恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED

Stock Code: 12


ANNUAL REPORT 2019


Corporate Profile

Founded in 1976 by Dr The Honourable Lee Shau Kee, GBM, Henderson Land Development Company Limited is a leading property group with a focus on Hong Kong and mainland China. Its core businesses comprise property development and property investment. In addition, it has direct equity interests in a listed subsidiary, Henderson Investment Limited, and three listed associates, The Hong Kong and China Gas Company Limited (which in turn has equity stakes in a listed subsidiary, Towngas China Company Limited), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited.

Henderson Land has been listed in Hong Kong since 1981 where it is one of the largest property groups. As at 31 December 2019, Henderson Land had a market capitalisation of HK$185 billion and the combined market capitalisation of the Company, its listed subsidiary and its associates was about HK$474 billion.

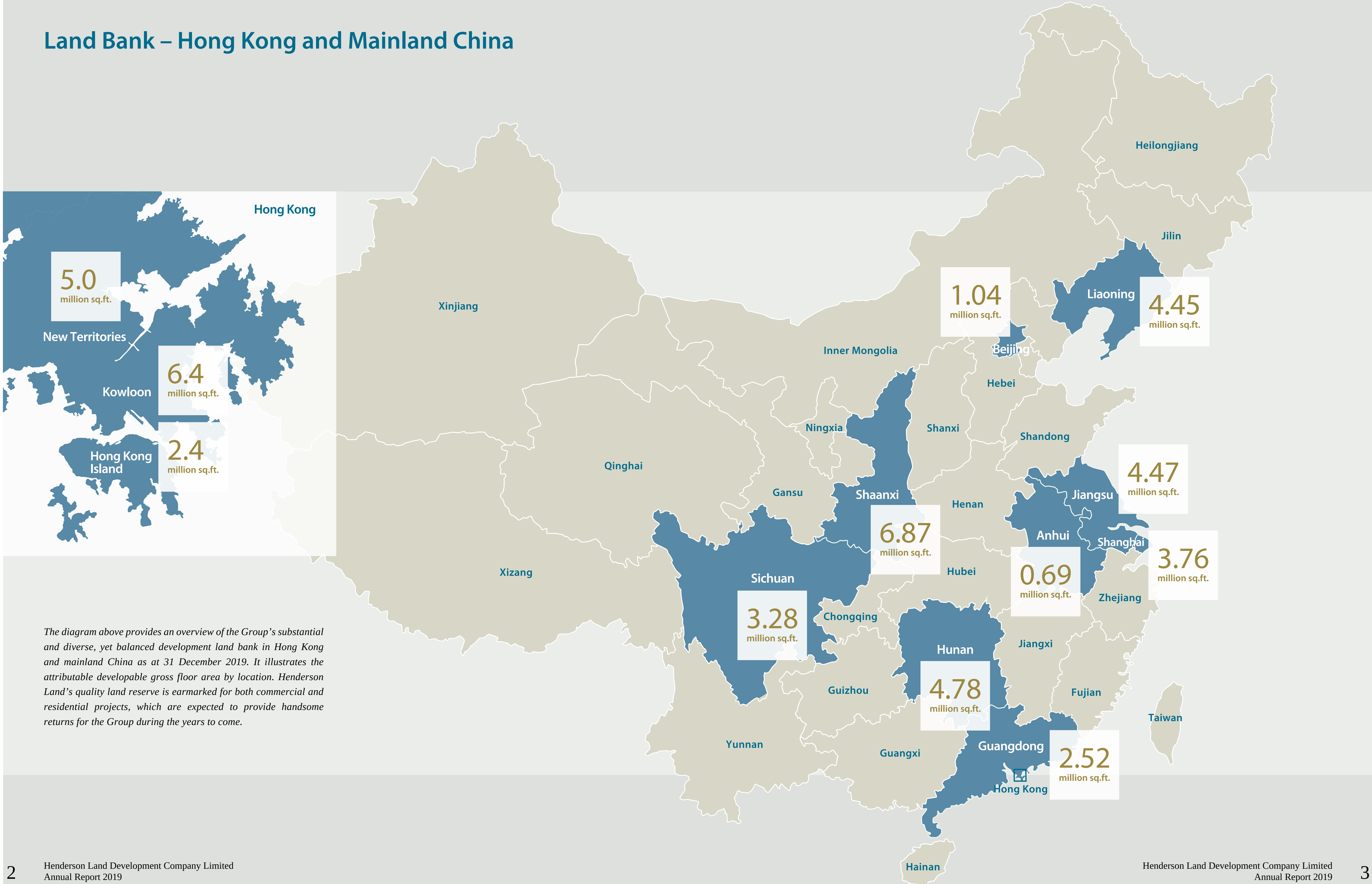
The Company is vertically integrated, with project management, construction, property management, and financial services supporting its core businesses. In all aspects of its operations, Henderson Land strives to add value for its shareholders, customers and the community through its commitment to excellence in product quality and service delivery as well as a continuous focus on sustainability and the environment.

