WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

Stock Code : 0004

ANNUAL REPORT 2020

CORPORATE PROFILE

Founded in 1886 as the 17th company registered in Hong Kong, The Wharf (Holdings) Limited (Stock Code: 0004) is a premier company with strong connection to the history of Hong Kong. As one of the 30 constituent stocks in the original Hang Seng Index from the 1960's, Wharf is backed by a long standing mission of "Building for Tomorrow" and a proven track record in management and execution.

After spinning off Wharf Real Estate Investment Company Limited as a separately-listed company (Stock Code: 1997) in November 2017, the Group's businesses currently comprise Investment Properties, Hotels and Development Properties in Hong Kong and mainland China. Other businesses include Logistics through Modern Terminals and Hong Kong Air Cargo Terminals.

In Hong Kong, Wharf's Peak Portfolio redefines the concept of ultra-luxury living with a collection of the rarest and most prestigious residences, epitomising a unique and exclusive lifestyle at the most sought-after addresses in town. It represents one of the largest ultra-luxury land banks in developers' hands and more than doubled since December 2020 through new acquisitions for a total investment of over HK$15 billion. At the same time, it sold five houses for a combined total of nearly HK$3 billion and leased two houses for a monthly rent of over HK$2 million, all from recent redevelopment.

Through years of expansion, the Group's Mainland Investment Properties portfolio has established leading market position in some of the most vibrant cities and delivered incremental contribution to Group results. A series of International Finance Square ("IFS") at the very heart of CBD or new CBD are trendsetting landmarks with unrivalled location, superior planning and design, top-notch retail management, and thriving with retailer and shopper critical mass. Changsha IFS and Chengdu IFS exceed Harbour City in Hong Kong in scale and prominence.

The Mainland Development Properties land bank at year-end was 2.8 million square metres. The Group continues to adopt a selective land acquisition policy with strategic focus.

Wharf Hotels manages an expanding portfolio of 16 hotels in Asia, spearheaded by four contemporary chic Niccolo hotels and 12 Marco Polo hotels in Hong Kong, mainland China and the Philippines. It owns four of the hotels it operates. The next addition to the Niccolo family will be Niccolo Suzhou, scheduled to open in April 2021.

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

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

In 2020, the Group was recognised with a host of awards for its business achievements and contributions to the community, such as the 10 Year Plus Caring Company Logo from The Hong Kong Council of Social Service and was named the Responsible Brand in the 10th China Charity Festival. The Group remains a constituent member of Hang Seng Corporate Sustainability Index.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-executive Director

Ms Y T Leng

Independent Non-executive Directors

Professor Edward K Y Chen, *GBS, CBE, JP*
Mr Vincent K Fang, *GBS, JP*
Mr Hans Michael Jebsen, *BBS*
Ms Elizabeth Law, *MH, JP*
Mr Richard Y S Tang, *SBS, JP*
Ms Nancy S L Tse, *JP*
Mr David Muir Turnbull

COMPANY SECRETARY

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

AUDITORS

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS

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

REGISTERED OFFICE

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

SHAREHOLDER INFORMATION

LISTING

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

As at 31 December 2020 Number of issued shares	3,051,327,327

FINANCIAL CALENDAR

Record Date and Time for 2020 2nd Interim Dividend	6:00 p.m., 31 March 2021
Payment Date of 2020 2nd Interim Dividend	27 April 2021
Closure of Register of Members (to ascertain shareholders' right to attend and vote at Annual General Meeting)	6 May 2021 to 11 May 2021 (both days inclusive)
Annual General Meeting (at Centenary Room, Ground Floor The Marco Polo Hongkong Hotel 3 Canton Road, Kowloon, Hong Kong)	11:15 a.m., 11 May 2021

CONTACTS

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Investor enquiries:	ir@wharfholdings.com
Media enquiries:	pr@wharfholdings.com

THE WHARF (HOLDINGS) LIMITED

HONG KONG PROPERTIES
(3.6 Million Sq.Ft. of Landbank*)

- PEAK PORTFOLIO
- KOWLOON TONG PORTFOLIO
- KOWLOON EAST PORTFOLIO

MAINLAND CHINA DEVELOPMENT PROPERTIES
(2.8 Million Sq.M. of Landbank*)

MAINLAND CHINA INVESTMENT PROPERTIES
(1.7 Million Sq.M. of GFA*)

- INTERNATIONAL FINANCE SQUARES (IFS)
- WHEELOCK SQUARE
- TIMES SQUARES

HOTELS
(16 hotels 5,500+ rooms)

- NICCOLO
- MARCO POLO

LOGISTICS

- MODERN TERMINALS
- HONG KONG AIR CARGO TERMINALS

* Attributable

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

2020 got off to an extraordinary start. COVID-19 started to grip in our main markets soon after the year began and caused immense dislocation. Social and economic activities were seriously disrupted. Borders were soon closed as bad news poured in from around the world.

In Hong Kong, people stayed home and consumption struggled. In the Mainland, whole districts and even whole cities in certain areas were locked down. Public places were ordered to close. Panic set in.

Recovery started in the Mainland in the second quarter but was quite tentative. Even as momentum picked up in the third and fourth quarters, pockets of new trouble sprang up every now and again and left communities on tenterhooks. In Hong Kong, false hope of border re-opening was dashed by the reality of fresh waves and new strains. After more than a year of pandemic mode, fatigue is testing the city's resolve.

GENERAL ECONOMY

Major developed economies in Europe and North America were among the hardest hit by the pandemic. Much worse than what they last experienced in the midst of the global financial crisis 12 years earlier, as the pandemic spreading at an alarming speed brought economic activity to a near standstill. General business environment remains challenging as persisting geo-political risk and virus mutation are heightening the friction on the road to recovery.

Within Hong Kong, the local economy was stricken consecutively by social unrest and COVID-19, causing real GDP to shrink for two consecutive years. The pace of recovery is hampered by infections and border control measures.

However, demand for ultra-luxury properties remains robust and the Group's Peak Portfolio stays at the top of wish list for sophisticated buyers and tenants.

Maritime cargo volume was initially hurt by global supply chain disruption but resumed moderate growth in the second half of the year. Air cargo was vibrant throughout the year.

Mainland China was among the first to put the virus spread under control in order to resume business activities. The dazzling rebound has set mainland China to be the only major economy to post positive economic growth in 2020.

Since lockdown eased in the second quarter of 2020, domestic consumption picked up swiftly and regained growth momentum from the summer onwards supported by "repatriation" of overseas consumption. However, that growth is unbalanced and primarily driven by stellar growth in the luxury segment, while mass market consumption is still very tentative. Going forward, the "dual circulation" system will be the twin engines for the Mainland's economy, through spurring domestic demand and advancing multilateral foreign trade cooperation.

For housing policy in the Mainland, the government persists to pursue long term stability of the sector with price regulation but home prices stood firm. That is preventing developers from realising full market price.

Separately, riding on the rapid recovery, Renminbi ("RMB") appreciation this year brought exchange gain to the Group on translation of Mainland operations.

BUSINESS PERFORMANCE

Ultra-luxury residences in Hong Kong remain eagerly desired because of scarcity and investment value. As a veteran developer of bespoke luxury on the Peak, the Group acquired a site on Mansfield Road at HK$12 billion in December 2020, followed by the acquisition of a second and adjoining Mansfield Road site by a 50%-owned joint venture for HK$7.25 billion in February 2021, both through government tenders. These additions doubled the Group's attributable land bank on The Peak to nearly 600,000 square feet.

On the other hand, demand from buyers and tenants for luxury housing kept the Group busy. In quick succession into 2021, 3 houses at the 77/79 Peak Road redevelopment have already been sold for over HK$1.7 billion and one house at the 11 Plantation Road redevelopment leased for HK$1.35 million per month.

Mainland onshore high end spending was robust after lockdown easing, especially during Labour Day Holiday in May and Golden Week in October last year. Both landlord and tenants were very pleasantly surprised by the uplift, particularly the record sales in certain malls and nearly full return of foot traffic. Overturning a soft first half-year, Mainland Investment Properties ("IP") revenue increased by 7% to HK$4,201 million for the full year, operating profit by 11% to HK$2,573 million and underlying net profit by 9% to HK$1,638 million.

Creative and effective marketing and sales support enabled the malls at Chengdu International Finance Square ("IFS") and Changsha IFS to experience a sharp rebound in retail sales. Booming sales from luxury segment led the performance, propelling tenant sales to surpass 2019 level, even though under the threat of COVID-19.

The Niccolo hotels in Chengdu, Chongqing and Changsha achieved shining record results in the second half of 2020. The highly acclaimed world-class hotel brand is one of the first choices for luxury among locals and travellers when vibrant domestic travel and luxury spending took place, contributing to the record high occupancy in the third quarter.

Mainland Development Properties ("DP") construction and sales activities resumed in an orderly manner since the second quarter and yielded pleasant result, with contracted sales exceeding the target despite the stringent selling price control measures. Full year attributable contracted sales totaled RMB17.4 billion, exceeding target by 16%. Net order book at year-end was RMB28 billion. DP land bank was 2.8 million square metres and the Group adopts prudent and selective land banking strategy to safeguard margin.

Inclusive of joint ventures and associates on an attributable basis, Mainland DP revenue and operating profit increased by 19% and 55% respectively. Underlying net profit rebounded due to a low comparative base last year.

For logistics segment, fierce regional competition among seaports persists but mainland China's total exports for 2020 was at record high. Modern Terminals is riding on the trend and realising efficiency gains from the Hong Kong Seaport Alliance commenced since April 2019.

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

Taking into account the impairment loss provision for Hong Kong DP, profit attributable to shareholders increased by 14% to HK$3,864 million, inclusive of IP revaluation deficits and exceptional items. Earnings per share were HK$1.27. Group underlying net profit (net of provision) increased by 14% to HK$3,092 million.

Total assets amounted to HK$254 billion. Book net asset value was HK$158.9 billion (or HK$52.07 per share). The Group's financial position remains healthy with a comfortable gearing ratio of 15.6%.

In lieu of a final dividend, a second interim dividend of HK$0.20 per share (2019: HK$0.075 per share) has been declared, bringing the total dividend for the year to HK$0.40 per share (2019: HK$0.325 per share).

BUSINESS-IN-COMMUNITY

Our continuous effort on sustainability and community demonstrated our dedication to strive for improvement for the society, embracing the Group's long standing mission of "Building for Tomorrow".

The Group, through the "Wharf Emergency Relief Fund", provided instant support to the needy affected by the pandemic. RMB10 million was allocated to Red Cross Society of China Hubei Branch to support the medical heroes.

Project *WeCan*, in its 10th year since establishment in 2011, has expanded the collaboration from initially 11 partner schools in Hong Kong to 76, empowering 75,000 secondary school students. The most sought-after annual Job Tasting Programme was held online in 2020 amid the pandemic disruption on physical attendance at schools.

On the environmental front, our effort is evidenced by achievement of renowned certification for a number of our properties, including LEED (Leadership in Energy and Environmental Design) and EarthCheck. Changsha IFS and Chengdu IFS both achieved LEED Platinum, and the Group raised Green Loan Facility of RMB1 billion in December 2020 to refinance Changsha IFS. To combat the climate change, we completed a preliminary climate risk mapping exercise with reference to the Task Force for Climate-related Financial Disclosures ("TCFD") framework, in order to formulate future business strategy and risk mitigation measures.

The Group is honoured to remain as one of the constituents of the Hang Seng Corporate Sustainability Index. The Group and Modern Terminals Limited are also awarded the 10 Year Plus Caring Company Logo.

OUTLOOK

The global economy is generally expected to bounce back from a low base if the vaccine rollout is adequate and effective. However, the pace and strength of recovery are far from certain. Cross border travel may take longer to return to normal and domestic consumption may still hold the key in the near term.

In this regard, China has been the envy of the world and will continue to play the role of an important growth engine. That will directly benefit the Group's Mainland businesses. It may also spill over to our Hong Kong businesses.

In Hong Kong, under favourable market conditions spurred by abundant liquidity and low interest rate, the economy will hopefully start to gather pace to recover later in 2021 once the virus pandemic comes under better control. Interest in luxury residences remains active, while cargo performance will depend on macro environment and regional competition landscape.

2021 may not be as strong as many would like but the worst is likely to be over. The Group will seize opportunities upon the gradual revival of global economic activities ahead.

VOTE OF THANKS

On behalf of all Shareholders and the Board, I wish to express my sincerest appreciation to all customers and business partners for their staunch support, and to all staff for their commitment and contributions, throughout the challenging year.

In addition, I wish to extend my deepest gratitude to Ms Doreen Lee, our Vice Chairman and Executive Director who will retire from the Board at the upcoming annual general meeting, for her commendable contribution to the Group's flagship IPs over the past three decades.

Finally, I also wish to welcome Ms Yen Leng, Mr Richard Tang and Ms Nancy Tse to the Board and look forward to working alongside them.

STEPHEN T H NG
Chairman and Managing Director

Hong Kong, 9 March 2021

FINANCIAL HIGHLIGHTS

	2020 HK$ Million	2019 HK$ Million	Change %
Results			
Revenue	**20,997**	16,874	24%
Operating profit	**11,104**	7,869	41%
Underlying net profit (note a)	**3,092**	2,710	14%
Profit attributable to equity shareholders	**3,864**	3,386	14%
Total dividend for the year	**1,221**	991	23%
Earnings per share			
Underlying net profit	**HK$1.01**	HK$0.89	13%
Profit attributable to equity shareholders	**HK$1.27**	HK$1.11	14%
Dividend per share			
First interim	**HK$0.20**	HK$0.250	–20%
Second interim	**HK$0.20**	HK$0.075	167%
Total for the year	**HK$0.40**	HK$0.325	23%
Financial Position			
Total assets	**254,095**	242,218	5%
Total business assets (note b)	**236,120**	213,630	11%
Investment properties	**78,151**	74,811	4%
Net debt	**25,506**	19,044	34%
Shareholders' equity	**158,854**	142,874	11%
Total equity	**163,476**	146,343	12%
Number of issued shares (in millions)	**3,051**	3,049	0%
Net asset value per share	**HK$52.07**	HK$46.86	11%
Net debt to total equity	**15.6%**	13.0%	2.6% pt

Notes:

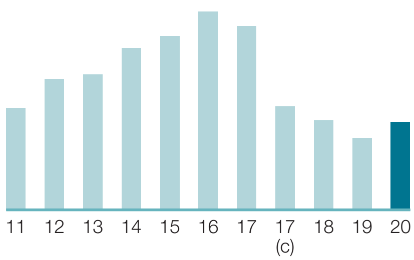
(a) Underlying net profit primarily excludes investment property revaluation surplus/deficit, mark-to-market changes on financial instruments and non-recurring items.

(b) Business assets exclude unallocated corporate assets mainly comprising deferred tax assets and bank deposits and cash.

Revenue

(HK$ Million)

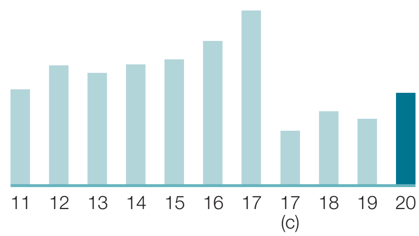
20,997



Operating Profit

(HK$ Million)

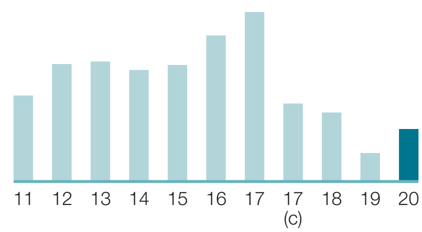
11,104



Underlying Net Profit

(HK$ Million)

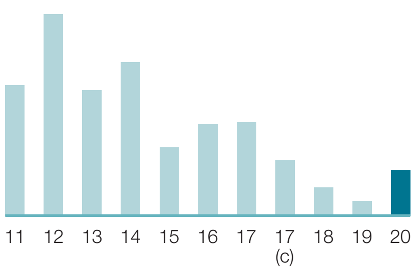
3,092



Profit Attributable to Equity Shareholders

(HK$ Million)

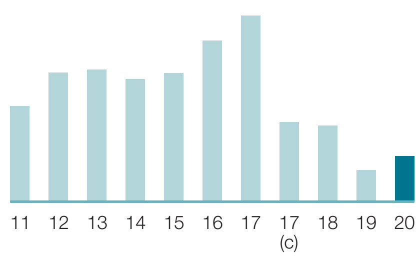
3,864



Underlying Net Profit Per Share

(HK$)

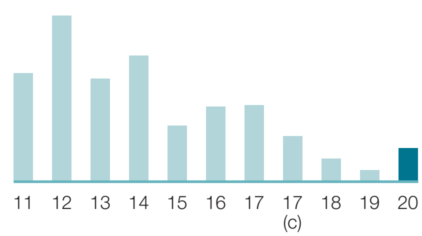
1.01



Earnings Per Share Attributable To Equity Shareholders

(HK$)

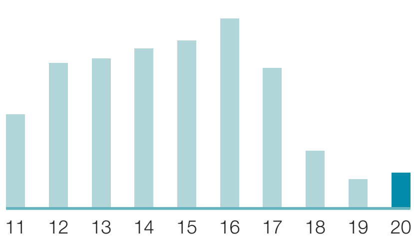
1.27



Dividend Per Share

(HK$)

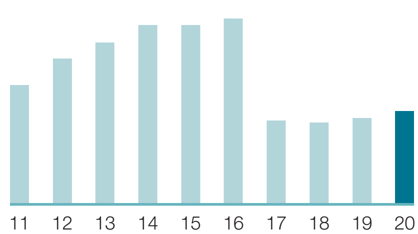
0.40



Shareholders' Equity

(HK$ Million)

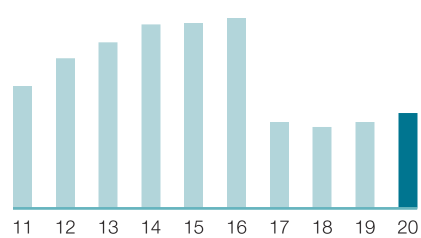
158,854



Net Asset Value Per Share

(HK$)

52.07



Note (continued):

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

BUSINESS REVIEW

HONG KONG PROPERTIES

77/79 PEAK ROAD

HONG KONG PROPERTIES

Viewing and sales of luxury properties were affected by the pandemic. Nevertheless, revenue for the year increased to HK$1,453 million and operating profit to HK$797 million on an attributable basis with majority of the amount contributed from Mount Nicholson. Activities stepped up since December 2020, including replenishment of land bank on the Peak and a burst of sales and leasing transactions.

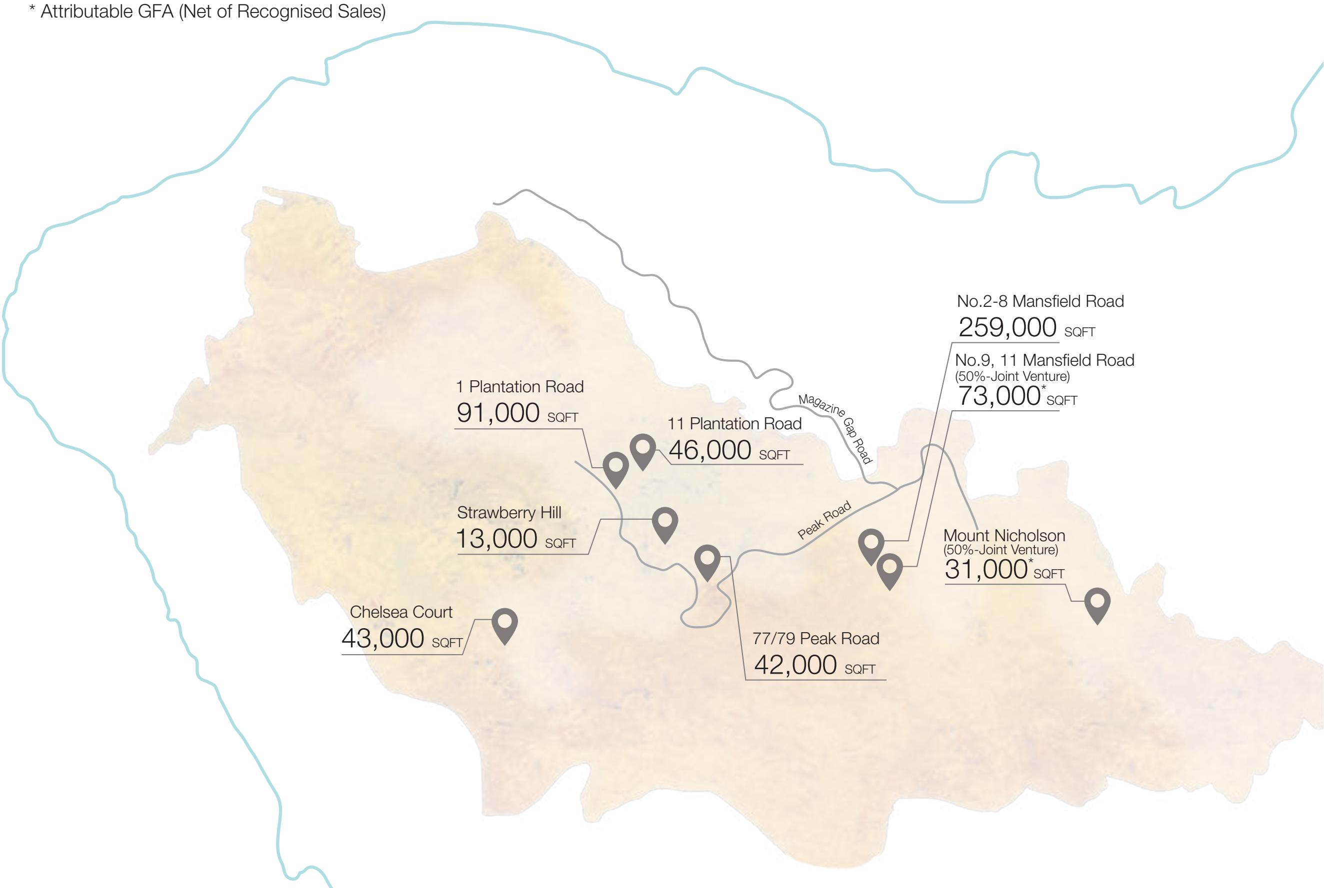
NEW SITES IN MANSFIELD ROAD, THE PEAK

In December 2020, a wholly-owned subsidiary acquired No. 2-8 Mansfield Road, with gross floor area ("GFA") of 259,000 square feet, for HK$12 billion in a government tender. Less than two months later, a 50%-owned joint venture acquired the adjoining No. 9 and 11 Mansfield Road with GFA of 145,000 square feet for HK$7.25 billion in a separate government tender. The two sites will be developed into super luxury residence enjoying full view overlooking the lush Island South and the seas beyond.

The Mansfield Road acquisitions increased the Group's land bank on the Peak, a sub-market where track record and experience are a clear differentiator, to nearly 600,000 square feet to represent one of the largest in developers' hands. In the meantime, development and marketing accelerated.

The Peak Portfolio Land Bank
~600,000 SQFT

* Attributable GFA (Net of Recognised Sales)




77/79 PEAK ROAD

Mount Nicholson's unique appeal continues to draw interest, with one apartment sold during the year for HK$533 million or HK$116,000 per square foot.

Sale of 77/79 Peak Road, comprising six houses for sale and two houses for lease, commenced in early 2021 on a targeted basis. Three houses have been sold by tender in quick succession for a total of HK$1.7 billion, with the latest at HK$558 million or over HK$92,000 per square foot.

On completion of redevelopment, House 1 of 11 Plantation Road was recently leased by tender at a monthly rent of HK$1.35 million or HK$125 per square foot.

11 PLANTATION ROAD

KOWLOON TONG RESIDENTIAL PROJECT

Strategically located near the luxury residential area of Beacon Hill, the project has a developable GFA of 436,000 square feet. Approval has been granted to build two blocks of 15-storey and two blocks of 17-storey residential buildings. Foundation work is in progress.

Kowloon Tong Residential Project
Developable GFA
436,000
SQFT

KOWLOON EAST

Under transformation into the second core business district in Hong Kong, huge potential is to be unlocked with enhanced connectivity and development in the area. The portfolio comprises sites with fantastic harbour view, including Kowloon Godown in Kowloon Bay, a 30%-owned Kai Tak site at the former airport's runway, and the 15%-owned Yau Tong Bay project. Foundation is in progress for the site at Kai Tak, while redevelopment options are being evaluated for Kowloon Godown, and Yau Tong Bay project is in the planning stage.

Kowloon East Portfolio
Attributable GFA
2,048,000
SQFT

Kowloon East Portfolio	
Kowloon Godown	1,032,000
Yau Tong Bay (15% — Joint Venture)	611,000
Kai Tak Residential Project (30% — Joint Venture)	362,000
Peninsula East	43,000

Non-Core	
Cable TV Tower Units	566,000

MAINLAND CHINA DEVELOPMENT PROPERTIES

THE LEGEND, SUZHOU

MAINLAND CHINA DEVELOPMENT PROPERTIES

LAND BANK

2,800,000
SQM

Sales and construction activities started to resume to normal since the second quarter of 2020. Sales regained momentum under the accelerated pace of new launches and solid demand. However, construction and completion schedules were extended due to the substantial suspension in early 2020 as a result of the pandemic.

Inclusive of joint ventures and associates on an attributable basis, revenue recognised during the year increased by 19% to HK$17,658 million and operating profit by 55% to HK$7,621 million. Completion of 55%-owned Shanghai One Jingan was the highlight of the year.

Full year attributable contracted sales exceeded target by 16% at RMB17.4 billion for 4,200 units or 549,000 square metres. Net order book at year-end was RMB28 billion for 858,000 square metres. The Development Properties land bank as at the end of the year amounted to 2.8 million squares metres.

BELLAGIO, SUZHOU

MAINLAND CHINA DEVELOPMENT PROPERTIES

Major Development Properties by Region

Eastern China		Attributable GFA (SQM)
Hangzhou	Luxurious Mountain View	156,000
	Parc Royale Phase 1 & 2	111,000
	Guiyu Chaoyang	96,000
	Parc Grande	52,000
Shanghai	Shanghai One Jingan	9,000
Suzhou	Suzhou Yangcheng Lake Lot #27 Project	171,000
	Villa One	
	Huayuan Road Lot#78 Project	165,000
	Huayuan Road Lot#25 Project	50,000
	Suzhou Xiangcheng Yuan He Street Lot #77 Project	123,000
	Poetic Palace	77,000
	Loral Mansion (Formerly Suzhou Huangpu Street Lot#82 Project)	54,000

Western China		
Chengdu	Times Town	309,000
	Chengdu ICC	314,000
Chongqing	International Community	162,000

Southern China		
Foshan	Rosy Mansion	78,000
	Glory Garden	86,000
Guangzhou	Guangzhou Central Manor	22,000

Northern China		
Beijing	West Manor	99,000
	One LiangMa	38,000

For further details, please refer to Schedule of Principal Properties on pages 192 to 201.


VILLA ONE, SUZHOU


YANGCHENG LAKE PROJECT, SUZHOU

MAINLAND CHINA INVESTMENT PROPERTIES

CHANGSHA IFS

CHENGDU IFS


CHONGQING IFS


WUXI IFS

MAINLAND CHINA INVESTMENT PROPERTIES

At the height of the COVID scare during the first quarter, malls were closed by government, business hours were shortened and operation of entertainment facilities and restaurants was suspended for extended periods. Economic activities started to recover in the second quarter but bursts of COVID scare still hanged a long shadow over different cities at different times.

Recovery in the second half reversed the negative revenue growth in the first half of 2020. The Group seized the opportunity to launch a series of sales-driven marketing initiatives and expanded the loyal VIP customer base, driving record sales at the Group's flagship malls. For full year 2020, revenue increased by 7% to HK$4,201 million and operating profit by 11% to HK$2,573 million.

SHANGHAI WHEELOCK SQUARE

The premium office space at the iconic skyscraper in Puxi remained as preferred choice in a competitive market. The prime location has welcomed multinationals and major corporations. Occupancy has been consistently high at 91% at year-end.

SHANGHAI WHEELOCK SQUARE

CHANGSHA IFS

This landmark at the heart of the capital of Hunan Province in central China celebrated its second anniversary. In spite of the pandemic, revenue increased by 25% and operating profit by 55%.

Retail

As a one-stop destination for shopping, dining, entertainment and lifestyle with over 370 brands, the mega mall achieved exceptional sales productivity. Retail sales for the year increased by 42%, led by luxury segment. Overall foot traffic was largely restored and additional sales was generated from extension of business hours during festivals and periodical weekends. Full occupancy was attained.

Adoption of cutting edge technology and investment in service excellence have won recognition from prestigious awards including “China Real Estate Fashion Awards — 2020 Digitalize Urban Complex” by Boao Real Estate Forum Awards and “2020 CRM Silver Award” by TopDigital.

Office and Hotel

Location and quality quickly established the 452-metre Tower 1 as the top office address for major enterprises and multi-national corporations. Occupancy of IP floors rose from 49% in January to 83% at year-end. Tower 2 is scheduled to complete in phases from the second half of 2022.

