恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 12)

2019 FINAL RESULTS ANNOUNCEMENT

CHAIRMEN'S STATEMENT

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's underlying profit attributable to equity shareholders for the year ended 31 December 2019 was HK$14,640 million, representing a decrease of HK$5,125 million or 26% from HK$19,765 million for the previous year. The decrease in profit was mainly due to the fact that an underlying profit contribution of about HK$5,609 million was recognized in the previous year from the transfer of the equity interests in the office tower at King Wah Road, North Point, whereas the attributable share of underlying profit contribution from the transfer of its 50% equity interest in the company holding the commercial property at 8 Observatory Road, Tsim Sha Tsui, amounted to HK$1,305 million only during the year under review. Underlying earnings per share were HK$3.02 (2018: HK$4.08 as adjusted for the bonus issue in 2019).

Including the fair value change (net of non-controlling interests and tax) of investment properties and investment properties under development, the Group's reported profit attributable to equity shareholders for the year ended 31 December 2019 amounted to HK$16,994 million, representing a decrease of HK$14,163 million or 45% from HK$31,157 million for the previous year. Reported earnings per share were HK$3.51 (2018: HK$6.44 as adjusted for the bonus issue in 2019).

DIVIDENDS

The Board recommends the payment of a final dividend of HK$1.30 per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 16 June 2020, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.50 per share already paid, the total dividend for the year ended 31 December 2019 will amount to HK$1.80 per share (2018: HK$1.80 per share).

The proposed final dividend is expected to be distributed to shareholders on Friday, 26 June 2020.

BUSINESS REVIEW

During the year under review, Sino-US trade and technology-related disputes continued. In February 2019, the Hong Kong SAR Government proposed to amend the Fugitive Offenders Ordinance and there ensued a series of intensifying public protests from June onwards. A tense social atmosphere has added uncertainties to the local property market.

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

The Group's underlying profit attributable to equity shareholders for the year ended 31 December 2019 was down by 26% year-on-year to HK$14,640 million. The major profit contributors are as follows:

(1) The attributable share of pre-tax profit contribution from property sales (comprising the attributable share of contributions from subsidiaries, associates and joint ventures) amounted to HK$5,888 million, representing a decrease of merely 12% year-on-year despite the fact that profit contribution of HK$2,780 million from the disposal of the development project interests at Kwun Chui Road, Tuen Mun, was included in the previous financial year.

(2) The attributable share of pre-tax net rental income (comprising the attributable share of contributions from subsidiaries, associates and joint ventures) amounted to HK$7,065 million, representing an increase of 1% year-on-year.

(3) The total attributable share of pre-tax underlying profit contribution arising from the transfer of investment properties amounted to HK$1,688 million, representing a decrease of 73% year-on-year. Included therein was the gain of HK$1,305 million attributable to the Group's underlying profit from the transfer of its 50% equity interest in the company holding the commercial property at 8 Observatory Road, Tsim Sha Tsui, whereas the gain of HK$5,609 million from the transfer of equity interest in the companies holding the office tower at 18 King Wah Road, North Point, was recorded in the previous financial year.

Hong Kong

Property Sales

The Group capitalised on the opportune conditions in the earlier part of the reviewed period and launched an array of residential projects, namely "The Vantage" in Hung Hom, "The Addition" in Cheung Sha Wan and "Timber House" in Ho Man Tin, all of which sold well. Existing projects such as "Reach Summit – Sereno Verde Phase 5" in Yuen Long, "Eden Manor" adjacent to the Hong Kong Golf Club in Fanling, as well as a number of urban redevelopment boutique residences, "The H Collection", were also well received. For the year ended 31 December 2019, the Group sold an attributable total amount of HK$8,968 million of Hong Kong residences. During the year under review, the Group also entered into an agreement to transfer its equity interest in the company holding interests in certain land lots in Wo Shang Wai, New Territories, which cover a total site area of about 2,420,000 square feet, for a consideration of HK$4,705 million (subject to adjustments) to an independent third party. The transaction is currently scheduled to be completed in 2020. Together with the disposal of some other commercial properties and car parks, the Group sold HK$15,579 million worth of Hong Kong properties in attributable terms during the year under review.

Towards the year end, the Group launched "Henderson ehome", Hong Kong's first home-purchasing mobile app. The app provides an all-in-one electronic platform where customers can register their buying intents, pay deposits, select units and make advance bookings for unit handovers. This initiative enhances and streamlines the Group's sales arrangements, whilst alleviating overcrowding at sales offices.

After the end of this financial year, the Group released "The Richmond" at Mid-Levels West for sale in January 2020. This development, with its prime location and good layouts, received a very satisfactory market response, even amid the epidemic. Almost 80% of the launched residential units was sold within a short period of time.

Property Development

During the year under review, the Group won the bids for three waterfront residential sites on the former Kai Tak airport runway through various joint ventures, adding an aggregate gross floor area of about 0.7 million square feet in attributable terms to its development land bank in Hong Kong. Together with the neighbouring land sites acquired in 2018, the Group currently owns six residential development projects in this Kai Tak Development Area, at different levels of interests, representing a total attributable gross floor area of about 1.9 million square feet. With the Kai Tak MTR Station in commission last month, as well as the successive completion of Kai Tak Sports Park and other infrastructural developments in near future, Kai Tak Development Area is poised to be a distinguished and easily-accessible community by the Victoria Harbour.

Apart from public tenders, the Group has also made use of multiple channels to replenish its land development bank in Hong Kong. Except for a few projects earmarked for rental purposes, there will be ample supply of saleable areas for the Group's property sales in the coming years as follows:

Below is a summary of properties held for/under development and major completed stock:

			Attributable saleable/gross floor area (million sq. ft.) (Note 1)	Remarks
(A)	**Area available for sale in 2020:**			
1.	Unsold units from major development projects offered for sale	(Table 1)	0.8	Of which 578 residential units were completed with occupation permits
2.	Projects pending sale in 2020	(Table 2)	0.7	
		Sub-total:	**1.5**	
(B)	**Projects in Urban Areas:**			
3.	Existing Urban Redevelopment Projects	(Table 3)	0.9	Dates of sales launch are not yet fixed and one of them is pending finalisation of land premium with the Government
4.	Newly-acquired Urban Redevelopment Projects			
	4.1 with ownership fully consolidated	(Table 4)	2.5	Most of them are expected to be available for sale or lease in 2021-2022
	4.2 with 80% or above ownership secured	(Table 4)	1.8	Most of them are expected to be available for sale in 2022-2024
	4.3 with over 20% but less than 80% ownership secured	(Table 5)	0.7	Redevelopments of these projects are subject to acquisition of full ownerships

5.	Murray Road Central	0.5	To be held for rental purposes upon completion of development
6.	Kai Tak Development Area	1.7	Expected to be available for sale in 2021-2023 (excluding the project at New Kowloon Inland Lot No. 6565 (Phase 1), which is in the sales pipeline in 2020)
7.	Castle Peak Road/ Un Chau Street project Sham Shui Po	0.1	Expected to be available for sale in 2021
	Sub-total:	**8.2**	
	Total for the above categories (A) and (B) development projects:	**9.7**	

(C) Major development projects in the New Territories:

– Fanling North	3.5	(Note 2)
– Fanling Sheung Shui Town Lot No. 262 Fanling North	0.6	(Note 3)
– Fanling Sheung Shui Town Lot No. 263 Kwu Tung	0.3	(Note 3)
– Others	0.5	
Sub-total:	**4.9**	
Total for categories (A) to (C):	**14.6**	

Note 1: Gross floor area is calculated on the basis of the Buildings Department's approved plans or the Government's latest town planning parameters, as well as the Company's development plans. For certain projects, these details may be subject to change depending on the actual needs in future.

Note 2: Developable area is subject to finalisation of land premium.

Note 3: The Group finalised in-situ land exchange with land premium settled for these two land lots in 2017.

(Table 1) Unsold units from the major development projects offered for sale

There are 19 major development projects available for sale:

	Project name and location	Gross floor area (sq. ft.)	Type of development	At 31 December 2019 No. of residential units remaining unsold	Saleable area remaining unsold (sq. ft.)	Group's interest (%)	Attributable saleable area remained unsold (sq. ft.)
1.	Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	274	326,008	100.00	326,008
2.	Double Cove – Phases 1-5 8 Wu Kai Sha Road Ma On Shan	2,950,640	Commercial/ Residential	75	143,043	59.00	84,395
3.	Cetus • Square Mile 18 Ka Shin Street Mong Kok	176,256	Commercial/ Residential	94	26,413	100.00	26,413
4.	Wellesley 23 Robinson Road Mid-Levels West	156,900 (Note 1)	Residential	28	47,203	50.00 (Note 1)	23,602
5.	NOVUM EAST 856 King's Road Quarry Bay	177,814	Commercial/ Residential	47	13,028	100.00	13,028
6.	The Addition 342-356 Un Chau Street Cheung Sha Wan	79,903	Commercial/ Residential	37	12,844	100.00	12,844
7.	The Vantage 63 Ma Tau Wai Road Hung Hom	207,257	Commercial/ Residential	17	7,085	100.00	7,085
8.	NOVUM WEST 460 Queen's Road West Sai Ying Pun	272,526	Commercial/ Residential	15	6,741	100.00	6,741
9.	Green Lodge 23 Ma Fung Ling Road Yuen Long	78,781	Residential	2	6,617	100.00	6,617

10.	South Walk・Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	27	6,410	100.00	6,410
11.	Reach Summit – Sereno Verde Phase 5 99A Tai Tong Road Yuen Long	171,266	Residential	21	7,398	79.03	5,847
12.	The Reach 11 Shap Pat Heung Road Yuen Long	1,299,744	Residential	3	4,125	79.03	3,260
13.	Seven Victory Avenue 7 Victory Avenue Ho Man Tin	83,245	Commercial/ Residential	7	2,723	100.00	2,723
14.	H・Bonaire 68 Main Street Ap Lei Chau	65,761	Commercial/ Residential	4	2,553	100.00	2,553
15.	PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134
16.	Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	336,052	Industrial	Not applicable	77,777 (Note 2)	100.00	77,777 (Note 2)
17.	E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	60,359 (Note 2)	100.00	60,359 (Note 2)
18.	The Globe 79 Wing Hong Street Cheung Sha Wan	172,113	Office	Not applicable	59,337 (Note 2)	100.00	59,337 (Note 2)
19.	Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622 (Note 2)	100.00	48,622 (Note 2)
			Total:	**653** (Note 3)	**859,420**		**774,755**

Note 1: The Group's interest represents 25.07% of the development. After the allocation of the residential units, the Group holds jointly with one developer a 50/50 interest in the residential units so allocated.

Note 2: Representing the office, industrial or shop area.

Note 3: Out of the above 653 unsold residential units, 578 residential units were completed with occupation permits.

(Table 2) Projects pending sale in 2020

In the absence of unforeseen delays, the following projects will be available for sale in 2020:

	Project name and location	Gross floor area (sq. ft.)	Type of development	No. of residential units	Residential gross floor area (sq. ft.)	Group's interest (%)	Attributable residential gross floor area (sq. ft.)
1.	The Richmond 62C Robinson Road Mid-Levels West (launched for sale in January 2020)	33,678	Commercial/ Residential	90	24,771 (Note 1)	100.00	24,771 (Note 1)
2.	38 Fuk Chak Street Mong Kok	180,926	Commercial/ Residential	488	150,845	100.00	150,845
3.	Lot No. 1752 in DD No. 122 Tong Yan San Tsuen Yuen Long	27,868	Residential	16	27,868	100.00	27,868
4.	1-19 Chung Ching Street Sai Ying Pun	90,102	Commercial/ Residential	264	79,173	100.00	79,173
5.	Phase 1, Tuen Mun Town Lot No. 547 (Castle Peak Road Castle Peak Bay, Area 48 Tuen Mun) (Note 2)	663,062 (Note 3)	Residential	611	231,924	16.71	38,755
6.	Phase 2, Tuen Mun Town Lot No. 547 (Castle Peak Road Castle Peak Bay, Area 48 Tuen Mun) (Note 2)	663,062 (Note 3)	Residential	614	237,455	16.71	39,679
7.	Phase 3, Tuen Mun Town Lot No. 547 (Castle Peak Road Castle Peak Bay, Area 48 Tuen Mun) (Note 2)	663,062 (Note 3)	Residential	557	193,683	16.71	32,364
8.	65-71 Main Street Ap Lei Chau	40,380	Commercial/ Residential	138	36,136	100.00	36,136
9.	Phase 1, New Kowloon Inland Lot No. 6565, Kai Tak (Note 2)	654,602 (Note 3)	Commercial/ Residential	479	258,622	100.00	258,622
			Total:	**3,257**	**1,240,477**		**688,213**

Note 1: Representing the residential saleable area.
Note 2: Pending the issue of pre-sale consent.
Note 3: Representing the total gross floor area for the whole project.

(Table 3) Existing Urban Redevelopment Projects

The Group has two existing projects under redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 0.9 million square feet in attributable gross floor area in the urban areas based on the Buildings Department's approved plans or the Government's latest town planning:

	Project name and location	Site area (sq. ft.)	Expected gross floor area upon redevelopment (sq. ft.)	Group's interest (%)	Expected attributable gross floor area upon redevelopment (sq. ft.)
1.	Yau Tong Bay Kowloon (Note)	810,454	3,993,670	22.80	910,556
2.	29A Lugard Road The Peak, Hong Kong	23,653	11,709	100.00	11,709
	Total:	**834,107**	**4,005,379**		**922,265**

Note: The general building plan (after adjustment on site boundary) was approved in July 2017 and the corresponding land exchange and land premium applications are in progress.