Contents

FORWARD-LOOKING STATEMENTS

This annual report 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.

Land Bank – Hong Kong and Mainland China



The diagram above provides an overview of the Group's substantial and diverse, yet balanced development land bank in Hong Kong and mainland China as at 31 December 2019. It illustrates the attributable developable gross floor area by location. Henderson Land's quality land reserve is earmarked for both commercial and residential projects, which are expected to provide handsome returns for the Group during the years to come.

Awards & Accolades

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Hang Seng Corporate Sustainability Index Series Member 2019-2020

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Murray Road project

Leadership in Energy and Environmental Design (LEED)

Platinum Pre-certification (Core & Shell)

WELL Building Standard

Platinum Level Pre-certification

Harbour East

Asia Property Awards 2019

Best Commercial Green Development (China – Hong Kong) – 5-Star Winner
Best Office Development (China – Hong Kong) – 5-Star Winner
Best Green Office Development (Hong Kong) – Winner
Best Office Development (Hong Kong) – Winner
Best Universal Design Development (Hong Kong) – Highly Commended

China Healthy Building Design Label

3-Star Rating

1. **Asia Pacific Property Awards 2019-2020**
   International Property Awards
   Mixed-use Architecture Hong Kong – Award Winner (Various projects in Hung Hom)
   Residential Development Hong Kong – Award Winner (ARTLANE)
   Best Retail Architecture – Hong Kong 5-Star Winner (68 Kimberley Road)

2. **Asia Property Awards 2019**
   PropertyGuru
   Best Universal Design Development (China – Hong Kong) – 5-Star Winner (ARTLANE)
   Best Universal Design Development (Hong Kong) – Winner (ARTLANE)
   Best Boutique Condo Development (Hong Kong) – Winner (ARTLANE)
   Best Mixed Use Development (China – Hong Kong) – 5-Star Winner (Square Mile)
   Best Commercial Green Development (China – Hong Kong) – 5-Star Winner (Square Mile)
   Best Mixed Use Development (Hong Kong) – Winner (Square Mile)
   Best Green Mixed Use Development (Hong Kong) – Winner (Square Mile)
   Best Universal Design Development (Hong Kong) – Highly Commended (Square Mile)

3. **BEAM Plus (New Buildings)**
   Hong Kong Green Building Council
   Final Bronze Rating (Mega Cube)
   Provisional Gold Rating (1-19 Chung Ching Street, 456-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, New Kowloon Inland Lot No. 6562, Kai Tak and New Kowloon Inland Lot No. 6565, Kai Tak)
   Provisional Silver Rating (38 Fuk Chak Street and Tuen Mun Town Lot No. 547 (Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories))
   Provisional Bronze Rating (The Addition and The Richmond)

4. **Green Building Award 2019**
   Hong Kong Green Building Council and Professional Green Building Council
   Green Building Leadership Category (Developer) – Finalist

5. **2019 AIA Hong Kong Honors and Awards**
   The American Institute of Architects Hong Kong Chapter
   Merit Award for Architecture (H Code)