Niccolo Changsha offers stunning vistas of the city skyline and Xiang River from the top floors of Tower 1 and delivers unparalleled luxurious experience for captains of industry and leaders in style. It quickly ramped up as the clear market leader in room yield among peers. Record revenue and operating profit were reported during the second half of 2020 when domestic demand for luxury accommodations soared.

TOP-TIER BRANDS	RETAIL OCCUPANCY	RETAIL SALES	TALLEST IN HUNAN
370+	100%	+42%	Tower 1

CHANGSHA IFS

CHENGDU IFS

In a challenging year, revenue increased by 6% and operating profit by 12%. Its dominant position in western China regularly places the Chengdu IFS mall among the top 10 malls in mainland China for retail sales, often the only one from western region.

Retail

Presenting an impressive selection of over 600 premium brands, this one-stop-shop lifestyle mall situated at the busiest Chun Xi Road experienced strong rebound in the second half of 2020. Full year retail sales increased by 18%.

Bolstered by leadership in brand mix, creative marketing and operational excellence, Chengdu IFS continued to be one of the most sought-after malls by brands in the region. In spite of the pandemic, a record high of more than 120 premium brands established presence during the year, including over 70 national, regional or local debut stores. Occupancy stood firm at 97% at year-end. Moreover, a new high of single-day footfall of nearly 300,000 was recorded during the National Day Golden Week.

Throughout 2020, Chengdu IFS accomplished 42 professional awards, including 13 international renowned awards, affirming its outstanding achievements in retail experience, digital innovation and team development. The first outdoor AR exhibition in China "Fun in the AiR" won the "Digital Campaign (Gold Prize)" in 2020 SABRE Awards Asia Pacific and "Retail Industry (Silver Award)" in 2020 Effie Awards Greater China, recognising the mall's efforts in leveraging industry-leading approaches of digital empowerment.

Office, Hotel and IFS Residences

The three Grade-A office towers attract top international corporations and Fortune 500 companies to set up their regional headquarters, underpinned by the most coveted location in the city and years of deliberate operations. Rental rate has been among the highest in the city and occupancy was 82% at the end of 2020.

Niccolo Chengdu, opened in 2015 as the first of the very successful Niccolo Hotels, continues to command market leading position, with room yield and occupancy outperforming peers in the competitive set. It enjoyed a significant recovery from pent-up domestic demand and subsequent consumption. Record occupancy was reported in the third quarter.

During the year, IFS residences were recognised as "The Best Family — Friendly Serviced Apartment" in the 12th China Best Hotel Awards and garnered three awards in the 17th Beautiful China Golden Olive Awards. High occupancy was also reported with healthy growth seen in domestic market.

A TOP 10 MALL
IN MAINLAND CHINA

600+
TOP-TIER
BRANDS

13
INTERNATIONALLY
RENOWNED AWARDS

97%
RETAIL
OCCUPANCY

WHARF HOTELS


NICCOLO CHANGSHA

WHARF HOTELS

NICCOLO CHENGDU

Segment revenue decreased by 25% to HK$396 million and an operating profit of HK$1 million was reported, as cross-border and domestic travel stalled for almost the entire year since the COVID-19 outbreak, which induced a severe recalibration of the hotel industry landscape. Diverse performances were observed across regions. Hotels in the Mainland recovered the soonest due to domestic travel, with restaurants and bars gradually resuming normal operations from the second quarter. The operating environment in other regions was challenging due to global border control and therefore a lack of business travellers, conferences and events.

The Group currently manages 16 hotels in mainland China, Hong Kong and the Philippines, including 12 under the foundation brand of Marco Polo Hotels and four contemporary chic hotels under the Niccolo Hotels brand. These hotels comprise over 5,500 rooms in total. Niccolo Suzhou, scheduled to open in April 2021, will be the fifth iconic landmark Niccolo Hotel to enlighten guests with luxurious hospitality and is already being celebrated as the city's Beacon of the Future.

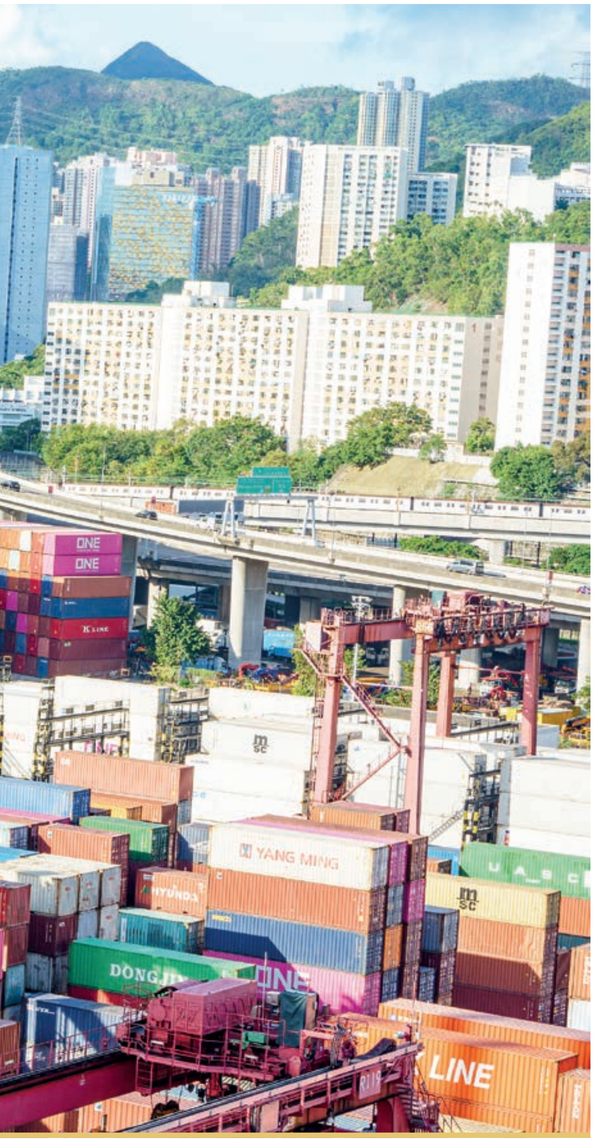
HOTELS IN ASIA	NUMBER OF ROOMS
16	5,500+

SUZHOU IFS

LOGISTICS


MODERN TERMINALS

MODERN TERMINALS



Global supply chains were heavily disrupted by the pandemic, and trade tensions further weighed on the sector. Against that backdrop, the Group had a rewarding year, mainly due to strong recovery in the second half. Segment revenue decreased by 1% to HK$2,566 million and operating profit by 3% to HK$497 million.

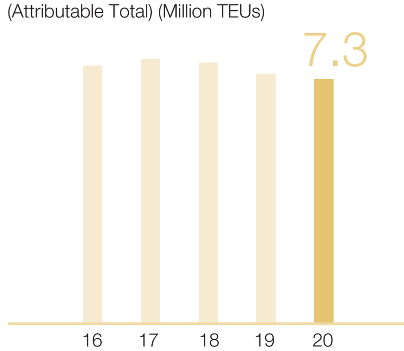
MODERN TERMINALS ("MTL")

In spite of the economic doom and gloom, Trans-Pacific throughput started to rise in the summer and Asia-Europe throughput followed towards the end of the year. However, competition from within the region was stern. Throughput in Hong Kong was on par with 2019 at 5.0 million TEUs. In Shenzhen, throughput at DaChan Bay Terminals (MTL's stake: 65%) increased by 6% to 1.4 million TEUs, while throughput at Shekou Container Terminals (MTL's stake: 20%) increased by 2% to 5.8 million TEUs. Chiwan Container Terminal (MTL's stake: 8%) recorded a throughput of 2.5 million TEUs.

In Hong Kong, the formation of Hong Kong Seaport Alliance ("HKSPA") by MTL and three other terminal operators in early 2019 to jointly operate the 23 berths at Kwai Tsing port, has been providing enhanced services to shipping line customers and delivering greater efficiency. HKSPA is on track to strengthen its competitiveness through operational upgrades and continued focus on service delivery.

Modern Terminals Throughput

(Attributable Total) (Million TEUs)



HONG KONG AIR CARGO TERMINALS ("HACTL")

In a year when passenger flights were sharply curtailed, 20.8%-owned HACTL benefited from its market share in the freighters segment. Total cargo handled increased by 8% to 1.7 million tonnes to significantly outperform the market.

AWARDS & RECOGNITIONS

CORPORATE

- Ranked 9th in "Top 100 Commercial Real Estate Awards 2020" by Guandian
- Ranked 5th in "Non-mainland Outstanding Real Estate Developers List 2020" by Guandian
- Responsible Brand in the 10th China Charity Festival

CHANGSHA IFS

- China Real Estate Fashion Awards — 2020 Digitalize Urban Complex
- TopDigital 2020 — CRM Silver Award

CHENGDU IFS

- 2020 Asia-Pacific Stevie Awards — Gold Award for Innovation in Brand Development for "Discover Himalaya" campaign
- 2020 SABRE Awards Asia-Pacific — Gold Award for Digital Campaign for "Fun in the AiR" campaign
- 2020 Effie Awards Greater China — Silver Award — Retail Industry for "Fun in the AiR" campaign

CHONGQING IFS

- 2020 International Business Awards — Gold Award — Marketing Campaign of the Year — Real Estate
- 2020 International Business Awards — Gold Award — Brand & Experiences — Brand Engagement Event
- 2020 Asia-Pacific Stevie Awards — Gold Award for Innovation in the Use of Events

DALIAN TIMES SQUARE

- Creative Marketing/Branding Video awarded by Hooxiao

SHANGHAI WHEELOCK SQUARE

- 2020 China's Excellent Service Team awarded by Golden Keys China

WHARF HOTELS

The Murray, Hong Kong

- Best New Hotels — Best of the Decade Award by Smart Travel Asia

Niccolo Changsha

- Best Business Hotel by 2020 TTG China Travel Awards

Niccolo Chengdu

- Best Business Hotel in Chengdu by 2020 Business Traveller Asia Pacific Awards

Niccolo Chongqing

- 2020 Best City Hotel by KOL Gold List

Niccolo Suzhou*

- The Most Anticipated Luxury Hotel of the Year — Recommended Hotel for the Year by First Journey
- The Most Anticipated Hotel of The Year by Hotel Awards Suzhou 2020

* Scheduled to open in April 2021

ONE LIANGMA, BEIJING

- 2020 The 15th Kinpan Awards — Best pre-sale properties in Beijing

PARC ROYALE, HANGZHOU

- Outstanding Property Award London (Interior design)

CORPORATE SUSTAINABILITY

The Group has long committed to the mission of "Building for Tomorrow" and integrated it into our sustainability vision and mission. Through actively engaging with our stakeholders, we strive to create values for our employees, the community, and the environment. Joining hands with the global cohort for a prosperous and sustainable future, we support the United Nations' Sustainable Development Goals ("SDGs") that align with our business operations and strategies. Since 2014, the Group has been one of the 30 constituents in Hang Seng Corporate Sustainability Index as a recognition of our sustainability effort.

This section highlights the Group's major sustainability achievements in the reporting year. For detailed information, please refer to the Group's standalone Sustainability Report which will soon be available on the Group's website (www.wharfholdings.com).

SUSTAINABILITY GOVERNANCE

The Group has set up a well-defined sustainability governance structure to monitor and manage the environmental, social and governance issues in our businesses. Delegated by the Board and led by the Group's Chairman, the Sustainability Steering Committee meets at least twice a year and is responsible for developing and enhancing the Group's sustainability strategies. Divisional Sustainability Committee, which is assisted by the Cross-Business Unit Sustainability Group, is responsible for overseeing the sustainability performance and promoting best practices of different business units ("BUs"). The sustainability governance body in each BU is then responsible for identifying and assessing sustainability risks and opportunities within their businesses, as well as employing effective approaches for sustainability management. Their sustainability performance and progress are reported to and monitored by the Sustainability Steering Committee on a regular basis.

COMBATING COVID-19 PANDEMIC

The COVID-19 pandemic has posed severe challenges to the economy and society in 2020. As a good corporate citizen, the Group has taken active and prompt actions to support our stakeholders. In February 2020, the Group has injected RMB10 million into "Wharf Emergency Relief Fund" for Red Cross Society of China Hubei Branch to support the medical heroes in combating the novel coronavirus outbreak in Mainland China. In June 2020, The Wharf Group injected an additional HK$10 million to the Fund to support Hong Kong's grass-root families who are suffering from financial hardship as a result of the COVID-19 pandemic.

In addition to monetary donations, the Group seeks to leverage our business expertise to support the wider society in fighting against the virus. During the first wave of outbreak in early 2020, Marco Polo Wuhan accommodated more than 20 medical officials from Beijing Central Government's Inspection Unit and over 200 emergency medical workers from the China-Japan Friendship Hospital and Beijing Hospital. The hotel also donated medical supplies to social welfare and child welfare institutions in Wuhan. As a recognition of our effort, the hotel was bestowed as an Excellent Accommodation Hotel by Wuhan City Jiang'an District Coronavirus Epidemic Prevention and Control Centre.

The Group also put our employees' and customers' health a high priority during the outbreak. We adopted stringent measures such as temperature check and health declaration upon entry to our premises, split-office arrangements as well as virtual conferencing tools to conduct meetings and trainings to reduce physical contact while maintaining business continuity. We also widened space between dining tables in the staff canteens and hotel restaurants for social distancing.

BUSINESS DEVELOPMENT

The Group upholds the highest standard of business conduct and has zero-tolerance against bribery and corruption. Observing relevant laws and regulations, the Group established the Compliance Policy Statement, the Statement of Business Integrity and the Code of Conduct to clearly communicate the ethical obligations of employees. The Group also offered anti-corruption trainings to our employees to equip them with essential knowledge on ethical business operations. The Whistleblowing Policy and Procedures set out confidential grievance mechanisms for our employees and business partners including contractors and suppliers to file misconduct and malpractice.

For more details on our governance structure, and risk management and internal control systems, please refer to pages 56 to 74.

CLIMATE RESILIENCE

Recognising the potential significance of climate risks to our business operations, the Group is enhancing our adaptive capacity to this issue. With reference to the Recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), BUs have preliminarily identified the relevant climate risks and respective mitigation measures across our portfolio. In 2020, the Group also published a Climate Change Policy Statement to formalise our commitment to address the threat. The Group will continue to deepen our understanding of the risks as more information and tools are available. Such assessment informs and supports the Group's ongoing work in refining our resilience and mitigation strategies towards climate change.

PROTECTING OUR ENVIRONMENT

The Group adheres to the environmental legislations in Hong Kong and the Environmental Protection Law of the People's Republic of China. Since 2016, the Group has put in place guidelines to direct our environmental efforts. We consistently review and update the guidelines to ensure our practices remain in line with the latest legal requirements. In 2020 the Group was not aware of any environmental non-compliance leading to penalties and fines.

Hang Seng Corporate Sustainability Index Series Member 2020-2021

WWF HONG KONG Double Diamond Member 雙鑽石會員2020/21

Stepping up our efforts, the Group actively pursues opportunities to improve the environmental performance of our properties throughout their entire life cycle. Four of our investment properties, including Changsha IFS, Chengdu IFS, Wuxi IFS and Shanghai Wheelock Square, were certified platinum or gold under the Leadership in Energy and Environmental Design ("LEED") programmes. Niccolo Chengdu, Niccolo Chongqing and Marco Polo Wuhan also demonstrate their environmental commitment through the attainment of EarthCheck Silver certification.

On the other hand, Modern Terminals maintains their ISO 14001 certification and continues to enhance their environmental performance through hardware upgrade. In 2020, Modern Terminals converted the lighting system for five quay crane units to LED. Compared to the existing high-intensity discharge lamps, the upgrade was expected to save over 60% of electricity consumption.

The Group is committed to reducing emissions and consumptions. We are reviewing and formulating environmental targets to guide our effort in promoting environmental stewardship in the long term.

NURTURING OUR PEOPLE

The Group reckons that our business growth is founded by the devotion of employees and strives to be an employer of choice. The Group adopts fair and open recruitment practices to attract talents from different backgrounds, thereby ensuring equal job opportunities to people of all kinds and fostering workplace diversity and inclusion. We endeavour to develop our talents through well-rounded training programmes. In 2020, the Group provided over 91,000 hours and over 28,000 hours of training to our employees and contractors' workers respectively.

The Group offers our employees competitive and performance-based remuneration package. The Group also maintains diverse communication channels to disseminate information to our employees and listen to and address their concerns raised. We value the wellbeing of our employees and support work-life balance. Throughout the year, the Group organised a range of wellbeing activities including staff recreational activities and volunteering activities.

At the same time, the Group is committed to maintaining a safe and healthy work environment for our employees. Safety and Health Policy is in place to guide the management of occupational safety and health issues in business operations. Comprehensive occupational safety and health management systems specific to each BU are implemented to safeguard our employees from health and safety risks. In the event of accident, the Group would conduct thorough investigations and implement remedial measures to prevent future recurrence. The Group also performs annual occupational safety and health audit to assess policy compliance and identify improvement areas.

BUSINESS-IN-COMMUNITY

The Group strives to fulfil our social responsibilities by organising community investment programmes and offering financial and human resources assistance to support youth development.

Our flagship programme, Project *WeCan* ("*WeCan*") aims to empower underprivileged secondary school students for future studies and careers through a diversified array of activities. Since its inception in 2011, the project has now grown to benefit 76 schools with over 75,000 students, with the staunch support of 68 partner organisations. This year marks the 10th anniversary of *WeCan*. Despite the COVID-19 outbreak, *WeCan* has spared no effort in continuing their support for students with opportunities to broaden their horizon and assist them in their career planning. One example is the Career Exploration Day where job tasters and career workshops were conducted mostly online which eventually benefited over 5,000 students in the 2020/21 school year. In addition to *WeCan*, the Group also supported different community programmes in collaboration with local charity organisations. Each BU also organised a wide variety of volunteering activities in 2020.

Both the Group and Modern Terminals were awarded the 10 Year Plus Caring Company Logo in recognition of our commitment to corporate social responsibility, reflecting the Group's efforts in integrating environmental and social incidents into businesses.

RESPONSIBLE PRODUCTS AND SERVICES

The Group is committed to providing customers with high-quality products and services. To enhance customer experience, the Group regularly conducts customer satisfaction surveys and implement respective improvement measures.

At all our operations, customers' rights are highly respected. The Group abides by the local statutory requirements on disclosing accurate, fair and transparent information. Data Privacy Policy Statement and relevant procedures for handling customers' personal information are established in accordance with the Personal Data (Privacy) Ordinance (Cap 486 of the laws of Hong Kong) and the Law of Protection of Consumer Rights and Interests of the People's Republic of China. Personal data collected is handled with strict confidentiality and is only accessible by authorised personnel. No information disclosure is allowed without customers' consent. The Group regularly reviews and updates our procedures from time to time to meet the latest compliance requirements. During the reporting year, the Group received no customer complaints regarding breaches of data privacy.

At the same time, the Group endeavours to promote sustainability along our supply chain. We communicate our principles through the implementation of Green Procurement Policy to ensure our business partners jointly shoulder our commitments to sustainability. In the vendor management system, suppliers are assessed on their environmental, social and governance performance. The Group also prioritises local procurement to support local economy and reduce our environmental footprint. In 2020, nearly all of the Group's suppliers are local suppliers.

FINANCIAL REVIEW

(I) REVIEW OF 2020 FINAL RESULTS

Despite the severe disruptions caused by the prolonged COVID-19 and impairment provision of HK$2,864 million made for a Hong Kong Development Property ("DP"), the Group's underlying net profit increased by 14% to HK$3,092 million (2019: HK$2,710 million), reflecting higher profit contribution from Mainland DP and Investment Properties ("IP") as well as increase in investment income. Inclusive of an attributable accounting IP revaluation deficit of HK$396 million and an Investment revaluation surplus of HK$1,187 million, Group profit attributable to shareholders increased by 14% to HK$3,864 million (2019: HK$3,386 million).

Revenue and Operating Profit ("OP")

Group revenue increased by 24% to HK$20,997 million (2019: HK$16,874 million). OP increased by 41% to HK$11,104 million (2019: HK$7,869 million).

Mainland DP revenue and OP grew by 59% and 101%, to HK$11,222 million (2019: HK$7,054 million) and HK$6,425 million (2019: HK$3,200 million), respectively, achieving a better overall operating margin of 57% (2019: 45%), mainly due to 55%-owned Shanghai One Jingan.

Mainland IP rebounded in the second half and increased its revenue by 7% to HK$4,201 million (2019: HK$3,924 million) in spite of rental concessions and the sharp decline in retail sales in the first quarter of the year. OP grew by 11% to HK$2,573 million (2019: HK$2,311 million).

Hotel was hit hard by COVID-19 with revenue decreasing by 25% to HK$396 million (2019: HK$530 million) amid low occupancy and depressed room rates. Hotel management fees also decreased under the extreme market conditions. Mainland luxury hotels showed gradual recovery in the latter half of the year and the segment broke even (2019: profit of HK$53 million).

Logistics revenue decreased by 1% to HK$2,566 million (2019: HK$2,597 million). OP decreased by 3% to HK$497 million (2019: HK$513 million).

Investment revenue and OP increased by 68% to HK$1,108 million (2019: HK$660 million) mainly from increase in dividends from enlarged investment portfolio.

IP Revaluation Deficits

The Group's IP portfolio was stated at HK$78.2 billion (2019: HK$74.8 billion), based on independent valuation as at 31 December 2020, giving rise an attributable net revaluation deficit (after related deferred tax and non-controlling interests) of HK$396 million (2019: surplus of HK$286 million), charged to the consolidated income statement.

Other Net Charge

Other net charge was HK$1,827 million (2019: HK$2,067 million), which mainly included impairment provision of HK$2,864 million made for a Hong Kong DP project. This is partly compensated by net fair value gain of HK$1,187 million (2019: HK$133 million) on other long term investments classified as financial assets at fair value through profit or loss.

Finance Costs

Finance costs decreased by 30% to HK$780 million (2019: HK$1,112 million), which included an unrealised mark-to-market gain of HK$35 million (2019: HK$50 million) on cross currency and interest rate swaps. Effective borrowing rate fell to 2.9% (2019: 3.6%). Excluding the mark-to-market gain/loss, finance costs before capitalisation decreased by 24% to HK$1,269 million (2019: HK$1,679 million).

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

Associates' attributable profit decreased by 49% to HK$172 million (2019: HK$336 million) for the year mainly from lower profit contribution from Mainland DP.

Joint ventures' attributable profit increased by 114% to HK$1,066 million (2019: HK$498 million) mainly due to higher profit recognised from Hong Kong DP, in particular Mount Nicholson project, and Mainland DP.

Income Tax

Taxation charge increased by 58% to HK$4,743 million (2019: HK$3,000 million), which included a deferred taxation charge of HK$198 million (2019: HK$736 million) provided for current year's revaluation gain attributable to Mainland IP.

Excluding the above deferred taxation, tax charge doubled from last year to HK$4,545 million (2019: HK$2,264 million) for higher operating profits from Mainland IP and DP. Included in the tax charge was Land Appreciation Tax, charging on progressive rates, of HK$2,498 million (2019: HK$248 million) and the large increase of which was due to higher profit margins achieved for certain Mainland DP projects and subject to higher tax rates.

Non-controlling Interests

Group profit attributable to non-controlling interests increased to HK$920 million (2019: HK$84 million), reflecting the increase in net profits of certain non-wholly-owned subsidiaries.

Profit to Shareholders

Group profit attributable to equity shareholders increased by 14% to HK$3,864 million (2019: HK$3,386 million). Basic earnings per share were HK$1.27, based on weighted average of 3,050 million shares (2019: HK$1.11 based on 3,048 million shares).

Group underlying net profit (a performance indicator of the Group's major business segments), mainly excluding the attributable IP revaluation deficit of HK$396 million and Investment revaluation gain of HK$1,187 million, increased by 14% to HK$3,092 million (2019: HK$2,710 million) from last year. By segment, IP increased by 8% to HK$1,656 million (2019: HK$1,536 million), Logistics increased by 18% to HK$452 million (2019: HK$382 million) and Investments increased to HK$900 million (2019: HK$215 million), but DP decreased by 84% to HK$134 million (2019: HK$830 million), combining Mainland DP profit of HK$2,332 million and Hong Kong DP loss of HK$2,198 million after the impairment provision of HK$2,864 million.

(II) DP SALES AND NET ORDER BOOK

Inclusive of joint venture projects on an attributable basis, total DP contracted sales decreased by 14% to HK$20,951 million (2019: HK$24,320 million).

Mainland contracted sales decreased by 13% to RMB17,408 million (2019: RMB19,922 million). Revenue recognised (on attributable basis) increased by 19% to HK$17,658 million (2019: HK$14,806 million) and OP by 55% to HK$7,621 million (2019: HK$4,927 million). Net order book maintained at RMB27,999 million (2019: RMB27,411 million).

In Hong Kong, one apartment of Mount Nicholson was sold for HK$533 million (2019: HK$4,162 million) with 50% attributable to the Group. Attributable sales recognition increased to HK$1,453 million (2019: HK$1,180 million), which contributed an OP of HK$797 million (2019: HK$669 million). In addition, the retail mall of Peninsula East was sold for HK$310 million and will be completed in late March 2021.

(III) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 31 December 2020, shareholders' equity increased by 11% to HK$158.9 billion (2019: HK$142.9 billion), equivalent to HK$52.07 (2019: HK$46.86) per share. In addition to the reporting profit, the increase was also attributable to a HK$7.3 billion surplus arising from investment revaluation and HK$5.6 billion exchange surplus on translation of RMB net assets following a 6% RMB appreciation as at year end. Both surpluses were dealt with in reserves.

Total equity including non-controlling interests of HK$4.6 billion (2019: HK$3.4 billion) increased by 12% to HK$163.5 billion (2019: HK$146.3 billion).

Assets

Total assets, excluding bank deposits and cash, increased by 10% to HK$237.4 billion (2019: HK$214.9 billion). Total business assets, excluding bank deposits and cash, financial and deferred tax assets, increased by 11% to HK$236.1 billion (2019: HK$213.6 billion). Properties, Logistics and Investments accounted for 65%, 7%, 28% (2019: 76%/7%/17%) of the Group total, respectively.

Geographically, Mainland business assets, mainly comprising properties and terminals, amounted to HK$125.5 billion (2019: HK$125.3 billion), Hong Kong business assets, mainly properties, amounted to HK$86.3 billion (2019: HK$78.9 billion) and Overseas business assets, mainly investments, amounted to HK$24.3 billion (2019: HK$9.4 billion), representing 53%, 37% and 10% (2019: 59%/37%/4%) of the Group total, respectively.

Investment properties

IP portfolio is stated at valuation of HK$78.2 billion (2019: HK$74.8 billion), representing 33% (2019: 35%) of total business assets. This portfolio comprised Mainland IP of HK$57.0 billion (2019: HK$54.0 billion) and Hong Kong IP of HK$21.2 billion (2019: HK$20.8 billion).

Properties for sale

DP assets dropped to HK$42.4 billion (2019: HK$44.1 billion), comprising Mainland DP of HK$31.2 billion (2019: HK$30.6 billion) and Hong Kong DP of HK$11.2 billion (2019: HK$13.5 billion) net of HK$2.9 billion provision for impairment.

Interests in associates and joint ventures

Interests in associates and joint ventures decreased to HK$33.1 billion (2019: HK$43.1 billion) mainly comprised attributable net assets of Mainland DP and Hong Kong DP of HK$23.4 billion (2019: HK$27.5 billion) and HK$5.2 billion (2019: HK$11.0 billion), respectively. Decrease was mainly due to return of dividends and advance from completed and sold DP projects.

Long term investments

Long term investments amounted to HK$66.9 billion (2019: HK$36.5 billion), representing 28% of the Group's business assets, including the Group's equity investment in Greentown China Holdings Limited of HK$6.3 billion and a portfolio of listed blue chips and unlisted investments totalling of HK$60.6 billion held for long term growth and/or reasonable dividend yield. The portfolio performed overall in line with the relevant markets. None of the investments is individually material to the Group's total assets. Marking these investments to market produced a net surplus of HK$7.3 billion (2019: HK$8.1 billion) as reflected in the Other Comprehensive Income Statement within which a total of HK$1.2 billion was recycled to revenue reserves upon de-recognition. The surplus was mainly derived from listed equities in new economy sector while those invested in property sector performed stably with reasonable dividend return.

The Group's investment portfolio analysed by industry sectors and by geographical locations as below:

	2020 HK$ Million	2019 HK$ Million
Analysed by industry sectors:		
— Properties	**21,695**	18,005
— New economy	**35,754**	12,408
— Others	**9,426**	6,118
Total	**66,875**	36,531
Analysed by geographical locations:		
— Hong Kong	**42,479**	27,042
— Overseas	**24,396**	9,489
Total	**66,875**	36,531

Deposits from sale of properties

Deposits from sale of properties amounted to HK$8.1 billion (2019: HK$11.3 billion) pending for recognition in the coming years.