(Table 4) Newly-acquired Urban Redevelopment Projects – with 80% to 100% ownership secured

There are 26 newly-acquired urban redevelopment projects with 80% to 100% ownerships secured. Their expected attributable gross floor areas, based on the Buildings Department's approved plans or the Government's latest town planning, are as follows:

		With 100% ownership secured		With over 80% but less than 100% ownership secured*		
	Project name and location	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Site area (sq. ft.)**	**Expected attributable gross floor area upon redevelopment (sq. ft.)**	**Total attributable gross floor area (sq. ft.)**
Hong Kong						
1.	4A-4P Seymour Road, Mid-Levels (65% stake held by the Group)	52,466	306,921			306,921
2.	73-73E Caine Road, Mid-Levels	6,781	64,063			64,063
3.	1-4 Ladder Street Terrace, Mid-Levels	2,859	13,907			13,907
4.	94-100 Robinson Road, Mid-Levels	5,798	28,990	6,362	31,810	60,800
5.	88 Robinson Road, Mid-Levels			10,361	51,805	51,805
6.	105 Robinson Road, Mid-Levels			27,530	126,638	126,638
7.	33-47A Elgin Street, Mid-Levels			13,252	105,332	105,332
8.	206-212 Johnston Road, Wanchai (Note 1)	4,328	64,923			64,923
9.	13-21 Wood Road and 22-30 Wing Cheung Street, Wanchai	6,392	51,068	2,208	19,722	70,790
10.	83-95 Shek Pai Wan Road and 2 Tin Wan Street, Aberdeen	4,950	42,075	1,128	10,716	52,791
11.	4-6 Tin Wan Street, Aberdeen			1,740	14,790	14,790
12.	9-13 Sun Chun Street Tai Hang			2,019	18,171	18,171
13.	17-25 Sun Chun Street Tai Hang			4,497	40,473	40,473
14.	2 Tai Cheong Street Quarry Bay	13,713	134,421			134,421
15.	983-987A King's Road and 16-22 and 24-94 Pan Hoi Street, Quarry Bay (50% stake held by the Group)			43,882	176,760	176,760
	Sub-total:	**97,287**	**706,368**	**112,979**	**596,217**	**1,302,585**

Project name and location	With 100% ownership secured: Site area (sq. ft.)	With 100% ownership secured: Expected attributable gross floor area upon redevelopment (sq. ft.)	With over 80% but less than 100% ownership secured*: Site area (sq. ft.)	With over 80% but less than 100% ownership secured*: Expected attributable gross floor area upon redevelopment (sq. ft.)	Total attributable gross floor area (sq. ft.)
Kowloon and New Territories					
16. 2 Tak Shing Street, Tsim Sha Tsui	10,614	89,553			89,553
17. 16 Kimberley Road, Tsim Sha Tsui			12,283	147,396	147,396
18. Various projects spanning Ka Shin Street, Kok Cheung Street, Pok Man Street, Man On Street and Tai Kok Tsui Road, Tai Kok Tsui	36,595	325,004	22,163	199,467	524,471 (Note 2)
19. 456-466 Sai Yeung Choi Street North and 50-56A Wong Chuk Street, Sham Shui Po (Note 3)	22,889	203,962			203,962
20. 1-27 Berwick Street, 202-220 Nam Cheong Street and 1-14 Yiu Tung Street, Shek Kip Mei	35,326	310,621	10,200	81,600	392,221
21. 11-19 Wing Lung Street, Cheung Sha Wan (Note 3)	6,510	58,300			58,300
22. Various projects spanning Gillies Avenue South, Baker Street, Whampoa Street and Bulkeley Street, Hung Hom	66,200	595,698	45,850	412,654	1,008,352
23. 68A-76B To Kwa Wan Road, 58-76 Lok Shan Road, 14-20 Ha Heung Road, 1-7 Lai Wa Street and 1-9 and 2-8 Mei Wa Street, To Kwa Wan			42,506	374,355	374,355
24. 67-83 Fuk Lo Tsun Road, Kowloon City (Note 3)	10,954	96,696			96,696
25. 4-22 Nam Kok Road, Kowloon City	10,177	86,505			86,505
26. 3 Mei Sun Lane, Tai Po	6,487	37,041			37,041
Sub-total:	**205,752**	**1,803,380**	**133,002**	**1,215,472**	**3,018,852**
Total:	**303,039**	**2,509,748**	**245,981**	**1,811,689**	**4,321,437**

* *Their ownership will be consolidated by proceeding to court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development.*

Note 1: To be held for rental purposes upon its scheduled completion by the end of 2020.
Note 2: Excluding those projects already offered for sales (namely, "Eltanin • Square Mile" and "Cetus • Square Mile") in this cluster, as well as the Fuk Chak Street project in the sales pipeline in 2020, which boast a total gross floor area of about 530,000 square feet.
Note 3: Developable area may be subject to payment of land premium.

(Table 5) Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, involving 29 projects located in various urban districts. Currently, ownership ranging from over 20% to below 80% of each project has been achieved. The attributable land areas of these projects total about 200,000 square feet. If and when their ownerships are successfully consolidated, based on the Government's latest town planning, the total estimated attributable gross floor area would be about 1,750,000 square feet upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 660,000 square feet. Successful acquisitions of the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopment can only be implemented upon acquisition of the full ownership of the relevant projects.

Land Bank

During the year under review, the Group continued to expand its presence in Kai Tak Development Area after successful acquisition of three residential sites in that area in the previous financial year. In March 2019, a joint venture formed between various developers won the tender for a residential site at New Kowloon Inland Lot No. 6576 in Kai Tak Development Area at a consideration of HK$9,893 million, of which 30% is attributable to the Group. In May 2019, another joint venture of the Group also won the tender for a residential land lot at New Kowloon Inland Lot No. 6552 in Kai Tak Development Area at a consideration of HK$12,590 million, of which 18% is attributable to the Group. In November 2019, a residential land lot at New Kowloon Inland Lot No. 6554 in Kai Tak Development Area was acquired by another joint venture of the Group through a public tender at a consideration of about HK$15,953 million, of which 30% is attributable to the Group. Located on the former Kai Tak airport runway, these three waterfront sites commands panoramic views of both sides of the Victoria Harbour. Details of the additions are summarized as follows:

	Location	**Lease Expiry**	**Site area (sq. ft.)**	**Group's interest (%)**	**Estimated attributable gross floor area (sq. ft.)**
1.	New Kowloon Inland Lot No. 6576, Kai Tak	2066	103,151	30.00	216,618
2.	New Kowloon Inland Lot No. 6552, Kai Tak	2066	105,110	18.00	115,411
3.	New Kowloon Inland Lot No. 6554, Kai Tak	2066	197,550	30.00	361,515
				Total:	**693,544**

The Group currently has a land bank in Hong Kong comprising a total attributable gross floor area of approximately 24.5 million square feet, made up as follows:

		Attributable gross floor area (million sq. ft.)
Properties held for/under development (Note)		13.8
Unsold units from major launched projects		0.8
	Sub-total:	**14.6**
Completed properties (including hotels) for rental		9.9
	Total:	**24.5**

Note: Including the total attributable developable area of about 3.5 million square feet from the projects in Fanling North, which are subject to finalisation of land premium.

Land in Urban Areas

In addition to those already in the sales pipeline as mentioned above, the Group has urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 4.32 million square feet, which are expected to be available for sale or lease in 2021 or beyond. The total land cost of such projects is estimated to be about HK$38,100 million (including the pricey street shops and the project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$8,800 per square foot of gross floor area.

New Territories land

During the year under review, the Group acquired further New Territories land lots of about 0.3 million square feet. However, the Government resumed a total land area of about 1.26 million square feet in Fanling North and Kwu Tung North New Development Areas for public use by payment of cash compensation in an aggregate amount of about HK$1,751 million. At the end of December 2019, the Group held New Territories land reserves amounting to approximately 44.9 million square feet in land area, which was still the largest holding among all property developers in Hong Kong.

After excluding the land lots resumed by the Government as mentioned above, the Group still holds a total land area of 1.38 million square feet in Fanling North and Kwu Tung North New Development Areas. Of this holding, a total land area of roughly over 600,000 square feet in Fanling North is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use by payment of cash compensation. The Group applied for in-situ land exchange for three separate land lots in Fanling North. All have been accepted by the Government for further review. These three land lots in Fanling North are expected to provide an aggregate residential gross floor area of approximately 3.03 million square feet and commercial gross floor area of approximately 440,000 square feet, against their respective site areas of 228,000 square feet, 240,000 square feet and 241,000 square feet. Developable areas for these sites are subject to finalisation of land premium.

According to the aforementioned “North East New Territories New Development Areas Planning and Engineering Study”, the region at Ping Che/Ta Kwu Ling will be re-planned in response to the “2013 Policy Address” which proposed an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. In January 2014, the Government commenced its “Preliminary Feasibility Study on Developing the New Territories North” on an area of about 5,300 hectares. In September 2014, the Government announced the “Railway Development Strategy”, including its long-term plan to further extend the railway line to Kwu Tung and Ping Che. In order to increase land supply for housing, the Government formulated the Preliminary Outline Development Plan for “Planning and Engineering Study for Housing Sites in Yuen Long South – Investigation” and launched its Stage 2 Community Engagement. It also released the “Land Use Review for Kam Tin South and Pat Heung”. The Group holds certain pieces of land in these areas.

As for the “Hung Shui Kiu New Development Area Planning and Engineering Study”, the area concerned covers an area of about 714 hectares. The Group holds a total land area of approximately 6.47 million square feet in this location. Under the draft Hung Shui Kiu and Ha Tsuen Outline Zoning Plan, it is proposed to accommodate a new town with a population of about 215,000 people and 60,000 additional flats, of which about 50% are private developments. Impacts to the Group arising from these proposals are to be assessed. The Group will continue to work in line with the Government’s development policies and will follow up closely on its development plans.

The Pilot Scheme for Arbitration on Land Premium was introduced by the Government in October 2014 for a trial period of two years, aimed at facilitating the early conclusion of land premium negotiations and expediting land supply for housing and other uses. The Pilot Scheme has been extended to October 2020. The Group will thus consider requesting for arbitration on its land exchange or lease modification cases when necessary.

In order to increase and expedite land supply, the Government announced that the Lands Department would establish a centralised Land Supply Section for speeding up “big ticket” lease modification and land exchange cases and further centralisation of premium assessments, so as to streamline and expedite the development process. The Group will actively work in line with these Government initiatives.

The Government announced that it had fully accepted the recommendations tendered by the Task Force on Land Supply regarding land supply strategy and eight land supply options worthy of priority studies and implementation, which included “Tapping into Private Agricultural Land Reserve in the New Territories”. The Government is in the process of drawing up more specific criteria and other details of the implementation framework for its Land Sharing Pilot Scheme. The Group will look into the matter thoroughly when more details are disclosed.

Investment Properties

In February 2019, the Hong Kong SAR Government proposed to amend the Fugitive Offenders Ordinance and there ensued a series of intensifying protests from June onwards. With a significant decrease in tourist arrivals, transport disruptions and business suspensions, Hong Kong's GDP and total retail sales for 2019 decreased by 1.2% and 11.1% respectively compared to a year earlier.

During the year under review, the Group's attributable share of gross rental income in Hong Kong (including the attributable share of contributions from subsidiaries, associates and joint ventures) increased by 2% year-on-year to HK$7,314 million. The attributable share of pre-tax net rental income (including the attributable contributions from subsidiaries, associates and joint ventures) was HK$5,601 million, representing a growth of 0.3% over the previous year. Included therein is attributable gross rental income of HK$2,135 million (2018: HK$2,100 million) contributed from the Group's attributable 40.77% interest in The International Finance Centre ("ifc") project. At the end of December 2019, the average leasing rate for the Group's major rental properties was 97%. Besides, there were about 8,000 car parking bays attributable to the Group, providing additional rental income.

The "Citygate Outlets" extension in Tung Chung, in which the Group has 20% interest, as well as the Group's wholly-owned "H Zentre" in Tsim Sha Tsui and "Harbour East" in North Point were completed during the year under review. At the end of December 2019, the Group's completed investment property portfolio in Hong Kong was expanded to 9.4 million square feet in attributable terms with its breakdown as follows:

By type:	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Shopping arcade or retail	5.1	54.2
Office	3.5	37.2
Industrial	0.4	4.3
Residential and hotel apartment	0.4	4.3
Total:	**9.4**	**100.0**

By geographical area:	**Attributable gross floor area (million sq. ft.)**	**Percentage (%)**
Hong Kong Island	2.3	24.5
Kowloon	3.2	34.0
New Territories	3.9	41.5
Total:	**9.4**	**100.0**

Retail portfolio

At the end of December 2019, all the Group’s major shopping malls (except those under renovation or undergoing a tenant mix realignment) recorded nearly full occupancy. Such satisfactory results were due to their favourable attributes, including convenient locations, attentive customer services and appealing tenant mix. In addition to the regular reconfiguration of its shopping malls, the Group also closely watched the market trends and rolled out innovative promotional activities to attract more shoppers. For instance, during the summer, “MOSTown” in Ma On Shan joined hands with “NAKED Inc.”(a renowned Tokyo-based creative mastermind) to present “FLOWER PIECES”. This interactive multi-sensory exhibition of lights and shades was the first of its kind ever to be held outside Japan. By combining traditional Japanese culture (such as floral arrangements, poetry and incense rituals) with contemporary art and digital technology, this interactive exhibition offered an inspiring experience for customers to appreciate the beauty of flowers. This event was well received and made “MOSTown” the most popular shopping mall in the district.

Atop Tsim Sha Tsui East MTR station, which is just one stop from the Express Rail Link West Kowloon Station, “H Zentre” is a commercial development designed as a wellness and healthcare hub, complemented by dining, retail and car parking facilities. Its purpose-built medical floors, which were designed by a team of professional medical design consultants, are equipped with an array of advanced facilities (such as air purification system and back-up power supply) so as to meet the various medical requirements. This 340,000-square-foot development was completed in July 2019 and medical tenants have been moving in progressively.

The extension of the Group’s 20%-owned “Citygate Outlets” in Tung Chung, which comprises a retail area of about 340,000 square feet in seven storeys and a 130,000-square-foot five-star hotel, was completed in March 2019. The combined 800,000-square-foot shopping mall now houses over 150 international brands, 40 eateries and a cinema. Given its direct connection to the Tung Chung MTR station with close proximity to both the airport and the Hong Kong-Zhuhai-Macao Bridge, “Citygate Outlets” is emerging as the leading outlet mall in Hong Kong.

Office portfolio

The Group’s office leasing business continued to grow amid a weakened economy in Hong Kong. During the year under review, the Group’s premium office buildings in Hong Kong Island, such as “ifc” in Central - the core business area, “AIA Tower” in North Point and “FWD Financial Centre” in Sheung Wan, recorded consistently high occupancy with positive rental reversions. The leasing performance of the Group’s office and industrial/office premises in Kowloon East, including “Manulife Financial Centre”, “AIA Financial Centre”, “78 Hung To Road” and “52 Hung To Road”, also remained steady.

“Harbour East”, the Grade-A office development at Electric Road, North Point, was completed in November 2019. In addition to receiving the Gold Award in “The 2nd APIGBA Awards Competition – Design Category”, this 144,000-square-foot development was also awarded a top 3-Star China Green Building Design Label (GBDL) rating for its superior environmental standards and green building specifications. Moreover, with the Central-Wanchai Bypass in commission in early 2019, it only takes about five minutes to travel from Central to Island Eastern Corridor at North Point. As such, it has garnered keen interest from tenants who favour environmental sustainability and transportation accessibility.

The redevelopment project at Johnston Road, Wanchai, is scheduled for completion by the end of 2020. Together with the impending development of the 465,000-square-foot landmark project designed by the world-renowned architect Zaha Hadid Architects at Murray Road, Central, the Group’s office portfolio is poised to expand.

Construction

In order to tackle the problems of labour shortage and escalating costs being faced by the local construction industry and raise building quality further, the Group has expanded the use of prefabricated building components and system formwork in its developments. This construction method shortens the in-situ construction process, whilst minimising disruption to the immediate neighborhoods. It also helps reduce on-site manpower and construction waste, thereby enhancing cost efficiency and environmental protection.

In addition, numerous accolades, including "Proactive Safety Contractor Award" and "Safety Merit Award" from Hong Kong Construction Association, were received during the year under review in recognition of the Group's unwavering commitment to site safety.

The following development projects in Hong Kong were completed during the year under review:

	Project name and location	**Site area (sq. ft.)**	**Gross floor area (sq. ft.)**	**Type of development**	**Group's interest (%)**	**Attributable gross floor area (sq. ft.)**
1.	Eden Manor 88 Castle Peak Road Kwu Tung	154,280	555,399	Residential	100.00	555,399
2.	H Zentre 15 Middle Road Tsim Sha Tsui	28,309	339,711	Commercial	100.00	339,711
3.	NOVUM WEST 460 Queen's Road West Sai Ying Pun	28,027	272,526	Commercial/ Residential	100.00	272,526
4.	NOVUM EAST 856 King's Road Quarry Bay	17,720	177,814	Commercial/ Residential	100.00	177,814
5.	Cetus • Square Mile 18 Ka Shin Street Mong Kok	19,610	176,256	Commercial/ Residential	100.00	176,256
6.	Harbour East 218 Electric Road North Point	9,600	144,000	Commercial/ Office	100.00	144,000
7.	Extension to Citygate Outlets Tung Chung Town Lot No.11	107,919	473,119	Commercial/ Hotel	20.00	94,624
8.	Park One 1, 3 Nam Cheong Street and 180 Tung Chau Street Cheung Sha Wan	8,559	77,029	Commercial/ Residential	100.00	77,029
9.	South Walk • Aura 12 Tin Wan Street Aberdeen	4,060	37,550	Commercial/ Residential	100.00	37,550

10.	Lot No. 1752 in DD No.122 Tong Yan San Tsuen Yuen Long	27,868	27,868	Residential	100.00	27,868
11.	Park Reach 33 Shap Pat Heung Road Yuen Long	6,131	21,453	Commercial/ Residential	79.03	16,954
					Total:	**1,919,731**

Property Management

The Group's property management companies, namely, Hang Yick Properties Management Limited, H-Privilege Limited (which provides services for the Group's urban boutique residences under "The H Collection" brand), Well Born Real Estate Management Limited and Goodwill Management Limited, collectively manage about 80,000 apartments and industrial/commercial units, 10 million square feet of shopping and office space, as well as 20,000 car parking spaces in Hong Kong.

