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## **WHEELOCK AND COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 20

### **2019 Final Results Announcement**

#### **Navigating in stormy seas**

##### **Macro Environment**

- Global and local challenges weighed heavily on Hong Kong economy.

##### **Highlights on Hong Kong Properties**

- **Contracted residential sales** totalled HK\$23.6 billion, albeit at a slower pace in the second half of 2019. The sales were primarily contributed by two large-scale O'EAST projects, namely "MONTARA & GRAND MONTARA" and "MARINI & GRAND MARINI".
- Presale of two O'EAST projects has received favourable responses with 1,906 units presold, accounting for 68% of contracted residential sales for 2019.
- **Net order book** reached HK\$32.5 billion, underscoring revenue visibility (31 December 2018: HK\$26.7 billion).
- **Group HKDP land bank** edged up to 7.5 million square feet, upon acquisition of five sites in 2019 and a successful bid for LOHAS Park Phase 12 in February 2020.

##### **Group Financials**

- Wheelock-Own's **net gearing** improved to 9.9%.
- **Group underlying net profit** was HK\$12.4 billion. Higher contributions from various property segments were partly offset by impairment provisions of HK\$4.9 billion for certain DP.
- Second interim dividend at HK\$1.050 per share, same as last year, making total dividend for the year 2019 HK\$1.575 per share.

## GROUP RESULTS

Excluding investment property revaluation loss and exceptional items, underlying profit was HK\$12,362 million (2018: HK\$13,208 million).

Group profit attributable to equity shareholders was HK\$9,173 million (2018: HK\$17,239 million). Earnings per share were HK\$4.48 (2018: HK\$8.43).

## DIVIDENDS

A first interim dividend of HK\$0.525 per share was paid on 17 September 2019. In lieu of a final dividend, a second interim dividend (“Second Interim Dividend”) of HK\$1.050 per share will be paid on 24 April 2020 to Shareholders on record as at 7 April 2020. Total distribution for the year 2019 will amount to HK\$1.575 (2018: HK\$1.550) per share.

## BUSINESS REVIEW

### HONG KONG PROPERTIES (“HKP”)

In 2019, contracted residential sales reached HK\$23.6 billion, with 2,080 units sold or presold.

The Group launched two residential projects in LOHAS Park (“LP”): “**MONTARA & GRAND MONTARA**” (LP 7) and “**MARINI & GRAND MARINI**” (LP 9) of the **O’EAST** portfolio during the year under review. The new launches received satisfactory responses and contributed HK\$16.1 billion with a total of 1,906 units presold, accounting for 68% of contracted residential sales.

**MONTARA & GRAND MONTARA**, comprising two high-rise residential towers, were launched for presale in the second quarter. 100% of the total stock, or 1,120 units, were promptly presold for proceeds of HK\$9.8 billion within three days.

Following strong sales momentum in the first half, sales take-up of **MARINI & GRAND MARINI**, which were launched for presale in the third quarter, had somewhat moderated. In 2019, a total of 786 units were presold for HK\$6.3 billion, representing a sell-through rate of 82% on launched units.

Up to end February 2020, the two abovementioned projects alongside a previously launched development, **MALIBU** (LP 5), generated total sales proceeds of HK\$31.9 billion for the **O’EAST** portfolio with more than 3,500 units sold. Featuring urban living, the developments are within walking distance of the upcoming 480,000-square-foot MTR mall, “The LOHAS”. They are also easily accessible to LOHAS Park MTR station, and future transport links such as the Cross Bay Link and Tseung Kwan O – Lam Tin Tunnel. Moreover, the developments boast exclusive fully-equipped clubhouses, each offering 24-hour gymnasium, swimming pool and many other amenities.

Sales recognition of Hong Kong development properties increased to HK\$13.7 billion, as compared to HK\$9.7 billion in 2018. Major projects recognised during the year were **MONTEREY** and **OASIS KAI TAK**. Net order book (i.e. presold but contracted sales not yet recognised) for total Hong Kong properties grew to HK\$32.5 billion, from HK\$26.7 billion at year-end 2018.

There are four major projects in the sales pipeline, spanning across diverse locations. **OCEAN MARINI**, the final phase of the Group’s third development in the **O’EAST** portfolio, was launched in early March. Other developments included **Sin Fat Road** in Kwun Tong, **NKIL6564** in Kai Tak and **Hing Wah Street** in West Kowloon. Meanwhile, sales of inventory units are progressing as planned.

### ***Land bank***

During the year, the Group continued to replenish its land bank in urban areas. A total of five **Kai Tak** sites with an attributable gross floor area of 1.6 million square feet were acquired. As at the end of December 2019, Group HKDP land bank grew moderately to 6.6 million square feet (December 2018: 6.3 million square feet). Following a successful bid for **LP 12** of **O'EAST** in February 2020, land bank further rose to 7.5 million square feet. The Group strives to maintain an adequate level of land bank through selective replenishment.

Kai Tak is poised to be a vibrant, self-contained community with a wide variety of lifestyle, leisure, sports and healthcare infrastructures. Its 24-hectare Metro Park, Kai Tak Sports Park and 11-kilometre Promenade facing Victoria Harbour offer distinctive features for the community. Furthermore, Kai Tak is easily accessible to various core districts following the commencement of operation for Shatin-to-Central link in February 2020. Its connectivity will be further enhanced upon the completion of the Central Kowloon Route.

### **CORPORATE SOCIAL RESPONSIBILITY (“CSR”) AND BUSINESS-IN-COMMUNITY (“BIC”)**

Community well-being is prioritised as a key consideration in the Group’s business decision making. The Group supports a wide range of CSR programmes and initiatives spanning education, community, sustainable development, and lifestyle.

#### ***Education***

**Project WeCan**, the Group’s key BIC initiative, aims to provide secondary school students with support to broaden their horizons, equip them and unleash their potentials for future careers. With the support of 68 partners, the programme has been benefitting over 70,000 students in 76 secondary schools in Hong Kong through various enrichment activities. In summer 2019, the annual Job Tasting Programme was held, and six students were assigned to work in different departments of the Group. During the Completion Ceremony held on the programme’s last day, the participating students shared with the Group’s management, mentors and school principals their valuable experiences gained through the programme.

The Group endeavours to nurture young design talents. In its annual Wheelock Interior Design Internship Program (WIND), the Group has sponsored fresh graduates in interior design to undertake internships in overseas professional practices, helping them become well-rounded professionals with exposure to other cultures. In July 2019, two graduates from Savannah College of Art and Design and Insight School were awarded sponsorship of HK\$120,000 for each, to broaden their perspective through overseas internships.

#### ***Community***

The Group looks to leverage on its skills, expertise and resources to foster initiatives that would benefit the society as a whole by addressing communities’ needs. In December 2019, Wheelock Properties Limited (“WPL”) announced two peppercorn leases to NGOs with the intention to provide approximately 2,000 units of transitional housing subject to the approvals of regulatory and consultative bodies. The leases at HK\$1 to The Hong Kong Council of Social Service and The Lok Sin Tong Benevolent Society, Kowloon, will be for a defined term of 8 years.