Net Debt and Gearing

Net debt as at 31 December 2020 increased by 34% to HK$25.5 billion (2019: HK$19.0 billion), mainly resulting from net purchases of long-term investments. It comprised of HK$16.7 billion in bank deposits and cash and HK$42.2 billion in debts. It included Modern Terminals' net debt of HK$5.3 billion (2019: HK$5.9 billion), which is non-recourse to the Company and its other subsidiaries. Excluding non-recourse debts, the Group's net debt was HK$20.2 billion (2019: HK$13.1 billion). At 31 December 2020, the ratio of net debt to total equity rose to 15.6% (2019: 13.0%). Gearing remained low and the Group will continue to maintain a reasonable level of surplus cash to facilitate business and investment activities.

Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 31 December 2020 amounting to HK$73.5 billion, of which HK$42.2 billion had been utilised, are analysed as below:

	Available Facility HK$ Billion	Utilised Facility HK$ Billion	Un-utilised Facility HK$ Billion
Company/wholly-owned subsidiaries			
Committed and uncommitted bank facilities	52.8	27.7	25.1
Debt securities	9.0	9.0	–
	61.8	36.7	25.1
Non-wholly-owned subsidiaries			
Committed and uncommitted			
— Modern Terminals	11.7	5.5	6.2
Group total	73.5	42.2	31.3

Of the above debts, HK$7.9 billion (2019: HK$7.0 billion) was secured by mortgages over certain IP, DP and other properties, plant and equipment together with carrying value of HK$26.5 billion (2019: HK$29.4 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK$60.9 billion (2019: HK$34.2 billion), which is available for use if necessary.

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group recorded net cash inflow of HK$10.0 billion (2019: HK$6.5 billion) before changes in working capital. An increase in dividends received from associates and joint ventures, partly offset by the decrease in working capital of HK$3.3 billion (2019: increase of HK$4.1 billion) mainly from decrease in deposits from sale of properties, generated a total net inflow from operating activities of HK$10.3 billion (2019: HK$9.3 billion). For investing activities, the Group recorded a net outflow of HK$14.2 billion (2019: HK$2.8 billion) mainly for net purchases of other long term investments.

Major Capital and Development Expenditures

Major expenditures incurred in 2020 are analysed as follows:

	Hong Kong HK$ Million	Mainland China HK$ Million	Total HK$ Million
Properties			
IP	400	69	469
DP	349	6,471	6,820
	749	6,540	7,289
Others	99	130	229
Group total	848	6,670	7,518

i. IP expenditure was mainly for construction of the Peak Properties.

ii. DP and IP expenditures included HK$3.1 billion for property projects undertaken by associates and joint ventures.

iii. Other expenditure was mainly related to Modern Terminals' terminal equipment.

Commitment

As at 31 December 2020, major expenditures to be incurred in the coming years was estimated at HK$27.9 billion, of which HK$21.5 billion was committed. They are analysed by segment as below:

	Committed HK$ Million	Uncommitted HK$ Million	Total HK$ Million
IP			
Hong Kong	812	–	812
Mainland China	235	177	412
	1,047	177	1,224
DP			
Hong Kong	12,311	–	12,311
Mainland China	6,509	6,211	12,720
	18,820	6,211	25,031
Others	1,584	42	1,626
Group total	21,451	6,430	27,881

Hong Kong DP commitments included balance of land cost payment HK$12 billion for No.2-8 Mansfield Road site acquired in December 2020. Other properties commitments included mainly construction cost, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages.

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

(IV) DIVIDEND POLICY

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

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

(V) HUMAN RESOURCES

The Group had approximately 7,100 employees as at 31 December 2020, including about 1,200 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

(VI) BUSINESS MODEL

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

IP in the Mainland accounted for 53% of Group underlying net profit in 2020. In particular, Chengdu IFS and Changsha IFS are comparable to Harbour City, Hong Kong, in critical mass and dominance in their respective markets.

On an attributable basis, combined DP sales in Hong Kong and Mainland achieved HK$21 billion and revenue recognition HK$19 billion. Total current land bank amounts to 3.6 million square feet in Hong Kong and 2.8 million square metres in the Mainland.

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

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

(VII) BUSINESS STRATEGY

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

1. For DP, applying core competencies in site selection and acquisition, product planning and design, construction management, premium branding and marketing to achieve premium sales results and profit margins;

2. For IP, replicating the leadership in management and strong professional relationship with key tenants to operate market leading complexes in the Mainland to create new value and present long-term growth potential;

3. Continuous development of sustainable and localised organisations with local market know-how and international standards and execution expertise; and

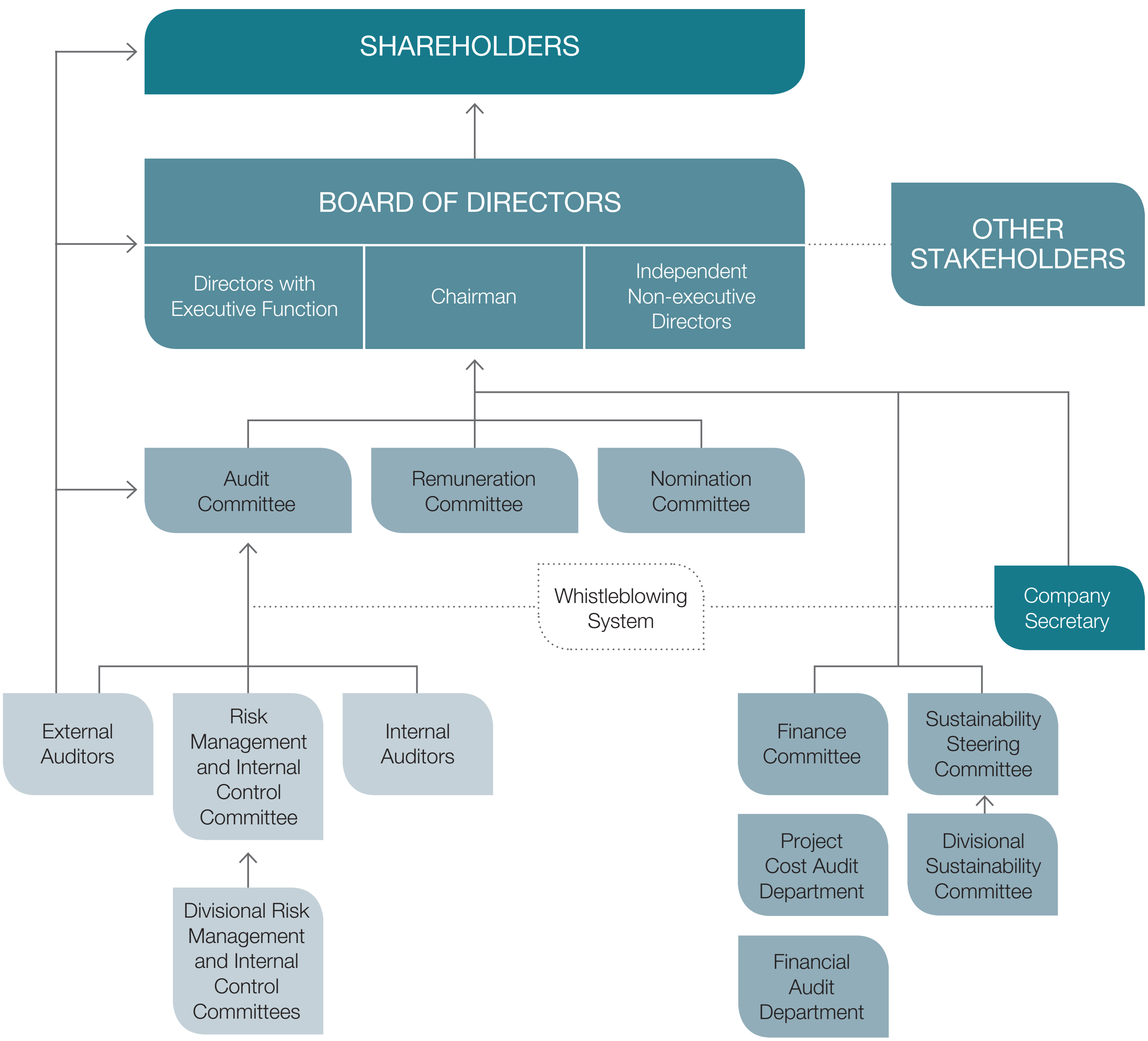
4. Exercising prudent and disciplined financial management to ensure sustainability at all times.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES AND STRUCTURE

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

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



COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the financial year ended 31 December 2020, the Company has complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), with one exception as follows:

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

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

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

BOARD OF DIRECTORS

Roles and Responsibilities

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

Governance and Social Sustainability

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

Strategic Planning

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

Risk Management

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

Performance Review

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

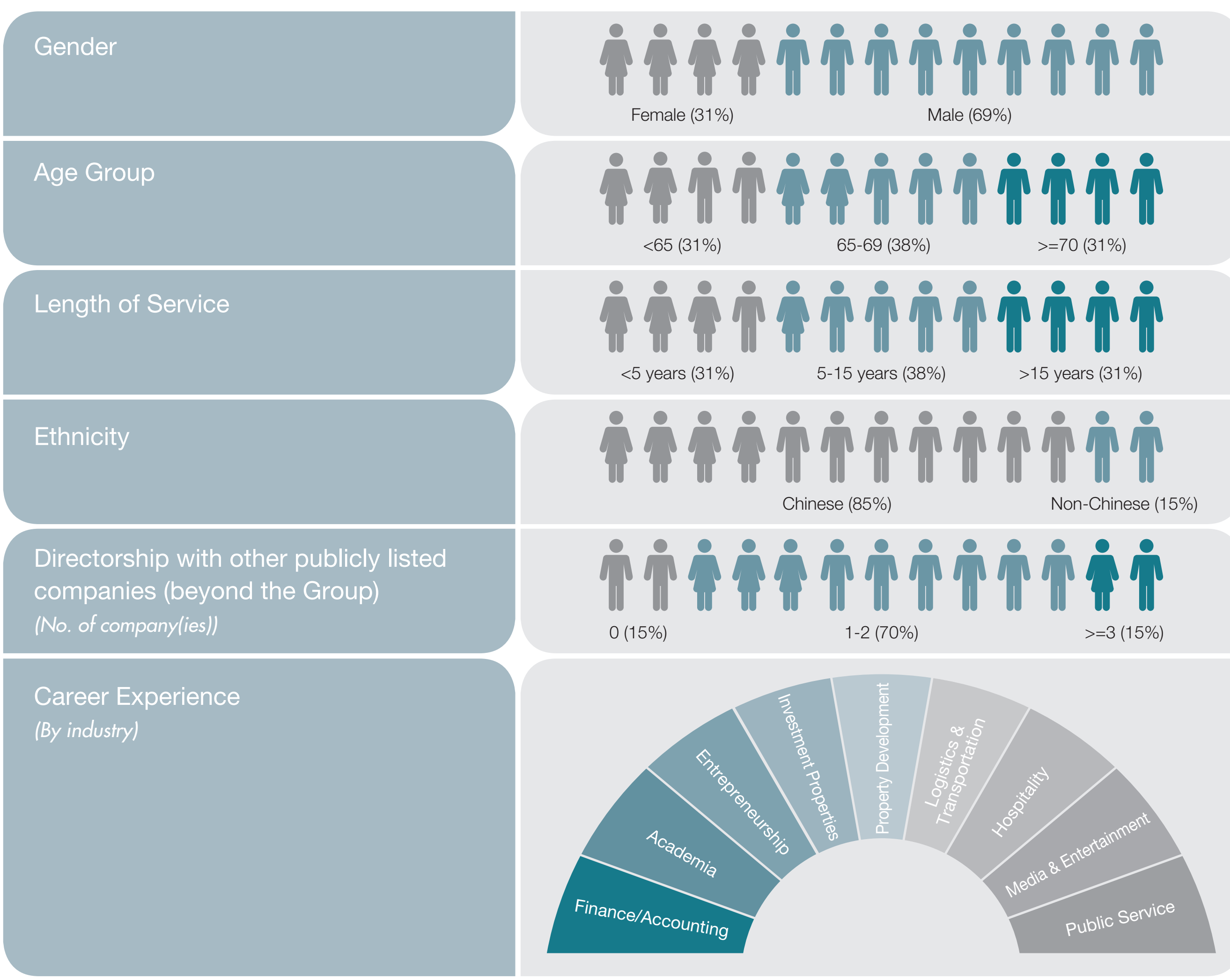
Board Composition and Diversity Policy

As of the date of this report, the Board consists of a total of thirteen members, including five Directors with executive functions, one Non-executive Director and seven INEDs.

The Directors' biographical details are set out in "(A) Biographical Details of Directors and Senior Management" on pages 79 to 84. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and the Stock Exchange. All Directors, including INEDs, are also identified as such in all corporate communications that disclose the names of Directors.

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

The following chart shows the diversity profile of the Board as at the date of this report:



Appointment and Election of Directors

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

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

Ms Y T Leng, Mr Richard Y S Tang and Ms Nancy S L Tse (all appointed as Directors after 2020 AGM), as well as Ms Doreen Y F Lee, Professor Edward K Y Chen, Ms Elizabeth Law and Mr David Muir Turnbull will retire at the AGM to be held on 11 May 2021. Ms Doreen Y F Lee has decided not to stand for re-election. The other six retiring Directors (the "Re-election Directors"), being eligible, offer themselves for re-election. The proposed re-election of the Re-election Directors was reviewed by the Nomination Committee and the Board with reference to the criteria set out in the Nomination Policy adopted by the Company. Both the Nomination Committee and the Board are of the view that each of the Re-election Directors could continue to fulfill his/her role as required. The election of each candidate will be done through a separate resolution and there is no cumulative voting in Director elections. Details with respect to the candidates standing for election as Directors are set out in the AGM circular to Shareholders.

Independent Directors

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

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

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

Nomination Policy

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

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

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

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

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

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

Remuneration of Directors and Senior Management

The remuneration payable to Directors and Senior Management of the Company is determined with reference to calibres, experiences, job responsibilities, performance and profitability of the Group, and the remuneration benchmarks normally paid by listed companies in Hong Kong and overseas for ensuring a fair and competitive remuneration package in the market. The annual fees payable to the Board during the financial year ended 31 December 2020 is as follows:

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

In respect of the remuneration payable to the Directors and Senior Management of the Company, the details have been set out in Notes 2(b) and 2(c) to the financial statements on pages 117 to 118.

Directors' Trainings

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

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

The Directors have, during the financial year under review, pursued continuous professional development and the details are set out below (except for Mr Richard Y S Tang and Ms Nancy S L Tse who were appointed as INEDs with effect from 1 January 2021):

Directors	Types of Trainings (See Remarks)
Executive Directors	
Mr Stephen T H Ng, *Chairman and Managing Director*	A, B
Mr Andrew O K Chow, *Deputy Chairman and Executive Director*	A, B
Ms Doreen Y F Lee, *Vice Chairman and Executive Director*	A, B
Mr Paul Y C Tsui, *Vice Chairman, Executive Director and Group Chief Financial Officer*	A, B
Director	
Mr Kevin K P Chan	A, B
Non-executive Director	
Ms Y T Leng *(appointed on 1 October 2020)*	A, B
Independent Non-executive Directors	
Professor Edward K Y Chen	A, B
Mr Vincent K Fang	A, B
Mr Hans Michael Jebsen	A, B
Ms Elizabeth Law	A, B
Mr David Muir Turnbull	A, B

Remarks:
A: attending seminars and/or conferences and/or forums
B: reading journals, updates, articles and/or materials, etc

Directors' Securities Transactions

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

The Company has made specific enquiry of all Directors (except Mr Richard Y S Tang and Ms Nancy S L Tse who were appointed as INEDs with effect from 1 January 2021) and all those Directors have complied with the required standard set out in the Model Code and the Company's Code throughout their tenure during the financial year.

CORPORATE GOVERNANCE REPORT

BOARD EFFECTIVENESS

Division of Responsibilities

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

CHAIRMAN AND MANAGING DIRECTOR

Mr Stephen T H Ng

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

DIRECTORS WITH EXECUTIVE FUNCTIONS

Mainland Development Properties

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

Mainland Investment Properties

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

Group Finance

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Edward K Y Chen
Mr Vincent K Fang
Mr Hans Michael Jebsen
Ms Elizabeth Law
Mr Richard Y S Tang
Ms Nancy S L Tse
Mr David Muir Turnbull

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

Company Secretary

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

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

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

Directors' Meeting Attendance in 2020

Individual attendance records of our Directors at Board meetings, Board Committees meetings and Annual General Meeting during the financial year ended 31 December 2020 are set out below (except for Mr Richard Y S Tang and Ms Nancy S L Tse who were appointed as INEDs with effect from 1 January 2021):

	2020 Meetings Attended/Held			
	Board	**Audit Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive Directors				
Mr Stephen T H Ng, *Chairman and Managing Director*	5/5	N/A	1/1	1/1
Mr Andrew O K Chow, *Deputy Chairman and Executive Director*	5/5	N/A	N/A	1/1
Ms Doreen Y F Lee, *Vice Chairman and Executive Director*	5/5	N/A	N/A	1/1
Mr Paul Y C Tsui, *Vice Chairman, Executive Director and Group Chief Financial Officer*	5/5	N/A	N/A	1/1
Director				
Mr Kevin K P Chan	5/5	N/A	N/A	1/1
Non-executive Director				
Ms Y T Leng *(appointed on 1 October 2020)*	1/1	N/A	N/A	N/A
Independent Non-executive Directors				
Professor Edward K Y Chen	5/5	N/A	N/A	1/1
Mr Vincent K Fang	5/5	4/4	N/A	1/1
Mr Hans Michael Jebsen	5/5	4/4	1/1	1/1
Ms Elizabeth Law	5/5	4/4	N/A	1/1
Mr David Muir Turnbull	4/5	3/4	0/1	1/1
Total Number of Meetings	**5**	**4**	**1**	**1**

Board Process

Key Features of Board Process in 2020

Regular Meetings	• The Board held five regular meetings in 2020. Directors' attendance records for 2020 are disclosed on page 63 of this report. • Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles of Association.
Meeting Notice	• One-month formal notice would be given before each regular meeting and reasonable notices are given for all other ad hoc meetings.
Meeting Agenda	• All Directors are consulted as to whether they may want to include any matter in the agenda for each Board meeting. • Board papers are circulated not less than three days before Board meetings to enable the Directors to make informed decisions on matters to be raised at Board meetings.
Important Decisions	• Important matters are decided by Directors at Board meetings, or on some exceptional occasions, dealt with by way of written resolutions so that all Directors (including INEDs) can note and comment, as appropriate, the matters before approval is granted.
Board and Board Committee Minutes/Written Resolutions	• The Company Secretary prepares minutes and written resolutions and records matters discussed and decisions resolved by the Board and Board Committees. • Board and Board Committee meeting minutes are sent to all Directors and Board Committee members respectively for comments and record, and final version thereof are put on record within a reasonable time after each Board and Board Committee meeting. • Board and Board Committee minutes and resolutions are available for inspection by all Directors/Board Committee members. • Minutes record in sufficient detail of the matters considered by the Board/Board Committees and decisions reached.
Supply of and Access to Information	• The Company Secretary and the Group Chief Financial Officer attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate. • Communications between Directors on the one hand, and the Company Secretary, who acts as co-ordinator for the business units of the Group on the other, is a dynamic and interactive process to ensure that queries raised and clarification sought by the Directors are dealt with and that further supporting information is provided if appropriate.
Independent Professional Advice	• The Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.
Conflicts of Interests	• Directors are required to declare their direct/indirect interests, if any, in any proposed transaction, arrangement or contract to be considered by the Board pursuant to the Companies Ordinance and the Company's Articles of Associations and, where appropriate, Directors who are interested are required to abstain from voting on the proposed transaction, arrangement or contract.
Indemnification and Insurance	• The Company has arranged appropriate insurance cover of Directors' and Officers' liability.

Board Committees

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

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

BOARD OF DIRECTORS

AUDIT COMMITTEE

Four members (All being INEDs):

- **Mr Vincent K Fang (Chairman)**
- **Mr Hans Michael Jebsen**
- **Ms Elizabeth Law**
- **Mr David Muir Turnbull**

Roles:
To monitor and review the Company's financial information and oversee the financial reporting mechanism, risk management and internal control systems, as well as corporate governance matters. To communicate with external auditors for ensuring their independence and audit effectiveness.

REMUNERATION COMMITTEE

Three members (Majority being INEDs):

- **Mr Hans Michael Jebsen (Chairman)**
- **Mr Stephen T H Ng**
- **Mr David Muir Turnbull**

Roles:
To make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and Senior Management, and review the specific remuneration packages of all Executive Directors and Senior Management by reference to corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

Three members (Majority being INEDs):

- **Mr Stephen T H Ng (Chairman)**
- **Mr Hans Michael Jebsen**
- **Mr David Muir Turnbull**

Roles:
To provide recommendations to the Board in respect of the board composition, nomination of candidates for directorship, appointment and re-appointment of directors, and assessment of the independence.

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

Summary of Works Performed by the Board Committees in 2020

Audit Committee

- Four Audit Committee meetings were held in 2020 with attendance records as disclosed on page 63 of this report
- Review of the annual audit plan of external auditors
- Approval of the remuneration and terms of engagement of external auditors
- Review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards
- Review of the quarterly, interim and annual financial statements before submission to the Board, with particular consideration of the duties of the Audit Committee
- Review of the audit programme of and work done by the internal auditors
- Review on the effectiveness of the Group's financial controls, risk management and internal control systems with the support of Risk Management and Internal Control Committee and internal auditors
- Meeting with the external auditors without presence of executive Board members or the management
- Review of whistleblowing cases and relevant investigation results
- Review of the corporate governance matters and the relevant reports of the Group
- Review and monitor the Group's compliance with legal and regulatory requirements
- Recommendation to the Board for the reappointment of external auditors

Remuneration Committee

- One Remuneration Committee meeting was held in 2020 with attendance records as disclosed on page 63 of this report
- Review of the Company's policy and structure for all remuneration of Directors and Senior Management
- Consideration and approval of the emoluments for all Directors and Senior Management
- Review of the level of fees for Directors and Board Committee members
- Review of the list of emoluments for Directors to be disclosed in annual report

Nomination Committee

- No Nomination Committee meeting was held in 2020
- Recommendation to the Board for the appointment of Ms Y T Leng as a Non-executive Director effective from 1 October 2020 by way of resolution in writing
- Recommendation to the Board for the appointment of Mr Richard Y S Tang and Ms Nancy S L Tse as INEDs effective from 1 January 2021 by way of resolution in writing
- Recommendation to the Board for the re-election of retiring directors at the 2020 AGM by way of resolution in writing

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

The Directors are satisfied with the Group's performance on the basis that the Company generates or preserves value over the longer term and delivers the Company's objectives through its business model as discussed under Financial Review on page 54.

External Auditors

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

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

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

1. Audit services of the Company and its subsidiaries (both incorporated in Hong Kong and other jurisdictions);
2. Checking the accuracy of extraction of the financial information in the preliminary announcement of annual results;
3. Attendance of 2021 AGM; and
4. Reporting on continuing connected transactions.

The remuneration paid/payable to the Auditors of the Company in respect of audit services and non-audit services for the financial year ended 31 December 2020 are set out below:

Fee paid/payable (HK$ Million)	**2020**	2019
Type of Services:		
Audit services	**16**	17
Non-audit services	**2**	3
Total	**18**	20

The Audit Committee was satisfied with KPMG's work and recommended to the Board that, subject to Shareholders' approval at the forthcoming AGM, KPMG be re-appointed as the Company's Auditors for 2021.

The statement by the Auditors regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 97 to 102.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk Governance Structure

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

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

Risk Management and Internal Control Committee ("RMICC")

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

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

Internal Control Functions

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

DRMICCs	• set up at the level of business and corporate units as divisional advisory bodies with composition of the respective key management staff together with those charged with the internal control functions • be responsible for the identification and reporting of functional risk, and the ongoing supervision and monitoring of the risk management and internal control systems • be entrusted with implementation of the Group's control policies and on-going assessment of control activities in the relevant business units
Finance Committee	• establish financing strategy and policies with reference to risk assessment formulate externally and internally and cash flow placing as well as the centralised treasury functions
Internal Audit Department	• monitor the compliance with group policies and standards, and review of the effectiveness of internal control measures of business and corporate units
Financial Audit Department	• scrutinise the leasing activities and expenditure proposals
Project Cost Audit Department	• audit the tendering and contracts relating to construction works
Sustainability Steering Committee	• ensure the alignment of business development with Corporate and Social Sustainability goals and commitments

Practices and Processes

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

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

Whistleblowing System

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

Periodical Reviews

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

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

Annual Confirmation

During the financial year ended 31 December 2020, the Audit Committee, with assistance of RMICC and DRMICCs, has conducted a review of the effectiveness of the Group's risk management and internal control systems and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, qualifications, experience and training of staff of the Company's accounting, internal audit and financial reporting function. Confirmations in the form of certification that risk management and internal control procedures are functioning effectively to meet the respective financial reporting, operational and compliance needs, are submitted by business and corporate unit heads to RMICC for consolidation and reporting to the Audit Committee.

Based on the result of the review as reported by the Audit Committee, in respect of the financial year ended 31 December 2020, the Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate, and the Group has duly complied with the requirements under the Corporate Governance Code relating to the risk management and internal control.

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

CORPORATE GOVERNANCE REPORT

Inside Information Policy

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

2020 Annual General Meeting

The 2020 AGM was held on 8 May 2020 in the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, with attendance by all the Directors, details of which are set out in the table of Directors' meeting attendance on page 63. The Auditors of the Company, Messrs KPMG, attended the 2020 AGM, during which its representatives were available to answer questions raised by Shareholders. Details of voting results were disclosed in the announcement of the Company dated 8 May 2020 posted on the websites of the Company and the Stock Exchange.

2021 Annual General Meeting

The forthcoming AGM will be held on 11 May 2021. In light of the continuing risks posed by the COVID-19, the Company strongly recommends the Shareholders to exercise their voting rights by appointing the Chairman of the AGM as their proxy instead of attending the AGM in person. All Shareholders are encouraged to vote on all resolutions to be proposed at the AGM. Details of resolutions to be proposed at the 2021 AGM are set out in the circular which will be dispatched together with this Annual Report. Relevant notice of AGM and proxy form will be available on the websites of the Company and the Stock Exchange.

Voting

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

(a) All resolutions (other than procedural or administrative matters) put to Shareholders in general meetings are voted by a poll demanded by the Chairman at the beginning of the meetings. The circulars and notices of general meetings express the Chairman's intention to call for voting by poll.

(b) The Chairman or the Company Secretary explains the procedures for voting by poll to Shareholders and answer any questions from Shareholders before a poll is required to be conducted at the meetings.

(c) The Company ensures that votes cast are properly counted and recorded. Independent scrutineer, the Company's Share Registrars, is appointed to count the number of votes cast at general meetings.

(d) Poll results are announced and published on the websites of the Company and the Stock Exchange on the same day of the general meetings.

Shareholders' Rights

(a) Convene an Extraordinary General Meeting

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

(b) Send Enquiries to the Board

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

(c) Make Proposals at General Meetings

(i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Governance section of the Company's website.

(ii) The procedure for proposing resolution(s) to be moved at the Company's AGM(s) are as follows:

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

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

The relevant written requisition must:

(a) identify the resolution of which notice is to be given;

(b) be authenticated by the Shareholder(s) making it; and

(c) be received by the Company not later than 6 weeks before the relevant AGM to which the requests relate, or if later, the time at which notice is given of that meeting.

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

Constitutional Documents

Shareholders' rights are also set out in the Articles of Association of the Company which is available on the Company's website. There is no significant change in the Company's Articles of Association during the financial year ended 31 December 2020.

In order to provide flexibility to give Shareholders the option of attending general meetings remotely through electronic means if necessary or appropriate, a special resolution for the adoption of a revised set of Articles of Association of the Company ("New Articles") is proposed for consideration and, if thought fit, approval by Shareholders at the forthcoming AGM to be held on 11 May 2021. Details of the major changes brought about by the proposed adoption of New Articles are set out in the circular which will be despatched together with this Annual Report.

Dividend Policy

A Dividend Policy, as set out in Financial Review on page 54, was adopted by the Company pursuant to Code Provision E.1.5 of the Corporate Governance Code.

DIRECTORS' REPORT

The Board of Directors (the "Board") has pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 182 to 191.

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

BUSINESS REVIEW

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

- Corporate Profile (page 1)
- Chairman's Statement (pages 7 to 11)
- Business Review (pages 14 to 41)
- Financial Highlights (pages 12 to 13) and Financial Review (pages 48 to 55)
- Principal Risks and Uncertainties (pages 93 to 95)
- Financial Risk Management and Fair Values — Note 23 to the Financial Statements (pages 144 to 151)
- Contingent Liabilities — Note 27 to the Financial Statements (page 156)
- Events after the reporting period — Note 31 to the Financial Statements (page 159)

In addition, the Group's policies and performance in the area of environmental, social and governance, and compliance with relevant laws and regulations are discussed in the section of "Corporate Sustainability" on pages 44 to 47.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2020 are set out in the Consolidated Income Statement on page 103 and Consolidated Statement of Comprehensive Income on page 104.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on page 106 and Note 24 to the Financial Statements on pages 152 to 153.