In order to ensure service excellence and customer satisfaction, these property management subsidiaries implement an Integrated Management System complying with the requirements of ISO 9001 (Quality Management System Certification), ISO 10002 (Complaints Handling Management System Certification), ISO 14001 (Environmental Management System Certification) and OHSAS 18001 (Occupational Health and Safety Management System Certification). Quality, health and safety, as well as environmental considerations are thus incorporated in all aspects of their services and operations.

In respect of community services, these property management subsidiaries also stayed at the forefront of the industry. Following the success of the preceding "Year of Youth" programme, they launched "The Year of Reforms" programme during the year so as to promote transformation and innovation. In recognition of their care for the public at large, a multitude of commendations was received and these included being named as a "Caring Company" for seventeen consecutive years, in addition to the "1st Runner-up of Highest Service Hour Award 2018 (Private Organizations - Category 1)" from the Government's Social Welfare Department.

Mainland China

During the year under review, the Central Government maintained its regulatory stance towards the mainland property sector under the directive that "housing is for living in, not for speculation". Local governments nevertheless were urged to intensify their implementation of differentiated policies suited to their particular conditions, whilst appropriate measures were taken to strike a balance between supply and demand. As such, the property market maintained a steady development. Although demand for better homes continued to grow steadily, the housing price rise began to taper off as tightening measures, namely restrictions on pricing, purchasing, lending and re-selling, were in place. As for the land market, with the continued stringent controls over credit towards the real estate sector, land bidding remained rational.

The following development projects were completed during the year under review:

	Project name	Usage	Group's interest (%)	Attributable gross floor area (million sq. ft.)
1.	Phases 3R2-C1, 3K1, 3R2-C2 and 3P1 La Botanica, Xian	Residential, commercial and school	50	0.51
2.	Phase F2A, Grand Lakeview, Yixing	Residential and commercial	50	0.38
3.	Phase 3B, Palatial Crest, Xian	Residential and commercial	100	0.26
4.	Phase 3, Henderson • Country Garden Jin Shi Tan Project, Dalian	Residential	50	0.06
5.	Luzhi Project, Suzhou	Residential	50	0.23
6.	Xukou Project, Suzhou	Residential	50	0.65
7.	Phase 3C, The Arch of Triumph, Changsha	Residential	70	0.29
			Total:	**2.38**

In response to the market conditions, the Group has refined its Mainland China strategy as follows:

Property Investment: The Group focused on the development of Grade-A office buildings. It has been pressing ahead with the development of the 3,000,000-square-foot "Lumina Shanghai" at the Xuhui Riverside Development Area in Shanghai, and the 2,200,000-square-foot "Lumina Guangzhou" in Yuexiu District, Guangzhou. Both projects are now at completion stage for their Phase 1 developments. The Group also actively looked for prime sites with good prospects at reasonable costs in other major cities for the purpose of property investment.

Property Development: The Group kept monitoring residential and composite development projects in major and leading second-tier cities, as well as development opportunities offered by the Greater Bay Area strategic plan. The Group also continued to strengthen its co-operation with mainland property developers for the joint development of residential projects. The Group's reputation, management expertise and financial strength, coupled with local developers' market intelligence, construction efficiency and cost advantages, have enhanced the potential of its development projects during the year under review.

In line with the above strategies, the Group added the following development projects to its land bank during the year under review:

(1) The Group independently won a bid for a residential site in Chaoyang District, Beijing at a consideration of about RMB3,020 million. The land lot with a site area of approximately 420,000 square feet will provide a total gross floor area of about 470,000 square feet.

(2) The Group partnered with Beijing Tian Heng Real Estate Group Company Limited to jointly develop a residential-cum-municipal site in Chaoyang District, Beijing. The Group has a 50% equity interest in this project. The land lot with a site area of over 340,000 square feet, which was acquired at a consideration of RMB2,425 million, will provide a total gross floor area of about 520,000 square feet.

(3) At an aggregate consideration of RMB1,697 million, the Group won the bid for a 51% equity interest in a project company, which owns a land lot of over 330,000 square feet in Pudong District, Shanghai for commercial development. Such land lot will be jointly developed with Shanghai Land (Group) Company Limited, which holds the remaining 49% equity interest in this project company, into a commercial-cum-office development with a total gross floor area of about 830,000 square feet.

(4) The Group is co-operating with the subsidiaries of CIFI Holdings (Group) Co. Limited ("CIFI", a mainland property developer listed in Hong Kong) to jointly develop a residential site in Binhu District, Hefei. The Group has a 50% equity interest in this project. The land lot with a site area of approximately 540,000 square feet, which was acquired at a consideration of about RMB1,731 million, will provide a total gross floor area of about 1,370,000 square feet.

(5) The Group joined with the subsidiaries of CIFI in developing a residential site in Xianlin New District, Nanjing. The Group has a 50% equity interest in this project. The land lot with a site area of approximately 240,000 square feet, which was acquired at a consideration of about RMB435 million, will provide a total gross floor area of about 330,000 square feet.

In addition to the holding of approximately 0.52 million square feet in attributable gross floor area of completed property stock, at 31 December 2019 the Group held a development land bank in 13 cities with a total attributable gross floor area of about 31.86 million square feet. Around 70% of this total is planned for residential development:

Land bank under development or held for future development

		Group's share of developable gross floor area* (million sq. ft.)
Prime cities		
Beijing		1.04
Shanghai		3.76
Guangzhou		2.31
Shenzhen		0.21
	Sub-total:	**7.32**
Second-tier cities		
Changsha		4.78
Chengdu		3.28
Hefei		0.69
Nanjing		0.19
Shenyang		4.45
Suzhou		1.42
Xian		6.87
Xuzhou		0.62
Yixing		2.24
	Sub-total:	**24.54**
	Total:	**31.86**

** Excluding basement areas and car parks.*

Usage of development land bank

		Estimated developable gross floor area (million sq. ft.)	Percentage (%)
Residential		22.20	69.7
Office		5.47	17.2
Commercial		3.60	11.3
Others (including clubhouses, schools and community facilities)		0.59	1.8
	Total:	**31.86**	**100.0**

Property Sales

During the year under review, the Group achieved attributable contracted sales of approximately HK$8,286 million in value and 5.2 million square feet in attributable gross floor area from various development projects, representing a year-on-year increase of 53% and 37% respectively. Main sales projects included “La Botanica” in Xian, “Grand Lakeview” in Yixing, “The Landscape” in Changsha, “Lakeside Mansion” in Beijing, as well as “Xuguan Project”, “Luzhi Project” and “Xukou Project” in Suzhou.

Investment Properties

At 31 December 2019, the Group had about 6.4 million square feet of completed investment properties in mainland China. Due to the depreciation of the Renminbi against the Hong Kong Dollar by approximately 4% year-on-year, the Group’s attributable gross rental income increased marginally by 1% to HK$1,849 million, whilst its attributable pre-tax net rental income increased by 2% to HK$1,464 million during the year under review.

In Beijing, “World Financial Centre’’ in the Chaoyang Central Business District successfully attracted many renowned corporations such as “Toyota Finance” and “Michael Page” as its new tenants. By the end of December 2019, this international Grade-A office complex was over 98% let, with gross rental income increased by 2% year-on-year in terms of Hong Kong dollars.

In Shanghai, “Henderson Metropolitan” near the Bund continued to perform well during the year under review. Many popular eateries and sporting brands such as “Nike”, “Fila” and “Columbia” were added to this mall so as to give its customers a diversified shopping experience. A higher leasing rate of over 97% was thus recorded. Meanwhile, its Grade-A office space was also highly sought-after by leading corporations, achieving a leasing rate of 98% at the end of December 2019. The Group’s other rental properties in Shanghai also performed well with the overall leasing rates at about 90% at the end of December 2019 amid the intensive competition in the office and commercial property leasing market in Shanghai.

In Guangzhou, the newly revamped “Hengbao Plaza” atop the Changshou Road subway station was 80% let at the end of December 2019. With a diverse tenant mix including educational institutions, popular eateries, jewellery stores and fashion chains, this mall attracts the patronage of shoppers together with their respective family members.

In addition, the Group has two large-scale complexes, namely “Lumina Guangzhou” and “Lumina Shanghai”, in the pipeline. The “Lumina” collection of commercial-cum-office developments in the mainland signifies the Group’s evolving vision of introducing a new urban lifestyle with a synergy between work and leisure. In recognition of its excellence in brand building, the Group was bestowed the Silver Award (Best place or nation brand) by Transform Magazine during the year under review. These “Lumina” premier landmark projects are now at pre-leasing stage.

Located at Yuexiu District, Guangzhou, with its close proximity to Pearl River and direct connection to two subway lines, “Lumina Guangzhou” won the Silver Award (Commercial-cum-office Building Category) in the “REARD Global Design Awards” for its Phase 1 development during the year under review. Its twin Grade-A office towers with a total gross floor area of over 960,000 square feet have successfully attracted many multinational corporations and financial institutions as its tenants. They include “Shenzhen Stock Exchange – Guangzhou office”, “AIA”, “Johnson & Johnson” and “Panasonic”. Meanwhile, a Cineplex equipped with state-of-the-art IMAX audio and visual systems, a health and fitness centre, as well as an array of renowned eateries have also been secured as the tenants of its 800,000-square-foot shopping and entertainment podium. More international retail brands, specialty restaurants and an amusement park for children will be introduced so as to provide customers with a multifarious shopping, leisure and entertainment experience. The entire Phase 1 development is scheduled for completion in the third quarter of 2020.

“Lumina Shanghai” at the Xuhui Riverside Development Area, Shanghai, will be developed in two phases. The 61-storey iconic office tower at its Phase 1 Development will provide Grade-A office space of approximately 1,800,000 square feet. It has attracted keen leasing interest from many multinational corporations and leading domestic enterprises, which are mainly engaged in professional services, information technology and media industries. The leasing response for its 220,000-square-foot shopping mall has been encouraging, with many enquiries from eateries and sporting brands. “Lumina Shanghai” Phase 1 is scheduled for completion and opening in the third quarter of 2020. Construction of the Phase 2 is progressing smoothly. Upon its scheduled completion in 2021, additional office and retail space with a total gross floor area of over 1,000,000 square feet will be provided.

Henderson Investment Limited ("HIL")

HIL's profit attributable to equity shareholders for the year ended 31 December 2019 amounted to HK$62 million, representing a decrease of HK$35 million, or 36% from that of HK$97 million in the previous year. The decrease in profit was mainly attributable to (i) the weaker economy resulting from the protracted social unrest in Hong Kong; (ii) the costs associated with closing the PIAGO store at Telford Plaza at the end of March 2019; and (iii) lower sales due to the four-month renovation of the UNY store at Lok Fu Place.

HIL currently operates six department stores under the name "Citistore", as well as two department stores-cum-supermarkets through "Unicorn Stores (HK) Limited" (formerly known as "UNY (HK) Co., Limited", hereinafter referred to as "UNY HK") in Hong Kong.

In early 2019, sales during the high season before Chinese New Year were affected by the exceptionally warm weather and the Sino-US trade disputes. From June onward, there ensued a series of intensifying protests. A significant decrease in tourist arrivals, transport disruptions and dwindling local consumer sentiment resulted, whilst the normal business hours of "Citistore" and "UNY HK" were also affected.

(I) Citistore

Affected by the above-mentioned unfavourable market conditions, Citistore recorded a year-on-year decrease of 8% in total sales proceeds derived from the sales of own goods, as well as concessionaire and consignment goods, for the year ended 31 December 2019.

With the decrease in gross profit of HK$16 million from the sale of own goods, as well as the decrease in commission income from concessionaire and consignment counters in the aggregate amount of HK$30 million, Citistore's profit after taxation for the year under review decreased by HK$13 million or 15% year-on-year to HK$76 million, despite its relentless efforts to control operating costs.

(II) UNY HK

Affected by the above-mentioned unfavourable market conditions, as well as the closure of its store at Telford Plaza and the renovation works of its store at Lok Fu Place, UNY HK recorded a year-on-year decrease of 18% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2019.

After deducting the operating expenses, a loss after taxation of HK$22 million was recorded during the year under review, mainly due to the rental expenditure in the aggregate amount of HK$22 million incurred on the PIAGO premises after its closure on 31 March 2019.

HIL will continue to integrate the businesses of Citistore and UNY HK so as to enhance their operational synergies, as well as cost efficiency. Efforts will also be made to launch innovative promotional campaigns and optimise the merchandise mix. Together with the forthcoming addition of a new Japanese supermarket in Yuen Long, the possible negative impact of the epidemic should be mitigated, thereby improving the Group's overall results.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

Hong Kong and China Gas's profit after taxation for the year under review (exclusive of its share of a revaluation surplus from an investment property, the International Finance Centre complex) amounted to HK$6,766 million, a decrease of HK$517 million, down by approximately 7% compared to 2018. Inclusive of its share of the revaluation surplus from the investment property, profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK$6,966 million, a decrease of HK$2,347 million, down by approximately 25%, compared to 2018. During the year under review, Hong Kong and China Gas invested HK$7,053 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

TOWN GAS BUSINESS IN HONG KONG

Total volume of gas sales in Hong Kong for 2019 was 28,712 million MJ, a decrease of 2.8%, in contrast to over 290,000 units of appliances sold, an increase of 2.4%, both compared to 2018. At the end of 2019, the number of customers was 1,933,727, an increase of 25,216 compared to 2018, up slightly by 1.3%. Its increase in the standard gas tariff effective from 1 August 2019 is helping to offset some of its rising operating costs.

UTILITY BUSINESSES IN MAINLAND CHINA

At the end of December 2019, Hong Kong and China Gas held approximately 67.76% of the total issued shares of Towngas China Company Limited ("Towngas China"; stock code: 1083). Compared to 2018, Towngas China's profit after taxation attributable to shareholders (excluding impairment provision of goodwill) for the year rose by 19% to HK$1,456 million. After deducting the one-off impairment provision of goodwill, profit after taxation attributable to shareholders for the year amounted to HK$1,308 million, an increase of 7% compared to 2018. Project development progressed well in 2019 with Towngas China adding 11 new projects to its portfolio, comprising U-Tech (Guang Dong) Engineering Construction Co., Ltd., a piped city-gas project in Laoshan district, Qingdao city, Shandong province, and Liaoning Clean Energy Group Co., Ltd., as well as eight distributed energy projects located in Fengnan Ligang Economic Development Zone, Tangshan city, Hebei province; in the Maanshan Economic and Technological Development Zone South District, Anhui province; in Dangtu Economic Development Zone North District, Anhui province; in Anhui province (developing sales of power); in Changzhou Photovoltaic Industrial Park, Jiangsu province; in Wangcun Industrial Zone, Songyang county, Lishui city, Zhejiang province; in the Xinmi Yinji International Tourism Resort, Zhengzhou city, Henan province; and in Shenzhen city, Guangdong province.

At the end of 2019, inclusive of Towngas China, Hong Kong and China Gas had a total of 132 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2019 was approximately 25,550 million cubic metres, an increase of 11% over 2018. At the end of 2019, Hong Kong and China Gas's mainland gas customers stood at approximately 29.78 million, an increase of 8% over 2018.

Construction of Hong Kong and China Gas's natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province, is progressing in phases. This project is the first of its kind built by a city-gas enterprise on the mainland. Phase one involves the construction of 10 wells; the first three wells were commissioned at the end of October 2018. Phase two involves the construction of 15 wells. Upon completion, total storage capacity of the whole facility will reach 1,100 million standard cubic metres.