WPL will support the preliminary land conversion planning applications. Green and sustainable design will be integrated in the project, to ensure a harmonious landscape for residents.

### *Sustainable development*

The Group has scaled up efforts to minimise environmental impact across our offices, managed properties and construction sites. It has been selected as a constituent member of the Hang Sang Corporate Sustainability Benchmark Index, which underscores the Group's commitment to sustainability.

### *Lifestyle*

To encourage and nurture budding photographers, National Geographic Wheelock Hong Kong Photo Contest – an annual worldwide competition co-organised with National Geographic – was launched in October 2019. The theme for 2019 was “Hong Kong Story: Nature, City and People”, welcoming users of both professional gear and mobile phones to uncover the city landscape and stories beyond words.

## **SUBSIDIARIES**

**Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited and Wharf Real Estate Investment Company Limited. Below is a report on their business performances in 2019.**

### *The Wharf (Holdings) Limited (“WHL”)*

WHL, a major listed subsidiary of Wheelock, is mainly engaged in property-focused businesses, comprising Investment Properties (“IP”), Development Properties (“DP”) and Hotel in Hong Kong and Mainland China.

Underlying net profit of WHL for the year decreased by 58% to HK\$2.7 billion.

Revenue from Mainland IP increased by 14% to HK\$3.9 billion and operating profit by 23% to HK\$2.3 billion. Celebrating its first full year of operation, Changsha IFS generated revenue and operating profit of HK\$810 million and HK\$325 million respectively during the year. Another mega integrated complex, Chengdu IFS, saw an 11% growth in revenue to HK\$1.7 billion, with operating profit up by 21% to HK\$947 million. Retail complexes of Changsha IFS, Chengdu IFS and Chongqing IFS recorded high occupancy rates at 97% or above.

Despite steady underlying demand for quality properties in Mainland China, strict price controls prompted financial provisions which resulted in a decline in DP profit by 85%. Inclusive of joint ventures and associates on an attributable basis, revenue recognised during the year eased to HK\$14.8 billion. Operating profit decreased to HK\$4.9 billion while a healthy operating margin of 33% was recorded. Attributable contracted sales totaled RMB19.9 billion for 4,500 units. As of 31 December 2019, the net order book increased to RMB27.4 billion.

Raising the bar for luxury living, Wharf's peak portfolio showcases ultra-luxury, exclusivity and scarcity. **MOUNT NICHOLSON** featuring the finest selection of ultra-luxury residences has seen continued interest and momentum. In 2019, four houses and three apartments were sold for total contracted sales of HK\$4.2 billion or an average of HK\$96,000 per square foot. It remained a key contributor of Hong Kong DP contracted sales. Alongside the Peak Portfolio, the development pipeline also comprises the Kowloon Tong Residential Project and the Kowloon East Waterfront Portfolio. Currently, WHL manages 17 hotels in Mainland China, Hong Kong and the Philippines, under the 5-star Marco Polo Hotels and luxury Niccolo Hotels brands.

***Wharf Real Estate Investment Company Limited (“Wharf REIC”)***

Wharf REIC, another major listed subsidiary of Wheelock, is a premium IP company with a primary focus on Hong Kong retail properties. Its portfolio of IPs/ Hotels in Hong Kong includes Harbour City, Times Square, Plaza Hollywood, Crawford House, Wheelock House and The Murray. In December 2019, Wharf REIC acquired two prime assets, namely, Wheelock Place and Scotts Square, in the heart of the renowned Orchard Road belt of Singapore from the then wholly-owned subsidiary of Wheelock and Company Limited.

Wharf REIC’s underlying net profit eased to HK\$9.8 billion during the year.

The prolonged uncertainties and challenging market conditions have weighed on the overall performance of the retail portfolio. IP revenue and operating profit slightly decreased to HK\$14.3 billion and HK\$12.5 billion respectively. Revenue from Harbour City (including hotels), the largest revenue contributor of Wharf REIC, dropped to HK\$11.6 billion. Times Square and Plaza Hollywood’s revenue amounted to HK\$2.8 billion and HK\$552 million respectively.

Occupancies at Wheelock House and Crawford House remained high on the back of prime locations and cost effectiveness. Revenue from the Central Portfolio increased to HK\$495 million and operating profit to HK\$431 million.

The ongoing headwinds are also evident in the tourism sector, which has recorded a significant decline in visitor arrivals since the middle of the year. As a result, total revenue for the three hotels at Harbour City – Marco Polo Hongkong, Gateway and Prince – retreated by 22% to HK\$1.2 billion and operating profit by 47% to HK\$250 million.

*Note: Privatisation of Wheelock Properties (Singapore) Pte. Ltd. (formerly known as Wheelock Properties (Singapore) Limited) was completed in November 2019 following a scheme of Selective Capital Reduction Exercise.*

## **EVENT SUBSEQUENT TO THE FINANCIAL YEAR-END**

### Announcement – A Scheme of Arrangement

On 27 February 2020, a joint announcement in relation to a proposal for the privatisation of Wheelock and Company Limited by Admiral Power Holdings Limited by way of a scheme of arrangement was issued. Please refer to the announcement dated 27 February 2020 on the Company's corporate website for further details.

# FINANCIAL REVIEW

## (I) REVIEW OF 2019 RESULTS

### **WHEELLOCK-OWN** (before consolidation of WHL and Wharf REIC)

Wheelock-Own's revenue for the year was HK\$14,026 million, HK\$3,946 million or 39% higher than the last corresponding year. Underlying net profit was HK\$3,669 million, increasing by 54% (2018: HK\$2,375 million), partly due to distortion in timing of recognition as a result of adoption of HKFRS 15. HKFRS 15 is a new accounting policy focused on the timing of sales recognition and in effect since January 2018. It is a transition from recognising sales at the issue of occupation permit to legal assignment. This could mean a deferral of over half a year in recognition.

### **WHEELLOCK GROUP**

Group underlying net profit was HK\$12,362 million or decreased by 6% (2018: HK\$13,208 million), mainly attributable to impairment provision of HK\$4,927 million for certain development properties in Hong Kong and Mainland China held by the Group's subsidiaries, associates and joint ventures, partly offset by the higher contribution from investment properties in Mainland China, gain on disposal of the O' South malls and impact of HKFRS 15 on development property in Hong Kong.

Group profit attributable to equity shareholders decreased by 47% to HK\$9,173 million (2018: HK\$17,239 million). Excluding the fair value gain or loss of investment properties, Group attributable profit increased by 8% to HK\$12,782 million (2018: HK\$11,796 million), mainly attributable to the non-recurrent deficit on reclassification of an associate in 2018, partly offset by the decrease in Group underlying net profit.