DIVIDENDS

A first interim dividend of HK$0.20 per share was paid on 3 September 2020. In lieu of a final dividend, a second interim dividend of HK$0.20 per share will be paid on 27 April 2021 to Shareholders on record as at 6:00 p.m., 31 March 2021. Total distribution for the year 2020 will amount to HK$0.40 per share (2019: HK$0.325 per share).

DONATIONS

The Group made donations during the financial year totalling HK$7 million.

SHARE CAPITAL

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

Details of movement in share capital of the Company during the financial year are set out in Note 24 to the Financial Statements on pages 152 to 153.

EQUITY-LINKED AGREEMENT

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

DIRECTORS

The Directors of the Company during the financial year and up to the date of this Report are Mr Stephen T H Ng, Mr Andrew O K Chow, Ms Doreen Y F Lee, Mr Paul Y C Tsui, Mr Kevin K P Chan, Ms Y T Leng (appointed on 1 October 2020), Professor Edward K Y Chen, Mr Vincent K Fang, Mr Hans Michael Jebsen, Ms Elizabeth Law, Mr Richard Y S Tang (appointed on 1 January 2021), Ms Nancy S L Tse (appointed on 1 January 2021) and Mr David Muir Turnbull.

Ms Y T Leng, Mr Richard Y S Tang and Ms Nancy S L Tse (all appointed as Directors after 2020 annual general meeting ("AGM")) are due to retire from the Board in accordance with Article 97 of the Company's Articles of Association at the forthcoming AGM and Ms Doreen Y F Lee, Professor Edward K Y Chen, Ms Elizabeth Law and Mr David Muir Turnbull are due to retire by rotation from the Board in accordance with Article 106(A) of the Company's Articles of Association at the forthcoming AGM. Ms Doreen Y F Lee has decided not to stand for re-election. The other six retiring Directors (the "Re-election Directors"), being eligible, offer themselves for re-election. None of the Re-election Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

A list of persons who serve/served as directors of the Company's subsidiaries during the financial year and up to the date of this Report is set out in the sub-section headed "(L) Directors of Subsidiaries" on page 96.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

During the financial year, a total of 2,100,000 ordinary shares of the Company were allotted and issued to Mr Stephen T H Ng, Mr Andrew O K Chow, Ms Doreen Y F Lee and Mr Paul Y C Tsui (all being Directors of the Company) on their exercise of options under the Scheme.

According to the scheme document jointly published by Wheelock and the offeror, namely, Admiral Power Holdings Limited, on 21 May 2020, the share options of Wheelock lapsed automatically on the effective date of the scheme, i.e. 23 July 2020, and would no longer be exercisable as from such date. The relevant details are set out in the scheme document.

Further information of the share option schemes of the Company is set out on pages 88 to 89.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDITORS

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

OTHER CORPORATE INFORMATION

Other corporate information supplementary to this Directors' Report are set out on pages 79 to 96.

By Order of the Board
The Wharf (Holdings) Limited
Kevin C Y Hui
Company Secretary

Hong Kong, 9 March 2021

OTHER CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Management

(i) Directors

Mr Stephen Tin Hoi Ng, *Chairman and Managing Director* (Age: 68)
Mr Ng joined the Group in 1981. He has been Managing Director of the Company since 1989 and became Chairman in 2015. He also serves as chairman of Nomination Committee and a member of Remuneration Committee.

In addition, Mr Ng serves on the boards of the following affiliated companies listed in Hong Kong: chairman and managing director of Wharf REIC, chairman of HCDL and a non-executive director of Greentown China Holdings Limited ("Greentown").

Mr Ng also serves on the boards of the following formerly listed affiliated companies: deputy chairman of Wheelock (holding company of the Company and listed in Hong Kong until July 2020) and chairman of Wheelock Properties (Singapore) Limited (listed in Singapore until October 2018 and renamed Wharf Estates Singapore Pte. Ltd. ("WESPL")).

Furthermore, Mr Ng was previously a non-executive director of Hotel Properties Limited (listed in Singapore) until his resignation in December 2018 and non-executive chairman of Joyce Boutique Group Limited ("JBGL") (until it was delisted in Hong Kong in April 2020).

Mr Ng was born in Hong Kong in 1952 and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, and graduated in 1975 with a major in mathematics. He is chairman of Project *WeCan* Committee (a Business-in-Community school project), a council member, vice chairman of General Committee and a member of Executive Committee of the Employers' Federation of Hong Kong ("EFHK") and a council member of the Hong Kong General Chamber of Commerce (on retirement from the Chamber Chair in 2018).

Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2021, calculated on an annualised basis, would be approximately HK$5.35 million (2020: HK$5.20 million) per annum.

Mr Andrew On Kiu Chow, *Deputy Chairman and Executive Director* (Age: 70)
Mr Chow has been a Director of the Company since July 2011 and became Deputy Chairman in May 2015. Among various other subsidiaries of the Company of which he serves as a director, he is chairman of Wharf China Development Limited ("WCDL") with responsibility to oversee the Group's development property business in mainland China. He joined the Group in 2006.

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

Under the existing service contract between the Group and Mr Chow, his basic salary and various allowances for the year 2021, calculated on an annualised basis, would be approximately HK$5.68 million (2020: HK$5.68 million) per annum.

Ms Doreen Yuk Fong Lee, *Vice Chairman and Executive Director* (Age: 64)
Ms Lee has been a Director of the Company since 2003 and became Vice Chairman in May 2015, with primary responsibility for overseeing the Group’s portfolio of investment properties in mainland China.

Ms Lee is also vice chairman and an executive director of Wharf REIC. She was formerly vice chairman of WESPL until February 2021, a non-executive director of HCDL from 2010 to 2012, and of JBGL until November 2019.

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

Mr Paul Yiu Cheung Tsui, *Vice Chairman, Executive Director and Group Chief Financial Officer* (Age: 74)
Mr Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, has been Executive Director and Group Chief Financial Officer of the Company since 2008 and became Vice Chairman in 2015.

Mr Tsui is vice chairman and an executive director of Wharf REIC, and is also an executive director and group chief financial officer of Wheelock. He joined Wheelock/Wharf group in 1996 and became a director of Wheelock in 1998. Furthermore, Mr Tsui is a director of JBGL, vice chairman of Wheelock Properties Limited, a wholly-owned subsidiary of Wheelock, and a director of WESPL. He formerly served as a director of HCDL until his resignation in August 2015.

Mr Tsui is currently a general committee member of EFHK and chairman of EFHK’s “Property & Construction” functional group.

Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2021, calculated on an annualised basis, would be approximately HK$2.33 million (2020: HK$2.33 million) per annum.

Mr Kevin Kwok Pong Chan, *Director* (Age: 60)
Mr Chan joined the Group in 1993 and has been a Director of the Company since May 2015. He has been involved in various property development projects of the Group in both mainland China and Hong Kong. Among various other subsidiaries of the Company of which he serves as a director, he is an executive director of WCDL and Wharf China Estates Limited with responsibility to work on the Group’s Mainland Development Property strategy as well as to oversee the Group’s massive Mainland Investment Property construction projects. He was formerly a non-executive director of HCDL from 2013 to 2015.

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

Under the existing service contract between the Group and Mr Chan, his basic salary and various allowances for the year 2021, calculated on an annualised basis, would be approximately HK$3.90 million (2020: HK$3.90 million) per annum.

Ms Yen Thean Leng, *Director* (Age: 49)
Ms Leng, *BSc(Hons), MRICS, MHKIS, RPS*, has been a Non-executive Director of the Company since October 2020.

Ms Leng is an executive director of Wharf REIC and an executive director of Wharf Estates Limited with primary responsibilities for managing its core investment properties in Hong Kong, namely Harbour City, Times Square and Plaza Hollywood.

Ms Leng was formerly a director of HCDL from 2012 to 2013 and of the Company from 2013 until 2017 when Wharf REIC was separately listed on the Stock Exchange.

Ms Leng has extensive experience in the real estate industry, in particular, leasing and management of large scale commercial properties, and the planning, design and development of property and hotel projects. Ms Leng obtained a bachelor's degree in Land Management from the University of Portsmouth, the United Kingdom with first class honours. She is chartered surveyor of Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyor as well as a registered professional surveyor.

Professor Edward Kwan Yiu Chen, *GBS, CBE, JP, Director* (Age: 76)
Professor Chen has been an Independent Non-executive Director of the Company since 2002.

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

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

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

Mr Vincent Kang Fang, *GBS, JP, Director* (Age: 77)
Mr Fang has been an Independent Non-executive Director of the Company since 1993. He also serves as chairman of the Audit Committee. He is chief executive officer of Toppy Company (Hong Kong) Limited and managing director of Fantastic Garments Limited.

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

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

Mr Hans Michael Jebsen, *BBS, Director* (Age: 64)
Mr Jebsen has been an Independent Non-executive Director of the Company since 2001. He also serves as a member of the Audit Committee and Nomination Committee and chairman of Remuneration Committee.

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

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

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

Ms Elizabeth Law, *MH, JP, Director* (Age: 66)
Ms Law has been an Independent Non-executive Director of the Company since August 2017. She also serves as a member of the Audit Committee.

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

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

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

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

Mr Richard Yat Sun Tang, *SBS, JP, Director* (Age: 68)
Mr Tang has been an Independent Non-executive Director of the Company since January 2021.

Mr Tang is an MBA graduate from the University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA.

Mr Tang is currently chairman and managing director of Richcom Company Limited. He is also chairman of King Fook Holdings Limited and an executive director of Miramar Hotel and Investment Company, Limited, both companies being publicly listed in Hong Kong. Furthermore, he is a director of various private business enterprises, an advisor of Tang Shiu Kin and Ho Tim Charitable Fund and a steward of The Hong Kong Jockey Club. Mr Tang was formerly an Independent Non-executive Director of Wheelock from October 2012 until its delisting in July 2020. He was also formerly an Independent Non-executive Director of Hang Seng Bank Limited until his retirement in May 2018.

Ms Nancy Sau Ling Tse, *JP, Director* (Age: 68)
Ms Tse has been an Independent Non-executive Director of the Company since January 2021.

Ms Tse obtained her Bachelor of Arts (Honours) degree in Mathematics and Master of Business Administration degree in Finance/Accounting from the University of California, Los Angeles, USA; and qualified as Chartered Accountant in Canada. She is also a Fellow of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors.

Ms Tse is currently an Independent Non-executive Director of Link Asset Management Limited (as manager of Link Real Estate Investment Trust, publicly listed in Hong Kong) and DBS Bank (Hong Kong) Limited. She is also an Independent Non-executive Director and the chairman of HSBC Provident Fund Trustee (Hong Kong) Limited.

Ms Tse is a member of the Board of Governors of the Prince Philip Dental Hospital, an Adjunct Professor of The Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong, and an honorary adviser and a member of the Oversight, Policy and Governance Committee of The Financial Reporting Council. She serves on the boards and committees of a number of other charitable organisations and non-government organisations. Ms Tse was the Chief Financial Officer and Director (Finance and Information Technology Services) of the Hong Kong Hospital Authority ("HA") until her retirement at the end of August 2013. She joined the HA in 1991 when it was established. Ms Tse was formerly an Independent Non-executive Director of Wheelock from October 2013 until its delisting in July 2020.

Mr David Muir Turnbull, *Director* (Age: 65)
Mr Turnbull has been an Independent Non-executive Director of the Company since November 2013. He also serves as a member of the Audit Committee, Nomination Committee and Remuneration Committee.

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

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

Notes:

(1) Wheelock (of which Mr Stephen T H Ng and Mr Paul Y C Tsui are directors) has interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) (the "SFO").

(2) Mr Stephen T H Ng, Mr Andrew O K Chow, Mr Paul Y C Tsui, Mr Kevin K P Chan and Ms Y T Leng are currently directors of certain subsidiaries of the Company.

(ii) Senior Management

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

(B) Directors' Interests in Securities

(i) Interests in Shares

At 31 December 2020, Directors of the Company had the following beneficial interests, all being long positions, in the shares of the Company, Modern Terminals Limited ("Modern Terminals") (the Company's subsidiary) and Greentown (the Company's associated corporation of which the Company is interested in more than 20% of its issued shares). The percentages (where applicable) which the relevant shares represented to the total number of shares in issue of the three companies respectively are also set out below:

	Quantity held (percentage, where applicable)	**Nature of Interest**
The Company		
Stephen T H Ng	2,185,445 (0.0716%)	Personal Interest
Andrew O K Chow	400,000 (0.0131%)	Personal Interest
Paul Y C Tsui	300,000 (0.0098%)	Personal Interest
Kevin K P Chan	800,000 (0.0262%)	Personal Interest
Y T Leng	750,000 (0.0246%)	Personal Interest
Vincent K Fang	310,000 (0.0102%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest
Greentown		
Andrew O K Chow	500,000 (0.02%)	Personal Interest

Notes:

(1) The interests in shares disclosed above do not include interests in share options of the Company held by Directors as at 31 December 2020. Details of such interests in share options are separately set out below under the sub-section headed "(ii) Interests in Share Options of the Company".

(2) The shareholdings classified as "Corporate Interest" in which the Director concerned was taken to be interested as stated above were interests of corporation(s) at general meetings of which the relevant Director was either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporation(s).

(3) Wharf REIC ceased to be the Company's associated corporation (within the meaning of Part XV of the SFO) since 23 July 2020 according to the disclosure of interests forms filed by Wheelock and HSBC Trustee (C.I.) Limited ("HSBC Trustee") under the SFO.

(ii) Interests in Share Options of the Company

Set out below are particulars of all interests (all being personal interests) in share options held during the financial year ended 31 December 2020 by Directors of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Date of grant (Day/Month/Year)	No. of shares under option: As at 1 January 2020	Exercised during the year	As at 31 December 2020	(percentage based on total no. of shares in issue)	Subscription price per share (HK$)	Vesting/Exercise Period (Day/Month/Year)
Stephen T H Ng	07/07/2016	1,000,000	(1,000,000)[1]	–		15.92	08/07/2018 – 07/07/2021
		1,000,000	–	1,000,000			08/07/2019 – 07/07/2021
		1,000,000	–	1,000,000			08/07/2020 – 07/07/2021
	Total	**3,000,000**	**(1,000,000)[1]**	**2,000,000**	(0.07%)		
Andrew O K Chow	07/07/2016	100,000	(100,000)[2]	–		15.92	08/07/2017 – 07/07/2021
		600,000	(100,000)[2]	500,000			08/07/2018 – 07/07/2021
		600,000	–	600,000			08/07/2019 – 07/07/2021
		600,000	–	600,000			08/07/2020 – 07/07/2021
	Total	**1,900,000**	**(200,000)[2]**	**1,700,000**	(0.06%)		
Doreen Y F Lee	07/07/2016	600,000	(600,000)[3]	–		15.92	08/07/2020 – 07/07/2021
	Total	**600,000**	**(600,000)[3]**	**–**			
Paul Y C Tsui	07/07/2016	300,000	(300,000)[4]	–		15.92	08/07/2020 – 07/07/2021
	Total	**300,000**	**(300,000)[4]**	**–**			
Kevin K P Chan	07/07/2016	200,000	–	200,000		15.92	08/07/2019 – 07/07/2021
		200,000	–	200,000			08/07/2020 – 07/07/2021
	Total	**400,000**	**–**	**400,000**	(0.01%)		
Y T Leng	07/07/2016	200,000	–	200,000		15.92	08/07/2018 – 07/07/2021
		200,000	–	200,000			08/07/2019 – 07/07/2021
		200,000	–	200,000			08/07/2020 – 07/07/2021
	Total	**600,000**	**–**	**600,000**	(0.02%)		
	Grand Total	**6,800,000**	**(2,100,000)**	**4,700,000**			

Notes:

(1) The weighted average closing price of the Company's shares immediately before the dates of exercises of options by Mr Stephen T H Ng during the year was HK$17.45 per share.

(2) The weighted average closing price of the Company's shares immediately before the dates of exercises of options by Mr Andrew O K Chow during the year was HK$20.90 per share.

(3) The closing price of the Company's shares immediately before the date of exercise of options (all exercised on the same day) by Ms Doreen Y F Lee during the year was HK$20.45 per share.

(4) The closing price of the Company's shares immediately before the date of exercise of options (all exercised on the same day) by Mr Paul Y C Tsui during the year was HK$17.94 per share.

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

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 31 December 2020 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 31 December 2020.

(C) Substantial Shareholders' Interests

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 31 December 2020, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names		**No. of ordinary shares** (percentage based on total number of shares in issue)
(i)	Wheelock and Company Limited	1,675,532,651 (54.91%)
(ii)	HSBC Trustee (C.I.) Limited	1,675,532,651 (54.91%)

Notes:

(1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.

(2) The deemed shareholding interests of Wheelock and HSBC Trustee of 1,675,532,651 shares (54.91%) as at 31 December 2020 stated above included interests held through Wheelock's wholly-owned subsidiaries as below:

Names		***No. of ordinary shares*** *(percentage based on total number of shares in issue)*
(i)	Lynchpin Limited ("LL")	265,576,072 (8.70%)
(ii)	WF Investment Partners Limited ("WIPL")	711,224,579 (23.31%)
(iii)	High Fame Investments Limited ("HFIL")	387,022,000 (12.68%)
(iv)	Locus Investments Pte. Ltd. ("LIPL")	98,436,000 (3.23%)
(v)	Max Bloom International Development Limited	680,000 (0.02%)
(vi)	Crystal Pond Limited ("CPL")	68,930,000 (2.26%)
(vii)	ACE Orchard Limited ("AOL")	86,916,000 (2.85%)
(viii)	Alpha Pioneer Investments Limited ("APIL")	16,894,000 (0.55%)
(ix)	Captain Concord Limited ("CCL")	13,464,000 (0.44%)
(x)	Kowloon Wharf Pte Limited ("KWPL")	*1,674,852,651 (54.89%)

** For the avoidance of doubt and double counting, it should be noted that KWPL's interests included the shareholding interests of LL, WIPL, HFIL, LIPL, CPL, AOL, APIL and CCL. Further, KWPL's interests also included 26,390,000 shares (0.86%) deemed shareholding interests held through Horizon Vibrant Limited, an indirect wholly-owned subsidiary of HCDL, being a publicly listed subsidiary of Wharf REIC which in turn is 48.98%-owned by Wheelock as at 31 December 2020.*

All the interests stated above represented long positions. As at 31 December 2020, there were no short position interests recorded in the Register.

(D) Share Option Scheme

(I) Summary of the Scheme

(a) Purpose of the Scheme:
To provide directors and/or employees with the opportunity of acquiring an equity interest in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Group's continued growth and success.

(b) Eligibility:
Eligible participants include any person(s) who is/are full-time and/or part-time employee(s) and/or Director(s) of the Company, any of its subsidiary(ies), and/or any of its associate(s). "Associates" include jointly-controlled entities and subsidiary(ies) of associates and of jointly-controlled entity(ies).

(c) (i) Total number of ordinary shares in the capital of the Company (the "Shares") available for issue under the Scheme as at the date of this Annual Report:
276,144,732

(ii) Percentage of the issued share capital that it represents as at the date of this Annual Report:
9.05%

(d) Maximum entitlement of each eligible participant under the Scheme:
Not to exceed 1% of the Shares in issue in any 12-month period unless approved by Shareholders of the Company

(e) Period within which the Shares must be taken up under an option:
Within 10 years from the date on which the option is offered or such shorter period as the Directors may determine

(f) Minimum period for which an option must be held before it can be exercised:
No minimum period unless otherwise determined by the Board

(g) (i) Price payable on application or acceptance of the option:
HK$10.00

(ii) The period within which payments or calls must or may be made:
28 days after the offer date of an option or such shorter period as the Directors may determine

(iii) The period within which loans for the purposes of the payments or calls must be repaid:
Not applicable

(h) Basis of determining the subscription price:
The subscription price shall be determined by the Directors at the time of offer but shall not be less than whichever is the highest of:

(i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participant;

(ii) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of an option, which must be a Stock Exchange trading day;

(iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Stock Exchange trading days immediately preceding the date of grant of an option; and

(iv) the nominal value of a Share (not applicable due to the abolition of par value upon implementation of the Companies Ordinance).

(i) The remaining life of the Scheme:
Approximately 3 months (expiring on 8 June 2021)

(II) Details of Share Options Granted

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

	No. of shares under option				
Date of grant (Day/Month/Year)	**As at 1 January 2020**	**Exercised during the year**	**As at 31 December 2020**	**Vesting/Exercise Period** (Day/Month/Year)	**Subscription price per share** (HK$)
07/07/2016	100,000	(100,000)	–	08/07/2017 – 07/07/2021	15.92
	1,800,000	(1,100,000)	700,000	08/07/2018 – 07/07/2021	
	2,000,000	–	2,000,000	08/07/2019 – 07/07/2021	
	2,900,000	(900,000)	2,000,000	08/07/2020 – 07/07/2021	
Total:	**6,800,000**	**(2,100,000)**	**4,700,000**		

Notes:

(1) The weighted average closing price of the shares of the Company immediately before the dates of exercises of the share option during the financial year was HK$18.71 per share.

(2) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial year.

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

(E) Retirement Benefits Schemes

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

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

(F) Directors' Interests in Competing Business

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

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

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

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

(G) Major Customers and Suppliers

For the financial year ended 31 December 2020:

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

(ii) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

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

Particulars of any and all debentures, bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2020 which are repayable on demand or within a period not exceeding one year and those which would fall due for repayment after a period of one year are both set out in Note 20 to the Financial Statements on pages 139 and 140.

(I) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2020.

(J) Disclosure of Connected Transactions

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

(i) Master Hotel Services Agreement

On 13 December 2019, a master hotel services agreement (the "Master Hotel Services Agreement") was entered into by and amongst the Company, Wharf REIC and HCDL, for a term of three years commencing on 1 January 2020 and expiring on 31 December 2022, for the purpose of, *inter alia*, regulating the provision of hotel services comprising management, marketing and technical services and/or any other services relating to the development and/or operation of hotels and/or serviced apartment property(ies) in respect of Wharf REIC group's hotels by the Group to Wharf REIC group and HCDL group respectively. The Master Hotel Services Agreement has provided for, inter alia, the annual cap amounts of service fees receivable by the Group from Wharf REIC group (including HCDL group) in relation thereto, which are fixed at HK$95 million, HK$140 million and HK$147 million for the financial years of 2020, 2021 and 2022 respectively.

The aggregate amount of service fees receivable by the Group under the Master Hotel Services Agreement, which is subject to the relevant annual cap amount as stated above for the financial year ended 31 December 2020 amounted to HK$11 million.

(ii) Master Property Services Agreement

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

The aggregate amounts of service fees payable/receivable by the Group under the Master Property Services Agreement, which are subject to the relevant annual cap amounts as stated above for the financial year ended 31 December 2020 amounted to HK$93 million in respect of services fee payable and HK$61 million in respect of services fee receivable.

(iii) Leasing Framework Agreement

On 13 November 2019, a leasing framework agreement (the "Leasing Framework Agreement") was entered into by and amongst Wheelock, the Company, Wharf REIC and HCDL, for a term of three years commencing on 1 January 2020 and expiring on 31 December 2022, for the purpose of, *inter alia*, regulating the leasing and/or licensing of certain premises (including office premises, car parking spaces and building areas but excluding hotel premises) by and amongst themselves. The Leasing Framework Agreement has provided for, *inter alia*, the annual cap amounts of capitalised rent recognised by the Group in relation thereto, which are fixed at HK$150 million per annum for each of the financial years of 2020, 2021 and 2022.

The aggregate amount of capitalised rent recognised by the Group under the Leasing Framework Agreement, which is subject to the relevant annual cap amount as stated above for the financial year ended 31 December 2020 amounted to HK$111 million.

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

(iv) Confirmation from Directors and Auditors

(a) The Directors, including the Independent Non-executive Directors, of the Company have reviewed the continuing connected transactions mentioned under section (J)(i) to (J)(iii) above (the "Transactions") and confirmed that the Transactions were entered into:

(1) by the Group in the ordinary and usual course of its business;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing the Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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

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

(1) the Transactions had not been approved by the Company's Board of Directors;

(2) the Transactions involving the provision of goods or services by the Group were not, in all material respects, in accordance with the pricing policies of the Group;

(3) the Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the Transactions; and

(4) the relevant cap amounts, where applicable, had been exceeded during the financial year ended 31 December 2020.

(v) With regard to the Material Related Parties Transactions as disclosed under Note 26 to the Financial Statements on page 155, the transactions stated under paragraphs (b), (c), (d), (e), (f) and (g) therein constitute connected transactions (as defined under the Listing Rules) of the Company and the transactions under paragraph (g) constitute a fully exempt connected transaction of the Company, for all of which the applicable requirements under the Listing Rules have been duly complied with.

(K) Principal Risks and Uncertainties

The global and local economies are always facing a barrage of challenges. Slower and less balanced growth is observed, with moderation experienced in advanced economies. The local political tensions, ongoing Sino-US conflicts, post-Brexit impacts and heightened financial volatility continued to cause uncertainties. Furthermore, COVID-19 outbreak since early 2020 has sharply put every economic sector at stake.

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

Risks pertaining to DP

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

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

Risks pertaining to IP

IP segment is another Group's core business with IP accounted for 33% of the Group's total assets (excluding cash). With the majority of the properties located in mainland China, the general economic climate, regulatory changes, government policies and the political conditions in mainland China may have a significant impact on the Group's overall financial results and condition. The Group's rental income may experience more frequent adjustments resulting from competition arising from oversupply in retail and office areas. Furthermore, rental levels may also be impacted by external economic and market conditions including but not limited to the fluctuations in general supply and demand, performance in stock markets and financial volatility, which may indirectly affect the Group's IP performance.

The spread of COVID-19 and the resultant governmental measures put economic pressure on the tenants of the Group. The weakening of retail markets affects the Group's financial results leading to decreases in revenue and adverse effects on profits and cash flows.

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

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

Risks pertaining to Logistic Segment

The Group operates container terminals both in Hong Kong and mainland China. The coronavirus pandemic caused a dramatic plunge on worldwide economics whose recovery was highly uncertain. Sino-US trade tension, together with the effect of the pandemic on consumer markets and manufacturing locations further dampened confidence in investment and economic development.

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

Risks pertaining to Hotel Segment

The Group operates 16 hotels in the Asia Pacific region, four of which are owned by the Group. Hotel performance is usually subject to a high degree of fluctuations caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions. Each factor has varied the development pattern of the tourism and hospitality industry.

The spread of COVID-19, in particular, posted the risk to a new height to the Hotel segment. The spread is rapid making the global economic outlook uncertain. The risks of adverse health and safety, operational and financial impacts arising from the pandemic and the associated governmental responses are significant. The counter measures like restriction on cross border travels and social distancing adopted by governments around the world to mitigate the impact of the pandemic unavoidably cause disruptions and economic effects and impact our operations and financial results leading to decreases in revenue, increases in costs and adverse effects on profits and cash flows.

In this respect, Hotel segment closely assesses the impact of COVID-19 particularly on revenue and cash flow as well as cost control and operational efficiency to mitigate the adverse financial impacts. Furthermore, it will also continue to assess geopolitical outlook and economic development of different countries for building its portfolios and exposures to match with the Group's risk appetite. It also takes continual reviews of competition, legal and political changes as well as market trends for setting its business strategies including marketing and pricing to protect and drive profitability.

Risks pertaining to Investment Segment

The Group set to capture opportunities in the new economy that covers much larger markets with greater growth potential and holds a portfolio of long-term investments, which accounted for about 28% of the Group's total assets (excluding cash). This diversified portfolio is held for long term growth potential with reasonable return, consisting of mainly blue chips listed investments and investments in technology and new economy with each investment individually immaterial to the Group's total asset. Given the volatility of the stock market, the portfolio is subject to market fluctuation and may affect the net asset value of the Group. The composition and performance of the portfolio is constantly assessed and monitored by top management.

Legal and Regulatory Compliance risks

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

Financial risks

The Group is exposed to financial risks related to interest rate risks, foreign currency risks, equity price and credit in the normal course of its business. For further details of such risks and relevant management policies, please refer to Note 23 to the financial statements from pages 144 to 151.

