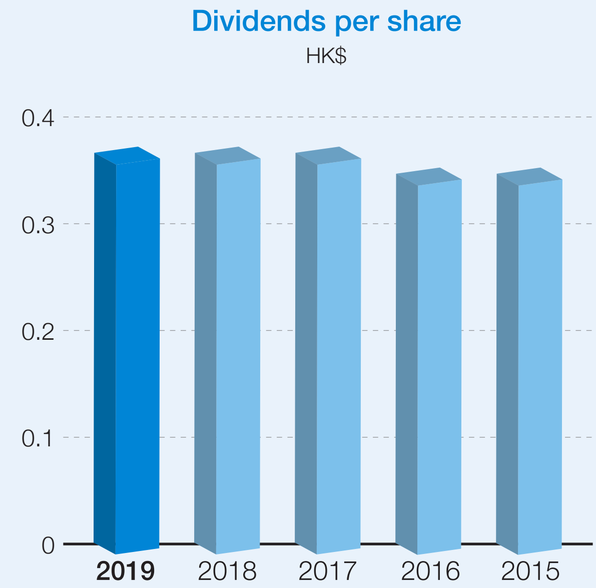
Notes to the five years' financial summary:

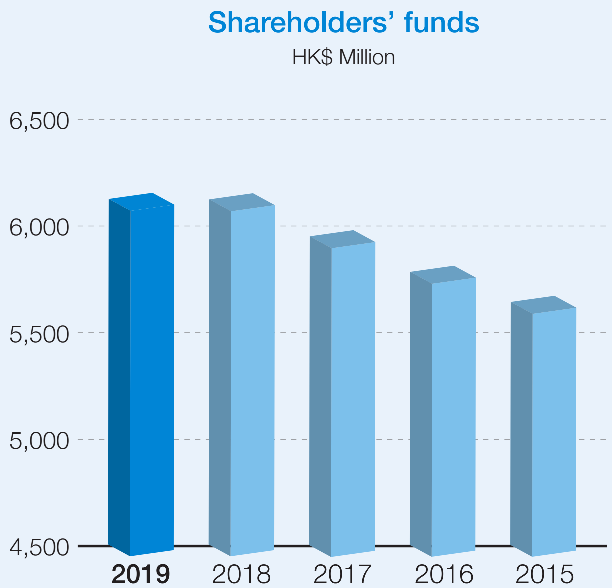
(i) As a result of the adoption of HKFRS 16, *Leases*, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

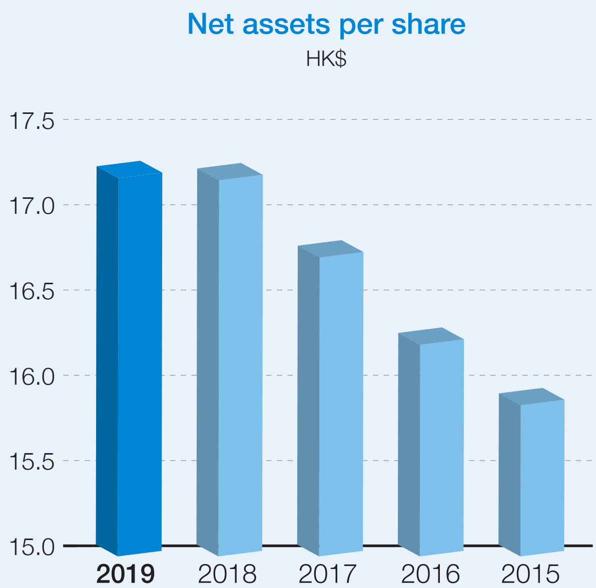
(ii) As a result of the adoption of HKFRS 15, *Revenue from contracts with customers*, with effect from 1 January 2018, the Group has changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted retrospectively to contracts that existed as at 1 January 2017. Figures in 2015 are stated in accordance with the policies applicable in those years.

(iii) The Group adopted HKFRS 9, *Financial instruments*, from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.


Earnings per share
HK$
1.0
0.8
0.6
0.4
0.2
0
2019
2018
2017
2016
2015


Dividends per share
HK$
0.4
0.3
0.2
0.1
0
2019
2018
2017
2016
2015


Shareholders' funds
HK$ Million
6,500
6,000
5,500
5,000
4,500
2019
2018
2017
2016
2015


Net assets per share
HK$
17.5
17.0
16.5
16.0
15.5
15.0
2019
2018
2017
2016
2015

1. PROPERTY UNDER DEVELOPMENT

Location	Lot No.	Site area *(sq.m.)*	Gross floor area *(sq.m.)*	Group's interest *(%)*	Intended use
Castle Peak Road – Castle Peak Bay, Area 48, Tuen Mun, New Territories	Tuen Mun Town Lot No. 547	15,400	61,600	50	Residential
Tung Chau Street/ Kweilin Street, Sham Shui Po, Kowloon	New Kowloon Inland Lot No. 6559	1,490	9,090	100	Residential

2. PROPERTIES HELD FOR INVESTMENT

Location	Lot No.	Gross floor area *(sq.m.)*	Lease expiry *(year)*	Existing use
Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	23,549	2047	Commercial arcade
METRO6 121 Bulkeley Street	Hung Hom I.L. No. 555	932	2061	Commercial arcade
Green Code 1 Ma Sik Road Fanling	F.S.S.T.L. 177 (S.T.T. 1364(N))	8,610	2060	Commercial arcade
Shining Heights 83 Sycamore Street	KIL 11159	2,469	2054	Commercial arcade
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	2,300	2047	Commercial arcade
20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu	Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu	1,912	2047	Godown

3. OTHER PROPERTIES

Location	Lot No.	Site area *(sq.m.)*	Lease expiry *(year)*	Group's interest *(%)*	Description
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No. 102	19,740	2047	100	Shipyard and office
Mui Wo	DD 2 Lot Nos. 614 RP, 619 Sec. B, C and RP	4,233	2047	100	Agricultural land
Mui Wo	DD 2 Lot Nos. 431-487, 569 and 635-637	28,606	2047	50	Agricultural land
Mui Wo	DD 2 Lot Nos. 498-499 and 588-591	849	2047	100	Agricultural land

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