### **Revenue and Operating Profit**

Group operating profit increased by 9% to HK\$27,243 million (2018: HK\$24,934 million), despite Group revenue remained relatively steady at HK\$48,519 million (2018: HK\$48,490 million), primarily driven by the investment properties in Mainland China, impact of HKFRS 15 as mentioned above and higher interest income from the Group's enlarged investment portfolio, partly offset by less profit contribution from development properties in Mainland China. If there were no HKFRS 15, Group operating profit for the year under review would have become HK\$27,562 million or decreased by 3%.

### ***Investment Property ("IP")***

Investment property revenue and operating profit both slightly increased by 2% to HK\$18,754 million (2018: HK\$18,326 million) and HK\$15,177 million (2018: HK\$14,825 million) respectively. In Hong Kong, revenue and operating profit slightly decreased by 0.3% and 0.4% respectively. Amid the prevailing adverse economic condition particularly in the fourth quarter of the year, Times Square recorded revenue and operating profit decline of 3% and 2% respectively while Harbour City performed just at par. In Mainland China, revenue and operating profit increased by 14% and 23% respectively, wholly benefited from the driving force of the expanding Mainland portfolio. Particularly, Chengdu International Finance Square ("IFS") and the maturing Changsha IFS, grew revenue by 13% and 92%, respectively.

### ***Development Property (“DP”)***

Development property revenue decreased by 6% to HK\$21,982 million (2018: HK\$23,283 million) while operating profit increased by 11% to HK\$9,336 million (2018: HK\$8,404 million) respectively.

In Hong Kong, recognised property sales increased by 41% to HK\$13,714 million (2018: HK\$9,740 million) while operating profit increased by 101% to HK\$5,531 million (2018: HK\$2,754 million), mainly driven by the delivery of residential units in OASIS KAI TAK and MONTEREY.

In Mainland China, recognised property sales decreased by 41% to HK\$7,930 million (2018: HK\$13,478 million), while operating profit decreased by 36% to HK\$3,594 million (2018: HK\$5,596 million) with less projects completed for recognition.

### ***Hotels***

Hotel revenue decreased by 11% to HK\$2,037 million (2018: HK\$2,284 million) and operating profit decreased by 67% to HK\$114 million (2018: HK\$345 million) respectively. In Hong Kong, operating profit for the three Marco Polo Hotels and the Club at Harbour City retreated by 47% while The Murray still operated at loss amid the challenging environment during the latter half of the year. In Mainland China, the decrease of operating profit was mainly due to the start-up loss of Niccolo Changsha and decrease in hotel management fees.

### ***Logistics***

Logistic revenue decreased by 1% to HK\$2,597 million (2018: HK\$2,616 million) while operating profit decreased by 14% to HK\$513 million (2018: HK\$597 million), mainly resulting from lower throughput handled by Modern Terminals Limited in Hong Kong.

### ***Investment and Others***

Investment and others revenue and operating profit increased by 54% to HK\$3,465 million (2018: HK\$2,245 million) and 82% to HK\$2,778 million (2018: HK\$1,524 million) respectively due to higher investment income including dividends from the Group’s enlarged investment portfolio.

### **Fair Value (Loss)/Gain of Investment Properties**

The carrying value of the Group’s investment property portfolio as at 31 December 2019 was HK\$336.8 billion (2018: HK\$341.5 billion), with substantially all stated at fair value based on independent valuation as at that date. An attributable net revaluation loss for the year of HK\$3,609 million (2018: gain of HK\$5,443 million), after related deferred tax and non-controlling interests, was charged to the consolidated income statement.

### **Other Net Charge**

Other net charge amounted to HK\$2,837 million (2018: HK\$1,894 million), primarily represented the impairment provision for certain development property projects in Hong Kong and Mainland China, partly offset by gain on disposal of the O’ South malls. Other net charge in 2018 mainly included the deficit on reclassification of an associate, namely, Hotel Properties Limited (“HPL”) and net exchange losses.



### **Finance Costs**

Finance costs amounted to HK\$2,286 million (2018: HK\$1,599 million). Excluding the unrealised mark-to-market gain of HK\$141 million (2018: HK\$343 million) on cross currency and interest rate swaps, finance costs increased by 25% to HK\$3,956 million (2018: HK\$3,155 million) before capitalisation of HK\$1,529 million (2018: HK\$1,213 million), and by 25% to HK\$2,427 million (2018: HK\$1,942 million) after capitalisation. The Group's effective borrowing rate was 3.1% (2018: 2.7%) per annum.

### **Share of Results of Associates and Joint Ventures**

Share of profits of associates decreased by 74% to HK\$412 million (2018: HK\$1,585 million), mainly due to absence of profit contribution from HPL, a former associate, since its reclassification to other long term investments in late 2018 and lower recognition from development property projects in Mainland China coupled with impairment losses on certain development property projects in Mainland China.

Share of profits of joint ventures decreased by 61% to HK\$497 million (2018: HK\$1,279 million), mainly due to lower recognition from MOUNT NICHOLSON in Hong Kong and impairment losses on certain development property projects in Mainland China.

### **Income Tax**

Taxation charge was HK\$6,110 million (2018: HK\$6,630 million), which included deferred taxation of HK\$736 million (2018: HK\$522 million) provided for the fair value gain of IP located in Mainland China.

Excluding the above deferred taxation, taxation charge decreased by 12% to HK\$5,374 million (2018: HK\$6,108 million), mainly due to the decrease in operating profits from development properties in Mainland China, partly offset by the increase in operating profit from development properties in Hong Kong and investment properties in Mainland China.

### **Non-controlling Interests (“NCI”)**

Profit attributable to NCI decreased by 71% to HK\$2,819 million (2018: HK\$9,631 million).

### Profit attributable to Equity Shareholders

Group profit attributable to equity shareholders decreased by 47% to HK\$9,173 million (2018: HK\$17,239 million). Earnings per share were HK\$4.48 based on weighted average of 2,048 million issued ordinary shares (2018: HK\$8.43 based on 2,046 million issued ordinary shares).

Excluding the attributable net revaluation loss of investment properties of HK\$3,609 million (2018: gain of HK\$5,443 million), Group profit attributable to equity shareholders increased by 8% to HK\$12,782 million (2018: HK\$11,796 million).

Set out below is an analysis of Group profit attributable to equity shareholders as contributed by each sub-group of Wheelock and Company.

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
<b>Underlying net profit attributable to:</b>		
Wheelock-Own	<b>3,669</b>	2,375
WHL group	<b>1,764</b>	4,154
Wharf REIC group	<b>6,243</b>	6,226
Others	<b>686</b>	453
<b>Underlying net profit</b>	<b>12,362</b>	13,208
Attributable amount of exceptional items (e.g. deficit on reclassification of HPL, mark-to-market and exchange gain/(loss) on certain financial instruments, etc.)	<b>420</b>	(1,412)
<b>Profit before IP revaluation (loss)/gain</b>	<b>12,782</b>	11,796
IP valuation (loss)/gain (net of deferred tax)	<b>(3,609)</b>	5,443
<b>Profit attributable to equity shareholders</b>	<b>9,173</b>	17,239

WHL's profit attributable to its equity shareholders for the year ended 31 December 2019 decreased to HK\$3,386 million (2018: HK\$6,623 million).