6. **World's Best Employers 2019 – Top 500**
   Forbes

7. **The Listed Enterprise Excellence Awards 2019**
   CAPITAL WEEKLY
   Outstanding Corporate Results Performance Award

8. **BCI Asia Top 10 Awards 2019**
   BCI Asia
   Top 10 Developers Award

9. **International ARC Awards 2019**
   MerComm, Inc.
   Silver Award (Specialized A.R.: CSR – Corporate Social Responsibility Report)

10. **Galaxy Awards 2019**
    MerComm, Inc.
    Bronze Award (Annual Reports – Print: Sustainability Report – Asia/Pacific)

11. **Caring Company 2019/20**
    Hong Kong Council of Social Service
    (Henderson Land, Hong Kong & China Gas, Hong Kong Ferry, Miramar, Miramar Travel, Hang Yick, Well Born and Goodwill)

12. **Hang Seng Corporate Sustainability Index Series**
    Hang Seng Indexes Company Limited
    Constituent Company (Henderson Land, Hong Kong & China Gas and Towngas China)

13. **HKCA Safety Award 2018**
    Hong Kong Construction Association
    HKCA Proactive Safety Contractor Award (E Man, Heng Lai and Heng Shung)
    HKCA Safety Merit Award (Grandic)
    HKCA Safe Person-in-charge Award (E Man, Heng Lai and Heng Shung)
    HKCA Safe Supervisor Award (E Man, Heng Lai and Heng Shung)

14. **BOCHK Corporate Environmental Leadership Awards 2018**
    Federation of Hong Kong Industries
    Manufacturing Sector – Gold Award (Hong Kong & China Gas)
    EcoPartner (The Hong Kong Shipyard Limited, The Hongkong & Yaumati Ferry Company Limited)
    5 Years + EcoPioneer (The Hong Kong Shipyard Limited, The Hongkong & Yaumati Ferry Company Limited)
    3 Years + EcoPioneer (25 awarded properties in total)
    EcoPartner (28 awarded properties in total)

15. **APAC Business Awards**
    APAC Insider, UK
    Recognised Leaders in Sea Transport Solutions – Hong Kong (Hong Kong Ferry)

16. **ERB Manpower Developer Award Scheme**
    Employees Retraining Board
    Manpower Developer (2011-21) (Miramar)
    Manpower Developer 1st (2010-20) (Hong Kong Ferry)

17. **2019 International Customer Relationship Excellence Awards**
    Asia Pacific Customer Service Consortium
    Best Use of Knowledge Management of the Year 2019 (Property Management) (Hang Yick, Well Born and H-Privilege)
    Best Corporate Brand of the Year 2019 (Property Management) (Hang Yick and Well Born)
    17 Consecutive Years of Participation (Well Born)

18. **Excellence in Facility Management Award 2019**
    The Hong Kong Institute of Facility Management
    Excellence Award (Office Building) (AIA Financial Centre)
    Merit Award (Retail) (Mira Place One)

Group Structure

Henderson Land Group Structure

Market capitalisation as at 31 December 2019
Henderson Land Development Company Limited: HK$185 billion
Six listed companies of Henderson Land Group: HK$474 billion

Henderson Land Development Company Limited
Investment holding, property development and investment in Hong Kong and mainland China, project and property management, construction and provision of finance

- 33.41% — **Hong Kong Ferry (Holdings) Company Limited**
  Property development and investment
- 69.27% — **Henderson Investment Limited**
  Department store operation in Hong Kong
- 41.53% — **The Hong Kong and China Gas Company Limited**
  Production and distribution of gas in Hong Kong and mainland China
  - 67.76% — **Towngas China Company Limited**
    Sale and distribution of liquefied petroleum gas and natural gas in mainland China
- 49.01% — **Miramar Hotel and Investment Company, Limited**
  Hotel and serviced apartment, property rental, food and beverage, and travel

Note: All attributable interests shown above were figures as of 31 December 2019.