Hong Kong and China Gas has been in the mainland water market, under the brand name "Hua Yan Water", for over 14 years and currently invests in, and operates, seven water projects. These include water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province; and a water services joint venture project in Foshan city, Guangdong province through investment in Foshan Water Environmental Protection Co., Ltd., being Hong Kong and China Gas's first water services project located in the Guangdong-Hong Kong-Macao Greater Bay Area. In addition, Hong Kong and China Gas has constructed a plant in Suzhou Industrial Park to handle 500 tonnes daily of food waste, green waste and landfill leachate for conversion into natural gas, oil products, solid fuel and fertilizers under the "Hua Yan Water" brand; trial production formally commenced in mid-February 2019.

Overall, inclusive of projects of Towngas China, Hong Kong and China Gas had 265 projects on the mainland, as at the end of 2019, spread across 26 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, environmentally-friendly energy and efficient energy applications, water sectors and waste processing, as well as telecommunications.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

Hong Kong and China Gas's development of emerging environmentally-friendly energy businesses, through ECO Environmental Investments Limited ("ECO"), include coalbed methane liquefaction, clean coal chemicals, conversion and utilisation of biomass, utilisation of industrial and agricultural waste as well as natural gas refilling stations.

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating well. ECO's landfill gas utilisation projects in the North East New Territories and the South East New Territories generate noticeable environmental benefits by avoiding in-situ burning and emission of landfill gas whilst enabling partial replacement of fossil fuels.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, and clean coal chemical project in Ordos city, Inner Mongolia Autonomous Region, are operating well. However, both projects were severely impacted by a significant fall in the selling prices of LNG, methanol and ethylene glycol caused by a reversal of the economic environment and weak consumer spending on the mainland as a result of ongoing China-US trade disputes, coupled with a warmer winter affecting peak demand for LNG.

ECO's project which processes inedible bio-grease feedstock into hydro-treated vegetable oil ("HVO"), located in Zhangjiagang city, Jiangsu province, is in the trial production stage. The "International Sustainability and Carbon Certification" (ISCC) gained by this project successfully established the advance nature and viability of ECO's self-developed patented technology. On this basis, ECO is constructing phase two of this project to enhance production capacity to 250,000 tonnes per annum; commissioning is expected in mid-2020.

A pilot project, located in Tangshan city, Hebei province, is expected to enter into trial production during the first half of 2020, yielding furfural and paper pulp, helping to ascertain the feasibility of ECO's self-developed patented technology. In addition, ECO has commenced another pilot project in Cangzhou city, Hebei province, utilising agricultural and forestry waste by further processing decomposed cellulose into cellulosic ethanol, an advanced biofuel that can be added to gasoline.

TELECOMMUNICATIONS BUSINESSES

Hong Kong and China Gas is developing telecommunications businesses through its wholly-owned subsidiary Towngas Telecommunications Company Limited and the latter's subsidiaries (collectively known as "TGT"). TGT's businesses are progressing steadily, with seven data centres currently located in Hong Kong and mainland China. TGT's world-class data centre located in Tseung Kwan O, Hong Kong, records promising rental. Shenzhen Internet Exchange Co., Ltd., an associated company of TGT, has been granted several valued-added telecommunications service licenses to provide services related to the Internet and data centre businesses in Shenzhen city. In addition, TGT has formed a new joint venture company with a strategic partner in Beijing for the development of connectivity, data centre and fog computing (small-scale data centre) businesses on the mainland.

FINANCING PROGRAMMES

Hong Kong and China Gas established a medium term note programme in 2009. It updated the programme during 2019 and increased the issue size by US$1,000 million to US$3,000 million. Medium term notes totalling HK$858 million, with a tenor of 30 years, were issued during 2019. At 31 December 2019, the nominal amount of medium term notes issued had reached HK$14,800 million with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 3.4% per annum and an average tenor of 16 years. In January 2014, Hong Kong and China Gas issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Securities"), amounting to US$300 million. These Perpetual Securities were redeemed in January 2019. Hong Kong and China Gas issued US$300 million new Perpetual Securities again in February 2019 and the proceeds are mainly used to refinance the redeemed Perpetual Securities. The newly issued Perpetual Securities keep the coupon interest rate at 4.75% per annum for the first five years. The Perpetual Securities are redeemable, at the option of Hong Kong and China Gas, in February 2024 or thereafter every six months on the coupon payment date. This issuance of the Perpetual Securities was rated A3 and BBB+ by international rating agencies Moody's Investors Service and Standard and Poor's Rating Services respectively.

***Hong Kong Ferry (Holdings) Company Limited* (*"Hong Kong Ferry"*)**

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

Property Development and Investment Operations

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

Tuen Mun Town Lot No. 547

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

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

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

Ferry, Shipyard and Related Operations

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

Securities Investment

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

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

Miramar Hotel and Investment Company, Limited ("Miramar")

Miramar's revenue for the year ended 31 December 2019 amounted to HK$3,062 million, representing a decrease of 4.3% (2018: HK$3,199 million). Profit attributable to shareholders for the reporting period decreased by 20.7% to HK$1,288 million (2018: HK$1,624 million). The decline is caused by the weakened operating results of its hotel and restaurant businesses, coupled with a notable reduction in the revaluation gain of its investment properties as compared to the prior year. Excluding the net increase of HK$504 million (2018: HK$783 million) in the fair value of its investment properties and other net gain from non-core businesses, the underlying profit attributable to shareholders decreased by 5.3% to approximately HK$784 million (2018: HK$828 million).

Hotels and Serviced Apartments Business

Occupancy rates of Miramar's hotels were in line with those Tariff A category in the Tsim Sha Tsui area which hovered at over 90% until the latter months of the year when the figures plummeted to about 50-60%, resulting in a year-on-year decrease of 15.0%. Dining business continued to form an integral part of its hotels operation and during the year with Cuisine Cuisine and WHISK at The Mira Hong Kong continue to be awarded as Michelin Guide Hong Kong and Macau 2019's Recommended Restaurants. Its hotels and serviced apartments business recorded total revenue of HK$560 million, a decrease of 21.2% during the year under review. EBITDA (earnings before interest, taxes, depreciation and amortization) dropped by 34.5% to HK$174 million.

Property Rental Business

Miramar's property rental business recorded a steady performance in 2019 with revenue of HK$913 million and EBITDA of HK$798 million, representing a slight drop of 0.1% and 1.1% respectively compared to the prior year. The Mira Place (Mira Place Tower A, Mira Place 1 and Mira Place 2) has been enjoying a steadily rising demand from commercial customers with its lettable floor areas close to being fully occupied. A number of highly-coveted brands from Japan, including Don Don Donki and Tokyo Lifestyle, have selected Mira Place as the destination choice of their debut flagship stores in Hong Kong. Its landmark "e-PARKING" mobile application has garnered multiple accolades in 2019, including the Silver Award of the Hong Kong ICT Awards 2019 – Smart Mobility Award (Smart Transportation).

Food and Beverage Business

Revenue in 2019 dropped by 23.6% to HK$244 million yet EBITDA managed to rise 85.6% to HK$24 million as a result of the closure of inefficient outlets and containment of operating costs. During the year, Cuisine Cuisine at ifc was awarded "My Favourite Cantonese Restaurant" by U Magazine, and Tsui Hang Village at the Mira Place in Tsim Sha Tsui won the honour of Michelin Guide Hong Kong and Macau 2019's Recommended Restaurants for seven years in a row.

Travel Business

Revenue from travel segment amounted to HK$1,345 million, representing an increase of HK$89 million or 7.1%. With the addition of consciousness in efficiency improvement which reduced operating costs, EBITDA rose substantially to HK$94 million, registering an increase of 57.6%, as compared to last year.

CORPORATE FINANCE

The Group has always adhered to prudent financial management principles. At 31 December 2019, net debt (including shareholder's loans totalling HK$737 million (2018: HK$1,100 million)) amounted to HK$81,655 million (2018: HK$70,123 million) giving rise to a financial gearing ratio of 25.5% (2018: 22.4%).

Since 2018, the Group had issued medium term notes carrying tenor from 2 to 15 years for a total amount of HK$10,887 million so as to diversify the sources of funding and to extend the debt maturity profile. In addition, the Group obtained seven-year Japanese Yen term loans for a total amount of JPY43,000 million and a six-year Renminbi term loan for a total amount of RMB1,000 million, demonstrating that the Group's prime credit standing is well received by the international investment community. At the same time, the Group also secured a substantial amount of banking facilities. After full prepayment and cancellation of a HK$18,000 million 5-year syndicated loan facility before its original due date in March 2020, the Group's internal funding remains ample.

In light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past years, the Group entered into interest rate swap contracts for certain medium and long-term periods, for the purpose of converting part of the Group's borrowings from floating interest rates into fixed interest rates. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

PROSPECTS

In January 2020, China and the United States reached a phase one deal of a trade agreement, fostering better trade relations between the two countries. However, Hong Kong's economic outlook is still hindered by unfavourable factors, including those stemming from the protracted local social unrest and the spread of the novel coronavirus infection. F&B, retail, logistics, hotel and tourism industries have been hard-hit. The negative impacts also spilled over to various business sectors. Rental returns and market values of the Group's properties in Hong Kong have been adversely affected. Amid such challenging conditions, the Group is fulfilling its social responsibilities by offering rent concessions to tenants whose businesses are in distress and is riding out the difficult times with them. Meanwhile, the Hong Kong SAR Government also proposed counter-cyclical relief measures on a massive scale so as to provide immediate assistance to members of the public and enterprises. Major central banks around the world have promptly implemented interest rate cuts and other measures to ease the impact of the pandemic on the global economy. With concerted efforts from all concerned, it is hoped that Hong Kong can soon ride out the storm.

During the year under review, the Group continued to replenish its development land bank in Hong Kong through diversified means and encouraging progress was achieved. Three waterfront residential sites on the former Kai Tak airport runway were secured through consortiums, adding an aggregate gross floor area of about 0.7 million square feet in attributable terms to its land bank. The Group also acquired further New Territories land lots of about 0.3 million square feet with its agricultural land reserves at the end of December 2019 totalling approximately 44.9 million square feet, which is still the largest holding among all property developers in Hong Kong. Turning to mainland China, five development projects in Beijing, Shanghai, Nanjing and Hefei were acquired, adding an aggregate attributable gross floor area of about 2.0 million square feet to the Group's land bank. The Group has managed to secure a stable supply of land resources for property development over the long term, enabling the sustainable growth of its property sales business.

As regards "**property sales**", following the launch of "The Richmond" at Mid-Levels West in January 2020, the Group plans to embark on the sale launches of eight other development projects in 2020. Together with unsold stocks, a total of about 3,900 residential units and 250,000 square feet of office/industrial space in Hong Kong will be available for sale in 2020. As at the end of December 2019, cumulative proceeds from the sales of Hong Kong properties, but not yet recognised, amounted to approximately HK$17,551 million in attributable terms.

In mainland China, the Central Government recently reiterated that "housing is for living in, not for speculation" and the fundamental directives toward the property market would not be changed for short-term economic stimulus. However, individual cities will be allowed to implement differentiated policies and to appropriately adjust supply and demand so as to enhance responsiveness of policies to market conditions. The Group will continue to look for investment opportunities in the first-tier cities, as well as the major second-tier cities. Furthermore, the Group will strengthen co-operation with local property developers. As regards mainland property sales, cumulative proceeds from sales, but not yet recognised, amounted to approximately HK$11,000 million in attributable terms as at the end of December 2019.

As regards “**rental business**”, the scheduled completion of various developments in 2020 (including the office redevelopment project at Johnston Road, Hong Kong, as well as “Lumina Guangzhou” Phase 1 at Yuexiu District and “Lumina Shanghai” Phase 1 at Xuhui Riverside Development Area, both in mainland China) will expand the Group’s rental portfolio to 9.5 million and 10.2 million square feet in attributable gross floor area, respectively, in Hong Kong and the mainland at the end of 2020. Together with the landmark office development at Murray Road in Hong Kong as well as the remaining phases of “Lumina Guangzhou” and “Lumina Shanghai” in mainland China, in the pipeline, the Group’s rental portfolio will grow further with a more optimal composition.

The “**associates**”, namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry, serve as another steady recurrent income stream to the Group. Hong Kong and China Gas, in particular, has 265 projects on the mainland, spanning 26 provinces, autonomous regions and municipalities. With a total of over 31 million piped-gas customers in Hong Kong and mainland China, this sizeable customer base will create a promising platform for its expansion of various extended businesses.

It is expected that the operating environment for the Group’s various businesses will be challenging this year. The Group will monitor the situation closely, assess risks, and take appropriate measures. With the Group’s ample financial resources and astute management of three major businesses (namely, “**property sales**”, “**rental business**” and “**associates**”) by its seasoned professional team, it is well-placed to tackle the challenges ahead.

APPRECIATION

Dr Lee Shau Kee, the founder of the Company, stepped down from the position of Chairman and Managing Director on 28 May 2019 due to his advanced age. He remains as an Executive Director of the Company. We would like to express our sincere gratitude to Dr Lee Shau Kee for his invaluable contribution to the Company over the past 40 years and his outstanding leadership in building a solid foundation for the Company’s continuous growth in the future.

Lastly, we would also like to take this opportunity to extend our appreciation to our fellow directors for their wise counsel, and to thank all our staff for their commitment and hard work throughout the year.

Lee Ka Kit
Chairman

Lee Ka Shing
Chairman

Hong Kong, 23 March 2020

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2019

	Note	***2019*** **HK$ million**	*2018* HK$ million
Revenue	3	**24,184**	21,982
Direct costs		**(11,378)**	(9,987)
		12,806	11,995
Other net income	4	**1,148**	1,520
Selling and marketing expenses		**(1,307)**	(666)
Administrative expenses		**(1,946)**	(1,881)
Profit from operations before changes in fair value of investment properties and investment properties under development		**10,701**	10,968
Increase in fair value of investment properties and investment properties under development	5	**2,530**	10,465
Profit from operations after changes in fair value of investment properties and investment properties under development		**13,231**	21,433
Finance costs	6(a)	**(601)**	(810)
Bank interest income		**635**	660
Net interest income/(net finance costs)		**34**	(150)
Share of profits less losses of associates		**3,627**	5,265
Share of profits less losses of joint ventures		**2,194**	6,947
Profit before taxation	6	**19,086**	33,495
Income tax	7	**(2,037)**	(2,123)
Profit for the year		**17,049**	31,372

Consolidated Statement of Profit or Loss

for the year ended 31 December 2019 (continued)

	Note	***2019*** **HK$ million**	*2018* HK$ million
Attributable to:			
Equity shareholders of the Company		**16,994**	31,157
Non-controlling interests		**55**	215
Profit for the year		**17,049**	31,372
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*9(a)*	***HK$3.51***	*HK$6.44**
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*9(b)*	***HK$3.02***	*HK$4.08**

** Adjusted for the bonus issue effected in 2019.*

Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019

	2019 **HK$ million**	*2018* HK$ million
Profit for the year	**17,049**	31,372
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
- Investments in equity securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve (non-recycling)	**(42)**	36
- Share of other comprehensive income of associates and joint ventures	**500**	(67)
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences: net movement in the exchange reserve	**(1,202)**	(2,484)
- Cash flow hedges: net movement in the hedging reserve	**76**	422
- Share of other comprehensive income of associates and joint ventures	**(525)**	(1,542)
Other comprehensive income for the year	**(1,193)**	(3,635)
Total comprehensive income for the year	**15,856**	27,737
Attributable to:		
Equity shareholders of the Company	**15,805**	27,533
Non-controlling interests	**51**	204
Total comprehensive income for the year	**15,856**	27,737

Consolidated Statement of Financial Position

at 31 December 2019

	Note	***At 31 December 2019*** **HK$ million**	*At 31 December 2018* HK$ million
Non-current assets			
Investment properties		**182,963**	176,717
Other property, plant and equipment		**389**	370
Right-of-use assets		**451**	-
Goodwill		**262**	262
Interest in associates		**63,171**	62,059
Interest in joint ventures		**65,230**	53,011
Derivative financial instruments		**453**	42
Other financial assets		**13,160**	13,825
Deferred tax assets		**416**	641
		326,495	306,927
Current assets			
Deposits for acquisition of properties	11	**1,260**	1,310
Inventories	12	**100,495**	97,177
Trade and other receivables	13	**14,885**	15,239
Cash held by stakeholders		**1,376**	2,158
Cash and bank balances		**10,734**	16,507
		128,750	132,391
Assets of the disposal group classified as held for sale		**-**	1,788
		128,750	134,179
Current liabilities			
Trade and other payables	14	**27,298**	27,113
Lease liabilities		**232**	-
Bank loans		**27,768**	27,834
Guaranteed notes		**1,484**	5,187
Tax payable		**2,383**	2,180
		59,165	62,314
Net current assets		**69,585**	71,865
Total assets less current liabilities		**396,080**	378,792

Consolidated Statement of Financial Position

at 31 December 2019 (continued)

	At 31 December 2019 **HK$ million**	*At 31 December 2018* HK$ million
Non-current liabilities		
Bank loans	**52,157**	44,621
Guaranteed notes	**10,243**	7,888
Amount due to a fellow subsidiary	**737**	1,100
Derivative financial instruments	**381**	376
Lease liabilities	**242**	-
Provisions for reinstatement costs	**17**	13
Deferred tax liabilities	**6,910**	6,802
	70,687	60,800
NET ASSETS	**325,393**	317,992
CAPITAL AND RESERVES		
Share capital	**52,345**	52,345
Other reserves	**268,506**	260,808
Total equity attributable to equity shareholders of the Company	**320,851**	313,153
Non-controlling interests	**4,542**	4,839
TOTAL EQUITY	**325,393**	317,992

Notes:

1 Basis of preparation

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results 2019 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2019 in due course.