Wharf REIC's profit attributable to its equity shareholders for the year ended 31 December 2019 decreased to HK\$3,928 million (2018: HK\$18,027 million).

Note: Wheelock Properties (Singapore) Pte. Ltd. (*formerly known as Wheelock Properties (Singapore) Limited*) has become a private limited company since November 2019 following a scheme of Selective Capital Reduction Exercise.

## **(II) LIQUIDITY, FINANCIAL RESOURCES AND COMMITMENTS**

### **Shareholders' and Total Equity**

Shareholders' equity increased by 7% to HK\$268.0 billion (2018: HK\$251.1 billion), or HK\$130.81 per share based on 2,049 million issued shares (2018: HK\$122.60 per share based on 2,048 million issued shares) as at 31 December 2019.

Including NCI, the Group's total equity increased by 1% to HK\$393.7 billion (2018: HK\$389.5 billion).

### **Assets and Liabilities**

The Group's total assets were HK\$609.4 billion (2018: HK\$592.6 billion). Total business assets, i.e. excluding bank deposits and cash, financial assets and deferred tax assets, increased to HK\$527.7 billion (2018: HK\$521.8 billion).

Geographically, the Group's business assets in Mainland China, mainly properties and terminals, decreased to HK\$139.5 billion (2018: HK\$144.5 billion), representing 26% (2018: 28%) of the Group's total business assets.

### **Investment Properties**

The Group's investment property portfolio, included in the Group's total assets, slightly decreased by HK\$4.7 billion to HK\$336.8 billion (2018: HK\$341.5 billion), representing 64% (2018: 65%) of total business assets. Harbour City (excluding the three hotels) and Times Square in Hong Kong were valued at HK\$229.1 billion, representing 68% of the value of the portfolio.

### **Properties for Sale**

Properties for sale amounted to HK\$92.2 billion (2018: HK\$91.4 billion), mainly comprising properties in Hong Kong of HK\$56.8 billion and Mainland China of HK\$35.4 billion, which were under development or held for sale as at 31 December 2019.

### **Interests in Associates and Joint Ventures**

Interests in associates and joint ventures amounted to HK\$57.7 billion (2018: HK\$50.6 billion), mainly represented by various development property projects undertaken in Mainland China and Hong Kong.

### **Deposits from Sale of Properties**

Deposits from sale of properties amounted to HK\$30.7 billion (2018: HK\$24.8 billion) which represented deposits from contracted sales in Hong Kong and Mainland China pending revenue recognition.

### **Other Long Term Investments**

Other long term investments amounted to HK\$46.7 billion (2018: HK\$42.6 billion), including mainly the Group's strategic investment in Greentown China Holdings Limited of HK\$5.2 billion and a portfolio of blue chips of HK\$41.5 billion held for long term growth and reasonable dividend return. The portfolio performed overall in line with the market and no single investment is individually material to the Group's total assets. Marking these investments to market produced an attributable net surplus of HK\$7.2 billion (2018: deficit of HK\$5.0 billion) as reflected in the other comprehensive income, within which a total of HK\$0.9 billion was recycled to retained earnings upon de-recognition, reversing attributable accumulated deficit balance of HK\$3.2 billion at 2018 year end to surplus HK\$3.1 billion at end of 2019.

### **Debt and Gearing**

The Group's net debt decreased by 5% or HK\$4.8 billion to HK\$88.2 billion (2018: HK\$93.0 billion) as at 31 December 2019. It comprised debt of HK\$125.9 billion less bank deposits and cash of HK\$37.7 billion. An analysis of the net debt by each sub-group is shown below:

	<b>2019</b>	2018
	<b>HK\$ Billion</b>	HK\$ Billion
<b>Net debt/(cash)</b>		
Wheelock-Own	<b>26.6</b>	32.6
WHL group	<b>19.0</b>	25.6
Wharf REIC group	<b>42.6</b>	39.4
Others	—	(4.6)
Group total	<b>88.2</b>	93.0

Excluding the net debt of WHL group and Wharf REIC group and net cash of other groups, all of which non-recourse to the Company and its wholly-owned subsidiaries, Wheelock-Own's net debt decreased by HK\$6.0 billion to HK\$26.6 billion (2018: HK\$32.6 billion).

As at 31 December 2019, the ratio of net debt to total equity (on a consolidated basis) decreased to 22.4% (2018: 23.9%). Excluding the net debt/cash of WHL group and Wharf REIC group, Wheelock-Own's net debt to shareholders' equity (on an attributable net asset value basis) decreased to 9.9% (2018: 13.0%).

### **Finance and Availability of Facilities**

As at 31 December 2019, the Group's available loan facilities and issued debt securities amounted to HK\$192.0 billion (2018: HK\$184.7 billion), of which HK\$125.9 billion (2018: HK\$121.8 billion) were utilised. An analysis is shown below:

	<b>Available Facilities</b>	<b>Total Debt</b>	<b>Undrawn Facilities</b>
	<b>HK\$ Billion</b>	<b>HK\$ Billion</b>	<b>HK\$ Billion</b>
Wheelock-Own	65.5	34.1	31.4
WHL group	77.1	46.3	30.8
Wharf REIC group	49.4	45.5	3.9
Group total	<b>192.0</b>	<b>125.9</b>	<b>66.1</b>

Of the above debt, HK\$17.4 billion (2018: HK\$16.7 billion) was secured by mortgages over certain development and investment properties and property, plant and equipment with a total carrying value of HK\$60.9 billion (2018: HK\$55.2 billion).

The Group's debt was primarily denominated in United States dollars ("USD"), Hong Kong dollars ("HKD") and Renminbi ("RMB"). The borrowings were mainly used to fund the Group's properties and port investments.

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

The Group continued to maintain a strong financial position with ample surplus cash denominated principally in RMB, HKD, USD and Singapore dollars, and undrawn committed facilities to facilitate the Group's business and investment activities. The Group also maintained a portfolio of listed investments with an aggregate market value of HK\$44.4 billion (2018: HK\$41.3 billion) as at 31 December 2019, which is readily available for the Group's use when in need.

#### **Cash Flows from the Group's Operating and Investing Activities**

For the year under review, the Group's operating cash inflow was HK\$25.5 billion (2018: HK\$24.4 billion). Together with the changes in working capital and others of HK\$4.1 billion (2018: HK\$20.8 billion), the net cash inflow from operating activities amounted to HK\$21.4 billion (2018: HK\$3.6 billion). For investing activities, the Group recorded a net cash outflow of HK\$10.5 billion (2018: HK\$30.8 billion), mainly for net cash used in the acquisition of additional interests in subsidiaries and investment in joint ventures, net of net cash generated from the disposal of other long term investments and investment properties.