(L) Directors of Subsidiaries

The names of all persons who, during the financial year and up to 9 March 2021 (the date of this Directors' Report), served as directors of all those companies included as subsidiaries in the consolidated financial statements of the Company for the financial year ended 31 December 2020 are set out below:

AU YEUNG Hung Yuen Steve
CHAK Hoi Kit Jacques
CHAN Choi Har Lucinda
CHAN Kwok Pong Kevin
CHAN Sik Wah
Chavalit Uttasart
CHOW On Kiu
FU Wai Hung
HAU Shun
HENNIG Hans Helmuth*
HUI Chung Ying Kevin
LEE Wai Chung*
LEE Yuk Fong Doreen*
LENG Yen Thean
LEVESQUE Peter Jon*
LI Jianhui
LI Jun
LI Lei
LI Yubin*
LIU Xin
LO Wai Man
MENSDORFF-POUILLY Alfons
NG Tin Hoi Stephen
NG Wing Yiu
NGAN Chiu Long Sunny
OON Hock Neo
PAO Zen Kwok Peter
SIU Wing Koon*
SUN Ligan
TANG Zing Yan*
TSANG Yiu Fat Peter
TSO Hok Chiu Vivian
TSUI Yiu Cheung Paul
WEI Qing Shan*
WONG Kwong Yiu
WONG Yee Lut Eliot
WOO Chun Kuen Douglas
WU Guan
YICK Chi Ming Frankie
YIM Kong*
YOUNG Stephen Ying Yuen
ZHANG Vicky Yuanyuan
ZHOU Lianying
王佳宏
周建罡
郭志成
陳小平
陳信霖
劉鳴
聶煥新
唐雷明
符冰力

* *ceased to be a director of the Group's subsidiaries on or before 9 March 2021.*

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WHARF (HOLDINGS) LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of The Wharf (Holdings) Limited ("the Company") and its subsidiaries ("the Group") set out on pages 103 to 191, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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.

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

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

The key audit matter

The Group holds a portfolio of IP and IPUD located in Hong Kong and in major cities across Mainland China which accounted for 31% of the Group's total assets as at 31 December 2020.

The fair values of the IP and IPUD as at 31 December 2020 were assessed by the Group based on independent valuations prepared by a qualified external property valuer.

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

How the matter was addressed in our audit

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

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

For IPUD our audit procedures also included the following:

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

Assessing the net realisable value of properties for sale

Refer to accounting policy I (ii) and Note 14 to the consolidated financial statements

The key audit matter

The Group had a number of property development projects located in Hong Kong and major cities across Mainland China which were stated at the lower of cost and net realisable value at an aggregate amount of HK$42 billion as at 31 December 2020.

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

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

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

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

How the matter was addressed in our audit

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

- conducting site visits to properties for sale on a sample basis, discussing the progress with the Group's internal property valuers and comparing the observed progress with the latest development budgets for PUD provided by management with reference to quantity surveyors' reports;

- assessing the internal property valuers' qualifications, experience and expertise in the properties being valued;

- evaluating the internal property valuers' valuation methodology and assessing the key estimates, data inputs and assumptions adopted in the valuations, which included comparing expected future average selling prices with available market data such as recently transacted prices for similar properties located in the nearby vicinity of each property for sale and comparing costs to complete each PUD with publicly available construction cost information for similar properties (taking into account both property type and location), on a sample basis;

- re-performing the calculations made by the internal property valuers in arriving at the year end assessments of net realisable value of properties for sale, and comparing the estimated costs to complete the PUD with the Group's latest budgets, on a sample basis; and

- performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

Revenue recognition for investment properties ("IP") and development properties ("DP")

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

The key audit matter	How the matter was addressed in our audit
Revenue from the IP and DP segments accounted for 74% of the Group's revenue for the year ended 31 December 2020. Deposits from sale of properties at 31 December 2020 totalled HK$8.1 billion. Revenue from IP is recognised in equal instalments over the accounting periods covered by the lease term and includes contingent rental which is determined based on the turnover of certain retail outlets. Revenue from DP is recognised at a point in time when control of the property has been transferred to the customer. It is considered control of the property has been transferred when the property is accepted by the customer. We identified the revenue recognition for IP and DP as a key audit matter because of its significance to the Group and because small errors in the recognition of revenue, either individually or in aggregate, for each property development project could have a material impact on the Group's profit for the year.	Our audit procedures to assess the revenue recognition for IP and DP included the following: • comparing fixed rental revenue received and receivable with underlying tenancy information, including monthly rents and rental periods as set out in the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period; • re-performing the calculation of contingent rental received and receivable with reference to turnover reports submitted by the relevant retail outlets, on a sample basis, and assessing whether the contingent rental had been recorded and accounted for in the appropriate accounting period; and • inspecting on a sample basis, documents which evidenced that the properties were accepted by customers and assessing whether the related revenue should be recorded in the current accounting period.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
9 March 2021

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2020

	Note	2020 HK$ Million	2019 HK$ Million
Revenue	1	**20,997**	16,874
Direct costs and operating expenses		**(7,379)**	(6,548)
Selling and marketing expenses		**(687)**	(606)
Administrative and corporate expenses		**(1,103)**	(1,139)
Operating profit before depreciation, amortisation, interest and tax		**11,828**	8,581
Depreciation and amortisation	2	**(724)**	(712)
Operating profit	1 & 2	**11,104**	7,869
(Decrease)/increase in fair value of investment properties	8	**(208)**	946
Other net charge	3	**(1,827)**	(2,067)
		9,069	6,748
Finance costs	4	**(780)**	(1,112)
Share of results after tax of:			
Associates	10	**172**	336
Joint ventures	11	**1,066**	498
Profit before taxation		**9,527**	6,470
Income tax	5	**(4,743)**	(3,000)
Profit for the year		**4,784**	3,470
Profit attributable to:			
Equity shareholders		**3,864**	3,386
Non-controlling interests		**920**	84
		4,784	3,470
Earnings per share	7		
Basic		**HK$1.27**	HK$1.11
Diluted		**HK$1.27**	HK$1.11

The notes and principal accounting policies on pages 110 to 191 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2020

	2020 HK$ Million	2019 HK$ Million
Profit for the year	**4,784**	3,470
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**7,338**	8,116
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of Mainland operations	**4,318**	(1,817)
Share of other comprehensive income of associates/joint ventures	**1,498**	(484)
Others	**3**	–
Other comprehensive income for the year	**13,157**	5,815
Total comprehensive income for the year	**17,941**	9,285
Total comprehensive income attributable to:		
Equity shareholders	**16,782**	9,388
Non-controlling interests	**1,159**	(103)
	17,941	9,285

The notes and principal accounting policies on pages 110 to 191 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	**31 December 2020 HK$ Million**	31 December 2019 HK$ Million
Non-current assets			
Investment properties	8	**78,151**	74,811
Property, plant and equipment	9	**13,250**	13,056
Interest in associates	10	**16,898**	18,718
Interest in joint ventures	11	**16,241**	24,367
Other long term investments	12	**66,875**	36,531
Goodwill and other intangible assets	13	**298**	298
Deferred tax assets	22	**670**	752
Derivative financial assets	16	**275**	240
Other non-current assets		**24**	21
		192,682	168,794
Current assets			
Properties for sale	14	**42,396**	44,083
Trade and other receivables	15	**2,160**	1,987
Derivative financial assets	16	**189**	62
Bank deposits and cash	17	**16,668**	27,292
		61,413	73,424
Total assets		**254,095**	242,218
Non-current liabilities			
Derivative financial liabilities	16	**(351)**	(397)
Deferred tax liabilities	22	**(13,915)**	(12,539)
Other non-current liabilities		**(30)**	(18)
Bank loans and other borrowings	20	**(30,625)**	(35,689)
		(44,921)	(48,643)
Current liabilities			
Trade and other payables	18	**(21,607)**	(22,517)
Deposits from sale of properties	19	**(8,098)**	(11,273)
Derivative financial liabilities	16	**(199)**	(165)
Taxation payable	5(d)	**(4,245)**	(2,630)
Bank loans and other borrowings	20	**(11,549)**	(10,647)
		(45,698)	(47,232)
Total liabilities		**(90,619)**	(95,875)
NET ASSETS		**163,476**	146,343
Capital and reserves			
Share capital	24	**30,270**	30,221
Reserves		**128,584**	112,653
Shareholders' equity		**158,854**	142,874
Non-controlling interests		**4,622**	3,469
TOTAL EQUITY		**163,476**	146,343

The notes and principal accounting policies on pages 110 to 191 form part of these financial statements.

Stephen T H Ng
Chairman and Managing Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2020

	Attributable to equity shareholders of the Company						
	Share capital HK$ Million	Investments revaluation and other reserves HK$ Million	Exchange reserves HK$ Million	Revenue reserves HK$ Million	Total shareholders' equity HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2019	30,173	(4,410)	(2,982)	112,643	135,424	3,336	138,760
Changes in equity for 2019:							
Profit for the year	–	–	–	3,386	3,386	84	3,470
Other comprehensive income	–	8,116	(2,114)	–	6,002	(187)	5,815
Total comprehensive income	–	8,116	(2,114)	3,386	9,388	(103)	9,285
Shares issued under the share option scheme	48	(14)	–	–	34	–	34
Transfer to revenue reserves upon de-recognition of equity investments	–	(1,132)	–	1,132	–	–	–
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	320	320
Equity settled share-based payments	–	9	–	–	9	–	9
2018 second interim dividend paid	–	–	–	(1,219)	(1,219)	–	(1,219)
2019 first interim dividend paid	–	–	–	(762)	(762)	–	(762)
Dividends paid to non-controlling interests	–	–	–	–	–	(84)	(84)
At 31 December 2019 and 1 January 2020	**30,221**	**2,569**	**(5,096)**	**115,180**	**142,874**	**3,469**	**146,343**
Changes in equity for 2020:							
Profit for the year	**–**	**–**	**–**	**3,864**	**3,864**	**920**	**4,784**
Other comprehensive income	**–**	**7,338**	**5,577**	**3**	**12,918**	**239**	**13,157**
Total comprehensive income	**–**	**7,338**	**5,577**	**3,867**	**16,782**	**1,159**	**17,941**
Shares issued under the share option scheme	**49**	**(15)**	**–**	**–**	**34**	**–**	**34**
Transfer to revenue reserves upon de-recognition of equity investments	**–**	**(1,187)**	**–**	**1,187**	**–**	**–**	**–**
Equity settled share-based payments	**–**	**3**	**–**	**–**	**3**	**–**	**3**
2019 second interim dividend paid	**–**	**–**	**–**	**(229)**	**(229)**	**–**	**(229)**
2020 first interim dividend paid	**–**	**–**	**–**	**(610)**	**(610)**	**–**	**(610)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
At 31 December 2020	**30,270**	**8,708**	**481**	**119,395**	**158,854**	**4,622**	**163,476**

The notes and principal accounting policies on pages 110 to 191 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2020

	Note	2020 HK$ Million	2019 HK$ Million
Operating cash inflow	(a)	**9,996**	6,474
Changes in working capital	(a)	**(3,330)**	4,139
Cash generated from operations	(a)	**6,666**	10,613
Net interest paid		**(627)**	(317)
Interest paid		**(1,367)**	(1,763)
Interest received		**740**	1,446
Dividend received from associates/joint ventures		**5,904**	1,119
Dividend received from other long term investments		**1,108**	668
Hong Kong Profits Tax paid		**(266)**	(96)
Overseas tax paid		**(2,517)**	(2,667)
Net cash generated from operating activities		**10,268**	9,320
Investing activities			
Payment for investment properties		**(907)**	(642)
Payment for property, plant and equipment		**(380)**	(195)
Net decrease in interests in associates		**3,365**	462
Net decrease/(increase) in interests in joint ventures		**3,307**	(2,517)
Purchase of other long term investments		**(27,548)**	(8,993)
Proceeds from disposal of an investment property		**23**	24
Proceeds from disposal of other long term investments		**5,722**	11,255
Net decrease/(increase) in bank deposits with maturity greater than three months		**2,201**	(2,201)
Net cash used in investing activities		**(14,217)**	(2,807)
Financing activities			
Proceeds from the issue of shares under the share option scheme		**34**	34
Drawdown of bank loans and other borrowings	(c)	**11,942**	17,804
Repayment of bank loans and other borrowings	(c)	**(16,601)**	(14,642)
Capital contribution from non-controlling interests of a subsidiary		**–**	320
Capital element of lease rental paid	(c)	**(39)**	(37)
Interest element of lease rental paid	(c)	**(1)**	(2)
Dividends paid to equity shareholders		**(839)**	(1,981)
Dividends paid to non-controlling interests		**(6)**	(84)
Net (used in)/cash generated from financing activities		**(5,510)**	1,412
(Decrease)/increase in cash and cash equivalents		**(9,459)**	7,925
Cash and cash equivalents at 1 January		**25,091**	17,448
Effect of exchange rate changes		**1,036**	(282)
Cash and cash equivalents at 31 December		**16,668**	25,091
Analysis of the balance of cash and cash equivalents			
Bank deposits and cash	(b)	**16,668**	25,091

The notes and principal accounting policies on pages 110 to 191 form part of these financial statements.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of operating profit to cash generated from operations

	2020 HK$ Million	2019 HK$ Million
Operating profit	11,104	7,869
Adjustments for:		
Interest income	(727)	(1,457)
Dividend income from other long term investments	(1,108)	(660)
Depreciation and amortisation	724	712
Loss on disposal of property, plant and equipment	–	1
Equity settled share-based payment expenses	3	9
Operating cash inflow	9,996	6,474
Increase in properties under development for sale	(3,678)	(4,590)
Decrease in completed properties for sale	3,989	3,624
Increase in trade and other receivables	(142)	(265)
(Decrease)/increase in trade and other payables	(453)	3,221
(Decrease)/increase in deposits from sale of properties	(3,109)	2,076
Decrease in derivative financial instruments	65	63
Other non-cash items	(2)	10
Changes in working capital	(3,330)	4,139
Cash generated from operations	6,666	10,613

b. Cash and cash equivalents

	2020 HK$ Million	2019 HK$ Million
Bank deposits and cash in the consolidated statement of financial position (Note 17)	16,668	27,292
Less: Bank deposits with maturity greater than three months	–	(2,201)
Cash and cash equivalents in the consolidated statement of cash flows	16,668	25,091

c. Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings HK$ Million	Lease liabilities HK$ Million	Total HK$ Million
At 1 January 2019	43,086	74	43,160
Changes from financing cash flows:			
Drawdown of bank loans and other borrowings	17,804	–	17,804
Repayment of bank loans and other borrowings	(14,642)	–	(14,642)
Capital element of lease rental paid	–	(37)	(37)
Interest element of lease rental paid	–	(2)	(2)
Total changes from financing activities	3,162	(39)	3,123
Exchange adjustments	(51)	–	(51)
Other changes:			
Fair value loss	139	–	139
Increase in lease liabilities from entering into new leases during the year	–	15	15
Interest expenses	–	2	2
At 31 December 2019 and 1 January 2020	**46,336**	**52**	**46,388**
Changes from financing cash flows:			
Drawdown of bank loans and other borrowings	**11,942**	**–**	**11,942**
Repayment of bank loans and other borrowings	**(16,601)**	**–**	**(16,601)**
Capital element of lease rental paid	**–**	**(39)**	**(39)**
Interest element of lease rental paid	**–**	**(1)**	**(1)**
Total changes from financing activities	**(4,659)**	**(40)**	**(4,699)**
Exchange adjustments	**304**	**–**	**304**
Other changes:			
Fair value loss	**193**	**–**	**193**
Increase in lease liabilities from entering into new leases during the year	**–**	**50**	**50**
Interest expenses	**–**	**1**	**1**
At 31 December 2020	**42,174**	**63**	**42,237**

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

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

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

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

Hotels segment includes hotel management in the Asia Pacific region. The Group operates 16 hotels in the Asia Pacific region, four of which are owned by the Group.

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

Investments segment includes a diversified portfolio of listed equity investments in Hong Kong and overseas and unlisted investments, mainly property and new economy companies. The performance of the portfolio is assessed and monitored by top management regularly.

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

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

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

a. Analysis of segment revenue and results

For the year ended 31 December 2020	Revenue HK$ Million	Operating profit/(loss) HK$ Million	(Decrease)/ increase in fair value of Investment properties HK$ Million	Other net charges HK$ Million	Finance costs HK$ Million	Share of results after tax of associates HK$ Million	Share of results after tax of joint ventures HK$ Million	Profit/(loss) before taxation HK$ Million
Investment property	4,363	2,653	(208)	5	(301)	–	59	2,208
Hong Kong	162	80	(35)	–	(33)	–	–	12
Mainland China	4,201	2,573	(173)	5	(268)	–	59	2,196
Development property	11,222	6,471	–	(3,023)	(3)	(85)	1,002	4,362
Hong Kong	–	46	–	(2,864)	–	–	628	(2,190)
Mainland China	11,222	6,425	–	(159)	(3)	(85)	374	6,552
Hotels	396	1	–	–	–	(3)	6	4
Logistics	2,566	497	–	(33)	(144)	260	(1)	579
Terminals	2,556	487	–	8	(144)	132	(1)	482
Others	10	10	–	(41)	–	128	–	97
Investments	1,108	1,108	–	1,187	(201)	–	–	2,094
Segment total	19,655	10,730	(208)	(1,864)	(649)	172	1,066	9,247
Others	1,342	824	–	37	(131)	–	–	730
Corporate expenses	–	(450)	–	–	–	–	–	(450)
Group total	20,997	11,104	(208)	(1,827)	(780)	172	1,066	9,527
For the year ended 31 December 2019								
Investment property	4,090	2,423	946	5	(232)	–	111	3,253
Hong Kong	166	112	165	5	(35)	–	–	247
Mainland China	3,924	2,311	781	–	(197)	–	111	3,006
Development property	7,054	3,197	–	(2,427)	(132)	105	383	1,126
Hong Kong	–	(3)	–	–	(90)	–	563	470
Mainland China	7,054	3,200	–	(2,427)	(42)	105	(180)	656
Hotels	530	53	–	2	–	2	3	60
Logistics	2,597	513	–	(49)	(208)	229	1	486
Terminals	2,584	500	–	(8)	(208)	145	1	430
Others	13	13	–	(41)	–	84	–	56
Investments	660	660	–	133	(413)	–	–	380
Segment total	14,931	6,846	946	(2,336)	(985)	336	498	5,305
Others	1,943	1,507	–	269	(127)	–	–	1,649
Corporate expenses	–	(484)	–	–	–	–	–	(484)
Group total	16,874	7,869	946	(2,067)	(1,112)	336	498	6,470

b. Analysis of inter-segment revenue

	2020 Total Revenue HK$ Million	2020 Inter-segment revenue HK$ Million	2020 Group Revenue HK$ Million	2019 Total Revenue HK$ Million	2019 Inter-segment revenue HK$ Million	2019 Group Revenue HK$ Million
Investment property	4,363	–	4,363	4,090	–	4,090
Development property	11,222	–	11,222	7,054	–	7,054
Hotels	396	–	396	530	–	530
Logistics	2,566	–	2,566	2,597	–	2,597
Investments	1,108	–	1,108	660	–	660
Segment total	19,655	–	19,655	14,931	–	14,931
Others	1,342	–	1,342	1,943	–	1,943
Group Total	20,997	–	20,997	16,874	–	16,874

c. Disaggregation of revenue

	2020 HK$ Million	2019 HK$ Million
Revenue recognised under HKFRS 15		
Sale of development property	11,222	7,054
Management and services income	468	458
Hotels	396	530
Logistics	2,566	2,597
	14,652	10,639
Revenue recognised under other accounting standards		
Rental income under investment property segment		
Fixed	2,602	2,630
Variable	1,293	1,002
Investments	1,108	660
Others	1,342	1,943
	6,345	6,235
Group total	20,997	16,874

The Group has applied the practical expedient in paragraph 121 of Hong Kong Financial Reporting Standards ("HKFRS") 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date, i.e. revenue from hotels, logistics and management fee under investment property segment as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

d. Analysis of segment business assets

	2020 HK$ Million	2019 HK$ Million
Investment property	79,175	75,592
Hong Kong	21,302	20,885
Mainland China	57,873	54,707
Development property	72,016	83,562
Hong Kong	16,442	24,522
Mainland China	55,574	59,040
Hotels	2,451	2,367
Logistics	15,603	15,578
Terminals	14,825	14,727
Others	778	851
Investments	66,875	36,531
Total segment business assets	236,120	213,630
Unallocated corporate assets	17,975	28,588
Total assets	254,095	242,218

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

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

	2020 HK$ Million	2019 HK$ Million
Development property	28,607	38,466
Logistics	4,531	4,619
Group total	33,138	43,085

e. Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2020 HK$ Million	2019 HK$ Million	**2020 HK$ Million**	2019 HK$ Million	**2020 HK$ Million**	2019 HK$ Million
Investment property	**469**	404	**–**	–	**96**	101
Hong Kong	**400**	330	**–**	–	**9**	7
Mainland China	**69**	74	**–**	–	**87**	94
Development property	**–**	–	**366**	6,415	**–**	–
Hong Kong	**–**	–	**4**	4,791	**–**	–
Mainland China	**–**	–	**362**	1,624	**–**	–
Hotels	**29**	–	**–**	–	**90**	89
Logistics	**200**	108	**1**	–	**499**	485
Terminals	**200**	108	**1**	–	**499**	485
Others	**–**	–	**–**	–	**–**	–
Investments	**–**	–	**–**	–	**–**	–
Segment total	**698**	512	**367**	6,415	**685**	675
Others	**–**	–	**–**	–	**39**	37
Group total	**698**	512	**367**	6,415	**724**	712

The Group had no significant non-cash expenses other than i) net provision of HK$2,835 million (2019: HK$3,643 million) made for certain development projects undertaken by subsidiaries, joint ventures and associates, and ii) depreciation and amortisation.

f. Geographical information

	Revenue		Operating profit	
	2020	2019	**2020**	2019
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**3,615**	3,311	**1,817**	1,457
Mainland China	**17,222**	13,522	**9,131**	6,385
Others	**160**	41	**156**	27
Group total	**20,997**	16,874	**11,104**	7,869

	Specified non-current assets		Total business assets	
	2020	2019	**2020**	2019
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**32,306**	38,112	**86,349**	78,854
Mainland China	**92,532**	93,140	**125,425**	125,334
Others	**–**	–	**24,346**	9,442
Group total	**124,838**	131,252	**236,120**	213,630

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

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

2. OPERATING PROFIT

a. Operating profit is arrived at:

	2020 HK$ Million	2019 HK$ Million
After charging:		
Depreciation and amortisation on		
– Hotel and other property, plant and equipment	**611**	611
– leasehold land	**74**	64
– right of use assets	**39**	37
Total depreciation and amortisation	**724**	712
Provision of loss allowances for trade receivables	**5**	–
Staff costs (Note (i))	**1,791**	1,908
Auditors' remuneration		
– audit services	**16**	17
– other services	**2**	3
Cost of trading properties for recognised sales	**4,356**	3,673
Direct operating expenses of investment properties	**1,710**	1,662
Loss on disposal of property, plant and equipment	**–**	1
After crediting:		
Gross rental revenue from investment properties	**4,363**	4,090
Rental income under operating leases in respect of owned plant and equipment	**9**	8
Interest income (Note (ii))	**727**	1,457
Dividend income from other long term investments	**1,108**	660
Government grants (Note (iii))	**75**	–
Reversal of loss allowances for trade receivables	**–**	2

Notes:

i. Staff costs include contributions to defined contribution pension schemes of HK$128 million (2019: HK$198 million), which included equity-settled share-based payment expenses of HK$3 million (2019: HK$9 million).

ii. Interest income of HK$727 million (2019: HK$1,457 million) was in respect of financial assets, including bank deposits, that are measured at amortised cost.

iii. In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region of the People's Republic of China. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees of the concerned business units.

b. Directors' emoluments

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to pension schemes HK$'000	2020 Total emoluments HK$'000	2019 Total emoluments HK$'000
Board of Directors						
Stephen T H Ng (Note iii, iv and v)	350	5,196	12,707	–	18,253	19,501
Andrew O K Chow (Note v)	250	5,680	15,308	–	21,238	14,929
Doreen Y F Lee (Note iv and v)	250	1,708	3,900	4	5,862	8,688
Paul Y C Tsui (Note iv and v)	250	2,325	5,183	–	7,758	9,729
Kevin K P Chan	250	3,898	5,000	546	9,694	12,597
Non-executive Director						
Y T Leng (Note vi)	63	–	–	–	63	–
Independent Non-executive Directors						
Edward K Y Chen	250	–	–	–	250	250
Vincent K Fang (Note ii)	400	–	–	–	400	400
Hans Michael Jebsen (Note ii and iii)	450	–	–	–	450	450
Elizabeth Law (Note ii)	400	–	–	–	400	400
David Muir Turnbull (Note ii and iii)	450	–	–	–	450	450
Total	3,363	18,807	42,098	550	64,818	67,394
Total for 2019	3,300	18,537	44,997	560	–	67,394

i. There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2020 and 2019.

ii. Includes Audit Committee Member's fee for the year ended 31 December 2020 of HK$150,000 (2019: HK$150,000) received/receivable by each of relevant Directors.

iii. Includes Remuneration Committee Member's fee for the year ended 31 December 2020 of HK$50,000 (2019: HK$50,000) received/receivable by each of relevant Directors.

iv. The above emoluments other than fees of Mr. Stephen T H Ng, Ms. Doreen Y F Lee and Mr. Paul Y C Tsui excluded amounts borne by Wharf Real Estate Investment Company Limited ("Wharf REIC") calculated on a pre-determined percentage of the basic remuneration for being executive directors and employees of the Company and Wharf REIC pursuant to a framework agreement entered into between the Company and Wharf REIC. The fee to Ms Y T Leng was paid to Wharf REIC.

v. Included in discretionary bonuses are special payments of HK$3.2 million, HK$3.0 million, HK$1.2 million and HK$1.1 million to Mr. Stephen T H Ng, Mr. Andrew O K Chow, Ms. Doreen Y F Lee and Mr. Paul Y C Tsui, respectively, in consideration of the impairment in value of the share options exercised by them during the year under the Company's Share Option Scheme (granted before the demerger of Wharf REIC as a separately listed entity in November 2017 but exercised after the demerger).

vi. Ms Y T Leng was appointed as a non-executive Director of the Company with effect from 1 October 2020.

vii. In addition to the above emoluments, certain directors and employees of the Company or its subsidiaries were granted share options under the share option schemes adopted by the Company. Details of the share options granted by the Company to the individuals are disclosed in Note 21(d).

c. Emoluments of the highest paid employees

For the year ended 31 December 2020, information regarding emoluments of two (2019: one) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group has been set out below:

Aggregate emoluments	**2020 HK$ Million**	2019 HK$ Million
Salaries, allowances and benefits in kind	**8**	5
Discretionary bonuses	**17**	9
Total	**25**	14

Bands (in HK$)	**2020 Number**	2019 Number
$10,500,001 – $11,000,000	**1**	–
$13,500,001 – $14,000,000	**–**	1
$14,000,001 – $14,500,000	**1**	–
	2	1

3. OTHER NET CHARGE

Other net charge for the year amounted to HK$1,827 million (2019: HK$2,067 million) mainly comprises:

a. An impairment provision of HK$2,864 million made for a development property in Hong Kong (2019: HK$2,420 million for certain development properties in Mainland China).

b. Net fair value gain of HK$1,187 million (2019: HK$133 million) on other long term investments which are classified as financial assets at fair value through profit or loss.

c. Net exchange loss of HK$287 million (2019: gain of HK$162 million) which included a fair value gain on forward foreign exchange contracts of HK$11 million (2019: loss of HK$38 million).

4. FINANCE COSTS

	2020 HK$ Million	2019 HK$ Million
Interest charged on:		
Bank loans and overdrafts	785	726
Other borrowings	405	855
Lease liabilities	1	2
Total interest charge	1,191	1,583
Other finance costs	78	96
Less: Amount capitalised	(454)	(517)
	815	1,162
Fair value (gain)/loss:		
Cross currency interest rate swaps	28	20
Interest rate swaps	(63)	(70)
	(35)	(50)
Total	780	1,112

a. Interest was capitalised at an average annual rate of approximately 2.5% (2019: 2.5%).

b. Included in the total interest charge are amounts totalling HK$912 million (2019: HK$1,270 million) in respect of interest bearing borrowings that are measured at amortised cost.

c. The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

5. INCOME TAX

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

	2020 HK$ Million	2019 HK$ Million
Current income tax		
Hong Kong		
– provision for the year	126	168
– (over)/under-provision in respect of prior years	(94)	3
Outside Hong Kong		
– provision for the year	1,516	1,441
– (over)/under-provision in respect of prior years	(65)	47
	1,483	1,659
Land appreciation tax ("LAT") (Note c)	2,498	248
Deferred tax		
Change in fair value of investment properties	198	736
Origination and reversal of temporary differences	564	357
	762	1,093
Total	4,743	3,000

a. The provision for Hong Kong Profits Tax is based on the profit for the year as adjusted for tax purposes at a rate of 16.5% (2019: 16.5%).

b. Income tax on assessable profits outside Hong Kong is mainly corporate income tax and withholding tax in Mainland China, calculated at a rate of 25% (2019: 25%) and up to 10%, respectively.

c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate properties in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all development property expenditure.

d. Taxation payable in the consolidated statement of financial position is expected to be settled within one year.

e. Tax attributable to associates and joint ventures for the year ended 31 December 2020 of HK$726 million (2019: HK$1,052 million) is included in the share of results of associates and joint ventures.

f. The China tax law imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2020, the Group has provided HK$253 million (2019: HK$209 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries which have been/will be distributed to their immediate holding companies outside Mainland China in the foreseeable future.