The Company's auditor has reported on the financial statements of the Group 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 of matter without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The statutory 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"), and accounting principles generally accepted in Hong Kong. The statutory financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- investments designated as financial assets at fair value through other comprehensive income ("FVOCI");
- investments measured as financial assets at fair value through profit or loss ("FVPL");
- derivative financial instruments; and
- investment properties and certain investment properties under development.

Non-current assets held for sale and disposal groups are stated at the lower of carrying amount and fair value less costs to sell.

2 Changes in accounting policies

The HKICPA has issued the following new standard, interpretation and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group's consolidated financial statements for the current accounting period:

- HKFRS 16, *Leases*
- HK(IFRIC) Interpretation 23, *Uncertainty over income tax treatments*
- Annual improvements to HKFRSs 2015-2017 cycle

Under HKFRS 16, a lessee is required to recognise, at the earlier of the commencement of a lease or the adoption of HKFRS 16, a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss as the distinction between operating and finance leases is removed. The only exceptions are short-term leases and leases of low value assets in relation to which the "practical expedient" under HKFRS 16 is applicable. The accounting for lessors has not significantly changed. The adoption of HKFRS 16 affects the leases of properties as a lessee previously classified as operating leases prior to the adoption of HKFRS 16, which results in an increase in both assets and liabilities in the lessee's statement of financial position and impacts on the timing of recognition of the financial effects in the lessee's statement of profit or loss over the period of the leases.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability as adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site at which it is located, discounted to their present value and less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method during the period from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless it is reasonably certain that the Group will obtain ownership of the leased asset upon the expiry of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. The lease liability is measured at amortised cost using the effective interest method, and is re-measured when there is a change in future lease payments arising from a change in an index or rate. When the lease liability is re-measured 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.

2 Changes in accounting policies (continued)

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such renewal options impacts the lease term, which may significantly affect the amounts of lease liabilities and right-of-use assets recognised.

The Group applies the modified retrospective approach under HKFRS 16, and therefore no restatement is made to the comparative amounts for the corresponding year ended 31 December 2018 prior to the first adoption of HKFRS 16. A retrospective adjustment to the Group's retained profits (after tax) at 1 January 2019, for a cumulative decrease in the amount of HK$10 million, was recognised only.

At transition, except for short-term leases of the Group in respect of which the Company or any of its subsidiaries is a lessee and in relation to which the "practical expedient" under HKFRS 16 is applicable, the Group recognises for each of the remaining leases (the "Remaining Leases") a right-of-use asset, which is measured at its carrying amount as if HKFRS 16 had been applied since the commencement dates of the Remaining Leases, discounted at the Group's incremental borrowing rate at 1 January 2019.

At transition, lease liabilities were measured at the present value of the Remaining Leases payments, discounted at the Group's incremental borrowing rate at 1 January 2019. When measuring lease liabilities, the Group discounted lease payments using its weighted average incremental borrowing rate at 1 January 2019 of 3.49% per annum.

	HK$ million
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	**659**
Discounted using the Group's incremental borrowing rate at 1 January 2019	**626**
Less: recognition exemption for short-term leases	**(61)**
Lease liabilities recognised at 1 January 2019	**565**

Except for HKFRS 16 whose financial impact on the Group is referred to above, none of the interpretation or amendments which are first effective for the current accounting period of the Group, as referred to above, would have a material effect on the preparation or presentation of the Group's results and financial position for the current or prior periods.

2 Changes in accounting policies (continued)

Up to the date of issue of the statutory financial statements, the HKICPA has issued a number of amendments to HKFRSs, a new standard, HKFRS 17, *Insurance contracts* and a *revised Conceptual Framework*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in the statutory financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
Revised Conceptual Framework	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments 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 Group's consolidated financial statements.

3 Revenue

Revenue of the Group represents revenue from the sale of properties, rental income, department store operation and management, and other businesses mainly including income from construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	2019	*2018*
	HK$ million	HK$ million
Sale of properties	**15,079**	13,335
Rental income	**6,169**	6,020
Department store operation (note)	**1,707**	1,496
Other businesses	**1,229**	1,131
Total (note 10(b))	**24,184**	21,982

Note: Including commission income earned from consignment and concessionary counters of the department store operation in the aggregate amount of HK$475 million for the year (2018: HK$486 million).

At 31 December 2019, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's properties held for/under development for sale and completed properties for sale pending assignment in Hong Kong and mainland China amounted to HK$19,843 million (2018: HK$18,984 million), which will be recognised when the pre-sold properties are assigned to the customers.

4 Other net income

	2019 **HK$ million**	*2018* HK$ million
Net gain on transfers of subsidiaries regarding (notes (i) and (ii))		
- Investment properties (note (i))	**-**	846
- Properties held for development (note (ii))	**-**	598
Net gain on transfer of interest in joint ventures regarding (note (iii))		
- Investment properties	**345**	-
	345	1,444
Net gain on disposal of investment properties	**251**	234
Aggregate net gain on sales of property interests (note 10(a))	**596**	1,678
Net fair value gain/(loss) on investments measured as financial assets at FVPL	**1**	(93)
Net fair value gain on derivative financial instruments:		
- Interest rate swap contracts, cross currency interest rate swap contracts and cross currency swap contracts (for which no hedge accounting was applied during the year)	**409**	91
- Other derivatives	**-**	13
Cash flow hedges: reclassified from hedging reserve to profit or loss (note (iv))	**-**	(519)
(Impairment loss)/reversal of impairment loss on trade debtors, net (note 10(c))	**(3)**	25
Provision on inventories, net	**(19)**	(90)
Exchange (losses)/gains (note 6(d))	**(25)**	89
Others	**189**	326
	1,148	1,520

4 Other net income (continued)

Notes:

(i) *The net gain on transfer of subsidiaries for the corresponding year ended 31 December 2018 in the amount of HK$846 million related to the transfer of the Group's interest in subsidiaries which own an investment property at No. 18 King Wah Road, North Point, Hong Kong.*

(ii) *The net gain on transfer of subsidiaries for the corresponding year ended 31 December 2018 in the amount of HK$598 million related to the transfer of the Group's interest in two wholly-owned subsidiaries to a joint venture in which the Group has a 50% interest.*

(iii) *The net gain on transfer of interest in joint ventures for the year ended 31 December 2019 in the amount of HK$345 million related to the transfer of the Group's interest in a joint venture which, together with its wholly-owned subsidiaries, collectively own an investment property at No. 8 Observatory Road, Hong Kong (2018: Nil).*

(iv) *The amount for the corresponding year ended 31 December 2018 comprised the net cumulative loss (before tax) of HK$519 million which was reclassified from equity to profit or loss upon the revocation of the hedge relationship between certain bank loans of the Company's wholly-owned subsidiaries (as hedged items) and their underlying interest rate swap contracts (as hedging instruments) during the corresponding year ended 31 December 2018.*

5 Increase in fair value of investment properties and investment properties under development

The Group's investment properties and investment properties under development were revalued at 31 December 2019 by Cushman & Wakefield Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

As a result, a net fair value gain on investment properties and investment properties under development in Hong Kong and mainland China in the aggregate amount of HK$2,530 million (2018: HK$10,465 million) and deferred tax charge in respect of the fair value change on investment properties in mainland China of HK$40 million (2018: HK$200 million) have been recognised in the consolidated statement of profit or loss for the year (see note 9(b)).

In aggregate, the Group's attributable share of the net fair value gains (net of deferred tax) on investment properties and investment properties under development held by subsidiaries, associates and joint ventures for the year ended 31 December 2019 amounted to HK$3,449 million (2018: HK$16,815 million).

5 Increase in fair value of investment properties and investment properties under development (continued)

A reconciliation of the abovementioned figures is as follows:-

For the year ended 31 December 2019

	Hong Kong HK$ million	Mainland China HK$ million	Total HK$ million
Fair value gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax) (note 9(b))	**2,460**	**70**	**2,530**
Less :			
Deferred tax (note 9(b))	**-**	**(40)**	**(40)**
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	**(2)**	**-**	**(2)**
(after deducting non-controlling interests' attributable share and deferred tax)	**2,458**	**30**	**2,488**
- associates (Group's attributable share) (notes 9(b) and 10(a)(iv))	**347**	**-**	**347**
- joint ventures (Group's attributable share) (notes 9(b) and 10(a)(v))	**403**	**211**	**614**
	3,208	**241**	**3,449**

5 Increase in fair value of investment properties and investment properties under development (continued)

For the year ended 31 December 2018

	Hong Kong	Mainland China	Total
	HK$ million	HK$ million	HK$ million
Fair value gain on investment properties and investment properties under development held by			
- subsidiaries (before deducting non-controlling interests' attributable share and deferred tax) (note 9(b))	9,736	729	10,465
Less :			
Deferred tax (note 9(b))	-	(200)	(200)
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	(13)	-	(13)
(after deducting non-controlling interests' attributable share and deferred tax)	9,723	529	10,252
- associates (Group's attributable share) (notes 9(b) and 10(a)(iv))	1,267	-	1,267
- joint ventures (Group's attributable share) (notes 9(b) and 10(a)(v))	5,198	98	5,296
	16,188	627	16,815

6 Profit before taxation

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

		2019	*2018*
		HK$ million	HK$ million
(a)	**Finance costs:**		
	Bank loans interest	**1,705**	1,320
	Interest on loans wholly repayable within five years	**542**	620
	Interest on loans repayable after five years	**174**	94
	Finance cost on lease liabilities	**19**	-
	Other borrowing costs	**138**	144
		2,578	2,178
	Less: Amount capitalised (note)	**(1,977)**	(1,368)
	Finance costs	**601**	810

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans, guaranteed notes and amount due to a fellow subsidiary during the period under which interest capitalisation is applicable) ranging from 2.26% to 4.35% (2018: 2.08% to 4.35%) per annum.

(b)	**Directors' emoluments**	**192**	183

(c)	**Staff costs (other than directors' emoluments):**		
	Salaries, wages and other benefits	**2,333**	2,164
	Contributions to defined contribution retirement plans	**97**	92
		2,430	2,256

6 Profit before taxation (continued)

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

		2019	*2018*
		HK$ million	*HK$ million*
(d)	**Other items:**		
	Net foreign exchange loss/(gain)	**261**	(32)
	Cash flow hedges: net foreign exchange gain reclassified from equity	**(236)**	(57)
	Exchange losses/(gains) (note 4)	**25**	(89)
	Cost of sales		
	- properties for sale	**7,914**	6,935
	- trading stocks	**856**	718
	Auditors' remuneration		
	- audit services	**21**	20
	- non-audit services	**13**	16
	Depreciation		
	- on other property, plant and equipment	**65**	68
	- on right-of-use assets	**312**	-
		377	68
		(note 10(c))	(note 10(c))
	Expense relating to short-term leases with remaining lease term ending on or before 31 December 2019/ lease charges: minimum lease payments in respect of leasing of building facilities under HKAS 17, *Leases*	**139**	351
	Rentals receivable from investment properties less direct outgoings of HK$1,605 million (2018: HK$1,494 million) (note (i))	**(4,361)**	(4,349)
	Dividend income from investments designated as financial assets at FVOCI and investments measured as financial assets at FVPL (note (ii))		
	- listed	**(82)**	(101)
	- unlisted	**(8)**	(16)

Notes:

(i) *The rental income from investment properties included contingent rental income of HK$26 million (2018: HK$38 million).*

(ii) *During the year ended 31 December 2019, dividend income of HK$14 million related to investments designated as financial assets at FVOCI held at 31 December 2019 (2018: HK$23 million related to investments designated as financial assets at FVOCI disposed of during the corresponding year ended 31 December 2018 and HK$22 million related to investments designated as financial assets at FVOCI held at 31 December 2018).*

7 Income tax

Income tax in the consolidated statement of profit or loss represents:

	2019	*2018*
	HK$ million	HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	**762**	570
(Over)/under-provision in respect of prior years	**(3)**	98
	759	668
Current tax – Provision for taxation outside Hong Kong		
Provision for the year	**595**	726
Under-provision in respect of prior years	**-**	8
	595	734
Current tax – Provision for Land Appreciation Tax		
Provision for the year	**249**	627
	249	627
Deferred tax		
Origination and reversal of temporary differences	**434**	94
	434	94
	2,037	2,123

Provision for Hong Kong Profits Tax has been made at 16.5% (2018: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2018: 75%) of the tax payable for the year of assessment 2018/19 subject to a ceiling of HK$20,000 (2017/18: HK$30,000) for each business allowed by The Government of the Hong Kong Special Administrative Region of the People's Republic of China.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and property development expenditure.

8 Dividends

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

	2019	*2018*
	HK$ million	HK$ million
Interim dividend declared and paid of HK$0.50 (2018: HK$0.50) per share	**2,421**	2,201
Final dividend proposed after the end of the reporting period of HK$1.30 (2018: HK$1.30) per share	**6,294**	5,722
	8,715	7,923

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

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

	2019	*2018*
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$1.30 (2018: HK$1.23) per share	**5,722**	4,921

9 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$16,994 million (2018: HK$31,157 million) and the weighted average number of 4,841 million ordinary shares in issue during the year (2018: 4,841 million ordinary shares*), calculated as follows:

	2019	*2018*
	million	million
Number of issued ordinary shares at 1 January	**4,401**	4,001
Weighted average number of ordinary shares issued in respect of the bonus issue in 2018	**-**	400
Weighted average number of ordinary shares issued in respect of the bonus issue in 2019	**440**	440
Weighted average number of ordinary shares for the year (2018: as adjusted)	**4,841**	4,841

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2018 as there were no dilutive potential ordinary shares in existence during both years.