## Major Capital and Development Expenditures and Commitments

The Group's major capital and development expenditures incurred, inclusive of associates and joint ventures' attributable expenditures, in 2019 is analysed as follows:

### A. Major Capital and Development Expenditure during 2019

	<b>Hong Kong / Others HK\$ Million</b>	<b>Mainland China HK\$ Million</b>	<b>Total HK\$ Million</b>
<b>Wheelock-Own</b>			
IP	96	—	96
DP	23,396	—	23,396
	23,492	—	23,492
<b>WHL group</b>			
IP	330	74	404
DP	5,067	8,808	13,875
Non-property and others	77	31	108
	5,474	8,913	14,387
<b>Wharf REIC group</b>			
IP	344	260	604
DP	—	1,488	1,488
Non-property and others	41	43	84
	385	1,791	2,176
<b><u>Analysis by segment:</u></b>			
IP	770	334	1,104
DP	28,463	10,296	38,759
Non-property and others	118	74	192
<b>Group total</b>	<b>29,351</b>	<b>10,704</b>	<b>40,055</b>

- i. Wheelock-Own's expenditures for property projects amounted to HK\$23.5 billion, mainly comprising expenditures for land and construction costs of property projects in Hong Kong.
- ii. WHL's expenditures totalled HK\$14.4 billion, mainly comprising expenditures for land and construction costs of property projects in Hong Kong and Mainland China.
- iii. Wharf REIC's expenditure amounted to HK\$2.2 billion, mainly comprising expenditures for construction costs of property projects in Hong Kong and Mainland China.

B. Commitments to Capital and Development Expenditure

As at 31 December 2019, the Group's major commitments to capital and development expenditures to be incurred in the forthcoming years were estimated at HK\$45.0 billion, of which HK\$22.6 billion was committed. Commitments by segments, inclusive of associates and joint ventures' attributable commitments, are analysed as follows:

	<b>As at 31 December 2019</b>		<b>Total HK\$ Million</b>
	<b>Committed HK\$ Million</b>	<b>Uncommitted HK\$ Million</b>	
<b>Wheelock-Own</b>			
DP	8,166	8,879	17,045
<b>WHL group</b>			
IP	833	148	981
DP	9,260	8,841	18,101
Non-property and others	3,140	57	3,197
	13,233	9,046	22,279
<b>Wharf REIC group</b>			
IP	209	1,023	1,232
DP	968	3,371	4,339
Non-property and others	11	109	120
	1,188	4,503	5,691
<b><u>Analysis by business segment:</u></b>			
IP	1,042	1,171	2,213
DP	18,394	21,091	39,485
Non-property and others	3,151	166	3,317
<b>Group total</b>	<b>22,587</b>	<b>22,428</b>	<b>45,015</b>
<b><u>Analysis by geographical segment:</u></b>			
Hong Kong IP	799	871	1,670
Hong Kong DP	8,639	8,879	17,518
Mainland China IP	241	300	541
Mainland China DP	9,755	12,212	21,967
Others	2	—	2
Properties total	19,436	22,262	41,698
Non-property and others	3,151	166	3,317
<b>Group total</b>	<b>22,587</b>	<b>22,428</b>	<b>45,015</b>

- i. Wheelock-Own's commitments of HK\$17.0 billion are mainly related to land and construction costs of development properties in Hong Kong.
- ii. WHL's commitments of HK\$22.3 billion are mainly comprised of land and construction costs of development and investment properties of HK\$19.1 billion.
- iii. Wharf REIC's commitments of HK\$5.7 billion are mainly comprised of HK\$5.6 billion for construction costs of development and investment properties.
- iv. The commitments and planned expenditure will be funded by the respective group's own 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 other long term investments.

### **(III) HUMAN RESOURCES**

The Group had approximately 12,500 employees as at 31 December 2019, including about 2,300 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trends, with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.



**CONSOLIDATED INCOME STATEMENT**  
for the year ended 31 December 2019

	Note	2019 HK\$ Million	2018 HK\$ Million
<b>Revenue</b>	2	<b>48,519</b>	48,490
Direct costs and operating expenses		(17,220)	(19,435)
Selling and marketing expenses		(1,593)	(1,513)
Administrative and corporate expenses		(1,493)	(1,667)
Operating profit before depreciation, amortisation, interest and tax		<b>28,213</b>	25,875
Depreciation and amortisation	3	(970)	(941)
<b>Operating profit</b>	2 & 3	<b>27,243</b>	24,934
(Decrease)/increase in fair value of investment properties		(4,927)	9,195
Other net charge	4	(2,837)	(1,894)
		<b>19,479</b>	32,235
Finance costs	5	(2,286)	(1,599)
Share of results after tax of:			
Associates		412	1,585
Joint ventures		497	1,279
Profit before taxation		<b>18,102</b>	33,500
Income tax	6	(6,110)	(6,630)
<b>Profit for the year</b>		<b>11,992</b>	26,870
<b>Profit attributable to:</b>			
Equity shareholders		9,173	17,239
Non-controlling interests		2,819	9,631
		<b>11,992</b>	26,870
<b>Earnings per share</b>	7		
Basic		<b>HK\$4.48</b>	HK\$8.43
Diluted		<b>HK\$4.47</b>	HK\$8.41

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
<b>Profit for the year</b>	<b>11,992</b>	<b>26,870</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange losses on translation of operations outside Hong Kong	(2,084)	(4,027)
Share of other comprehensive income of associates and joint ventures	(507)	(1,088)
Net surplus/(deficit) on bond investments:	25	(15)
Fair value changes	36	(21)
Transfer from investments revaluation reserve to profit or loss on disposal	(11)	6
Others	8	1
<b>Item that will not be reclassified to profit or loss:</b>		
Fair value changes on listed equity investments	9,777	(7,076)
<b>Other comprehensive income for the year</b>	<b>7,219</b>	<b>(12,205)</b>
<b>Total comprehensive income for the year</b>	<b>19,211</b>	<b>14,665</b>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	14,718	9,168
Non-controlling interests	4,493	5,497
	<b>19,211</b>	<b>14,665</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 31 December 2019**