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

	2020 HK$ Million	2019 HK$ Million
Profit before taxation	9,527	6,470
Notional tax on profit before taxation calculated at applicable tax rates	2,284	1,387
Tax effect of non-deductible expenses	342	1,028
Tax effect of non-taxable income	(1,364)	(448)
Tax effect of non-deductible/(non-taxable) fair value gain/(loss) on investment properties	6	(27)
Net (over)/under-provision in respect of prior years	(159)	50
Tax effect of tax losses not recognised	595	116
Tax effect of previously unrecognised tax losses utilised	(33)	(97)
Tax effect on temporary difference not recognised	(76)	(3)
LAT on trading properties	2,498	248
Deferred LAT on change in fair value of investment properties	239	537
Withholding tax on distributed/undistributed earnings	259	209
Others	152	–
Actual total tax charge	4,743	3,000

6. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2020 HK$ per share	2020 HK$ Million	2019 HK$ per share	2019 HK$ Million
First interim dividend declared and paid	0.20	610	0.250	762
Second interim dividend declared after the end of the reporting period (Note b)	0.20	611	0.075	229
Total	0.40	1,221	0.325	991

a. The second interim dividend based on 3,053 million issued ordinary shares (2019: 3,049 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

b. The second interim dividend of HK$229 million for 2019 was approved and paid in 2020.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$3,864 million (2019: HK$3,386 million) and the weighted average of 3,050 million ordinary shares in issue during the year (2019: 3,048 million ordinary shares).

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders for the year of HK$3,864 million (2019: HK$3,386 million) and the weighted average of 3,050 million ordinary shares (2019: 3,049 million ordinary shares) which is the weighted average number of ordinary shares in issue during the year after adjusting for the effect of deemed issue of shares under the Company's share option scheme.

8. INVESTMENT PROPERTIES

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
a. Cost or valuation			
At 1 January 2019	69,188	5,550	74,738
Exchange adjustment	(1,177)	–	(1,177)
Additions	38	285	323
Disposal	(19)	–	(19)
Revaluation surpluses	937	9	946
At 31 December 2019 and 1 January 2020	**68,967**	**5,844**	**74,811**
Exchange adjustment	**3,384**	**–**	**3,384**
Additions	**(281)**	**377**	**96**
Transfer	**68**	**–**	**68**
Revaluation deficits	**(192)**	**(16)**	**(208)**
At 31 December 2020	**71,946**	**6,205**	**78,151**
b. The analysis of cost or valuation of the above assets is as follows:			
2020 valuation	**71,946**	**6,204**	**78,150**
At cost	**–**	**1**	**1**
	71,946	**6,205**	**78,151**
2019 valuation	68,967	5,820	74,787
At cost	–	24	24
	68,967	5,844	74,811

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
c. Tenure of title to properties:			
At 31 December 2020			
Held in Hong Kong			
Medium term leases	**14,989**	**6,204**	**21,193**
Held outside Hong Kong			
Medium term leases	**56,957**	**1**	**56,958**
	71,946	**6,205**	**78,151**
At 31 December 2019			
Held in Hong Kong			
Medium term leases	14,991	5,844	20,835
Held outside Hong Kong			
Medium term leases	53,976	–	53,976
	68,967	5,844	74,811

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

d. Investment properties revaluation

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

The investment properties stated at fair value as at 31 December 2020 were revalued by Knight Frank Petty Limited ("Knight Frank"), an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with extensive experience in valuing properties in Hong Kong and Mainland China. Knight Frank has valued the investment properties on a market value basis and has taken into account the net income of the respective properties, allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The revaluation surplus or deficit arising on revaluation on investment properties is recognised in the line item "(decrease)/increase in fair value of investment properties" on the consolidated income statement.

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

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

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

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

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

			Level 3		
	Retail HK$ Million	Office HK$ Million	Residential HK$ Million	Others HK$ Million	Total HK$ Million
Recurring fair value measurements					
At 31 December 2020					
Hong Kong	**306**	**–**	**15,981**	**4,905**	**21,192**
Mainland China	**32,061**	**20,926**	**3,971**	**–**	**56,958**
	32,367	**20,926**	**19,952**	**4,905**	**78,150**
At 31 December 2019					
Hong Kong	308	–	15,722	4,781	20,811
Mainland China	30,060	20,123	3,793	–	53,976
	30,368	20,123	19,515	4,781	74,787

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

	Completed HK$ Million	Under development HK$ Million	Total HK$ Million
At 1 January 2019	69,188	5,526	74,714
Exchange adjustment	(1,177)	–	(1,177)
Additions	38	285	323
Disposal	(19)	–	(19)
Revaluation surpluses	937	9	946
At 31 December 2019 and 1 January 2020	**68,967**	**5,820**	**74,787**
Exchange adjustment	**3,384**	**–**	**3,384**
Additions	**(281)**	**376**	**95**
Transfer	**68**	**24**	**92**
Revaluation deficits	**(192)**	**(16)**	**(208)**
At 31 December 2020	**71,946**	**6,204**	**78,150**

During the years ended 31 December 2019 and 2020, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

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

Valuation processes

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

Valuation methodologies

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

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

Level 3 valuation methodologies

Completed investment properties

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

	Weighted average			
	Capitalisation rate		Market rent	
	2020	2019	**2020**	2019
Hong Kong			**HK$ psf**	HK$ psf
– Retail	**5.0%**	5.0%	**33**	33
– Residential	**1.5%**	1.5%	**83**	83
Mainland China			**RMB psm**	RMB psm
– Retail	**6.5%**	6.5%	**407**	365
– Office	**6.6%**	6.5%	**166**	177
– Residential	**4.3%**	4.3%	**148**	151

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

For investment properties under development that are stated at fair value, estimated costs to complete construction and profit and margin for risk required were estimated by valuers based on market conditions at the end of the reporting period. The estimates are largely consistent with the development budgets prepared by the Group based on management's experience and knowledge of market conditions. The fair value of investment properties under development is negatively correlated to the estimated cost to completion at HK$957 million, being determined as the total estimated project development cost less the actual amount of project development cost incurred up to the end of the reporting period.

e. The Group leases out properties under operating leases, which generally run for a period of two to five years. Lease payments may be varied periodically to reflect market rentals and may contain variable lease payment which is based on various percentages of tenants' sales receipts.

f. The Group's total future undiscounted lease income under non-cancellable operating leases is receivable as follows:

	2020 HK$ Million	2019 HK$ Million
Within 1 year	**2,900**	2,708
After 1 year but within 2 years	**2,250**	1,911
After 2 years but within 3 years	**1,565**	1,324
After 3 years but within 4 years	**1,029**	902
After 4 years but within 5 years	**870**	775
After 5 years	**389**	407
	9,003	8,027

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$ Million	Hotel properties HK$ Million	Properties under redeve-lopment HK$ Million	Other property, plant and equipment HK$ Million	Right of use assets HK$ Million	Total HK$ Million
a. Analysis as below						
Cost						
At 1 January 2019	3,802	2,771	1,543	12,969	74	21,159
Exchange adjustment	(53)	(60)	(32)	(90)	–	(235)
Additions	6	–	25	159	15	205
Disposals	–	–	–	(63)	–	(63)
Written off	–	–	–	(7)	–	(7)
Reclassification	–	–	(461)	465	–	4
At 31 December 2019 and 1 January 2020	3,755	2,711	1,075	13,433	89	21,063
Exchange adjustment	153	174	65	290	–	682
Additions	14	28	87	168	50	347
Disposals	–	–	–	(20)	(28)	(48)
Reclassification	–	32	(1,097)	1,127	–	62
At 31 December 2020	3,922	2,945	130	14,998	111	22,106
Accumulated depreciation and impairment losses						
At 1 January 2019	1,004	365	–	6,046	–	7,415
Exchange adjustment	(8)	(8)	–	(35)	–	(51)
Charge for the year	64	85	–	526	37	712
Written back on disposals	–	–	–	(62)	–	(62)
Written off	–	–	–	(7)	–	(7)
At 31 December 2019 and 1 January 2020	1,060	442	–	6,468	37	8,007
Exchange adjustment	30	33	–	110	–	173
Charge for the year	74	87	–	524	39	724
Written back on disposals	–	–	–	(20)	(28)	(48)
At 31 December 2020	1,164	562	–	7,082	48	8,856
Net book value						
At 31 December 2020	2,758	2,383	130	7,916	63	13,250
At 31 December 2019	2,695	2,269	1,075	6,965	52	13,056

	Leasehold Land HK$ Million	Hotel properties HK$ Million	Properties under redeve-lopment HK$ Million	Other property, plant and equipment HK$ Million	Total HK$ Million
b. Tenure of title to properties:					
At 31 December 2020					
Held in Hong Kong					
Medium term leases	**711**	**–**	**–**	**2,418**	**3,129**
Held outside Hong Kong					
Medium term leases	**2,047**	**2,383**	**130**	**3,293**	**7,853**
	2,758	**2,383**	**130**	**5,711**	**10,982**
At 31 December 2019					
Held in Hong Kong					
Medium term leases	738	–	–	2,508	3,246
Held outside Hong Kong					
Medium term leases	1,957	2,269	1,075	2,145	7,446
	2,695	2,269	1,075	4,653	10,692

c. Right of use assets

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

10. INTEREST IN ASSOCIATES

	2020 HK$ Million	2019 HK$ Million
Share of net assets	**12,725**	11,175
Goodwill	**1,853**	1,853
	14,578	13,028
Amounts due from associates	**2,320**	5,690
	16,898	18,718
Amounts due to associates (Note 18)	**(7,427)**	(4,869)
	9,471	13,849

a. Details of principal associates at 31 December 2020 are shown on page 189.

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

c. Except for the amounts due from associates totalling HK$1,176 million (2019: HK$2,710 million) which are interest bearing at market rates, all the amounts due from associates are unsecured and have no fixed terms of repayment and not expected to be recoverable within twelve months from the end of the reporting period.

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

d. Included in interest in associates is goodwill of HK$1,853 million (2019: HK$1,853 million) relating to the acquisition of Mega Shekou Container Terminals Limited by Modern Terminals Limited, a 67.6%-owned subsidiary of the Group, under an agreement for rationalisation of the interests in Shekou Container Terminals Phases I, II and III in 2007.

e. At 31 December 2020, no associate is considered to be individually material to the Group.

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

	2020 HK$ Million	2019 HK$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**14,578**	13,028
Aggregate amounts of the Group's share of those associates		
Profit for the year	**172**	336
Other comprehensive income	**818**	(323)
Total comprehensive income	**990**	13

11. INTEREST IN JOINT VENTURES

	2020 HK$ Million	2019 HK$ Million
Share of net assets	**6,826**	11,489
Amounts due from joint ventures	**9,415**	12,878
	16,241	24,367
Amounts due to joint ventures (Note 18)	**(1,761)**	(4,602)
	14,480	19,765

a. Details of principal joint ventures at 31 December 2020 are shown on page 190.

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

c. Except for the amounts due from joint ventures totalling HK$6,822 million (2019: HK$5,838 million) which are interest bearing at market rates, all the amounts due from joint ventures are unsecured and have no fixed terms of repayment and not expected to be recoverable within twelve months from the end of the reporting period.

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

d. At 31 December 2020, no joint venture is considered to be individually material to the Group. Aggregate information of joint ventures that are not individually material is summarised below:

	2020 HK$ Million	2019 HK$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**6,826**	11,489
Aggregate amounts of the Group's share of those joint ventures		
Profit for the year	**1,066**	498
Other comprehensive income	**680**	(161)
Total comprehensive income	**1,746**	337

12. OTHER LONG TERM INVESTMENTS

	2020 HK$ Million	2019 HK$ Million
Equity investments at fair value through other comprehensive income ("FVOCI")		
Listed in Hong Kong	**42,479**	27,042
Listed outside Hong Kong	**18,396**	7,128
	60,875	34,170
Other financial assets at fair value through profit or loss ("FVTPL")		
Unlisted investments	**6,000**	2,361
Total	**66,875**	36,531

(a) Equity investments are designated as financial assets at fair value through other comprehensive income as they are not held for trading but for long term purposes, the Group has irrevocably elected them at initial recognition to recognise these investments in this category. It mainly represent a portfolio of blue chips including property counters and investments in new economy companies holding for long term growth potential with reasonable dividend return that in line with relevant market and each investment within the portfolio is individually immaterial to the Group's total assets. Other financial investments are classified as financial assets at fair value through profit or loss.

(b) Analysed by industry sectors as follows:

	2020 HK$ Million	2019 HK$ Million
Properties	**21,695**	18,005
New economy	**35,754**	12,408
Others	**9,426**	6,118
Total	**66,875**	36,531

(c) Analysed by geographical locations as follows:

	Equity investments at FVOCI HK$ Million	Other financial assets at FVTPL HK$ Million	Total HK$ Million
As at 31 December 2020			
Hong Kong	**42,479**	**–**	**42,479**
Overseas	**18,396**	**6,000**	**24,396**
Total	**60,875**	**6,000**	**66,875**
As at 31 December 2019			
Hong Kong	27,042	–	27,042
Overseas	7,128	2,361	9,489
Total	34,170	2,361	36,531

13. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK$ Million	Other intangible assets HK$ Million	Total HK$ Million
Cost			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**298**	**12**	**310**
Accumulated amortisation			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**–**	**12**	**12**
Net carrying value			
At 31 December 2020	**298**	**–**	**298**
At 31 December 2019	298	–	298

Goodwill mainly relates to the Group's terminals business. As at 31 December 2020, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on its value in use. No impairment was recorded.

14. PROPERTIES FOR SALE

	2020 HK$ Million	2019 HK$ Million
Properties under development for sale	**33,333**	36,229
Completed properties for sale	**9,063**	7,854
	42,396	44,083

a. At 31 December 2020, properties under development for sale of HK$25,046 million (2019: HK$29,716 million) are expected to be completed after more than one year.

b. Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2020 was HK$22,743 million (2019: HK$11,307 million).

c. At 31 December 2020, the carrying value of leasehold land and land deposits included in properties under development for sale and completed properties for sale is summarised as follows:

	2020 HK$ Million	2019 HK$ Million
Held in Hong Kong		
Medium term leases	**12,451**	12,451
Held outside Hong Kong		
Long term leases	**22,175**	21,824
Medium term leases	**303**	223
	34,929	34,498

15. TRADE AND OTHER RECEIVABLES

a. Ageing analysis

Included in this item are trade receivables (net of loss allowances for bad and doubtful debts) with an ageing analysis based on the invoice date as at 31 December 2020 as follows:

	2020 HK$ Million	2019 HK$ Million
Trade receivables		
0–30 days	**164**	143
31–60 days	**48**	24
61–90 days	**16**	20
Over 90 days	**248**	112
	476	299
Other receivables and prepayments	**1,684**	1,688
	2,160	1,987

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

b. Impairment of trade receivables

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

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

	2020 HK$ Million	2019 HK$ Million
At 1 January	**8**	10
Provision/(reversal) of loss allowance recognised	**5**	(2)
At 31 December	**13**	8

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ Million	**HK$ Million**	HK$ Million	HK$ Million
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	**342**	**–**	175	14
Floating-to-fixed interest rate swaps	**–**	**192**	1	79
Cross currency interest rate swaps	**76**	**286**	29	425
Forward foreign exchange contracts	**46**	**72**	97	44
Total	**464**	**550**	302	562
Analysis				
Current	**189**	**199**	62	165
Non-current	**275**	**351**	240	397
Total	**464**	**550**	302	562

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

	2020		2019	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ Million	**HK$ Million**	HK$ Million	HK$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	**46**	**–**	3	–
Expiring after more than 1 year but not exceeding 5 years	**296**	**–**	170	7
Expiring after 5 years	**–**	**–**	2	7
	342	**–**	175	14
Floating-to-fixed interest rate swaps				
Expiring within 1 year	**–**	**–**	1	6
Expiring after more than 1 year but not exceeding 5 years	**–**	**192**	–	–
Expiring after 5 years	**–**	**–**	–	73
	–	**192**	1	79
Cross currency interest rate swaps				
Expiring within 1 year	**–**	**142**	7	73
Expiring after more than 1 year but not exceeding 5 years	**31**	**69**	10	260
Expiring after 5 years	**45**	**75**	12	92
	76	**286**	29	425
Forward foreign exchange contracts				
Expiring within 1 year	**5**	**–**	36	–
Expiring after more than 1 year but not exceeding 5 years	**30**	**8**	53	–
Expiring after 5 years	**11**	**64**	8	44
	46	**72**	97	44
Total	**464**	**550**	302	562

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

	2020 HK$ Million	2019 HK$ Million
Fixed-to-floating interest rate swaps	**6,782**	8,382
Floating-to-fixed interest rate swaps	**1,800**	6,300
Cross currency interest rate swaps	**8,895**	12,607
Forward foreign exchange contracts	**4,089**	7,193

b. Derivative financial assets represent the amounts the Group would receive whilst derivative financial liabilities represent the amounts the Group would pay if the positions were closed at the end of the reporting period. Derivative financial instruments do not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.

c. During the year ended 31 December 2020, a gain of HK$11 million (2019: loss of HK$38 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.

d. During the year ended 31 December 2020, fair value loss on cross currency interest rate swaps in the amounts of HK$28 million (2019: HK$20 million) and gain on interest rate swaps in the amounts of HK$63 million (2019: HK$70 million) have been included within finance costs in the consolidated income statement.

e. The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master agreements providing offsetting mechanisms under certain circumstances. At 31 December 2020, the Group did not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the consolidated financial statements.

17. BANK DEPOSITS AND CASH

	2020 HK$ Million	2019 HK$ Million
Bank deposits and cash	**16,668**	27,292

At 31 December 2020, bank deposits and cash included:

a. HK$14,059 million equivalent (2019: HK$15,986 million equivalent) placed with banks in Mainland China, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

b. RMB3,205 million equivalent to HK$3,808 million (2019: RMB2,938 million equivalent to HK$3,280 million) which is solely for certain designated properties development projects in Mainland China.

The effective annual interest rate on bank deposits was 1.8% (2019: 1.8%).

Bank deposits and cash are denominated in the following currencies:

	2020 HK$ Million	2019 HK$ Million
RMB	**14,865**	16,088
HKD	**1,187**	4,684
USD	**612**	6,516
Other currencies	**4**	4
	16,668	27,292

18. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as at 31 December 2020 as follows:

	2020 HK$ Million	2019 HK$ Million
Trade payables		
0–30 days	**369**	486
31–60 days	**302**	274
61–90 days	**23**	32
Over 90 days	**170**	72
	864	864
Rental and customer deposits	**1,362**	1,150
Construction costs payable	**6,733**	7,898
Amounts due to associates (Note 10)	**7,427**	4,869
Amounts due to joint ventures (Note 11)	**1,761**	4,602
Other payables	**3,460**	3,134
	21,607	22,517

The amount of trade and other payables that is expected to be settled after more than one year is HK$1,382 million (2019: HK$1,215 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these items would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

19. DEPOSITS FROM SALE OF PROPERTIES

Movement in deposits from sale of properties	2020 HK$ Million	2019 HK$ Million
Balance at 1 January	**11,273**	9,263
Exchange adjustments	**55**	(66)
Decrease in deposits from sale of properties as a result of recognising revenue during the year	**(12,199)**	(7,533)
Increase in deposits from sale of properties as a result of receiving sales deposits	**8,969**	9,609
Balance at 31 December	**8,098**	11,273

Deposits from sale of properties in the amount of HK$3,879 million (2019: HK$780 million) are expected to be recognised as revenue in the consolidated income statement after more than one year.

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

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

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$9,107 million (2019: HK$11,475 million). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development entered into by the customers with the Group. The Group will recognise the expected revenue in future at the completion date of legal assignment or, in the case of the properties under development for sale, when the properties are accepted by the customers, which is expected to occur over the next 36 months.

20. BANK LOANS AND OTHER BORROWINGS

	2020 HK$ Million	2019 HK$ Million
Bonds and notes (unsecured)		
Due within 1 year	**2,931**	5,707
Due after more than 1 year but not exceeding 2 years	**1,859**	2,881
Due after more than 2 years but not exceeding 5 years	**2,966**	3,883
Due after more than 5 years	**1,238**	1,994
	8,994	14,465
Bank loans (secured)		
Due within 1 year	**514**	45
Due after more than 1 year but not exceeding 2 years	**271**	502
Due after more than 2 years but not exceeding 5 years	**5,269**	6,070
Due after more than 5 years	**1,803**	359
	7,857	6,976
Bank loans (unsecured)		
Due within 1 year	**8,104**	4,895
Due after more than 1 year but not exceeding 2 years	**1,547**	5,139
Due after more than 2 years but not exceeding 5 years	**14,422**	14,861
Due after more than 5 years	**1,250**	—
	25,323	24,895
Total bank loans and other borrowings	**42,174**	46,336
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	**11,549**	10,647
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	**26,334**	33,336
Due after more than 5 years	**4,291**	2,353
	30,625	35,689
Total bank loans and other borrowings	**42,174**	46,336

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

	2020 HK$ Million	2019 HK$ Million
HKD	**34,726**	39,069
RMB	**7,448**	7,267
	42,174	46,336

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

	2020 Effective interest rate %	**2020** HK$ Million	2019 Effective interest rate %	2019 HK$ Million
Fixed rate borrowings				
Bonds and notes	**2.9**	**531**	4.2	2,736
Bank loans	**2.9**	**2,631**	2.5	6,300
		3,162		9,036
Floating rate borrowings				
Bonds and notes	**4.9**	**8,463**	5.0	11,729
Bank loans	**2.2**	**30,549**	3.4	25,571
		39,012		37,300
Total borrowings		**42,174**		46,336

c. All the interest bearing borrowings are carried at amortised cost except for loans in an amount of HK$5,181 million (2019: HK$8,353 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.

d. Included in the Group's total borrowings are bank loans totalling HK$5,805 million (2019: HK$7,124 million) borrowed by certain subsidiaries in Mainland China and Modern Terminals. The loans are without recourse to the Company and its other subsidiaries.

e. As at 31 December 2020, certain banking facilities of the Group are secured by mortgages over certain properties under development, investment properties and property, plant and equipment with an aggregate carrying value of HK$26,465 million (2019: HK$29,429 million).

f. Certain of the above borrowings are attached with financial covenants which require that at any time, the consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels of the relevant groups. During the year under review, all these covenants have been complied with by the Group.

21. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

b. Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted date using the Binomial Model, taking into account the terms and conditions upon which the options were granted. During the year ended 31 December 2020, no new share options were granted.

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

				Number of share options				
For 2020	Date of grant	Exercise price (HK$)	Exercise period	At 1 January 2020	Exercised during the year	At 31 December 2020	Exercisable at 31 December 2020	Remaining contractual life
	7 July 2016	15.92	8 July 2016 – 7 July 2021	6,800,000	(2,100,000)	4,700,000	4,700,000	0.5 years
				6,800,000	(2,100,000)	4,700,000	4,700,000	
Weighted average exercise price (HK$)				15.92	15.92	15.92	15.92	

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

The weighted average share price at the date of exercise for shares options exercised during the year was HK$18.69 (2019: HK$17.94).

d. In respect of share options of the Company granted to the directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2019 and 2020, estimated in accordance with the Group's accounting policy in note (v)(i), was as follows:

	2020 HK$'000	2019 HK$'000
Stephen T H Ng	**971**	3,206
Andrew O K Chow	**583**	1,923
Doreen Y F Lee	**583**	1,923
Paul Y C Tsui	**292**	962
Kevin K P Chan	**194**	641
Y T Leng	**49**	–
	2,672	8,655

22. DEFERRED TAXATION

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

	2020 HK$ Million	2019 HK$ Million
Deferred tax liabilities	**13,915**	12,539
Deferred tax assets	**(670)**	(752)
Net deferred tax liabilities	**13,245**	11,787

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

	Depreciation allowances in excess of the related depreciation HK$ Million	Surplus on investment properties HK$ Million	Others HK$ Million	Total HK$ Million
At 1 January 2019	1,990	8,291	619	10,900
Charged to the consolidated income statement	274	736	83	1,093
Exchange adjustment	(35)	(194)	23	(206)
At 31 December 2019 and 1 January 2020	**2,229**	**8,833**	**725**	**11,787**
Charged to the consolidated income statement	**426**	**198**	**138**	**762**
Exchange adjustment	**118**	**580**	**(2)**	**696**
At 31 December 2020	**2,773**	**9,611**	**861**	**13,245**

b. Deferred tax assets not recognised

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

	2020		2019	
	Deductible temporary differences/ tax losses HK$ Million	**Deferred tax assets HK$ Million**	Deductible temporary differences/ tax losses HK$ Million	Deferred tax assets HK$ Million
Future benefit of tax losses				
– Hong Kong	**4,540**	**749**	1,375	227
– Outside Hong Kong	**2,541**	**635**	3,170	792
	7,081	**1,384**	4,545	1,019

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2020 and 2019. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

a. Interest rate risk

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

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

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") and cross currency interest rate swaps ("CCS") which have the economic effect of converting certain fixed rate interest bearing notes with notional amounts totalling HK$4,289 million (2019: HK$6,638 million) into floating rate borrowings. For each of the IRS and CCS entered into by the Group, the tenor and timing of the IRS and CCS cash flows matches those of the notes.

To ensure the certainty of a proportion of funding costs in the forthcoming years, the Group has entered into various floating-to-fixed IRS with notional amounts totalling HK$1,800 million with maturities of 10 to 15 years together with another HK$1,800 million fixed-to-floating IRS with a maturity of 2 years. Effectively, this arrangement has locked in fixed interest rates ranging from 2.4% to 3.6% per annum for a certain portion of the Group's floating rate loan portfolio for a period of 8 to 13 years from 2011 to 2012 onwards.

As at 31 December 2020, after taking into account of IRS and CCS, approximately 93% (2019: 81%) of the Group's borrowings were at floating rates and the remaining 7% (2019: 19%) were at fixed rates (see Note 20(b)).

Based on a sensitivity analysis performed as at 31 December 2020, it was estimated that a general increase/decrease of 1% (2019: 1%) in interest rates, with all other variables held constant, would have decreased/increased the Group's post-tax profit and total equity by approximately HK$60 million (2019: increased/decreased HK$126 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would have arisen assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's post-tax profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as for 2019.

b. Foreign currency risk

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

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

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

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

	2020				2019			
	USD Million	**RMB Million**	**JPY Million**	**SGD Million**	USD Million	RMB Million	JPY Million	SGD Million
The Group								
Bank deposits and cash	**57**	**839**	**–**	**1**	815	271	–	1
Other long term investments	**3,056**	**–**	**–**	**86**	1,211	–	–	–
Trade and other receivables	**2**	**–**	**–**	**–**	2	–	–	–
Trade and other payables	**(1)**	**(5)**	**–**	**–**	(1)	(6)	(25)	(1)
Bank loans and other borrowings	**(110)**	**(1,115)**	**(17,474)**	**(260)**	(130)	(3,015)	(17,470)	(260)
Inter-company balances	**7**	**223**	**–**	**–**	25	225	–	–
Gross exposure arising from recognised assets and liabilities	**3,011**	**(58)**	**(17,474)**	**(173)**	1,922	(2,525)	(17,495)	(260)
Notional amount of forward foreign exchange contracts	**452**	**–**	**7,000**	**–**	653	1,400	7,000	–
Notional amount of cross currency IRS	**(342)**	**415**	**10,500**	**260**	(523)	1,015	10,500	260
Overall net exposure	**3,121**	**357**	**26**	**87**	2,052	(110)	5	–

In addition, at 31 December 2020, the PRC subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, trade and other payables and inter-company borrowings in the amount of HK$190 million, HK$4 million and HK$176 million respectively (2019: HK$200 million, HK$4 million and HK$335 million respectively).

Based on the sensitivity analysis performed as at 31 December 2020, it was estimated that the impact on the Group's post tax profit and total equity would not be material in response to possible changes in the foreign exchange rates of foreign currencies to which the Group is exposed.