Highlights of 2019 Final Results

	Note	For the year ended 31 December **2019** **HK$ million**	2018 HK$ million		Change
Property sales					
– Revenue	*1*	**17,088**	16,320		**+5%**
– Pre-tax profit contribution	*1, 2*	**5,888**	6,709		**-12%**
Property leasing					
– Gross rental income	*1*	**9,163**	8,974		**+2%**
– Pre-tax net rental income	*1*	**7,065**	7,025		**+1%**
Profit attributable to equity shareholders					
– Underlying profit	*3*	**14,640**	19,765		**-26%**
– Reported profit		**16,994**	31,157		**-45%**
		HK$	HK$		
Earnings per share					
– Based on underlying profit	*3, 4*	**3.02**	4.08	(restated)	**-26%**
– Based on reported profit	*4*	**3.51**	6.44	(restated)	**-45%**
Dividends per share		**1.80**	1.80		**No change**
	Note	**At 31 December** **2019** **HK$**	At 31 December 2018 HK$		**Change**
Net asset value per share	*4*	**66.28**	64.69	(restated)	**+2%**
Net debt to shareholders' equity		**25.5%**	22.4%		**+3.1 percentage points**
		Million square feet	Million square feet		
Properties in Hong Kong					
Land bank (attributable floor area)					
– Properties under development	*5*	**13.8**	14.4		
– Unsold units from major launched projects		**0.8**	1.0		
Sub-total:		**14.6**	15.4		
– Completed properties (including hotels) for rental		**9.9**	9.3		
Total:		**24.5**	24.7		
New Territories land (attributable land area)		**44.9**	45.6		
Properties in Mainland China					
Land bank (attributable floor area)					
– Properties held for/under development		**31.9**	32.0		
– Completed stock for sale		**0.5**	0.4		
– Completed properties for rental		**6.4**	6.4		
		38.8	38.8		

Note 1: This amount includes the Group's attributable share of contributions from subsidiaries, associates and joint ventures ("JVs").

Note 2: If the fair value change of the related properties is excluded, the pre-tax underlying profit contribution for the year ended 31 December 2019 should be HK$5,889 million (2018: HK$6,830 million).

Note 3: Excluding the Group's attributable share of fair value change (net of tax) of the investment properties held by subsidiaries, associates and JVs.

Note 4: The earnings per share were calculated based on the weighted average number of shares as adjusted for the effect of the bonus issues under Hong Kong Accounting Standard 33, "Earnings Per Share". The net asset value per share at 31 December 2019 was calculated based on the number of issued shares outstanding at 31 December 2019, whilst the net asset value per share at 31 December 2018 was calculated based on the number of issued shares outstanding at 31 December 2018 and as adjusted for the bonus issue effected in 2019.

Note 5: 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.

H ZENTRE

TSIM SHA TSUI
HONG KONG

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 recognised 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%

Dr LEE Ka Kit, GBS, JP, DBA (Hon)
Chairman and Managing Director

LEE Ka Shing, JP
Chairman and Managing Director

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.

The Vantage, Hung Hom, Hong Kong (artist's impression)

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

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.)
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.

ifc mall, Central, Hong Kong

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.

MOSTown, Ma On Shan, 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.

Murray Road project, Central, Hong Kong (artist's impression)

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 neighbourhoods. 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.

Lumina Shanghai, Shanghai (artist's impression)

UNY, Lok Fu, Hong Kong

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.

Ethylene glycol facility in Ordos, Inner Mongolia

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's Harbour Cruise – Bauhinia

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).

Mira Place, Tsim Sha Tsui, Hong Kong

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	**Lee Ka Shing**
Chairman	*Chairman*

Hong Kong, 23 March 2020

EDEN MANOR

KWU TUNG
HONG KONG

Progress of Major Development Projects

Status of property developments with anticipated completion during the period to the end of 2022

Reach Summit – Sereno Verde Phase 5, Yuen Long, Hong Kong (artist's impression)

Reach Summit – Sereno Verde Phase 5

99A Tai Tong Road, Yuen Long (79.03% owned)

Site area	48,933 square feet
Gross floor area	171,266 square feet
Residential units	504
Expected completion	Second quarter of 2020