** Adjusted for the bonus issue effected in 2019.*

9 Earnings per share (continued)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the profit attributable to equity shareholders of the Company after excluding the effects of changes in fair value of investment properties and investment properties under development ("Underlying Profit") of HK$14,640 million (2018: HK$19,765 million). A reconciliation of profit is as follows:

	2019	*2018*
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**16,994**	31,157
Changes in fair value of investment properties and investment properties under development during the year (note 5)	**(2,530)**	(10,465)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development during the year (note 5)	**40**	200
Share of changes in fair value of investment properties (net of deferred tax) during the year:		
– associates (note 5)	**(347)**	(1,267)
– joint ventures (note 5)	**(614)**	(5,296)
Cumulative fair value change of investment properties and investment properties under development disposed of during the year, net of tax (note):		
– subsidiaries	**139**	5,704
– associates and joint ventures	**960**	-
Effect of share of non-controlling interests	**(2)**	(268)
Underlying Profit	**14,640**	19,765
Underlying earnings per share, based on the weighted average number of ordinary shares for the year (note 9(a))	**HK$3.02**	HK$4.08*

** Adjusted for the bonus issue effected in 2019.*

Note: *In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value change (net of tax) of investment properties and investment properties under development disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and investment properties under development and hence the profit attributable to equity shareholders of the Company during the year) of HK$1,095 million (2018: HK$5,423 million) was added back in arriving at the Underlying Profit.*

10 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Department store operation	:	Department store operation and management
Other businesses	:	Hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses

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

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before (provision)/reversal of provision on inventories, net, sales of property interests, fair value adjustment of investment properties and investment properties under development, net interest income/(net finance costs), income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses, net.

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below:

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the year ended 31 December 2019	Company and its subsidiaries (before deducting non-controlling interests) Revenue (note (i)) HK$ million	Company and its subsidiaries (before deducting non-controlling interests) Segment results HK$ million	Associates and joint ventures Share of revenue HK$ million	Associates and joint ventures Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Attributable to non-controlling interests Revenue HK$ million	Attributable to non-controlling interests Segment results HK$ million	Attributable to equity shareholders of the Company Combined revenue HK$ million	Attributable to equity shareholders of the Company Consolidated segment results HK$ million
Property development										
Hong Kong	13,786	4,992	274	77	14,060	5,069	(29)	(11)	14,031	5,058
Mainland China	1,293	397	1,764	436	3,057	833	-	(3)	3,057	830
	15,079	5,389	2,038	513	17,117	5,902	(29)	(14)	17,088	5,888
Property leasing										
Hong Kong	4,346	3,098	2,975	2,506	7,321	5,604	(7)	(3)	7,314	5,601
Mainland China	1,823	1,440	26	24	1,849	1,464	-	-	1,849	1,464
(note (ii))	6,169	4,538	3,001	2,530	9,170	7,068	(7)	(3)	9,163	7,065
Department store operation	1,707	237		-		237		(33)		204
Other businesses	1,229	780		550		1,330		(41)		1,289
	24,184	10,944		3,593		14,537		(91)		14,446
Utility and energy	-	-		4,160		4,160		-		4,160
	24,184	10,944		7,753		18,697		(91)		18,606
(Provision)/reversal of provision on inventories, net **(note 4)**		(19)		1		(18)		-		(18)
Sales of property interests **(note 4)**		596		-		596		(2)		594
Unallocated head office and corporate expenses, net **(note (iii))**		(820)		(422)		(1,242)		-		(1,242)
Profit from operations		10,701		7,332		18,033		(93)		17,940
Increase in fair value of investment properties and investment properties under development		2,530		1,030		3,560		(2)		3,558
Finance costs		(601)		(844)		(1,445)		39		(1,406)
Bank interest income		635		181		816		(6)		810
Net interest income/(net finance costs)		34		(663)		(629)		33		(596)
Profit before taxation		13,265		7,699		20,964		(62)		20,902
Income tax		(2,037)		(1,878)		(3,915)		7		(3,908)
Profit for the year		11,228		5,821		17,049		(55)		16,994

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2019						
Share of profits less losses of associates (note (iv))						
- Listed associates						
The Hong Kong and China Gas Company Limited	**-**	**322**	**(341)**	**(19)**	**2,912**	**2,893**
Miramar Hotel and Investment Company, Limited	**-**	**569**	**84**	**653**	**-**	**653**
Hong Kong Ferry (Holdings) Company Limited	**5**	**30**	**10**	**45**	**-**	**45**
- Unlisted associates	**(37)**	**72**	**1**	**36**	**-**	**36**
	(32)	**993**	**(246)**	**715**	**2,912**	**3,627**
Share of profits less losses of joint ventures (note (v))	**206**	**1,870**	**118**	**2,194**	**-**	**2,194**
	174	**2,863**	**(128)**	**2,909**	**2,912**	**5,821**

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

For the year ended 31 December 2018	Company and its subsidiaries (before deducting non-controlling interests) Revenue (note (i)) HK$ million	Company and its subsidiaries (before deducting non-controlling interests) Segment results HK$ million	Associates and joint ventures Share of revenue HK$ million	Associates and joint ventures Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Attributable to non-controlling interests Revenue HK$ million	Attributable to non-controlling interests Segment results HK$ million	Attributable to equity shareholders of the Company Combined revenue HK$ million	Attributable to equity shareholders of the Company Consolidated segment results HK$ million
Property development										
Hong Kong	9,765	3,618	288	97	10,053	3,715	(340)	(144)	9,713	3,571
Mainland China	3,570	1,655	3,038	1,485	6,608	3,140	(1)	(2)	6,607	3,138
	13,335	5,273	3,326	1,582	16,661	6,855	(341)	(146)	16,320	6,709
Property leasing										
Hong Kong	4,200	3,094	2,947	2,495	7,147	5,589	(6)	(2)	7,141	5,587
Mainland China	1,820	1,426	13	12	1,833	1,438	-	-	1,833	1,438
(note (ii))	6,020	4,520	2,960	2,507	8,980	7,027	(6)	(2)	8,974	7,025
Department store operation	1,496	296		-		296		(34)		262
Other businesses	1,131	705		180		885		(31)		854
	21,982	10,794		4,269		15,063		(213)		14,850
Utility and energy	-	-		4,539		4,539		-		4,539
	21,982	10,794		8,808		19,602		(213)		19,389
(Provision)/reversal of provision on inventories, net (note 4)		(90)		1		(89)		-		(89)
Sales of property interests (note 4)		1,678		-		1,678		(48)		1,630
Unallocated head office and corporate expenses, net (note (iii))		(1,414)		(406)		(1,820)		6		(1,814)
Profit from operations		10,968		8,403		19,371		(255)		19,116
Increase in fair value of investment properties and investment properties under development		10,465		6,590		17,055		(13)		17,042
Finance costs		(810)		(797)		(1,607)		28		(1,579)
Bank interest income		660		155		815		(6)		809
Net finance costs		(150)		(642)		(792)		22		(770)
Profit before taxation		21,283		14,351		35,634		(246)		35,388
Income tax		(2,123)		(2,139)		(4,262)		31		(4,231)
Profit for the year		19,160		12,212		31,372		(215)		31,157

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2018						
Share of profits less losses of associates (note (iv))						
- Listed associates						
The Hong Kong and China Gas Company Limited	-	1,080	(305)	775	3,095	3,870
Miramar Hotel and Investment Company, Limited	-	705	55	760	-	760
Hong Kong Ferry (Holdings) Company Limited	63	35	16	114	-	114
- Unlisted associates	475	95	(49)	521	-	521
	538	1,915	(283)	2,170	3,095	5,265
Share of profits less losses of joint ventures (note (v))	270	6,535	142	6,947	-	6,947
	808	8,450	(141)	9,117	3,095	12,212

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$272 million (2018: HK$321 million) and HK$2,716 million (2018: HK$2,882 million) in relation to the reportable segments under property leasing and others, respectively.

(ii) Revenue for the property leasing segment comprises rental income of HK$5,553 million (2018: HK$5,432 million) and rental-related income of HK$616 million (2018: HK$588 million), which in aggregate amounted to HK$6,169 million for the year (2018: HK$6,020 million)(see note 3).

(iii) Unallocated head office and corporate expenses, net of HK$820 million for the year (2018: HK$1,414 million) is stated after taking into account the net fair value gain on interest rate swap contracts, cross currency interest rate swap contracts and cross currency swap contracts during the year (for which no hedge accounting was applied during the year) of HK$409 million (2018: fair value gain of HK$91 million)(see note 4), and the loss of HK$519 million arising from the reclassification from hedging reserve to profit or loss upon the revocation of the hedge relationship between certain of the Group's bank loans and their underlying interest rate swap contracts during the corresponding year ended 31 December 2018 (see note 4). Excluding the aforementioned gain/(loss), the Group's unallocated head office and corporate expenses, net for the year amounted to HK$1,229 million (2018: HK$986 million).

(iv) The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$993 million (2018: HK$1,915 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$347 million (2018: HK$1,267 million)(see note 5).

The Group's share of losses less profits of associates contributed from other businesses segment during the year of HK$246 million (2018: HK$283 million) includes the Group's share of profit after tax contributed from hotel operation and management during the year of HK$58 million (2018: HK$107 million).

(v) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$1,870 million (2018: HK$6,535 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$614 million (2018: HK$5,296 million) (see note 5).

The Group's share of profits less losses of joint ventures contributed from other businesses segment during the year of HK$118 million (2018: HK$142 million) includes the Group's share of profit after tax contributed from hotel operation and management during the year of HK$80 million (2018: HK$143 million).

10 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, other property, plant and equipment, right-of-use assets, goodwill, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of investment properties, other property, plant and equipment and right-of-use assets, the location of the operation to which the cash-generating unit(s) is(are) allocated in the case of goodwill, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	For the year ended 31 December		**At 31 December**	
	2019	*2018*	***2019***	*2018*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**21,036**	16,568	**255,215**	239,009
Mainland China	**3,148**	5,414	**57,251**	53,410
	24,184	21,982	**312,466**	292,419
	(note 3)	(note 3)		

(c) Other segment information

	Depreciation		**Impairment loss/(reversal of impairment loss) on trade debtors**	
	For the year ended 31 December		**For the year ended 31 December**	
	2019	*2018*	***2019***	*2018*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**93**	8	**-**	-
Property leasing	**32**	2	**4**	(2)
Department store operation	**116**	38	**-**	-
Other businesses	**136**	20	**(1)**	(23)
	377	68	**3**	(25)
	(note 6(d))	(note 6(d))	**(note 4)**	(note 4)

11 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$309 million (2018: HK$317 million) and HK$561 million (2018: HK$561 million) paid relating to the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

In respect of the deposit paid relating to the land in Macau, the date for the fulfillment of the conditions precedent has been extended by the Group, but the conditions precedent for the acquisition have not yet been fulfilled at the end of the reporting period. If the acquisition shall not proceed, then the Group is entitled to recover the deposit paid.

12 Inventories

	2019	*2018*
	HK$ million	HK$ million
Property development		
Leasehold land held for development for sale	**11,084**	11,193
Properties held for/under development for sale	**78,301**	80,781
Completed properties for sale	**10,989**	5,065
	100,374	97,039
Other operations		
Trading stocks	**121**	138
	100,495	97,177

13 Trade and other receivables

	2019	*2018*
	HK$ million	HK$ million
Instalments receivable	**292**	358
Loans receivable	**1,302**	501
Debtors, prepayments and deposits	**12,987**	14,045
Gross amount due from customers for contract work (^)	**59**	52
Financial assets measured at FVPL	**196**	190
Derivative financial instruments	**5**	47
Amounts due from associates	**17**	32
Amounts due from joint ventures	**27**	14
	14,885	15,239

(^) *This balance represents the excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting period, and is recognised as a contract asset.*

Typical payment terms which impact on the amount of contract asset recognised are as follows:

Gross amount due from customers for contract work

The Group's construction contracts include payment schedules which require staged payments over the construction period once certain milestones are reached as certified by architects' certificates. At 31 December 2019, the Group had one (2018: one) construction contract for an agreed retention period of six months for 5% of the contract value (2018: an agreed retention period of six months for 5% of the contract value), which amount is included in contract asset until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's construction work satisfactorily passing inspection.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits, prepayments and other receivables of HK$7,389 million (2018: HK$9,429 million) which are expected to be recovered after more than one year from the end of the reporting period.

13 Trade and other receivables (continued)

Loans receivable are expected to be recovered within one year from the end of the reporting period, and are neither past due nor impaired.

The amounts due from associates and joint ventures are unsecured and interest-free, have no fixed terms of repayment and are neither past due nor impaired.

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the dates of invoices or demand notes and net of loss allowance, is as follows:

	2019	*2018*
	HK$ million	HK$ million
Current or up to 1 month overdue	**439**	483
More than 1 month overdue and up to 3 months overdue	**103**	21
More than 3 months overdue and up to 6 months overdue	**21**	14
More than 6 months overdue	**22**	35
	585	553

14 Trade and other payables

	2019 HK$ million	*2018* HK$ million
Creditors and accrued expenses	**6,409**	6,217
Gross amount due to customers for contract work(#)	**2**	5
Rental and other deposits received	**1,638**	1,630
Forward sales deposits received(#)	**14,897**	16,290
Derivative financial instruments	**5**	295
Amounts due to associates	**197**	154
Amounts due to joint ventures	**4,150**	2,522
	27,298	27,113

(#) *These balances represent the excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting period, and are recognised as contract liabilities.*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Forward sales deposits received

The Group receives 5% to 15% of the amount of sale consideration as deposits from customers when they sign the sale and purchase agreements relating to property sales. Such deposit is recognised as a contract liability until the property is completed and legally assigned to the customer. The rest of the sale consideration is typically paid when legal assignment is completed.

However, depending on market conditions, the Group may offer to customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the sale consideration early while construction is still ongoing, rather than upon legal assignment. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the sale consideration.

14 Trade and other payables (continued)

Movements in contract liability

	Forward sales deposits received	
	2019	*2018*
	HK$ million	HK$ million
At 1 January	**16,290**	10,225
Exchange differences	**(15)**	(36)
Decrease in contract liability as a result of recognising revenue during the year that was included in the contract liability at the beginning of the year	**(10,006)**	(5,123)
Increase in contract liability as a result of forward sales deposits received from customers during the year in relation to property projects held for/under development and completed property projects pending assignment/completion at the end of the year	**8,628**	11,224
At 31 December	**14,897**	16,290

(a) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$944 million (2018: HK$973 million) which is expected to be settled after more than one year from the end of the reporting period.

(b) At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the due dates for settlement, is as follows:

	2019	*2018*
	HK$ million	HK$ million
Due within 1 month or on demand	**2,008**	2,187
Due after 1 month but within 3 months	**405**	288
Due after 3 months but within 6 months	**429**	152
Due after 6 months	**1,676**	1,281
	4,518	3,908

(c) The amounts due to associates and joint ventures at 31 December 2019 and 2018 are unsecured, interest-free and have no fixed terms of repayment except for aggregate amounts due to joint ventures of HK$1,673 million (2018: HK$919 million) which are unsecured, interest-bearing at interest rates ranging from 3.8% to 4.35% (2018: 3.48% to 4%) per annum and wholly repayable between 4 May 2020 and 10 December 2020 (2018: between 2 May 2019 and 31 October 2019).

15 Non-adjusting event after the reporting period

After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 8.

16 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. Furthermore, the Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

17 Review of results

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 preliminary announcement of the Group's results for the year ended 31 December 2019 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by KPMG on this announcement.

FINANCIAL REVIEW

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2019.

Adoption of new accounting standard

Hong Kong Financial Reporting Standard 16, *Leases* ("HKFRS 16") became effective for the Group commencing on 1 January 2019, under which a lessee is required to recognise, at the earlier of the commencement of a lease or the adoption of HKFRS 16, a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss.

The Group has adopted the modified retrospective approach under HKFRS 16 and does not restate comparative amounts for the corresponding year ended 31 December 2018 prior to the first adoption of HKFRS 16. As a result, in relation to the relevant leases of which the Company or any of its subsidiaries is a lessee, the Group recognised a retrospective adjustment to the consolidated retained profits (after tax) at 1 January 2019 for a cumulative decrease of HK$10 million. Furthermore, the Group recognised (i) right-of-use assets and lease liabilities of HK$545 million and HK$565 million respectively in the Group's consolidated statement of financial position at 1 January 2019; (ii) depreciation charge (before capitalisation) on the right-of-use assets and finance costs on the lease liabilities in the amounts of HK$312 million and HK$19 million respectively in the Group's consolidated statement of profit or loss for the year ended 31 December 2019.