It is further analysed that the sensitivity on the translation of the Mainland China operations from 1% (2019: 1%) increase/decrease of exchange rate of RMB against HKD, the Group's total equity would have increased/decreased by HK$893 million (2019: HK$941 million).

c. Equity price risk

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

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

Based on a sensitivity analysis performed as at 31 December 2020, it was estimated that an increase/decrease of 10% in the market value of the Group's listed equity investments, with all other variables held constant, would not have affected the Group's post-tax profit but would have increased/decreased the Group's total equity by HK$6,088 million (2019: HK$3,417 million). The analysis has been performed on the same basis as for 2019.

d. Liquidity risk

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

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

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

		Contractual undiscounted cash flow				
	Carrying amount HK$ Million	Total HK$ Million	Within 1 year or on demand HK$ Million	More than 1 year but less than 2 years HK$ Million	More than 2 years but less than 5 years HK$ Million	More than 5 years HK$ Million
At 31 December 2020						
Bank loans and other borrowings	(42,174)	(49,331)	(15,166)	(3,452)	(25,288)	(5,425)
Trade and other payables	(21,607)	(21,609)	(20,227)	(1,246)	(114)	(22)
Forward foreign exchange contracts	(26)	(26)	5	22	12	(65)
Cross currency interest rate swaps	(210)	(127)	(119)	7	46	(61)
Interest rate swaps	150	147	99	56	(8)	–
Other non-current liabilities	(30)	(30)	–	(18)	(12)	–
	(63,897)	(70,976)	(35,408)	(4,631)	(25,364)	(5,573)
At 31 December 2019						
Bank loans and other borrowings	(46,336)	(52,041)	(11,811)	(8,719)	(28,359)	(3,152)
Trade and other payables	(22,517)	(22,517)	(21,302)	(1,064)	(137)	(14)
Forward foreign exchange contracts	53	53	26	10	53	(36)
Cross currency interest rate swaps	(396)	(447)	(118)	(199)	(43)	(87)
Interest rate swaps	83	5	15	15	(14)	(11)
	(69,113)	(74,947)	(33,190)	(9,957)	(28,500)	(3,300)

The Company is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligations and the maximum amount callable as at 31 December 2020 was HK$36.2 billion (2019: HK$39.1 billion).

e. Credit risk

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

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

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

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

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

f. Fair values of assets and liabilities

i. Assets and liabilities carried at fair value

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

Financial instruments carried at fair value

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

	Recurring fair value measurements as at 31 December 2020 categorised into			
	Level 1 HK$ Million	Level 2 HK$ Million	Level 3 HK$ Million	Total HK$ Million
Assets				
Other long term investments:				
– Equity investments	60,875	–	–	60,875
– Unlisted investments	–	–	6,000	6,000
Derivative financial instruments:				
– Forward foreign exchange contracts	–	46	–	46
– Interest rate swaps	–	342	–	342
– Cross currency interest rate swaps	–	76	–	76
	60,875	464	6,000	67,339
Liabilities				
Derivative financial instruments:				
– Forward foreign exchange contracts	–	72	–	72
– Interest rate swaps	–	192	–	192
– Cross currency interest rate swaps	–	286	–	286
Bank loans and other borrowings:				
– Bonds and notes	–	4,699	–	4,699
– Bank loans	–	482	–	482
	–	5,731	–	5,731

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

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

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

Valuation techniques and inputs used in Level 3 fair value measurements

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

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

	2020 HK$ Million	2019 HK$ Million
Unlisted investments		
At 1 January	**2,361**	–
Transfer from Level 2	**–**	1,374
Payment for purchases	**2,452**	1,157
Disposal	**–**	(303)
Net unrealised gains recognised in consolidated income statement	**1,187**	133
At 31 December	**6,000**	2,361

During 2019, a portion of unlisted investments held by the Group with fair value as indicated above was transferred out of Level 2 into Level 3 of the fair value hierarchy. It was reviewed that the fair value of the unlisted investments were mostly by reference to unobservable inputs and accordingly, the whole portfolio was re-categorised into Level 3.

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

ii. Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

g. Capital management

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

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

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

The net debt-to-equity ratios as at 31 December 2020 and 2019 were as follows:

	2020 HK$ Million	2019 HK$ Million
Bank loans and other borrowings (Note 20)	**42,174**	46,336
Less: Bank deposits and cash (Note 17)	**(16,668)**	(27,292)
Net debt	**25,506**	19,044
Shareholders' equity	**158,899**	142,874
Total equity	**163,517**	146,343
Net debt-to-shareholders' equity ratio	**16.1%**	13.3%
Net debt-to-total equity ratio	**15.6%**	13.0%

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

24. SHARE CAPITAL AND RESERVES

a. Share capital

	2020 No. of shares Million	2019 No. of shares Million	2020 HK$ Million	2019 HK$ Million
Issued and fully paid ordinary shares				
At 1 January	**3,049**	3,047	**30,221**	30,173
Shares issued under the share option scheme	**2**	2	**49**	48
At 31 December	**3,051**	3,049	**30,270**	30,221

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

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

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

The revenue reserves of the Group at 31 December 2020 included HK$3,569 million (2019: HK$2,823 million) in respect of statutory reserves of the subsidiaries in Mainland China.

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

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

	Share capital HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
The Company				
At 1 January 2019	30,173	53	66,322	96,548
Profit for the year	–	–	2,520	2,520
Shares issued under the share option scheme	48	(14)	–	34
Equity settled share-based payments	–	9	–	9
2018 second interim dividend paid	–	–	(1,219)	(1,219)
2019 first interim dividend paid	–	–	(762)	(762)
At 31 December 2019 and 1 January 2020	**30,221**	**48**	**66,861**	**97,130**
Profit for the year	**–**	**–**	**5,085**	**5,085**
Shares issued under the share option scheme	**49**	**(15)**	**–**	**34**
Equity settled share-based payments	**–**	**3**	**–**	**3**
2019 second interim dividend paid	**–**	**–**	**(229)**	**(229)**
2020 first interim dividend paid	**–**	**–**	**(610)**	**(610)**
At 31 December 2020	**30,270**	**36**	**71,107**	**101,413**

c. Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2020 amounted to HK$71,107 million (2019: HK$66,861 million).

d. After the end of the reporting period, the Directors declared a second interim cash dividend of HK$0.20 per share (2019: second interim cash dividend of HK$0.075 per share) amounting to HK$611 million based on 3,053 million issued ordinary shares (2019: HK$229 million based on 3,049 million issued ordinary shares). This dividend has not been recognised as a liability at the end of the reporting period.

25. COMPANY LEVEL – STATEMENT OF FINANCIAL POSITION

	Note	2020 HK$ Million	2019 HK$ Million
Non-current assets			
Interest in subsidiaries		**122,347**	113,448
Loan to a subsidiary		**–**	2,233
Amount due from an associate		**371**	371
		122,718	116,052
Current assets			
Receivables		**2**	19
Bank deposits and cash		**5**	4
		7	23
Total assets		**122,725**	116,075
Current liabilities			
Payables		**(56)**	(86)
Amounts due to subsidiaries		**(20,723)**	(16,093)
Amount due to an associate		**(533)**	(533)
Bank loans and other borrowings		**–**	(2,233)
Total current liabilities		**(21,312)**	(18,945)
NET ASSETS		**101,413**	97,130
Capital and reserves			
Share capital	24	**30,270**	30,221
Reserves		**71,143**	66,909
TOTAL EQUITY		**101,413**	97,130

Stephen T H Ng
Chairman and Managing Director

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

26. MATERIAL RELATED PARTY TRANSACTIONS

Material transactions between the Group and related parties during the year ended 31 December 2020 are as follows:

a. In respect of the year ended 31 December 2020, the Group earned rental income totalling HK$113 million (2019: HK$139 million) which received from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of the chairman of Wheelock and Company Limited ("Wheelock").

b. There were in existence agreements with subsidiaries of Wharf REIC for the management, marketing, project management and technical services on Wharf REIC's hotel operations. Total fees receivable under this arrangement during the current period amounted to HK$11 million (2019: HK$62 million). Such transaction also constitutes a connected transaction as defined under Listing Rules.

c. The Group paid property services fees in respect of the Group's property projects totalling HK$139 million. Of which, HK$93 million was paid to subsidiaries of Wheelock and Wharf REIC and constitutes a connected transaction as defined under the Listing Rules.

d. The Group recognised capitalised rent totalling HK$111 million (2019: HK$89 million) for the provision of rental services provided by Wharf REIC to the Group. Such transaction also constitutes a connected transaction as defined under the Listing Rules.

e. There were in existence agreements with subsidiaries of Wharf REIC for the provision of property services on Wharf REIC's properties projects. Total fee receivable under this agreement during the current period amount to HK$61 million. Such transaction also constitutes a connected transaction as defined under the Listing Rules.

f. During 2019, the Group acquired the entire interests in a Hangzhou property project for development of residential properties from a subsidiary of Wheelock for a consideration of HK$1,362 million. Such transaction also constitutes a connected transaction as defined under the Listing Rules.

g. Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in Notes 2(b) and 2(c).

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

27. CONTINGENT LIABILITIES

As at 31 December 2020, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK$62,039 million (2019: HK$63,776 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK$6,897 million (2019: HK$2,378 million) of which HK$3,683 million (2019: HK$1,090 million) had been drawn.

As at 31 December 2020, there were guarantees of HK$3,020 million (2019: HK$2,718 million) provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's development properties. There were also mortgage loan guarantees of HK$4,985 million (2019: HK$1,407 million) provided by joint ventures and associates of the Group to the banks in favour of their customers.

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

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

28. COMMITMENTS

The Group's outstanding commitments as at 31 December 2020 are detailed as below:

a. Planned expenditure

		2020			2019	
	Committed HK$ Million	Uncommitted HK$ Million	Total HK$ Million	Committed HK$ Million	Uncommitted HK$ Million	Total HK$ Million
(I) Properties						
Investment property						
Hong Kong	812	–	812	674	–	674
Mainland China	235	177	412	159	148	307
	1,047	177	1,224	833	148	981
Development property						
Hong Kong	12,311	–	12,311	473	–	473
Mainland China	6,509	6,211	12,720	8,787	8,841	17,628
	18,820	6,211	25,031	9,260	8,841	18,101
Properties total						
Hong Kong	13,123	–	13,123	1,147	–	1,147
Mainland China	6,744	6,388	13,132	8,946	8,989	17,935
	19,867	6,388	26,255	10,093	8,989	19,082
(II) Others	1,584	42	1,626	3,140	57	3,197
	1,584	42	1,626	3,140	57	3,197
Total	21,451	6,430	27,881	13,233	9,046	22,279

i. Properties commitments are mainly for attributable land and construction costs to be incurred in the forthcoming years including balance of land cost payment HK$12.0 billion for No.2-8 Mansfield Road site acquired in December 2020 for Hong Kong DP (2019: HK$0.1 billion).

ii. The expenditure for development property included attributable amounts for developments undertaken by joint ventures and associates of HK$4,248 million (2019: HK$6,534 million).

29. CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The Group has assessed the impact of the adoption of the amendments and considered that there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies.

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

The "principal accounting policies" set out on pages 160 to 181 summaries the accounting policies of the Group after the adoption of these policies to the extent that they are relevant to the Group.

30. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of this consolidated financial statements, the HKICPA has issued a number of amendments which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3, Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current	1 January 2023

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

31. EVENTS AFTER THE REPORTING PERIOD

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

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

33. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 December 2020 to be Wheelock and Company Limited, which is incorporated in Hong Kong. Wheelock and Company Limited does not produce financial statements available for public use.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Directors on 9 March 2021.

PRINCIPAL ACCOUNTING POLICIES

a. STATEMENT OF COMPLIANCE

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

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

b. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

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

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

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

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

c. BASIS OF CONSOLIDATION

i. Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

ii. Associates and joint ventures

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

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

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

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

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

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

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

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

iii. Goodwill

Goodwill represents the excess of

(a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

d. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

i. Investment properties

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

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

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

ii. Hotel properties

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

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

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

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

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

- when a surplus arises on revaluation, it will be credited to consolidated income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to consolidated income statement.

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

e. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

i. Investment properties

No depreciation is provided on investment properties.

ii. Hotel properties

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

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

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

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

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

f. FINANCIAL INSTRUMENTS

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

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

i. Classification and measurement of financial assets

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

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

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

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Investments in debt and equity securities

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

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

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

– equity investment securities designated as at FVOCI.

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

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

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

Financial assets: Business model assessment

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

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable rate features;

– prepayment and extension features; and

– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

Financial assets: Subsequent measurement and gains and losses

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

ii. Derecognition of financial assets

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

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

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

iii. Classification and measurement of financial liabilities

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

iv. Derecognition of financial liabilities

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

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

v. Offsetting

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

Income and expenses are presented on a net basis only when permitted under HKFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading.

g. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (note (h)).

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

h. HEDGING

i. Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the consolidated income statement. The gain or loss from remeasuring the hedging instrument at fair value together with the gain or loss on the hedged item attributable to the hedged risk are recorded in the consolidated income statement.

ii. Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in equity. The ineffective portion of any gain or loss is recognised immediately in the profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the asset acquired or liability assumed affects the consolidated income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to the consolidated income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to the consolidated income statement immediately.

iii. Hedge of net investment in a foreign operation

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to the consolidated income statement. The ineffective portion is recognised immediately in profit or loss. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

i. LEASED ASSETS

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

i. As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

The right of use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right of use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right of use asset is subsequently stated at cost less accumulated depreciation (see note (e) for each type of underlying asset) and impairment losses (see note (k)(ii)), except for the following types of right of use asset:

– right of use assets that meet the definition of investment properties are carried at fair value in accordance with note (d)(i); and

– right of use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note (l).

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of modification.

The Group includes right of use assets that do not meet the definition of investment properties and properties for sale in 'property, plant and equipment' in the consolidated statement of financial position.

ii. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note (p)(i).

j. CONTRACT ASSETS AND LIABILITIES

A contract asset is recognised when the Group recognises revenue (see note (p)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note (p)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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

k. IMPAIRMENT OF ASSETS

i. Impairment of financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of financial instruments since initial recognition, in which the ECLs are measured at an amount equal to lifetime ECLs. For trade receivables (including lease receivables), the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9 Financial Instrument, which requires the use of the lifetime expected loss provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

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

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. Impairment of non-financial assets (including right of use assets)

The carrying amounts of non-financial assets, other than properties carried at revalued amounts (including investments in subsidiaries in the Company's statement of financial position, investments in associates and joint ventures accounted for under the equity method (see note (c)(ii)) and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed (including those provided during the interim financial reporting).

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

– *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

l. PROPERTIES FOR SALE

i. Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised (see note (q)), attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property. Cost of completed properties for sale comprises all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location and condition.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

ii. Properties under development for sale

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes identified costs including the acquisition cost of land, aggregate cost of development, borrowing costs capitalised (see note (q)), material and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is estimated by management, taking into account the expected price that can ultimately be achieved, based on prevailing market conditions and the anticipated costs of completion and costs to be incurred in selling the property.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

m. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated by the management, based on the expected selling price in the ordinary course of business less the anticipated costs of completion and the estimated costs necessary to make the sale.

n. CASH AND CASH EQUIVALENTS

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

o. FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the statements of financial position of foreign operations are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities

The results of foreign operations are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Differences arising from the translation of the financial statements of foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated income statement.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is reclassified from equity to the consolidated income statement and is included in the calculation of the profit or loss on disposal.

p. RECOGNITION OF REVENUE

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

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

i. Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised in the accounting period in which they are earned.

ii. Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, or when the property is accepted by customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities as “Deposits from sale of properties”.

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

iii. Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

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

iv. Interest income is recognised as it accrues using the effective interest method.

v. Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

q. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

r. INCOME TAX

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may be capable to support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

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

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

Additional income taxes that will probably arise from the distribution of dividends are recognised when the related dividends are likely to be payable in the foreseeable future.

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

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

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

  - the same taxable entity; or

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

s. RELATED PARTIES

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

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

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

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

(f) The entity is controlled or jointly controlled by a person identified in (i).

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

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

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.

t. FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

i. Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note (t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the group under the guarantee, and (ii) the amount of that claim on the group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

ii. Other provisions and contingent liabilities

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

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

u. SEGMENT REPORTING

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

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

PRINCIPAL ACCOUNTING POLICIES

v. EMPLOYEE BENEFITS

i. Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using Binomial Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the other statutory capital reserves) or the option expires (when it is released directly to revenue reserves).

ii. Employee benefits and contributions to defined contribution retirement plans

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

w. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 23 contain information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

– Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their market value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential and redevelopment potential of the properties.

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

- ### Assessment of impairment of non-current assets

  Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

- ### Assessment of provision for properties for sale

  Management determines the net realisable value of properties for sale by using (i) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (ii) internal estimates of costs based on quotes by suppliers.

  Management's assessment of the net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate and estimates may need to be adjusted in later periods.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2020

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Properties				
#	Wharf Development Limited	Hong Kong	HK$7,000,000,000 divided into 7,000,000,000 shares	100	Holding company
	Wharf Peak Properties Limited	Hong Kong	HK$30,000,000 divided into 3,000,000 shares	100	Property
	Affluent Peak Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Deluxe Achieve Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Elite Journey Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Eminent Triumph Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Fresh Treasure Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Joyful Connection Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Lucky Element Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Perfect Blossom Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Prosperous Honour Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Horizon Moon Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Vision Charm Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Wealthy Bay Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	New Tech Centre Limited	Hong Kong	HK$10,000 divided into 10,000 shares	100	Property
	Alpha Pioneer Limited	Hong Kong	HK$1 divided into 1 share	100	Property
	Novel Bliss Limited	Hong Kong	HK$1 divided into 1 share	100	Property
#	Wharf China Holdings (0004) Limited	British Virgin Islands	5,129,000,000 US$1 shares	100	Holding company
	Wharf China Estates (0004) Limited	British Virgin Islands	1,000,000 US$1 shares	100	Holding company
	Broader Link Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Bucksfull Company Limited	Hong Kong	HK$158 divided into 158 shares	100	Holding company
	Cardell Company Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Cheerwill Properties Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Chengdu IFC Development Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Genius View International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Harriman China Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Holmwood Limited	Hong Kong	HK$2 divided into 2 shares	100	Ownership of trade marks
	Merry Bond (0004) Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Radiant Lead Global Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Rising Chain International Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Sharp Hero Holdings Limited	British Virgin Islands	1 US$1 share	100	Holding company
	Singford International Limited	British Virgin Islands	500 US$1 shares	100	Holding company

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Strong Field International Limited	Hong Kong	HK$1 divided into 1 share	100	Ownership of trade marks
	Topusko Limited	Hong Kong	HK$20 divided into 2 shares	100	Holding company
	Treasure Board (0004) Limited	British Virgin Islands	1 US$1 share	100	Holding company
	Wharf Beijing Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf China Estates Limited	Hong Kong	HK$1 divided into 1 share	100	Management services
	Wharf Chongqing Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Dalian Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Estates China Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Shanghai Estates Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Wise Noble Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
ii	Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US$45,000,000	100	Property
ii	上海夏利文物業管理有限公司	The People's Republic of China	US$500,000	100	Property management
ii	Dalian Times Square Development Company Limited	The People's Republic of China	RMB272,000,000	100	Property
ii	大連時代豪庭物業管理有限公司	The People's Republic of China	HK$1,040,000	100	Property management
ii	Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB223,533,440	100	Property
ii	重慶時代廣場物業管理有限公司	The People's Republic of China	US$70,000	100	Property management
i	Shanghai Wheelock Square Development Limited	The People's Republic of China	US$144,000,000	98	Property
ii	龍昌綜合開發(成都)有限公司	The People's Republic of China	HK$221,000,000	100	Property
ii	龍錦綜合開發(成都)有限公司	The People's Republic of China	US$1,870,400,000	100	Property
ii	成都時代奧特萊斯商業有限公司	The People's Republic of China	HK$70,000,000	100	Property
ii	長沙時代奧特萊斯商業有限公司	The People's Republic of China	US$40,000,000	100	Property
ii	九龍倉(長沙)置業有限公司	The People's Republic of China	US$2,157,302,168	100	Property
iii	龍潤房地產開發(成都)有限公司	The People's Republic of China	RMB20,000,000	100	Property
ii	九龍倉(北京)企業管理有限公司	The People's Republic of China	US$2,000,000	100	Holding company
iii	致昌(北京)企業管理有限公司	The People's Republic of China	RMB10,000,000	100	Holding company
iii	大連德高企業管理有限公司	The People's Republic of China	RMB5,000,000	100	Holding company
iii	大連盈致企業管理有限公司	The People's Republic of China	RMB10,000,000	100	Holding company
	Wharf China Development (0004) Limited	British Virgin Islands	1,000,000 US$1 shares	100	Holding company
	Advance Trend Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	All Delight Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	All Genius Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Amicable Creation Company Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Apex Mind Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Bright Wave Group Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2020

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Booming Era Company Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Concept Plus Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Corning Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Creative City Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Dragon Legacy Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Eventful Decade Company Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Fantastic Gain Company Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Fame Treasure International (0004) Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Famous Master International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Favour Year Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Fine Noble Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Fine Super Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Flying Will Company Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Gold Unicorn Holdings Limited	Hong Kong	HK$1,459,380,000 divided into 1,459,380,000 shares	100	Holding company
Greatworth Investments Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
Global Bloom Investments Limited	Hong Kong	HK$100,000,000 divided into 100,000,000 shares	100	Holding company
Go Triumph Company Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Great Venturer Company Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Harvest Moment Company Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Idea Treasure Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Joyful Honour Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Key Advance Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Lion Voice Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Main Light Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Master Joy Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Max Speed International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Mega Full Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Merit Joy Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Merit Perfection Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Noble Key Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
One Victory Company Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Onyee Properties Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Perfect Joy Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Pilot Focus International Limited	British Virgin Islands	500 US$1 shares	100	Holding company

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Power Shine Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Promise Well Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Power Unicorn Holdings Limited	British Virgin Islands	1 US$1 share	100	Holding company
Radiant South (0004) Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Real Sky Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Rumba Company Limited	Hong Kong	HK$10,000 divided into 10,000 shares	82	Holding company
Show All Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
Silver Zone International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Simply Thrive Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Sino Season Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Sky Join Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Sky Step (0004) Limited	British Virgin Islands	1 US$1 shares	100	Holding company
Smart Bloom Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Smartworth Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Smooth Flow Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
South Honest (0004) Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Star Apex International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Star Colour (0004) Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Star Rank Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Step Line Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Sunny Point Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Total Up International Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Trade Right Investments Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Trendy Win Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Utmost Success Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
Walsham Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
Wharf China Development Limited	Hong Kong	HK$1 divided into 1 share	100	Management services
Wharf China Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Management services
Wharf China Limited	British Virgin Islands	500 US$1 shares	100	Holding company
Wharf CIM Limited	Hong Kong	HK$2 divided into 2 shares	100	Management services
Wharf Chengdu Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
Wharf (Jingan) Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
Wharf Ningbo Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
Wharf Shanghai Limited	Hong Kong	HK$10,000,000 divided into 10,000,000 shares	100	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2020

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Wharf Wuhan Limited	Hong Kong	HK$2 divided into 2 shares	100	Holding company
	Wharf Properties China (0004) Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Wharf Properties China Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Wiser Global Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
ii	漢龍實業綜合開發(武漢)有限公司	The People's Republic of China	US$33,100,000	100	Property
ii	九龍倉(武漢)置業有限公司	The People's Republic of China	US$46,000,000	100	Property
ii	武漢時代廣場物業管理有限公司	The People's Republic of China	US$550,000	100	Property management
i	上海龍申房地產發展有限公司	The People's Republic of China	US$22,330,000	55	Property
ii	上海莉源房地產開發有限公司	The People's Republic of China	US$14,000,000	100	Property
ii	上海萊源房地產開發有限公司	The People's Republic of China	US$1,000,000	100	Property
ii	上海清源房地產開發有限公司	The People's Republic of China	US$21,000,000	100	Property
ii	九龍倉(上海)企業管理有限公司	The People's Republic of China	US$2,000,000	100	Management services
ii	大上海時代廣場物業管理(上海)有限公司	The People's Republic of China	US$500,000	100	Property management
ii	龍茂房地產開發(成都)有限公司	The People's Republic of China	HK$26,000,000	100	Property
ii	龍悅房地產開發(成都)有限公司	The People's Republic of China	US$3,000,000	100	Property
ii	龍嘉房地產開發(成都)有限公司	The People's Republic of China	HK$172,500,000	100	Property
ii	蘇州蘇龍地產發展有限公司	The People's Republic of China	US$6,800,000	100	Property
ii	蘇州瑞龍地產發展有限公司	The People's Republic of China	US$7,650,000	100	Property
ii	蘇州銀龍地產發展有限公司	The People's Republic of China	US$90,000,000	100	Property
iii	蘇州耀龍投資管理有限公司	The People's Republic of China	RMB5,000,000	100	Holding company
i	蘇州祥龍地產發展有限公司	The People's Republic of China	RMB817,150,000	100	Property
i	蘇州兆龍地產發展有限公司	The People's Republic of China	RMB2,289,110,000	100	Property
iii	杭州堡華房地產開發有限公司	The People's Republic of China	RMB500,000,000	100	Property
ii	蘇州昌龍地產發展有限公司	The People's Republic of China	RMB2,181,500,000	100	Property
ii	蘇州昇龍地產發展有限公司	The People's Republic of China	RMB2,363,000,000	100	Property
ii	九龍倉(無錫)置業有限公司	The People's Republic of China	US$277,580,000	100	Property
ii	無錫九龍倉物業管理有限公司	The People's Republic of China	US$1,000,000	100	Property management
ii	無錫港龍置業有限公司	The People's Republic of China	US$3,200,000	100	Property
ii	無錫河畔置業有限公司	The People's Republic of China	US$20,400,000	100	Property
ii	無錫都會置業有限公司	The People's Republic of China	US$5,600,000	100	Property
ii	港盈房地產(杭州)有限公司	The People's Republic of China	US$16,990,000	100	Property

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
ii	錦興房地產開發(杭州)有限公司	The People's Republic of China	US$26,000,000	100	Property
ii	富匯房地產開發(富陽)有限公司	The People's Republic of China	US$152,000,000	100	Property
ii	會盈房地產(杭州)有限公司	The People's Republic of China	US$4,930,000	100	Holding company
ii	杭州杭龍置業管理有限公司	The People's Republic of China	US$5,160,000	100	Holding company
ii	富景房地產開發(富陽)有限公司	The People's Republic of China	US$16,000,000	100	Property
ii	龍鼎房地產(杭州)有限公司	The People's Republic of China	HK$1,189,856,977	100	Property
ii	寰華房地產(杭州)有限公司	The People's Republic of China	HK$3,442,577,644	100	Property
ii	寧波立成置業有限公司	The People's Republic of China	US$30,000,000	100	Property
ii	九龍倉置業(廣州)有限公司	The People's Republic of China	HK$1,000,000	100	Holding company
ii	九龍倉置業(重慶)有限公司	The People's Republic of China	US$300,000	100	Property
ii	九龍倉(中國)物業管理有限公司	The People's Republic of China	HK$60,000,000	100	Property management
ii	九龍倉(中國)投資有限公司	The People's Republic of China	US$30,000,007	100	Holding company
ii	大連時代廣場商業有限公司	The People's Republic of China	US$4,500,000	100	Property
ii	杭州堡龍投資管理有限公司	The People's Republic of China	US$15,000,000	100	Property management
	Logistics				
	Modern Terminals Limited	Hong Kong	HK$82,049,200 divided into 70,116 shares	68	Container terminal
i	Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB5,775,550,000	44	Container terminal

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2020

	Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
	Hotels				
#	Wharf Hotels Limited	British Virgin Islands	500 US$1 shares	100	Holding company
	Chengdu Niccolo Holdings (Hong Kong) Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Extra Talent Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Primal Talent Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Wharf China Hotels Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
	Wharf Hotels Management Limited	Hong Kong	HK$20 divided into 2 shares	100	Hotel
ii	武漢馬哥孛羅酒店有限公司	The People's Republic of China	US$3,850,000	100	Hotel
ii	成都馬哥孛羅酒店有限公司	The People's Republic of China	US$8,000,000	100	Hotel
ii	長沙尼依格羅酒店有限公司	The People's Republic of China	US$8,000,000	100	Hotel
	Investment and others				
#	Wharf Capital (0004) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100	Holding company
	Wharf CME2 Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100	Holding company
	Wharf Limited	Hong Kong	HK$20 divided into 2 shares	100	Management services
	Wharf Finance Limited	Hong Kong	HK$2 divided into 2 shares	100	Finance
	Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US$1 shares	100	Finance
	Wharf China Finance Limited	Hong Kong	HK$5,000,000 divided into 5,000,000 shares	100	Finance
	Wharf Finance (No.1) Limited	Hong Kong	HK$2 divided into 2 shares	100	Finance
	Every Success Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Finance
	Proper Run Limited	Hong Kong	HK$1 divided into 1 share	100	Finance
	Wobble Company Limited	Hong Kong	HK$1 divided into 1 share	100	Finance
#	Classic Partner Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company
#	Spring Day Holdings Limited	Hong Kong	HK$1 divided into 1 share	100	Holding company