	Note	2019 HK\$ Million	2018 HK\$ Million
<b>Non-current assets</b>			
Investment properties		336,819	341,466
Property, plant and equipment		20,945	21,970
Interest in associates		19,971	21,390
Interest in joint ventures		37,740	29,161
Other long term investments		46,749	42,645
Goodwill and other intangible assets		298	298
Deferred tax assets		1,179	1,116
Derivative financial assets		502	282
Other non-current assets		743	1,032
		<u>464,946</u>	<u>459,360</u>
<b>Current assets</b>			
Properties for sale		92,231	91,433
Inventories		16	13
Trade and other receivables	9	14,491	10,002
Derivative financial assets		64	171
Bank deposits and cash		37,665	28,824
		<u>144,467</u>	<u>130,443</u>
Non-current assets classified as held for sale		—	2,821
		<u>144,467</u>	<u>133,264</u>
<b>Total assets</b>		<u>609,413</u>	<u>592,624</u>
<b>Non-current liabilities</b>			
Derivative financial liabilities		(562)	(682)
Deferred tax liabilities		(14,947)	(13,984)
Other deferred liabilities		(333)	(331)
Bank loans and other borrowings		(102,436)	(106,863)
		<u>(118,278)</u>	<u>(121,860)</u>
<b>Current liabilities</b>			
Liabilities directly associated with the non-current assets classified as held for sale		—	(11)
Trade and other payables	10	(36,073)	(34,916)
Deposits from sale of properties		(30,676)	(24,780)
Derivative financial liabilities		(165)	(490)
Taxation payable		(7,061)	(6,121)
Bank loans and other borrowings		(23,447)	(14,968)
		<u>(97,422)</u>	<u>(81,286)</u>
<b>Total liabilities</b>		<u>(215,700)</u>	<u>(203,146)</u>
<b>NET ASSETS</b>		<u>393,713</u>	<u>389,478</u>
<b>Capital and reserves</b>			
Share capital	11	3,764	3,724
Reserves		264,240	247,353
<b>Shareholders' equity</b>		<u>268,004</u>	<u>251,077</u>
<b>Non-controlling interests</b>		125,709	138,401
<b>TOTAL EQUITY</b>		<u>393,713</u>	<u>389,478</u>

# NOTES TO THE FINANCIAL INFORMATION

## 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information is extracted from the consolidated financial statements which 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 (Cap. 622 of the Laws of Hong Kong). The 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.

The accounting policies and methods of computation used in the preparation of the financial information are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the changes mentioned below.

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs which 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:

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

The adoption of these developments does not have significant impact on the Group’s results and financial position for the current and prior periods have been prepared or presented.

### **HKFRS 16, Leases**

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

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

Given the Group does not have any material lease arrangements as a lessee (except for the leasehold land and properties which the Group is a registered owner of the ownership interests), the Group considers that there is no significant financial impact on the Group’s results (including segment results), financial position and cash flows.

Further details of the nature and effect of the changes to previous accounting policies of the Group upon the adoption of HKFRS 16 are set out below:

(a) New definition of a lease

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

The change in the definition of a lease does not have any material impact on the Group's lease arrangements.

(b) Leasehold investment property

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

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

The financial information relating to the years ended 31 December 2019 and 2018 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2019 in due course. The Company's auditor has reported on those financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. SEGMENT INFORMATION

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

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

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

Hotels segment includes hotel operations in the Asia Pacific region which are operated by The Wharf (Holdings) Limited ("WHL") and Wharf Real Estate Investment Company Limited ("Wharf REIC").

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

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

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

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

(a) Analysis of segment revenue and results

	Revenue	Operating profit	(Decrease) /increase in fair value of investment properties	Other net charge	Finance costs	Share of results after tax of associates	Share of results after tax of joint ventures	Profit before taxation
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>For the year ended 31 December 2019</b>								
Investment property	18,754	15,177	(4,927)	635	(1,197)	-	111	9,799
Hong Kong	14,509	12,648	(5,673)	635	(1,000)	-	-	6,610
Mainland China	3,924	2,310	781	-	(197)	-	111	3,005
Singapore	321	219	(35)	-	-	-	-	184
Development property	21,982	9,336	-	(3,738)	(362)	181	382	5,799
Hong Kong	13,714	5,531	-	(1,487)	(320)	-	562	4,286
Mainland China	7,930	3,594	-	(2,251)	(42)	181	(180)	1,302
Singapore	338	211	-	-	-	-	-	211
Hotels	2,037	114	-	(155)	(46)	2	3	(82)
Logistics	2,597	513	-	(49)	(208)	229	1	486
Terminals	2,584	500	-	(8)	(208)	145	1	430
Others	13	13	-	(41)	-	84	-	56
Inter-segment revenue	(316)	-	-	-	-	-	-	-
Segment total	45,054	25,140	(4,927)	(3,307)	(1,813)	412	497	16,002
Investment and others	3,465	2,778	-	470	(473)	-	-	2,775
Corporate expenses	-	(675)	-	-	-	-	-	(675)
Group total	48,519	27,243	(4,927)	(2,837)	(2,286)	412	497	18,102
<b>For the year ended 31 December 2018</b>								
Investment property	18,326	14,825	9,195	23	(1,048)	-	95	23,090
Hong Kong	14,549	12,704	8,803	-	(835)	-	-	20,672
Mainland China	3,429	1,872	568	23	(213)	-	95	2,345
Singapore	348	249	(176)	-	-	-	-	73
Development property	23,283	8,404	-	114	(420)	1,117	1,167	10,382
Hong Kong	9,740	2,754	-	15	(278)	-	947	3,438
Mainland China	13,478	5,596	-	99	(142)	1,117	220	6,890
Singapore	65	54	-	-	-	-	-	54
Hotels	2,284	345	-	8	(39)	-	7	321
Logistics	2,616	597	-	(50)	(191)	272	10	638
Terminals	2,606	587	-	(9)	(191)	176	10	573
Others	10	10	-	(41)	-	96	-	65
Inter-segment revenue	(264)	-	-	-	-	-	-	-
Segment total	46,245	24,171	9,195	95	(1,698)	1,389	1,279	34,431
Investment and others	2,245	1,524	-	(1,989)	99	196	-	(170)
Corporate expenses	-	(761)	-	-	-	-	-	(761)
Group total	48,490	24,934	9,195	(1,894)	(1,599)	1,585	1,279	33,500

**(b) Analysis of inter-segment revenue**

	2019			2018		
	Total revenue HK\$ Million	Inter- segment revenue HK\$ Million	Group revenue HK\$ Million	Total revenue HK\$ Million	Inter- segment revenue HK\$ Million	Group revenue HK\$ Million
Investment property	18,754	(201)	18,553	18,326	(127)	18,199
Development property	21,982	-	21,982	23,283	-	23,283
Hotels	2,037	(62)	1,975	2,284	(106)	2,178
Logistics	2,597	-	2,597	2,616	-	2,616
Investment and others	3,465	(53)	3,412	2,245	(31)	2,214
	<b>48,835</b>	<b>(316)</b>	<b>48,519</b>	48,754	(264)	48,490