Revenue and profit

	Revenue			***Contribution from operations***		
	Year ended 31 December			***Year ended 31 December***		*Increase/*
	2019	2018	*Increase*	**2019**	2018	*(Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
- Property development	**15,079**	13,335	*+13%*	**5,389**	5,273	*+2%*
- Property leasing	**6,169**	6,020	*+2%*	**4,538**	4,520	*+0.4%*
- Department store operation	**1,707**	1,496	*+14%*	**237**	296	*-20%*
- Other businesses	**1,229**	1,131	*+9%*	**780**	705	*+11%*
	24,184	21,982	*+10%*	**10,944**	10,794	*+1%*

	Year ended 31 December		
	2019	2018	*Decrease*
	HK$ million	HK$ million	*%*
Profit attributable to equity shareholders of the Company			
- including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**16,994**	31,157	*-45%*
- excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures ("Underlying Profit") *(Note 1)*	**14,640**	19,765	*-26%*

Note 1:

Underlying profit attributable to equity shareholders of the Company ("Underlying Profit") excludes the Group's attributable share of fair value change (net of deferred tax) of the investment properties and investment properties under development held by subsidiaries, associates and joint ventures. In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value change (net of tax) of investment properties disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and hence the profit attributable to equity shareholders of the Company during the year) of HK$1,095 million (2018: HK$5,423 million) was added back in arriving at the Underlying Profit.

Excluding from the Underlying Profits for the years ended 31 December 2019 and 2018 the effects of (i) certain material non-recurring expense item; and (ii) the gains attributable to the Underlying Profits upon the Group's transfer of its interests in joint ventures and subsidiaries holding entire property projects, the adjusted Underlying Profits for the two financial years are as follows:-

	Year ended 31 December			
	2019	2018	*Increase /(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying Profit	**14,640**	19,765	*(5,125)*	*-26%*
Add/(Less) :				
(i) Non-recurring expense item - Reclassification (net of tax) from hedging reserve to profit or loss upon the revocation of the hedge relationship between certain of the Group's bank loans and their underlying interest rate swap contracts during the corresponding year ended 31 December 2018	-	433	*(433)*	
(ii) Gains attributable to the Underlying Profits upon the Group's transfer of its interests in joint ventures and subsidiaries holding the following entire property projects –				
Property development project at Kwun Chui Road, Area 56, Tuen Mun Town Lot No. 500, the New Territories	-	(2,780)	*2,780*	
Investment property at No. 18 King Wah Road, North Point, Hong Kong	-	(5,609)	*5,609*	
Investment property at No. 8 Observatory Road, Kowloon, Hong Kong	**(1,305)**	-	*(1,305)*	
Adjusted Underlying Profit	**13,335**	11,809	*1,526*	*+13%*

Discussions on the major reportable segments are set out below.

Property development

Gross revenue - subsidiaries

The gross revenue from property sales during the years ended 31 December 2019 and 2018 generated by the Group's subsidiaries, and by geographical contribution, is as follows:-

	Year ended 31 December			
	2019	2018	*Increase / (Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**13,786**	9,765	*4,021*	*+41%*
Mainland China	**1,293**	3,570	*(2,277)*	*-64%*
	15,079	13,335	*1,744*	*+13%*

The gross revenue from property sales in Hong Kong during the year ended 31 December 2019 was contributed as to (i) HK$10,402 million from the sales revenue of the projects which were completed during the year ended 31 December 2019, being “Park Reach”, “Park One”, “NOVUM EAST”, “South Walk • Aura”, “Eden Manor” and “NOVUM WEST”; (ii) HK$3,384 million from the other major projects completed before 2019. The occupation permits of “NOVUM WEST” and “Cetus • Square Mile” were issued on 29 November 2019 and 30 December 2019 respectively. Therefore, certain sold units of “NOVUM WEST” cumulative up to 31 December 2019 and all the sold units of “Cetus • Square Mile” cumulative up to 31 December 2019 are scheduled for delivery to the buyers after 31 December 2019, and their related revenue and profit contributions will be recognised by the Group after the year ended 31 December 2019 accordingly.

The gross revenue from property sales in mainland China during the year ended 31 December 2019 was contributed as to HK$982 million in relation to Phase 3B of “Palatial Crest” in Xian, Phase F2A of “Grand Lakeview” in Yixing and Phase 3C of “The Arch of Triumph” in Changsha which were completed during the year ended 31 December 2019, and as to HK$311 million in relation to the other projects (comprising, in particular, “Grand Paradise” in Xuzhou, “Grand Waterfront” in Chongqing, “Riverside Park” in Suzhou and “Island Palace” in Yixing) which were completed prior to 1 January 2019.

Pre-tax profits – subsidiaries, associates and joint ventures

The Group’s attributable share of pre-tax profits from property sales, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2019 and 2018, is as follows:-

	Year ended 31 December			
	2019	2018	*Increase / (Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**5,058**	3,571	*1,487*	*+42%*
Mainland China	**830**	3,138	*(2,308)*	*-74%*
	5,888	6,709	*(821)*	*-12%*

The increase in the Group’s share of pre-tax profits from property sales in Hong Kong during the year ended 31 December 2019 of HK$1,487 million (or 42%) is mainly attributable to the increase in gross revenue from the Group’s property sales in Hong Kong as mentioned above. Pre-tax profit contributions from “NOVUM WEST”, “NOVUM EAST”, “Eden Manor”, “Park One” and “Seven Victory Avenue” were already in the aggregate amount of HK$4,264 million during the year ended 31 December 2019.

The decrease in the Group’s share of pre-tax profits from property sales in mainland China during the year ended 31 December 2019 of HK$2,308 million (or 74%) is mainly attributable to the decrease in gross revenue from the Group’s property sales in mainland China as mentioned above.

	Year ended 31 December			
	2019	2018	*Increase /(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**5,375**	5,127	*248*	*+5%*
Associates	**9**	1,091	*(1,082)*	*-99%*
Joint ventures	**504**	491	*13*	*+3%*
	5,888	6,709	*(821)*	*-12%*

The increase in the Group's share of pre-tax profits from property sales of the Group's subsidiaries during the year ended 31 December 2019 of HK$248 million (or 5%) is mainly attributable to the combined effects of the increase in the Group's share of pre-tax profit contribution from property sales in Hong Kong and the decrease in the Group's share of pre-tax profit contribution in Mainland China, as referred to above.

The decrease in the Group's share of pre-tax profits from property sales of the Group's associates during the year ended 31 December 2019 of HK$1,082 million (or 99%) is mainly attributable to the decrease of HK$994 million in the Group's attributable share of pre-tax profit contribution from the property sales of "Henderson • CIFI City" in Suzhou, mainland China during the year.

Property leasing

Gross revenue - subsidiaries

The gross revenue from property leasing during the years ended 31 December 2019 and 2018 generated by the Group's subsidiaries, and by geographical contribution, is as follows:-

	Year ended 31 December			
	2019	2018	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**4,346**	4,200	*146*	*+3%*
Mainland China	**1,823**	1,820	*3*	*+0.2%*
	6,169	6,020	*149*	*+2%*

Pre-tax net rental income – subsidiaries, associates and joint ventures

The Group's attributable share of pre-tax net rental income, by geographical contribution and from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2019 and 2018, is as follows:-

	Year ended 31 December			
	2019	2018	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**5,601**	5,587	*14*	*+0.3%*
Mainland China	**1,464**	1,438	*26*	*+2%*
	7,065	7,025	*40*	*+1%*
By contribution from subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**4,535**	4,518	*17*	*+0.4%*
Associates	**846**	842	*4*	*+0.5%*
Joint ventures	**1,684**	1,665	*19*	*+1%*
	7,065	7,025	*40*	*+1%*

For Hong Kong, the investment property projects "H Zentre" and "Harbour East" were completed in July 2019 and November 2019 respectively, which in aggregate contributed rental revenue of HK$12 million to the Group for the year ended 31 December 2019 (2018 : Nil). On an overall portfolio basis, there was a year-on-year increase of HK$146 million, or 3%, in gross rental revenue contribution and a year-on-year increase of HK$14 million, or 0.3%, in pre-tax net rental income contribution for the year ended 31 December 2019. The 3% increase in gross rental revenue is mainly attributable to the completion of renovation of MOSTown (formerly known as Sunshine City Plaza) in Ma On Shan and MCP Central in Tseung Kwan O in 2018 which generated a year-on-year increase of 9% and 5% respectively in gross rental revenue, whilst the only 0.3% increase in pre-tax net rental income is mainly due to the increase in the repairs and maintenance expenditures and building management expenses of certain other investment properties in Hong Kong during the year. During the last quarter of 2019, the Group offered rental concession arrangements to certain tenants of certain of the Group's investment properties in Hong Kong whose business operations were adversely affected by the social unrest in Hong Kong which prevailed during the second half of 2019. The resulting decrease in total rental revenue (after amortisation) to the Group for the year ended 31 December 2019 was immaterial.

For mainland China, on an overall portfolio basis, there was a year-on-year increase of HK$3 million, or 0.2%, in gross rental revenue contribution for the year ended 31 December 2019. Such small increase in gross revenue contribution is mainly attributable to the increase in gross rental revenue of (i) HK$19 million from World Financial Centre in Beijing which continued to show strong performances on rental level and occupancy during the year ended 31 December 2019; and (ii) HK$11 million from Heng Bao Plaza in Guangzhou due to the increased occupancy after the completion of its renovation works in the first quarter of 2019, which are nevertheless partially offset by (iii) the aggregate net decrease in gross rental revenue contribution of HK$28 million from the Group's investment properties in Shanghai due to the effect of the depreciation of Renminbi ("RMB") against Hong Kong dollars by approximately 4% during the year ended 31 December 2019 when compared with the corresponding year ended 31 December 2018, albeit the Group's effort to have maintained a small year-on-year increase in their gross rental revenue contribution in RMB terms despite the intensive competition in the office and commercial property leasing market environment in Shanghai. However, due to the Group's adoption of efficient cost control policies during the year ended 31 December 2019, there was a year-on-year increase of HK$26 million, or 2%, in pre-tax net rental income contribution for the year ended 31 December 2019. On an overall portfolio basis, the ratio of pre-tax net rental income to rental revenue for the year ended 31 December 2019 was 80% (2018: 79%).

Department store operation

Department store operation is carried out by Citistore (Hong Kong) Limited ("Citistore") and Unicorn Stores (HK) Limited (("UNY HK"), formerly known as UNY (HK) Co., Limited until 27 July 2018 on which date the current name was adopted), both being wholly-owned subsidiaries of Henderson Investment Limited ("HIL"), a listed subsidiary of the Company. As UNY HK was acquired by HIL on 31 May 2018, UNY HK became a wholly-owned subsidiary of HIL since 1 June 2018 and therefore the comparative figures for the corresponding year ended 31 December 2018 only contained the financial performance of UNY HK for the period of seven months from 1 June 2018 to 31 December 2018.

For the year ended 31 December 2019, revenue contribution from the department store operation amounted to HK$1,707 million (2018: HK$1,496 million) which represents a year-on-year increase of HK$211 million, or 14%, over that for the corresponding year ended 31 December 2018. The increase in revenue is mainly attributable to an increase in revenue contribution of HK$271 million from UNY HK for the full year ended 31 December 2019, compared with the revenue contribution from UNY HK only for the period of seven months for the corresponding year ended 31 December 2018.

Profit contribution (after the elimination of rental expenditure in respect of the stores which was payable by Citistore to the Group) for the year ended 31 December 2019 decreased by HK$59 million, or 20%, to HK$237 million (2018: HK$296 million), mainly due to a remarkably warmer weather during the months of January and February 2019 which resulted in a decrease in the sales of winter merchandises in January and February 2019 when compared with that for the corresponding period of January and February 2018, and the cautious consumption and retail market sentiment in Hong Kong starting from May 2019 amid external uncertainties as well as the disruption to the normal business hours of Citistore and UNY HK due to the social unrest in Hong Kong during the second half of 2019.

Other businesses

Other businesses mainly comprise construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

Revenue and profit contribution of other businesses for the year ended 31 December 2019 amounted to HK$1,229 million and HK$780 million respectively, representing:

(i) an increase of HK$98 million (or 9%) in revenue over that of HK$1,131 million for the corresponding year ended 31 December 2018, which is mainly attributable to the increases of HK$25 million in the revenue from property management and project management activities, HK$33 million in the revenue from the trading of building materials and HK$25 million in the revenue from the disposal of leasehold land sites in Hong Kong; and

(ii) an increase of HK$75 million (or 11%) in profit contribution over that of HK$705 million for the corresponding year ended 31 December 2018, which is mainly attributable to the increases of HK$17 million in the profit contribution from property management and project management activities, HK$12 million in the gain on disposal of leasehold land sites in Hong Kong, and HK$94 million in the fair value of the Group's investment in units of Sunlight Real Estate Investment Trust at 31 December 2019 over that at 31 December 2018, which are partially offset by the non-recurrence of the dividend income and interest income contribution from financial investments and the gain on disposal of the Group's investment in corporate bonds in the aggregate amount of HK$54 million due to the Group's disposal of its investments in certain listed and unlisted equity securities and corporate bonds during the corresponding year ended 31 December 2018.

Associates

The Group's attributable share of post-tax profits less losses of associates during the year ended 31 December 2019 amounted to HK$3,627 million (2018: HK$5,265 million), representing a decrease of HK$1,638 million, or 31%, from that for the corresponding year ended 31 December 2018. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates (net of deferred taxation) during the year, the Group's attributable share of the underlying post-tax profits less losses of associates for the year ended 31 December 2019 amounted to HK$3,280 million (2018: HK$3,998 million), representing a decrease of HK$718 million, or 18%, from that for the corresponding year ended 31 December 2018. Such year-on-year decrease in the underlying post-tax profits during the year ended 31 December 2019 was mainly due to (i) the decrease of HK$513 million in the Group's attributable share of post-tax profit contribution from the property sales of "Henderson • CIFI City" in Suzhou, mainland China during the year; (ii) the decrease of HK$135 million in the Group's attributable share of post-tax profit contribution from the utility gas and new energy business operations in mainland China of The Hong Kong and China Gas Company Limited (a listed associate of the Group); and (iii) the decrease of HK$58 million in the Group's attributable share of post-tax profit contribution from property sales of Hong Kong Ferry (Holdings) Company Limited (a listed associate of the Group).

Joint ventures

The Group's attributable share of post-tax profits less losses of joint ventures during the year ended 31 December 2019 amounted to HK$2,194 million (2018: HK$6,947 million), representing a decrease of HK$4,753 million, or 68%, from that for the corresponding year ended 31 December 2018. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures (net of deferred taxation) during the year, the Group's attributable share of the underlying post-tax profits less losses of joint ventures for the year ended 31 December 2019 amounted to HK$1,580 million (2018: HK$1,651 million), representing a decrease of HK$71 million, or 4%, from that for the corresponding year ended 31 December 2018. Such year-on-year decrease in the underlying post-tax profits during the year ended 31 December 2019 was mainly due to the decreases of (i) HK$42 million in the Group's attributable share of the underlying profit contribution from the ifc project, which is mainly due to the decrease in profit contribution from the Four Seasons Hotel, Hong Kong during the year ended 31 December 2019 amid external uncertainties as well as the unfavourable impact from the social unrest in Hong Kong during the second half of 2019; and (ii) HK$100 million in the Group's attributable share of the underlying profit contribution from property sales of the Group's joint ventures in mainland China, which are partially offset by the increase of HK$54 million in the Group's attributable share of the underlying profit contribution from the delivery of the sold units of "Wellesley" (which is a joint venture project in Hong Kong completed in the previous year 2018) to the buyers during the year ended 31 December 2019.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the year ended 31 December 2019 amounted to HK$2,578 million (2018: HK$2,178 million). Finance costs after interest capitalisation for the year ended 31 December 2019 amounted to HK$601 million (2018: HK$810 million), and after set-off against the Group's bank interest income of HK$635 million for the year ended 31 December 2019 (2018: HK$660 million), the Group recognised net interest income in the Group's consolidated statement of profit or loss for the year ended 31 December 2019 in the amount of HK$34 million (2018: the Group recognised net finance costs in the Group's consolidated statement of profit or loss in the amount of HK$150 million).