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
Properties				
Elite Mind International Limited	Hong Kong	Ordinary	40	Holding company
Harpen Company Limited	Hong Kong	Ordinary	50	Holding company
Magic Delight Limited	Hong Kong	Ordinary	50	Holding company
Cheerful Age Company Limited	Hong Kong	Ordinary	50	Holding company
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	40	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	50	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	50	Property
天津雍景灣房地產開發有限公司	The People's Republic of China	Registered	50	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲上園房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲觀園房地產有限公司	The People's Republic of China	Registered	40	Property
佛山招商果嶺房地產有限公司	The People's Republic of China	Registered	40	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	50	Property
佛山依雲孝德房地產有限公司	The People's Republic of China	Registered	50	Property
佛山招商光華房地產有限公司	The People's Republic of China	Registered	50	Property
佛山招商中環房地產有限公司	The People's Republic of China	Registered	50	Property
廣州市萬尚房地產有限公司	The People's Republic of China	Registered	33	Property
北京廣盈房地產開發有限公司	The People's Republic of China	Registered	33	Property
北京亞林東房地產開發有限公司	The People's Republic of China	Registered	25	Property
北京亞林西房地產開發有限公司	The People's Republic of China	Registered	25	Property
北京亮馬置業有限公司	The People's Republic of China	Registered	30	Property
杭州築家房地產開發有限公司	The People's Republic of China	Registered	50	Property
蘇州孚元置業有限公司	The People's Republic of China	Registered	33	Property
杭州龍孜投資管理有限公司	The People's Republic of China	Registered	26	Property
蘇州工業園區園嶸捷建設發展有限公司	The People's Republic of China	Registered	30	Property
蘇州新高智建建設發展有限公司	The People's Republic of China	Registered	30	Property
浙江綠九置業有限公司	The People's Republic of China	Registered	50	Property
杭州綠九濱聞置業有限公司	The People's Republic of China	Registered	50	Property
杭州龍昊房地產開發有限公司	The People's Republic of China	Registered	22.5	Property
杭州綠九啟奧置業有限公司	The People's Republic of China	Registered	35	Property
杭州致謙投資有限公司	The People's Republic of China	Registered	50	Holding company
杭州綠城朝陽置業有限公司	The People's Republic of China	Registered	50	Property
龍景房地產(杭州)有限公司	The People's Republic of China	Registered	50	Property
Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	21	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	14	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

At 31 December 2020

Joint ventures	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
Properties				
Market Prospect Limited	Hong Kong	Ordinary	50	Property
Clear Elegant Limited	British Virgin Islands/Hong Kong	Ordinary	30	Property
Empire Land Investments Limited	Hong Kong	Ordinary	50	Holding company
Green Magic Investments Limited	Hong Kong	Ordinary	60	Holding company
Tower Beyond Limited	Hong Kong	Ordinary	50	Holding company
Vanguard Insight Limited	Hong Kong	Ordinary	50	Holding company
Long Global Investment Limited	Hong Kong	Ordinary	30	Holding company
Tartar Investments Limited	British Virgin Islands	Ordinary	30	Holding company
Victor Choice Investments Limited	Hong Kong	Ordinary	49	Holding company
蘇州茂龍地產發展有限公司	The People's Republic of China	Registered	49	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	50	Property
祥寶投資(成都)有限公司	The People's Republic of China	Registered	30	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	50	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	50	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	50	Property
蘇州皓龍地產發展有限公司	The People's Republic of China	Registered	60	Property
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	60	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	50	Property
深圳前晉置業有限公司	The People's Republic of China	Registered	50	Property
北京西局置業有限公司	The People's Republic of China	Registered	80	Property
廣州建融房地產開發有限公司	The People's Republic of China	Registered	18	Holding company
廣州建穗房地產開發有限公司	The People's Republic of China	Registered	18	Property
廣州安合房地產開發有限公司	The People's Republic of China	Registered	10	Property
Hotels				
重慶尼依格羅酒店有限公司	The People's Republic of China	Registered	50	Hotel

\# *Subsidiaries held directly*

i *This entity is registered as a sino-foreign joint venture company under PRC law*

ii *This entity is registered as a wholly foreign owned enterprise under PRC law*

iii *This entity is registered as a wholly domestic owned enterprise under PRC law*

Notes:

(a) *All the subsidiaries listed above were, as at 31 December 2020, indirect subsidiaries of the Company except where marked #.*

(b) *The above list gives the principal subsidiaries, associates and joint ventures of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.*

(c) *Set out below is details of debt securities issued by the Company and its wholly-owned subsidiaries and guaranteed by the Company:*

Name of subsidiary/Borrower	Description of debt securities	Outstanding principal amount
Wharf Finance (BVI) Limited	HK$ Guaranteed Fixed Rate Notes due 2021	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2021	HK$280 Million
	RMB Guaranteed Fixed Rate Notes due 2021	RMB215 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2023	HK$300 Million
Wharf Finance Limited	US$ Guaranteed Fixed Rate Notes due 2021	US$50 Million
	HK$ Guaranteed Fixed Rate Notes due 2021	HK$345 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$424 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$60 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$312 Million
	HK$ Guaranteed Fixed Rate Notes due 2022	HK$382 Million
	US$ Guaranteed Fixed Rate Notes due 2022	US$60 Million
	HK$ Guaranteed Fixed Rate Notes due 2023	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2023	HK$100 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$500 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$200 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$195 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$185 Million
	HK$ Guaranteed Fixed Rate Notes due 2024	HK$177 Million
	HK$ Guaranteed Fixed Rate Notes due 2025	HK$800 Million
	HK$ Guaranteed Fixed Rate Notes due 2027	HK$230 Million
	HK$ Guaranteed Fixed Rate Notes due 2040	HK$250 Million
Wharf Finance (No. 1) Limited	SG$ Guaranteed Fixed Rate Notes due 2021	SG$260 Million
	RMB Guaranteed Fixed Rate Notes due 2023	RMB200 Million
	JPY Guaranteed Fixed Rate Notes due 2026	JPY10,000 Million

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2020

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.) Total	Office	Retail	Residential	Others
HONG KONG					
Properties – Investment					
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000
Units at Strawberry Hill, 8 Plunkett's Road & 32 Plantation Road, The Peak	13,000	–	–	13,000	–
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–
11 Plantation Road, The Peak	46,300	–	–	46,300	–
1 Plantation Road, The Peak	91,000	–	–	91,000	–
77/79 Peak Road, The Peak	42,200	–	–	42,200	–
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	1,032,000	–	–	–	1,032,000
Total Hong Kong Property – Investment	1,833,500	–	–	235,500	1,598,000
Property – Development					
Kowloon Tong Residential Project, Lung Cheung Road, Kowloon	436,400	–	–	436,400	–
One Midtown, 11 Hoi Shing Road, Tsuen Wan	1,900	–	–	–	1,900
Peninsula East, 5 Tung Yuen Street, Yau Tong	42,600	–	42,600	–	–
	480,900	–	42,600	436,400	1,900
Associates/joint ventures (Attributable – Note g)					
Various Lots at Yau Tong Bay, Yau Tong	611,400	–	13,700	597,700	–
Mount Nicholson, 8 Mount Nicholson Road, The Peak	30,500	–	–	30,500	–
Kai Tak Area 4A Site 2, Kai Tak, Kowloon	361,500	–	11,900	324,500	25,100
	1,003,400	–	25,600	952,700	25,100
Total Hong Kong Property – Development	1,484,300	–	68,200	1,389,100	27,000
HONG KONG TOTAL	**3,317,800**	**–**	**68,200**	**1,624,600**	**1,625,000**

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
(Industrial)	N/A	TWTL 218	2047	1992	N/A	100%
	N/A	RBL 512 & 1004	2027/28	1974/77	N/A	100%
	29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	100%
	32,145	RBL 522, 639, 661	2027	2017	Fitout works in progress	100%
	97,670	RBL 534 S.E., S.F. & R.P.	2028	2022/23/24	Superstructure in progress	100%
	76,726	RBL 836	2029	2017	Fitout works in progress	100%
(Industrial)	165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	100%
	196,561	NKIL 6579	2068	2023	Foundation in progress	100%
	66,000	TWIL 36	2047	2012	N/A	100%
	42,625	YTIL 40 RP	2062	2016	N/A	100%
	808,398	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	15%
	250,930	IL 9007	2060	2016	N/A	50%
	197,552	NKIL 6554	2069	2024	Foundation in progress	30%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2020

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
MAINLAND CHINA					
Property – Investment					
Completed Investment Properties					
Shanghai Times Square	973,000	331,000	447,000	195,000	–
93-111 Huai Hai Zhong Road, Shanghai					
Chongqing Times Square	591,800	13,800	578,000	–	–
100 Zou Rong Road, Yuzhong District, Chongqing					
Wuhan Times Square	8,000	–	8,000	–	–
160 Yan Jiang Da Dao, Jiangan District, Wuhan					
Dalian Times Square	188,000	–	188,000	–	–
50 Ren Min Road, Zhongshan District, Dalian					
Times Outlets Chengdu	680,000	–	680,000	–	–
No. 99 Shuangnan Avenue (Middle Section)					
Shuangliu County, Chengdu					
Chengdu International Finance Square	6,042,000	3,092,000	2,195,000	755,000	–
Junction of Hongxing Road and Da Ci Si Road, Jinjiang District					
Wuxi International Finance Square	2,036,000	2,036,000	–	–	–
Taihu Plaza, Nanchang District, Wuxi					
Chongqing International Finance Square	1,304,000	731,000	573,000	–	–
Zones A of Jiangbei City, Jiang Bei District, Chongqing					
(Attributable – Note g)					
Shanghai Wheelock Square	1,199,000	1,149,000	50,000	–	–
1717 Nan Jing Xi Road, Jingan District, Shanghai					
Changsha International Finance Square	2,619,000	–	2,619,000	–	–
Furong District, Changsha					
Times Outlets Changsha	772,000	–	772,000	–	–
168 Ou Zhou Bei Lu, Jinzhou New District Industrial Concentration Zone					
Changsha, Hunan China					
	16,412,800	7,352,800	8,110,000	950,000	–
Investment Properties Under Development					
Shenzhen Qianhai Apartment Project	274,000	–	43,000	226,000	5,000
Site no. T102-0262, Qianhai, Nanshan District, Shenzhen					
(Attributable – Note g)					
	274,000	–	43,000	226,000	5,000
Marco Polo Wuhan	405,000	–	–	–	405,000
160 Yan Jiang Da Dao, Jiangan District, Wuhan					
Niccolo Chengdu	448,000	–	–	–	448,000
Tower 3, IFS, No.1, Section 3, Hongxing Road					
Jinjiang District, Chengdu, Sichuan 610021, China					
Niccolo Changsha	442,000	–	–	–	442,000
Tower 1, Changsha IFS, 188 Jiefang West Road,					
Furong District, Changsha, Hunan 410005, China					
Niccolo Chongqing	219,000	–	–	–	219,000
Tower 1, Chongqing IFS, 38 North Avenue					
Jiangbeicheng,Jiangbei District, Chongqing 400023, China					
(Attributable – Note g)					
	1,514,000	–	–	–	1,514,000
Total Mainland China Property – Investment	18,200,800	7,352,800	8,153,000	1,176,000	1,519,000

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	148,703	N/A	2043	2000	N/A	100%
	76,205	N/A	2050	2004	N/A	100%
	(a)	N/A	2053	2008	N/A	100%
	(b)	N/A	2039	2009	N/A	100%
	(c)	N/A	2047	2009	N/A	100%
	(d)	N/A	2047/79	2013/14/16	N/A	100%
	313,867	N/A	2047/57	2014	N/A	100%
	(e)	N/A	2051	2017	N/A	50%
	136,432	N/A	2049	2010	N/A	98%
	(f)	N/A	2051	2018	N/A	100%
	1,299,000	N/A	2055	2016	N/A	100%
	80,000	N/A	2057	2021	Superstructure in progress	50%
(A 356-room hotel)	(a)	N/A	2053	2008	N/A	100%
(A 230-room hotel)	(d)	N/A	2049	2015	N/A	100%
(A 243-room hotel)	(f)	N/A	2051	2018	N/A	100%
(A 252-room hotel on 100% ownership)	(e)	N/A	2051	2017	N/A	50%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2020

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.) Total	Office	Retail	Residential	Others
Property – Development					
Hangzhou Royal Seal Lot #FG05 of Wenhui Road, Hangzhou	10,000	–	–	10,000	–
Hangzhou Imperial Park Lot #XC0502-R21-40, Santang Unit, Xiacheng District, Hangzhou	324,000	–	–	324,000	–
Parc Royale – Phase 2 Site FG01-R21-07, Qinglong Unit, Gongshu District, Hangzhou	748,000	–	–	748,000	–
Parc Royale – Phase 1 Site FG01-R21-05, Qinglong Unit, Gongshu District, Hangzhou	452,000	–	–	452,000	–
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	10,000	–	–	10,000	–
Shanghai One Jingan 398 Wanhangdu Road, Jingan District, Shanghai	100,000	–	–	100,000	–
Shanghai Pudong Zhoupu Site #08, lot 06-05 of Zhoupu Town, Pudong District, Shanghai	59,000	–	–	59,000	–
Bellagio (formerly Suzhou Yin Shan Lake Project) Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	278,000	–	–	278,000	–
The Legend (formerly Suzhou Wuzhong Lot #24) East of Ying Chun Lu, Guo Xin Qu, Wu Zhong District, Suzhou	320,000	–	–	320,000	–
Suzhou Yangcheng Lake Lot #27 Project South of Yang Cheng Hu Zhen Xiang Zhou Road, East of Shun Xian Road, Xiangcheng District, Suzhou	1,836,000	–	11,000	1,825,000	–
Suzhou Xiangcheng Yuan He Street Lot #77 Project South of Yuan He Street An Yuan Road, East of Wen Ling Road, Xiangcheng District, Suzhou	1,329,000	–	–	1,329,000	–
Villa One (Huayuan Road Lot #78 Project) North of HuangQiao Street HuaYuan Road, East of TongHu Road, Xiangcheng District, Suzhou	1,781,000	–	–	1,781,000	
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	28,000	–	23,000	5,000	–
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	1,000	–	–	1,000	–
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	37,000	–	–	37,000	–
River Pitti Nanchang District and abutting on Jinhang Canal, Wuxi	40,000	–	–	40,000	–
The Orion Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north , Jinjiang District, Chengdu	5,000	–	–	5,000	–
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	28,000	–	28,000	–	–
Times Town Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	3,325,000	2,348,000	962,000	15,000	–
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5, Chengdu	420,000	–	13,000	407,000	–
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	39,000	–	37,000	2,000	–

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	258,358	N/A	2080	2017	N/A	100%
	115,648	N/A	2087	2021	Superstructure in progress	100%
	356,321	N/A	2088	2023	Superstructure in progress	100%
	180,824	N/A	2088	2021	Superstructure in progress	100%
	585,723	N/A	2081	2017	N/A	100%
	170,825	N/A	2043/63	2020	N/A	55%
	526,905	N/A	2083	2016	N/A	100%
	2,501,747	N/A	2081	2021	Superstructure in progress	100%
	181,643	N/A	2087	2021	Superstructure in progress	100%
	1,112,825	N/A	2057/87	2021	Superstructure in progress	100%
	533,173	N/A	2058/88	2021	Superstructure in progress	100%
	1,013,022	N/A	2088	2022	Superstructure in progress	100%
	1,276,142	N/A	2078	2018	N/A	100%
	3,314,418	N/A	2078	2018	N/A	100%
	1,416,822	N/A	2078	2020	N/A	100%
	2,121,662	N/A	2048/78	2019	N/A	100%
	160,000	N/A	2079	2013	N/A	100%
	761,520	N/A	2045/75	2013	N/A	100%
	(c)	N/A	2047/77	2024	Superstructure in progress	100%
	800,882	N/A	2053/83	2021	Superstructure in progress	100%
	1,130,000	N/A	2050/80	2016	N/A	100%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2020

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
	Total	Office	Retail	Residential	Others
Changsha International Finance Square Furong District, Changsha	4,524,000	3,284,000	–	753,000	487,000
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	10,000	–	–	10,000	–
Luxurious Mountain View Xianzhu Road/Xiangyang Road, Shouxiang Shijiayuan Village, Fuyang	1,680,000	–	–	1,680,000	–
	17,384,000	5,632,000	1,074,000	10,191,000	487,000
Associates/joint ventures (Attributable – Note g)					
Sunrise Coast South of Jinchang South Lu, Chencunzhen, Shunde District, Foshan	429,000	–	34,000	395,000	–
Rosy Mansion West of Shalong Lu, Jiujiangzhen, Nanhai District, Foshan	837,000	–	23,000	814,000	–
Glory Garden West of Jiansheyi Lu, Southwest Street, Sanshui District, Foshan	925,000	–	10,000	898,000	17,000
Guangzhou Central Manor Guangzhou Baiyun District Shijing Town Shitan Road No.444	235,000	–	4,000	231,000	–
Guangzhou Montkam Garden Guangzhou Baiyun District Guanghuayi Road East	76,000	–	–	76,000	–
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	11,000	–	11,000	–	–
The Pearl on the Crown South 2nd Ring, Fengtai District, Beijing	3,000	–	–	3,000	–
Crown Land South 2nd Ring, Fengtai District, Beijing	2,000	–	–	2,000	–
One LiangMa North to Jiu Xianqiao South Street, East to Jiangtai East Road, South to Liangmahe North Road, West to planning road, Chaoyang District, Beijing	414,000	–	45,000	289,000	80,000
West Manor Near to Lize Bridge NW corner, Beijing	1,070,000	–	–	856,000	214,000
Hangzhou Osmanthus Grace Hangzhou Xiaoshan Xingyi Road #18 Site	1,000	–	–	1,000	–
Tian Ju Mansion Hangzhou Xiaoshan Boxue Road #16 Site	3,000	–	–	–	3,000
Hangzhou Guiyu Chaoyang Hangzhou Xiaoshan Shixin Road (next to Chaoyang MTR Station)	1,037,000	–	28,000	1,009,000	–
Longfor Jade Mansion Hangzhou Jianggan Yao Xiang Road/Kai Chuang Jie Junction	317,000	–	–	317,000	–
Parc Grande Site FG01-R21-06, Qinglong Unit, Gongshu District, Hangzhou	563,000	–	9,000	554,000	–
Poetic Palace Suzhou Xiang Cheng District Yuanhe Road	829,000	–	–	829,000	–
Villa One (Huayuan Road Lot #25 Project) The Junction between Hua Yuan Road and Tong Hu Road, Hu Qiu Wetland Park, Xiang Cheng District, Suzhou	540,000	–	–	540,000	–
Loral Mansion (Formerly Suzhou Huangpu Street Lot #82 Project) East &West of ShiShan Street, South of ZhuYuan Road, Suzhou New District, Suzhou	576,000	–	–	576,000	–

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
(A 239-room hotel)	(f)	N/A	2051	2022	Superstructure in progress	100%
	(b)	N/A	2069	2009	N/A	100%
	3,210,772	N/A	2082	2024	Superstructure in progress	100%
	740,000	N/A	2056/86	2020	N/A	40%
	876,000	N/A	2057/87	2022	Superstructure in progress	50%
	759,000	N/A	2057/87	2022	Superstructure in progress	50%
	395,000	N/A	2087	2022	Superstructure in progress	18%
	308,000	N/A	2087	2021	Superstructure in progress	10%
	783,000	N/A	2082	2017	N/A	33%
	582,000	N/A	2085	2018	N/A	25%
	680,000	N/A	2085	2019	N/A	25%
	605,000	N/A	2086	2021	Superstructure in progress	30%
	395,000	N/A	2087	2021	Superstructure in progress	80%
	289,476	N/A	2057/87	2020	N/A	35%
	1,506,379	N/A	2057/87	2019	N/A	22.5%
	754,869	N/A	2058/88	2021	Superstructure in progress	50%
	562,451	N/A	2058/88	2021	Superstructure in progress	26%
	606,185	N/A	2088	2022	Superstructure in progress	50%
	1,206,849	N/A	2087	2021	Superstructure in progress	33%
	724,116	N/A	2087	2021	Superstructure in progress	60%
	582,332	N/A	2088	2021	Superstructure in progress	49%

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2020

	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)				
Address	**Total**	**Office**	**Retail**	**Residential**	**Others**
Bravura	2,000	–	–	2,000	–
Suzhou Xingtang Street East & Chaoyang Road South					
Suzhou Shanshui Yuelanting	240,000	–	–	240,000	–
Junction of Jinshan Road and Zhujiang Road, New District, Suzhou					
Garden Valley	50,000	–	23,000	27,000	–
Taoyuan Area, Jiefang Road, Zhongshan District, Dalian					
Chengdu ICC	3,378,000	1,149,000	417,000	1,719,000	93,000
South of Shuanggui Road, North of Niusha Road					
East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu					
The Throne	119,000	–	119,000	–	–
Zones C of Jiangbei City, Jiang Bei District, Chongqing					
International Community	1,747,000	–	308,000	1,439,000	–
Zone C of Danzishi, Nanan District, Chongqing					
	13,404,000	1,149,000	1,031,000	10,817,000	407,000
Total Mainland China Property – Development	30,788,000	6,781,000	2,105,000	21,008,000	894,000
MAINLAND CHINA TOTAL	**48,988,800**	**14,133,800**	**10,258,000**	**22,184,000**	**2,413,000**
GROUP PROPERTY – INVESTMENT	**20,034,300**	**7,352,800**	**8,153,000**	**1,411,500**	**3,117,000**
GROUP PROPERTY – DEVELOPMENT	**32,272,300**	**6,781,000**	**2,173,200**	**22,397,100**	**921,000**
GROUP TOTAL (Note i)	**52,306,600**	**14,133,800**	**10,326,200**	**23,808,600**	**4,038,000**

Notes :

(a) This property forms part of Wuhan Times Square which has a total site area of 188,090 sq. ft.

(b) This property forms part of Dalian Times Square which has a total site area of 171,356 sq. ft.

(c) This property forms part of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq. ft.

(d) This property forms part of Chengdu International Finance Square which has a total site area of 590,481 sq. ft.

(e) This property forms part of Chongqing International Finance Square which has a total site area of 516,021 sq. ft.

(f) This property forms part of Changsha International Finance Square which has a total site area of 800,452 sq. ft.

(g) The floor areas of properties held through joint ventures and associates are shown on an attributable basis.

(h) Total Mainland development properties area included 9,239,000 sq. ft. pre-sold areas which have not yet been recognised in the financial statements.

(i) In addition to the above floor areas, the Group has total attributable carpark areas of approximately 19 million sq. ft. mainly in Mainland China.

(Remarks)	Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	770,261	N/A	2088	2020	N/A	30%
	809,797	N/A	2088	2020	N/A	30%
	922,475	N/A	2083	2019	N/A	60%
	2,212,128	N/A	2048/78	2014 and beyond	Superstructure in progress	30%
	2,335,535	N/A	2050/60	2020	N/A	50%
	6,080,656	N/A	2047/57	2021	Superstructure in progress	40%

TEN-YEAR FINANCIAL SUMMARY

Year ended 31 December	2020 HK$ Million	2019 HK$ Million	2018 HK$ Million	2017 HK$ Million	2016 HK$ Million
Consolidated Income Statement					
Revenue	**20,997**	16,874	21,055	43,273	46,627
Operating profit	**11,104**	7,869	8,752	20,622	17,065
Underlying net profit (Note a)	**3,092**	2,710	6,511	15,924	13,754
Profit attributable to equity shareholders	**3,864**	3,386	6,623	21,876	21,440
Dividends attributable to shareholders (Note d)	**1,221**	991	1,981	4,836	6,520
Consolidated Statement of Financial Position					
Investment properties	**78,151**	74,811	74,738	82,128	319,298
Property, plant and equipment	**13,250**	13,056	13,670	13,201	20,735
Interest in associates/joint ventures	**33,139**	43,085	41,859	30,445	31,147
Other long term investments	**66,875**	36,531	30,544	19,109	5,723
Properties for sale	**42,396**	44,083	45,954	25,200	23,874
Bank deposits and cash	**16,668**	27,292	17,448	45,697	36,957
Other assets	**3,616**	3,360	3,136	6,867	6,093
Total assets	**254,095**	242,218	227,349	222,647	443,827
Bank loans and other borrowings	**(42,174)**	(46,336)	(43,086)	(36,409)	(60,794)
Other liabilities	**(48,445)**	(49,539)	(45,503)	(40,767)	(57,627)
Net assets	**163,476**	146,343	138,760	145,471	325,406
Share capital and other statutory capital reserves	**30,270**	30,221	30,173	29,760	29,497
Reserves	**128,584**	112,653	105,251	112,214	287,297
Shareholders' equity (Note e)	**158,854**	142,874	135,424	141,974	316,794
Non-controlling interests	**4,622**	3,469	3,336	3,497	8,612
Total equity	**163,476**	146,343	138,760	145,471	325,406
Net debt/(cash)	**25,506**	19,044	25,638	(9,288)	23,837
Financial Data					
Per share data					
Earnings per share (HK$)					
– Underlying net profit	**1.01**	0.89	2.14	5.25	4.54
– Attributable to equity shareholders	**1.27**	1.11	2.18	7.21	7.07
Net asset value per share (HK$) (Note e)	**52.07**	46.86	44.45	46.75	104.48
Cash dividends per share (HK$ Cents) (Note d)	**40.00**	32.50	65.00	159.00	215.00
Financial ratios					
Net debt to shareholders' equity (%)	**16.1%**	13.3%	18.9%	N/A	7.5%
Net debt to total equity (%)	**15.6%**	13.0%	18.5%	N/A	7.3%
Interest cover (Times) (Note c)	**9.3**	5.1	6.5	12.9	8.5
Return on shareholders' equity (%) (Note b)	**2.6%**	2.4%	4.8%	9.5%	6.9%
Dividend payout (%)					
– Underlying net profit	**39.6%**	36.6%	30.4%	30.4%	47.4%
– Attributable to equity shareholders	**31.5%**	29.3%	29.9%	22.1%	30.4%

Notes:

(a) *Underlying net profit primarily excludes investment property revaluation surplus/deficit, mark-to-market changes on financial instruments and non-recurring items, including the gain of HK$4,499 million from disposal of investment properties in 2017, and the gain of HK$7,260 million from disposal of Wharf T&T in 2016.*

(b) *Return on shareholders' equity is based on profit attributable to shareholders over average shareholders' equity during the year.*

(c) *Interest cover is based on EBITDA over finance costs (before capitalisation and fair value gain/loss).*

Year ended 31 December	2015 HK$ Million	2014 HK$ Million	2013 HK$ Million	2012 HK$ Million	2011 HK$ Million
Consolidated Income Statement					
Revenue	40,875	38,136	31,887	30,856	24,004
Operating profit	14,853	14,283	13,280	14,170	11,388
Underlying net profit (Note a)	10,969	10,474	11,298	11,040	8,083
Profit attributable to equity shareholders	16,024	35,930	29,380	47,263	30,568
Dividends attributable to shareholders (Note d)	5,759	5,486	5,151	4,998	3,211
Consolidated Statement of Financial Position					
Investment properties	310,177	301,890	261,097	231,522	184,057
Property, plant and equipment	22,779	25,027	24,161	19,870	18,984
Interest in associates/joint ventures	35,397	41,479	38,790	36,203	27,132
Other long term investments	8,102	3,740	3,744	3,868	2,703
Properties for sale	37,768	47,543	53,764	48,915	47,511
Bank deposits and cash	23,510	18,725	24,515	18,795	32,528
Other assets	6,183	6,254	8,981	9,825	5,058
Total assets	443,916	444,658	415,052	368,998	317,973
Bank loans and other borrowings	(70,707)	(77,984)	(82,587)	(74,420)	(75,993)
Other liabilities	(56,029)	(52,563)	(48,210)	(37,672)	(31,106)
Net assets	317,180	314,111	284,255	256,906	210,874
Share capital and other statutory capital reserves	29,441	29,376	29,376	29,314	29,314
Reserves	278,287	276,119	246,181	219,187	173,943
Shareholders' equity	307,728	305,495	275,557	248,501	203,257
Non-controlling interests	9,452	8,616	8,698	8,405	7,617
Total equity	317,180	314,111	284,255	256,906	210,874
Net debt/(cash)	47,197	59,259	58,072	55,625	43,465
Financial Data					
Per share data					
Earnings per share (HK$)					
– Underlying net profit	3.62	3.46	3.73	3.64	2.70
– Attributable to equity shareholders	5.29	11.86	9.70	15.60	10.22
Net asset value per share (HK$) (Note e)	101.53	100.82	90.94	82.04	67.10
Cash dividends per share (HK$ Cents) (Note d)	190.00	181.00	170.00	165.00	106.00
Financial ratios					
Net debt to shareholders' equity (%)	15.3%	19.4%	21.1%	22.4%	21.4%
Net debt to total equity (%)	14.9%	18.9%	20.4%	21.7%	20.6%
Interest cover (Times) (Note c)	7.6	6.1	5.8	7.4	7.9
Return on shareholders' equity (%) (Note b)	5.2%	12.4%	11.2%	20.9%	16.7%
Dividend payout (%)					
– Underlying net profit	52.5%	52.4%	45.6%	45.3%	39.7%
– Attributable to equity shareholders	35.9%	15.3%	17.5%	10.6%	10.5%

Notes (continued):

(d) *Distribution in specie in the form of shares in i-CABLE and in Wharf REIC of HK$562 million (equivalent to HK$0.19 per share) and HK$197,779 million (equivalent to HK$65.14 per share), respectively, was made during 2017 in addition to the above cash dividend distribution.*

(e) *Shareholders' equity and net asset value per share decreased significantly in 2017 over 2016 mainly resulting from the Wharf REIC spinoff implemented by distribution of a special interim dividend.*

(f) *Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.*

ART PIECE CREDIT:

Sophie Yu, *Peony*, p.7
Sophie Yu, *Pen•Peony*, p.14

A Chinese version of this Annual Report is available from the Company upon request.
如有需要，可向本公司索取本年報之中文版本。

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