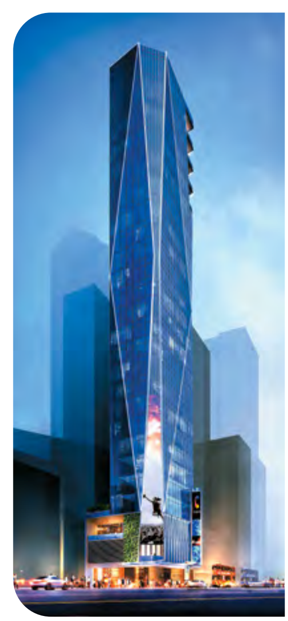
This project has two residential towers of 25 storeys containing 504 units of small-to-medium size, supported by comprehensive clubhouse facilities. Superstructure works for the project are progressing well.

206-212 Johnston Road, Wanchai

(100% owned)

Site area	4,328 square feet
Gross floor area	64,923 square feet
Expected completion	Fourth quarter of 2020

This office redevelopment project boasts a strategic location right at the heart of Wanchai with an MTR station and the Hong Kong Convention and Exhibition Centre in the vicinity. Façade installation works are in progress.



206-212 Johnston Road, Wanchai, Hong Kong (artist's impression)

The Addition, Cheung Sha Wan, Hong Kong (artist's impression)

The Addition

342-356 Un Chau Street, Cheung Sha Wan (100% owned)

Site area	9,157 square feet
Gross floor area	79,903 square feet
Residential units	200
Expected completion	First quarter of 2021

Located close to Cheung Sha Wan MTR station, "The Addition" enjoys easy access to every part of the city. With many prestigious schools and amenities just steps way, this 28-storey development is complemented by a residents' clubhouse and some ground-level retail shops, providing a convenient living environment. Construction of the superstructure work has been progressing well. It was launched for presales in April 2019 with a satisfactory market response.

The Vantage, Hung Hom, Hong Kong (artist's impression)

The Vantage

63 Ma Tau Wai Road, Hung Hom (100% owned)

Site area	23,031 square feet
Gross floor area	207,257 square feet
Residential units	551
Expected completion	First quarter of 2021

Located close to Ho Man Tin MTR station, "The Vantage" is a 29-storey residential-cum-commercial development. With an array of highly sought-after schools and amenities (such as Hoi Sham Park and Ko Shan Theatre) nearby, this development in the thriving district of Hung Hom is poised to meet the discerning tastes of urban dwellers. The exclusive rooftop residents' clubhouse, "Club Cruiser", is an example of the Group's meticulous design planning for residents, serving the needs of both introverts and extroverts. Superstructure works are in progress and upon completion, it will allow upper floor residences to enjoy panoramic views of Victoria Harbour and the verdant greenery of Ho Man Tin. It was launched for presales in March 2019 with a positive response.

2 Tak Shing Street, Tsim Sha Tsui, Hong Kong (artist's impression)

2 Tak Shing Street, Tsim Sha Tsui

(100% owned)

Site area	10,614 square feet
Gross floor area	89,553 square feet
Residential units	172
Expected completion	First quarter of 2021

Located close to Jordan MTR station and the Express Rail Link West Kowloon Station, the site is being developed into a premium residential-cum-commercial tower. The vibrant Tsim Sha Tsui shopping hub and scenic Kowloon Park are both within walking distance, offering unrivalled living convenience to its residents.

TIMBER HOUSE

74 Waterloo Road, Ho Man Tin (49% owned)

Site area	11,256 square feet
Gross floor area	94,973 square feet
Residential units	240
Expected completion	First quarter of 2021

"TIMBER HOUSE" which is a 27-storey residential-cum-commercial development in Ho Man Tin, was well received when it was launched for presales in May 2019.

1-19 Chung Ching Street, Sai Ying Pun, Hong Kong (artist's impression)

1-19 Chung Ching Street, Sai Ying Pun

(100% owned)

Site area	7,858 square feet
Gross floor area	90,102 square feet
Residential units	264
Expected completion	Third quarter of 2021

This project is located at "ARTLANE", a unique mural precinct, with Sai Ying Pun MTR station in its vicinity. Upon completion, its stylish architecture and advanced clubhouse facilities will set a new benchmark for premium residential-cum-commercial development in this revitalised community. Superstructure works are in progress.