**(c) Disaggregation of revenue**

	2019 HK\$ Million	2018 HK\$ Million
<b>Revenue recognised under HKFRS 15</b>		
Sales of development properties	21,982	23,283
Management and service income	1,702	1,697
Other rental related income	310	243
Hotel and club operations	1,975	2,178
Logistic service income	2,597	2,616
	<b>28,566</b>	30,017
<b>Revenue recognised under other accounting standards</b>		
Rental income		
- Fixed	14,588	14,309
- Variable	2,040	2,034
	<b>16,628</b>	16,343
Investment and others	3,325	2,130
	<b>19,953</b>	18,473
Group total	<b>48,519</b>	48,490



(d) Analysis of segment business assets

	2019 HK\$ Million	2018 HK\$ Million
Investment property	<b>338,146</b>	345,614
Hong Kong	<b>276,361</b>	283,745
Mainland China	<b>55,656</b>	55,747
Singapore	<b>6,129</b>	6,122
Development property	<b>163,621</b>	149,081
Hong Kong	<b>91,551</b>	72,477
Mainland China	<b>71,928</b>	76,256
Singapore	<b>142</b>	348
Hotels	<b>10,378</b>	10,937
Logistics	<b>15,578</b>	16,176
Terminals	<b>14,727</b>	15,287
Others	<b>851</b>	889
Total segment business assets	<b>527,723</b>	521,808
Unallocated corporate assets	<b>81,690</b>	70,816
Total assets	<b>609,413</b>	592,624

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

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

	2019 HK\$ Million	2018 HK\$ Million
Development property	<b>53,092</b>	45,923
Logistics	<b>4,619</b>	4,628
Group total	<b>57,711</b>	50,551

(e) Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2019 HK\$ Million	2018 HK\$ Million	2019 HK\$ Million	2018 HK\$ Million	2019 HK\$ Million	2018 HK\$ Million
Investment property	<b>1,104</b>	5,914	–	–	<b>124</b>	127
Hong Kong	<b>770</b>	680	–	–	<b>30</b>	30
Mainland China	<b>334</b>	5,225	–	–	<b>94</b>	96
Singapore	–	9	–	–	–	1
Development property	–	–	<b>17,473</b>	9,868	–	–
Hong Kong	–	–	<b>15,849</b>	7	–	–
Mainland China	–	–	<b>1,624</b>	9,861	–	–
Hotels	<b>84</b>	37	–	–	<b>358</b>	326
Logistics	<b>108</b>	218	–	–	<b>485</b>	484
Terminals	<b>108</b>	218	–	–	<b>485</b>	484
Others	–	–	–	–	–	–
Segment total	<b>1,296</b>	6,169	<b>17,473</b>	9,868	<b>967</b>	937
Investment and others	–	–	–	–	<b>3</b>	4
Group total	<b>1,296</b>	6,169	<b>17,473</b>	9,868	<b>970</b>	941

The Group had no significant non-cash expenses other than i) net provision of HK\$4,780 million (2018: HK\$17 million) made for certain asset and development projects undertaken by subsidiaries, joint ventures and associates and ii) depreciation and amortisation.

(f) Geographical information

	Revenue		Operating profit	
	2019 HK\$ Million	2018 HK\$ Million	2019 HK\$ Million	2018 HK\$ Million
Hong Kong	<b>33,053</b>	29,529	<b>19,759</b>	17,064
Mainland China	<b>14,521</b>	18,310	<b>6,805</b>	7,375
Singapore	<b>945</b>	651	<b>679</b>	495
Group total	<b>48,519</b>	48,490	<b>27,243</b>	24,934

	Specified non-current assets		Total business assets	
	2019 HK\$ Million	2018 HK\$ Million	2019 HK\$ Million	2018 HK\$ Million
Hong Kong	<b>312,308</b>	306,013	<b>381,908</b>	370,879
Mainland China	<b>97,353</b>	102,177	<b>139,544</b>	144,459
Singapore	<b>6,112</b>	6,095	<b>6,271</b>	6,470
Group total	<b>415,773</b>	414,285	<b>527,723</b>	521,808

Specified non-current assets exclude deferred tax assets, other long term investments, derivative financial assets and other non-current assets.

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

### 3. OPERATING PROFIT

	<b>2019</b>	2018
	<b>HK\$ Million</b>	HK\$ Million
Operating profit is arrived at after charging/(crediting):		
Depreciation and amortisation on		
- hotel and other property, plant and equipment	<b>899</b>	872
- leasehold land	<b>71</b>	69
Total depreciation and amortisation	<b>970</b>	941
Staff costs (Note a)	<b>3,537</b>	3,494
Auditors' remuneration		
- audit services	<b>33</b>	36
- other services	<b>4</b>	6
Cost of trading properties for recognised sales	<b>11,393</b>	13,935
Reversal of impairment of trade receivables	<b>(2)</b>	(2)
Gross rental revenue from investment properties	<b>(18,754)</b>	(18,326)
Direct operating expenses of investment properties	<b>3,470</b>	3,365
Rental income under operating leases in respect of owned plant and equipment	<b>(8)</b>	(8)
Interest income (Note b)	<b>(1,658)</b>	(684)
Dividend income from other long term investments	<b>(1,051)</b>	(791)
Loss on disposal of property, plant and equipment	<b>1</b>	4

Notes:

- (a) Staff costs included contributions to defined contribution pension schemes of HK\$276 million (2018: HK\$300 million) and equity settled share-based payment expenses of HK\$18 million (2018: HK\$35 million).
- (b) Interest income of HK\$1,638 million (2018: HK\$662 million) was in respect of financial assets, including bank deposits, stated at amortised cost. The remaining HK\$20 million (2018: HK\$22 million) was in respect of financial assets at fair value through other comprehensive income.

#### 4. OTHER NET CHARGE

Other net charge for the year amounted to HK\$2,837 million (2018: HK\$1,894 million) and mainly comprised:

- (a) Gain on disposal of investment properties of HK\$559 million.
- (b) Net exchange gain of HK\$135 million (2018: loss of HK\$692 million) which included a fair value loss on forward foreign exchange contracts of HK\$22 million (2018: HK\$41 million).
- (c) Net provision for diminution in value of HK\$1,137 million and HK\$2,420 million was made in respect of certain development properties held by subsidiaries in Hong Kong and Mainland China, respectively.
- (d) Net fair value gain of HK\$133 million (2018: Nil) on other long term investments classified as financial assets at fair value through profit or loss.
- (e) 2018 included a deficit of HK\$1,171 million resulted from the reclassification of the investment in an associate from interest in associates to other long term investments.