Overall, as referred to in the paragraph headed "Maturity profile and interest cover" below, the entire amount of the Group's total debt of HK$92,389 million at 31 December 2019 (2018: HK$86,630 million) was represented by the Group's bank and other borrowings in Hong Kong at 31 December 2019 (which included certain bank loans denominated in RMB raised in Hong Kong in the second half of 2019 in the equivalent amount of HK$2,869 million and which remained outstanding at 31 December 2019) and at 31 December 2018. During the year ended 31 December 2019, the Group's effective borrowing rate in relation to the Group's bank and other borrowings in Hong Kong (other than the abovementioned bank loans denominated in RMB raised in Hong Kong) was approximately 2.66% per annum (2018: approximately 2.31% per annum), whilst the abovementioned bank loans denominated in RMB raised in Hong Kong for the purpose of funding the Group's projects in mainland China carry an effective borrowing rate of 3.57% per annum (2018 : Nil).

Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$2,530 million in the consolidated statement of profit or loss for the year ended 31 December 2019 (2018: HK$10,465 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2019, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 ("MTN Programme") and under which the Company had on 15 October 2018 increased the maximum aggregate principal amount of notes outstanding at any one time from US$3,000 million to US$5,000 million, was HK$11,571 million (2018: HK$7,732 million) with tenures of between two years and twenty years (2018: between two years and twenty years).

During the year ended 31 December 2019, the Group issued guaranteed notes under the MTN Programme denominated in United States dollars ("US$"), RMB and Hong Kong dollars in the aggregate equivalent amount of HK$3,876 million with tenures of between two years and ten years. Such increase in the amount of guaranteed notes issued by the Group serves to finance the Group's capital expenditure requirements as referred to in the paragraph headed "Capital commitments" below. These notes are included in the Group's bank and other borrowings at 31 December 2019 and 31 December 2018 as referred to in the paragraph headed "Maturity profile and interest cover" below. The Group has not repaid any guaranteed notes under the MTN Programme during the year ended 31 December 2019 (2018 : the Group repaid guaranteed notes under the MTN Programme of HK$1,244 million).

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances and the gearing ratio of the Group were as follows:

	At 31 December 2019 HK$ million	At 31 December 2018 HK$ million
Bank and other borrowings repayable:		
- Within 1 year	**29,252**	33,021
- After 1 year but within 2 years	**17,666**	15,924
- After 2 years but within 5 years	**21,979**	20,064
- After 5 years	**22,755**	16,521
Amount due to a fellow subsidiary	**737**	1,100
Total debt	**92,389**	86,630
Less:		
Cash and bank balances	**(10,734)**	(16,507)
Net debt	**81,655**	70,123
Shareholders' funds	**320,851**	313,153
Gearing ratio (%)	**25.5%**	22.4%

The total debt of HK$92,389 million at 31 December 2019 (2018: HK$86,630 million) was unsecured and comprised the Group's bank and other borrowings in Hong Kong. At 31 December 2019, after taking into account the effect of swap contracts, 32% (2018: 22%) of the Group's total debt carried fixed interest rates.

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the end of the reporting period.

The interest cover of the Group is calculated as follows:

	Year ended 31 December	
	2019	2018
	HK$ million	HK$ million
Profit from operations (including bank interest income and the cumulative fair value change (net of tax) of investment properties disposed of during the year, but before changes in fair value of investment properties and investment properties under development for the year) plus the Group's share of the underlying profits less losses of associates and joint ventures	**17,291**	22,700
Interest expense (before interest capitalisation)	**2,421**	2,034
Interest cover (times)	**7**	11

With abundant banking facilities in place and the recurrent income generated from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the end of the reporting period for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in RMB, the guaranteed notes ("Notes") which are denominated in US$, RMB and Japanese Yen ("¥") at 31 December 2019 and the bank borrowings which are denominated in ¥, RMB and Australian dollars ("AUD") at 31 December 2019.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of certain of the Notes in the principal amounts of US$230 million and RMB200 million and certain of the Group's bank loans in the principal amounts of ¥13,000 million and AUD319 million at 31 December 2019 (2018: certain of the Notes in the principal amounts of US$629 million and £50 million), cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, (i) in respect of certain of the Group's bank loans and the Notes denominated in Hong Kong dollars in the aggregate principal amounts of HK$21,100 million (2018: HK$11,450 million) and HK$5,599 million (2018: HK$5,599 million) respectively at 31 December 2019, interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure; and (ii) in respect of certain of the Notes in the principal amounts of ¥2,000 million and US$100 million and certain of the Group's bank loans in the principal amounts of ¥30,000 million and AUD173 million at 31 December 2019 (2018: certain of the Notes in the principal amounts of ¥2,000 million and certain of the Group's bank loans in the principal amounts of ¥30,000 million and AUD173 million), cross currency swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against foreign currency risk during their tenure.

Based on the abovementioned swap contracts which were executed by the Group in relation to the Notes and bank borrowings, the aggregate amount of the Notes and bank borrowings which are hedged against the interest rate risk only, the foreign currency risk only and both the interest rate risk and foreign currency risk, was HK$35,296 million at 31 December 2019 (2018 : HK$25,630 million) which represented 38% of the Group's total debt at 31 December 2019 (2018 : 30%).

Material acquisitions and disposal

Material acquisitions

On 27 March 2019, a joint venture in which the Group has 30% interest was awarded a land site registered in the Land Registry as New Kowloon Inland Lot No. 6576, Kai Tak Development Area 4B Site 1, Kai Tak, Kowloon, by way of public tender for a tender premium of HK$9,893 million. The Group's attributable share of the tender premium amounted to HK$2,968 million and was fully settled on 18 April 2019.

On 7 May 2019, a joint venture in which the Group has 18% interest was awarded a land site registered in the Land Registry as New Kowloon Inland Lot No. 6552, Kai Tak Development Area 4C Site 2, Kai Tak, Kowloon, by way of public tender for a tender premium of HK$12,590 million. The Group's attributable share of the tender premium amounted to HK$2,266 million and was fully settled on 3 June 2019.

On 28 May 2019, a wholly-owned subsidiary of the Group acquired a land site at Chaoyang District, Beijing, mainland China, by way of public tender for a consideration of RMB3,020 million (equivalent to HK$3,433 million) which was fully settled on 16 July 2019.

On 25 June 2019, a wholly-owned subsidiary of the Group entered into a joint venture with a wholly-owned subsidiary of CIFI Holdings (Group) Co. Limited ("CIFI") in relation to residential property development of a land site in Hefei, Anhui province, mainland China, in which each of the Group and CIFI has a 50% equity interest. The land cost for the project amounted to RMB1,731 million (equivalent to HK$1,968 million) and of which the Group's attributable share amounted to RMB866 million (equivalent to HK$984 million), and which amount was fully settled by the Group on 5 August 2019.

On 28 August 2019, the Group entered into a joint venture development agreement with an independent third party for the development of a land site in Pudong New Area, Shanghai, mainland China for leasing purpose. The Group has 51% equity interest in the joint venture and the Group's attributable share of investment amounted to RMB1,697 million (equivalent to HK$1,929 million), which was settled by the Group on 26 December 2019.

On 12 November 2019, the Group entered into a joint venture agreement with an independent third party for the development of a land site in Chaoyang District, Beijing, mainland China, which was successfully bidded and in which the Group has 50% equity interest. The Group's attributable share of the land cost amounted to RMB1,212.5 million (equivalent to HK$1,344 million) and was settled at 31 December 2019.

On 13 November 2019, a joint venture in which the Group has 30% interest was awarded a land site registered in the Land Registry as New Kowloon Inland Lot No. 6554, Kai Tak Development Area 4A Site 2, Kai Tak, Kowloon, by way of public tender for a tender premium of HK$15,953 million. The Group's attributable share of the tender premium amounted to HK4,786 million and was fully settled on 11 December 2019.

Save as aforementioned, the Group did not undertake any other significant acquisitions of subsidiaries or assets during the year ended 31 December 2019.

Material disposal

On 16 July 2019, the Group entered into an agreement (the "Agreement") to transfer its equity interest in the company holding interests in certain land lots in Wo Shang Wai, New Territories, which cover a total site area of about 2,420,000 square feet, for an aggregate consideration of HK$4,705 million (subject to adjustments) to an independent third party. The transaction is scheduled to be completed in 2020.

Save as aforementioned, the Group did not undertake any other significant disposals of assets or subsidiaries during the year ended 31 December 2019.

Completion during the year ended 31 December 2019 of a significant transaction entered into during the previous year ended 31 December 2018

Reference is made to the conditional agreement dated 27 July 2018 entered into between the Group and a subsidiary of Lai Sun Development Company Limited (collectively as the "Vendors") and an independent third party pursuant to which, inter alia, the Vendors transferred to such independent third party their entire shareholdings in Best Value International Limited ("Best Value", being a joint venture of the Group) which together with its wholly-owned subsidiaries collectively own an investment property at No. 8 Observatory Road, Kowloon, Hong Kong, for a cash consideration of HK$4,100 million (subject to adjustment). The transfer was completed on 11 March 2019. Proceeds of HK$1,414 million, representing the Group's attributable share of the transfer consideration after settlement of the outstanding debt of Best Value, plus an amount of HK$619 million representing the recovery of the outstanding balance of a loan advanced from the Group to Best Value, were received by the Group in the aggregate amount of HK$2,033 million. The Group's underlying profit arising from such transfer of interest in joint ventures amounted to HK$1,305 million and was recognised in the Group's consolidated financial statements for the year ended 31 December 2019.

Charge on assets

Except for pledged bank deposits of HK$101,562 at 31 December 2019 (2018: HK$101,158), assets of the Group's subsidiaries were not charged to any other third parties at 31 December 2019 and 31 December 2018.

Capital commitments

At 31 December 2019, capital commitments of the Group amounted to HK$31,542 million (2018: HK$33,040 million). In addition, the Group's attributable share of capital commitments undertaken by joint ventures and certain associates at 31 December 2019 amounted to HK$7,045 million (2018: HK$7,128 million).

The Group plans to finance its capital expenditure requirements for the year ending 31 December 2020 by way of the Group's own internally generated cash flow, bank deposits, banking facilities and funds raised and to be raised from the capital market.

Contingent liabilities

At 31 December 2019, the Group's contingent liabilities amounted to HK$6,456 million (2018: HK$2,232 million), which include:-

(i) an amount of HK$37 million (2018: HK$443 million) relating to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects, and the decrease of which is mainly attributable to the release during the year ended 31 December 2019 of a guarantee previously given by the Group to a bank in the amount of HK$425 million against a finance undertaking issued by such bank in favour of The Government of the Hong Kong Special Administrative Region of the People's Republic of China for the completion of the Group's residential development project "Reach Summit – Sereno Verde Phase 5" in Hong Kong under the terms and conditions of the relevant land grant;

(ii) an amount of HK$1,302 million (2018: HK$1,458 million) relating to guarantees given by the Group to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2019 (and such guarantees will be released upon the issuance of the Building Ownership Certificate);

(iii) an amount of HK$430 million (2018: HK$320 million) relating to the Group's attributable and proportional share of contingent liabilities in respect of an irrevocable, unconditional and several guarantee to the lending bank in relation to the amount drawdown on a loan facility which was entered into on 2 May 2017 between such lending bank and a joint venture engaged in the development of commercial properties in Citygate, Tung Chung, Lantau Island, Hong Kong and in which the Group has a 20% interest;

(iv) an irrevocable and unconditional guarantee issued by the Company in favour of the Urban Renewal Authority ("URA") in relation to the obligations of the Developer (as defined below) under the Development Agreement (as defined below) which includes the construction and delivery by the Developer, on or before certain prescribed dates, of certain properties whose ownership shall be retained by URA absolutely for such purposes and usages to be decided by URA at its sole discretion, in accordance with a development agreement dated 21 November 2018 ("Development Agreement") between the URA and a wholly-owned subsidiary of the Company (the "Developer") in relation to a land parcel registered in the Land Registry as New Kowloon Inland Lot No. 6585; and

(v) amounts of HK$906 million (2018: Nil), HK$1,670 million (2018 : Nil) and HK$2,100 million (2018 : Nil) relating to the Group's attributable and proportional shares of contingent liabilities in respect of irrevocable, unconditional and several guarantees to the lending banks in relation to the maximum amounts which may be drawn down on the loan facilities which were entered into on 18 June 2019, 8 July 2019 and 4 December 2019 respectively between such lending banks and three joint ventures engaged in the development of residential properties at the Kai Tak Development Area, and in which the Group has a 18% interest, 29.3% interest and 30% interest respectively.

Employees and remuneration policy

At 31 December 2019, the Group had 8,736 (2018: 8,954) full-time employees. The decrease in the Group's full-time employees headcount of 218 during the year ended 31 December 2019 is mainly due to (i) the cessation of HIL's "PIAGO" department store operation at Kowloon Bay on 31 March 2019; and (ii) the transitional and seasonal factor in the human resources market relating to the property management sector in Hong Kong as well as the adjustment in line with the change in client portfolio of the Group's property management operation during the year ended 31 December 2019.

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2019 amounted to HK$2,591 million (2018: HK$2,409 million), representing a year-on-year increase of HK$182 million, or 8%, which is mainly due to the Group's annual salary review increment, an increase in temporary staffs under the Group's security operation and the effects of the full year's staff costs of UNY HK after it was acquired by HIL on 31 May 2018. Staff costs for the year ended 31 December 2019 comprised (i) staff costs included under directors' remuneration of HK$161 million (2018 : HK$153 million); and (ii) staff costs (other than directors' remuneration) of HK$2,430 million (2018 : HK$2,256 million).

OTHER INFORMATION

Closure of Register of Members

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

   The Register of Members of the Company will be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020, both days inclusive, during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to be entitled for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 2 June 2020.

2. Book Close for determining the qualification for the proposed final dividend

   The Register of Members of the Company will be closed from Friday, 12 June 2020 to Tuesday, 16 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at the aforementioned address not later than 4:30 p.m. on Thursday, 11 June 2020.

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

Except for the issue of bonus shares on 17 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Audit Committee

The Audit Committee met in March 2020 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2019.

Corporate Governance

During the year ended 31 December 2019, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. Dr Lee Shau Kee was the Chairman and Managing Director of the Company until his retirement on 28 May 2019 whilst remaining as an Executive Director of the Company. Each of Dr Lee Ka Kit and Mr Lee Ka Shing was appointed as Chairman and Managing Director of the Company on 28 May 2019. The Company is of the view that Dr Lee Shau Kee, with his profound expertise in the property business, had provided outstanding leadership in his dual capacity as the Chairman and Managing Director during his tenure, and it is in the best interest of the Company that each of Dr Lee Ka Kit and Mr Lee Ka Shing, with his relevant in-depth expertise and knowledge in the Group's business, acts in the dual capacity as Chairman and Managing Director of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific enquiries, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code.

Forward-Looking Statements

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company’s control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 March 2020

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Ka Kit (Chairman and Managing Director), Lee Ka Shing (Chairman and Managing Director), Lam Ko Yin, Colin, Lee Shau Kee, Yip Ying Chee, John, Suen Kwok Lam, Fung Lee Woon King, Lau Yum Chuen, Eddie, Kwok Ping Ho and Wong Ho Ming, Augustine; (2) non-executive directors: Lee Pui Ling, Angelina and Lee Tat Man; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Poon Chung Kwong and Au Siu Kee, Alexander.