The Richmond

62C Robinson Road, Mid-Levels West (100% owned)

Site area	3,851 square feet
Gross floor area	33,678 square feet
Residential units	90
Expected completion	Third quarter of 2021

Located in the highly sought-after Mid-Levels West area, "The Richmond" is a 28-storey residential-cum-commercial property. Work has proceeded to the superstructure stage.

The Richmond, Mid-Levels West, Hong Kong (artist's impression)

38 Fuk Chak Street, Mong Kok, Hong Kong (artist's impression)

38 Fuk Chak Street, Mong Kok

(100% owned)

Site area	20,114 square feet
Gross floor area	180,926 square feet
Residential units	488
Expected completion	Third quarter of 2021

Located next to the Group's "Eltanin • Square Mile" and "Cetus • Square Mile" with the Olympic MTR station in its proximity, this commercial-cum-residential development is surrounded by a vibrant neighbourhood with various amenities and shopping arcades. Construction has proceeded to the superstructure stage.

4A-4P Seymour Road, Mid-Levels

(65% owned)

Site area	52,466 square feet
Gross floor area	472,185 square feet
Residential units	172
Expected completion	Second quarter of 2022

Situated at a prestigious Mid-Levels location, the site will be developed into a premier residential development, featuring spacious units and a unique modern façade design. The superstructure works will commence soon.

4A-4P Seymour Road, Mid-Levels, Hong Kong (artist's impression)

Tuen Mun Town Lot No. 547, Tuen Mun, Hong Kong (artist's impression)

Tuen Mun Town Lot No. 547

Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun (16.41% owned)

Site area	165,765 square feet
Gross floor area	663,062 square feet
Residential units	1,782
Expected completion	Second quarter of 2022

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.

Fanling Sheung Shui Town Lot No. 262, Fanling North

(100% owned)

Site area	174,236 square feet
Gross floor area	612,477 square feet
Residential units	1,723
Expected completion	Second quarter of 2022 (Phases 1 and 2) Third quarter of 2022 (Phase 3)

Surrounded by lush greenery in a tranquil environment, the site will be developed in three phases into a residential development. Foundation works for the project are progressing well.

Fanling Sheung Shui Town Lot No. 262, Fanling North, Hong Kong (artist's impression)

73-73E Caine Road, Mid-Levels, Hong Kong (artist's impression)

73-73E Caine Road, Mid-Levels

(100% owned)

Site area	6,781 square feet
Gross floor area	64,063 square feet
Residential units	160
Expected completion	Fourth quarter of 2022

Located in the upmarket residential neighbourhood of Mid-Levels with easy reach to the SOHO dining hub, this residential-cum-commercial property offers residents both tranquility and convenient access to modern amenities. Demolition works of the existing building are in progress.

Location of Various Categories of Development Projects

Unsold units from the major development projects offered for sale

1 Eden Manor
2 Double Cove – Phases 1-5
3 Cetus • Square Mile
4 Wellesley
5 NOVUM EAST
6 The Addition
7 The Vantage
8 NOVUM WEST
9 Green Lodge
10 South Walk • Aura
11 Reach Summit – Sereno Verde Phase 5
12 The Reach
13 Seven Victory Avenue
14 H • Bonaire
15 PARKER33
16 Global Gateway Tower
17 E-Trade Plaza
18 The Globe
19 Mega Cube