#### 5. FINANCE COSTS

	2019 HK\$ Million	2018 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	2,299	1,624
Other borrowings	1,312	1,204
Total interest charge	<u>3,611</u>	<u>2,828</u>
Other finance costs	345	327
Less: Amount capitalised	<u>(1,529)</u>	<u>(1,213)</u>
	<u>2,427</u>	<u>1,942</u>
Fair value gain:		
Cross currency interest rate swaps	(71)	(210)
Interest rate swaps	(70)	(133)
	<u>(141)</u>	<u>(343)</u>
Total	<u><b>2,286</b></u>	<u><b>1,599</b></u>

## 6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2019 HK\$ Million	2018 HK\$ Million
<b>Current income tax</b>		
Hong Kong		
- provision for the year	3,004	2,530
- (over)/under-provision in respect of prior years	(22)	2
Outside Hong Kong		
- provision for the year	1,665	1,452
- under/(over)-provision in respect of prior years	47	(9)
	<u>4,694</u>	<u>3,975</u>
<b>Land appreciation tax ("LAT") in Mainland China (Note c)</b>	<u>314</u>	<u>1,551</u>
<b>Deferred tax</b>		
Change in fair value of investment properties	736	522
Origination and reversal of temporary differences	366	582
	<u>1,102</u>	<u>1,104</u>
Total	<u><b>6,110</b></u>	<u><b>6,630</b></u>

- (a) The provision for Hong Kong Profits Tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2018: 16.5%).
- (b) Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2018: 25%), China withholding income tax at a rate of up to 10% and Singapore income tax at a rate of 17% (2018: 17%).
- (c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property 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 the cost of land use rights, borrowing costs and all property development expenditure.
- (d) Tax attributable to associates and joint ventures for the year ended 31 December 2019 of HK\$1,073 million (2018: HK\$1,247 million) is included in the share of results after tax of associates and joint ventures.

## 7. EARNINGS PER SHARE

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

### (a) Earnings for the purpose of basic and diluted earnings per share

	<b>2019</b> <b>HK\$ Million</b>	2018 HK\$ Million
Profit attributable to equity shareholders	<b>9,173</b>	17,239

### (b) Weighted average number of ordinary shares

	<b>2019</b> <b>No. of shares</b>	2018 No. of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,048,395,588</b>	2,046,116,410
Effect of dilutive potential shares - Share options	<b>2,321,103</b>	3,014,607
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,050,716,691</b>	2,049,131,017

## 8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	<b>2019</b> <b>HK\$</b> <b>per share</b>	<b>2019</b> <b>HK\$</b> <b>Million</b>	2018 HK\$ per share	2018 HK\$ Million
First interim dividend declared and paid	<b>0.525</b>	<b>1,075</b>	0.500	1,024
Second interim dividend declared after the end of the reporting period	<b>1.050</b>	<b>2,155</b>	1.050	2,150
	<b>1.575</b>	<b>3,230</b>	1.550	3,174

(a) The second interim dividend based on 2,053 million (2018: 2,048 million) issued ordinary 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\$2,151 million for 2018 was approved and paid in 2019.

## 9. TRADE AND OTHER RECEIVABLES

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

	2019 HK\$ Million	2018 HK\$ Million
Trade receivables		
0 - 30 days	421	632
31 - 60 days	56	86
61 - 90 days	34	40
Over 90 days	127	100
	<u>638</u>	<u>858</u>
Accrued sales receivables	3,884	18
Other receivables and prepayments	9,969	9,126
	<u>14,491</u>	<u>10,002</u>

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. Except for accrued sales receivables of HK\$3,662 million which are related to sales of properties with extended settlement plans, all the receivables are expected to be recoverable within one year.

## 10. TRADE AND OTHER PAYABLES

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

	2019 HK\$ Million	2018 HK\$ Million
Trade payables		
0 - 30 days	624	579
31 - 60 days	281	227
61 - 90 days	33	24
Over 90 days	82	73
	<u>1,020</u>	<u>903</u>
Rental and customer deposits	4,934	4,742
Construction costs payable	11,384	12,853
Amounts due to associates	4,869	2,709
Amounts due to joint ventures	6,210	5,707
Other payables	7,656	8,002
	<u>36,073</u>	<u>34,916</u>

## 11. SHARE CAPITAL

	2019	2019	2018	2018
	No. of shares	HK\$ Million	No. of shares	HK\$ Million
Issued and fully paid ordinary shares				
At 1 January	2,047,949,287	3,724	2,041,749,287	3,418
Shares issued under the share option scheme	900,000	40	6,200,000	306
At 31 December	<u>2,048,849,287</u>	<u>3,764</u>	<u>2,047,949,287</u>	<u>3,724</u>

## 12. EVENTS AFTER THE REPORTING PERIOD

On 25 February 2020, the offeror, Admiral Power Holdings Limited, requested the Board to put forward to the shareholders of the Company the proposal (the “Proposal”) which comprises i) the distribution to shareholders of one Wharf REIC share and one WHL share in respect of each share they hold as at the record date and ii) the privatisation of the Company in consideration of the scheme consideration of HK\$12 per scheme share, less the dividend adjustment (if any), which will be payable by the offeror to scheme shareholders in cash. Further details of the Proposal are set out in the joint announcement dated 27 February 2020.

## 13. REVIEW OF FINANCIAL STATEMENTS

The financial results for the year ended 31 December 2019 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the announcement of the Group’s results for the year ended 31 December 2019 have been agreed with the Company’s Auditors to the amounts set out in the Group’s consolidated financial statements for the year.

## CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2019, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of two deviations, namely, (i) Code Provision A.2.1 (the “First Deviation”) providing for the roles of the chairman and chief executive to be performed by different individuals; and (ii) Code Provision F.1.3 (the “Second Deviation”) providing for the company secretary to report to the board chairman or the chief executive.

Regarding the First Deviation, the relevant arrangement is deemed appropriate as it is considered to be more efficient for one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-executive Directors. As regards the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement in no way adversely affects the efficient discharge by the Company Secretary of his job duties.



## **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 under review.

## **RECORD DATE FOR SECOND INTERIM DIVIDEND**

There will be no book closure for determining Shareholders' entitlements to the Second Interim Dividend, which will be paid on 24 April 2020 to Shareholders on record as at the close of business on 7 April 2020. In order to qualify for the Second Interim Dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 7 April 2020.

## **BOOK CLOSURE FOR AGM**

For the purpose of ascertaining Shareholders' right to attend and vote at the forthcoming Annual General Meeting to be held on Wednesday, 13 May 2020 ("AGM"), the Register of Members of the Company will be closed from Friday, 8 May 2020 to Wednesday, 13 May 2020, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to be eligible for attending and voting at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 7 May 2020.

By Order of the Board

**Wilson W. S. Chan**

*Company Secretary*

Hong Kong, 11 March 2020

*As at the date of this Announcement, the Board of Directors of the Company comprises Mr. Douglas C. K. Woo, Mr. Stephen T. H. Ng, Mr. Stewart C. K. Leung, Mr. Paul Y. C. Tsui, Mr. Ricky K. Y. Wong, Mr. Horace W. C. Lee and Mrs. Mignonne Cheng, together with seven Independent Non-executive Directors, namely, Mr. Tak Hay Chau, Mr. Winston K. W. Leong, Mr. Alan H. Smith, Mr. Richard Y. S. Tang, Mr. Kenneth W. S. Ting, Ms. Nancy S. L. Tse and Dr. Glenn S. Yee.*