Projects pending sale in 2020

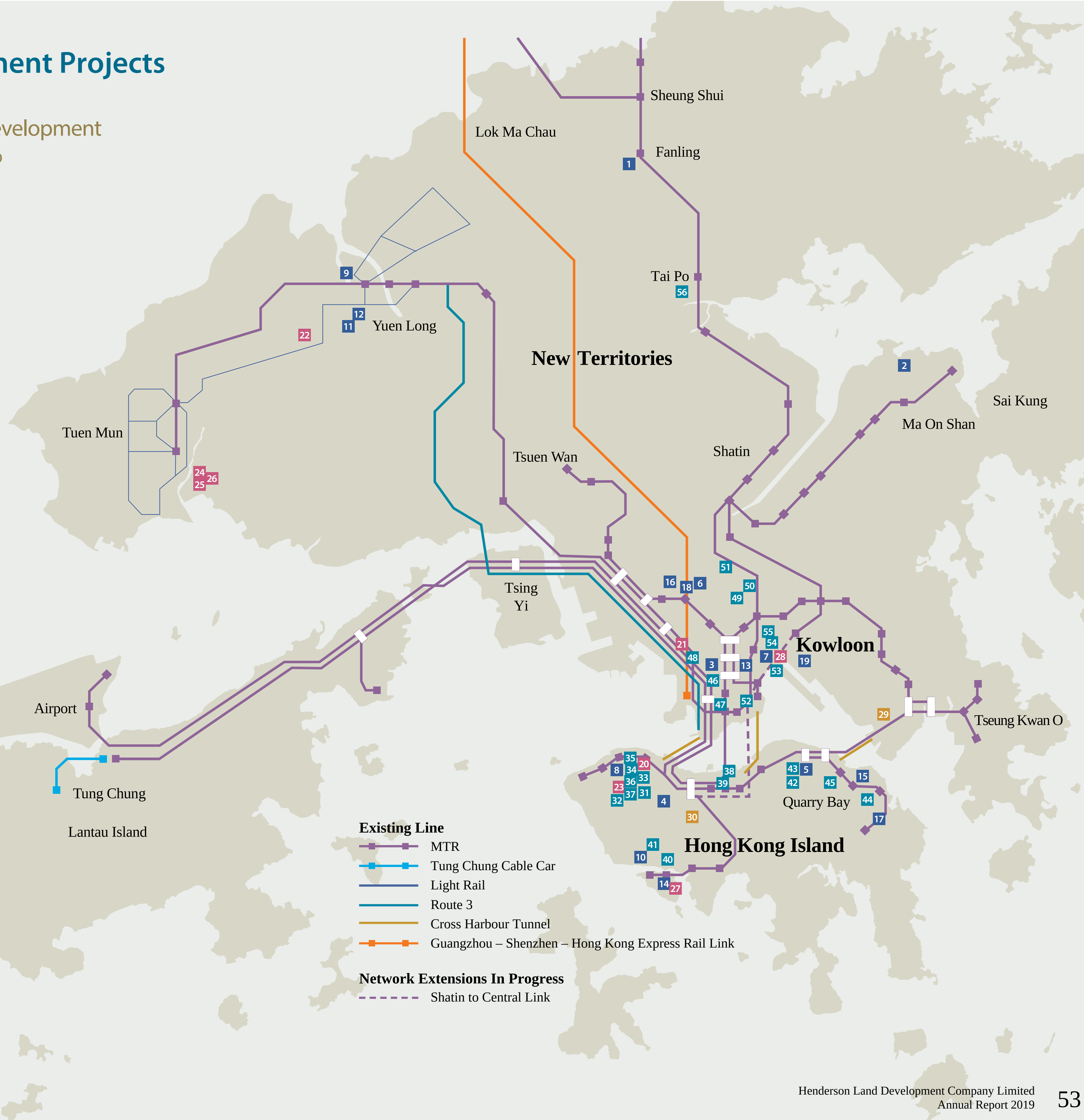
20 The Richmond
21 38 Fuk Chak Street, Mong Kok
22 Lot No. 1752 in DD No. 122 Tong Yan San Tsuen, Yuen Long
23 1-19 Chung Ching Street, Sai Ying Pun
24 Phase 1, Tuen Mun Town Lot No. 547 (Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun)
25 Phase 2, Tuen Mun Town Lot No. 547 (Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun)
26 Phase 3, Tuen Mun Town Lot No. 547 (Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun)
27 65-71 Main Street, Ap Lei Chau
28 Phase 1, New Kowloon Inland Lot No. 6565, Kai Tak

Existing Urban Redevelopment Projects

29 Yau Tong Bay
30 29A Lugard Road, The Peak

Newly-acquired Urban Redevelopment Projects – with 80% to 100% ownership secured

31 4A-4P Seymour Road, Mid-Levels
32 73-73E Caine Road, Mid-Levels
33 1-4 Ladder Street Terrace, Mid-Levels
34 94-100 Robinson Road, Mid-Levels
35 88 Robinson Road, Mid-Levels
36 105 Robinson Road, Mid-Levels
37 33-47A Elgin Street, Mid-Levels
38 206-212 Johnston Road, Wanchai
39 13-21 Wood Road and 22-30 Wing Cheung Street, Wanchai
40 83-95 Shek Pai Wan Road and 2 Tin Wan Street, Aberdeen
41 4-6 Tin Wan Street, Aberdeen
42 9-13 Sun Chun Street, Tai Hang
43 17-25 Sun Chun Street, Tai Hang
44 2 Tai Cheong Street, Quarry Bay
45 983-987A King's Road and 16-22 and 24-94 Pan Hoi Street, Quarry Bay
46 2 Tak Shing Street, Tsim Sha Tsui
47 16 Kimberley Road, Tsim Sha Tsui
48 Various projects spanning, Ka Shin Street, Kok Cheung Street, Pok Man Street, Man On Street and Tai Kok Tsui Road, Tai Kok Tsui
49 456-466 Sai Yeung Choi Street North and 50-56A Wong Chuk Street, Sham Shui Po
50 1-27 Berwick Street, 202-220 Nam Cheong Street and 1-14 Yiu Tung Street, Shek Kip Mei
51 11-19 Wing Lung Street, Cheung Sha Wan
52 Various projects spanning Gillies Avenue South, Baker Street, Whampoa Street and Bulkeley Street, Hung Hom
53 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
54 67-83 Fuk Lo Tsun Road, Kowloon City
55 4-22 Nam Kok Road, Kowloon City
56 3 Mei Sun Lane, Tai Po



Major Completed Investment Properties

				Attributable gross floor area (sq. ft.)					
Name	Location	Lease expiry	Group's interest (%)	Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
Hong Kong Island									
One International Finance Centre	1 Harbour View Street, Central	2047	40.77	–	53,465	319,833	–	**373,298**	71
Two International Finance Centre (excluding levels of 33 to 52, 55, 56 and 77 to 88)	8 Finance Street, Central	2047	40.77	–	207,474	451,857	–	**659,331**	189
Four Seasons Place	8 Finance Street, Central	2047	40.77	216,103	–	–	–	**216,103**	7
H Code	45 Pottinger Street, Central	2842	19.10	–	25,975	–	–	**25,975**	–
Eva Court	36 MacDonnell Road, Mid-Levels	2895	100.00	108,214	–	–	–	**108,214**	49
FWD Financial Centre	308-320 Des Voeux Road Central, Sheung Wan	2865	100.00	–	31,987	182,373	–	**214,360**	–
AIA Tower	183 Electric Road, North Point	2047	100.00	–	22,338	490,072	–	**512,410**	207
Harbour East	218 Electric Road, North Point	2050	100.00	–	13,923	130,077	–	**144,000**	24
Mira Moon	388-390 Jaffe Road, Wanchai	2026	100.00	66,128	–	–	–	**66,128**	–
Kowloon									
Manulife Financial Centre	223-231 Wai Yip Street, Kwun Tong	2050	88.50	–	47,860	919,004	–	**966,864**	394
52 Hung To Road	52 Hung To Road, Kwun Tong	2047	100.00	–	–	–	125,114	**125,114**	–
78 Hung To Road	78 Hung To Road, Kwun Tong	2047	100.00	–	–	–	119,995	**119,995**	16
H Zentre	15 Middle Road, Tsim Sha Tsui	2064	100.00	–	339,711	–	–	**339,711**	470
Nathan Hill	38 Hillwood Road, Tsim Sha Tsui	2043	100.00	–	55,031	–	–	**55,031**	–
AIA Financial Centre	712 Prince Edward Road East, San Po Kong	2047	100.00	–	–	216,593	–	**216,593**	70
Well Tech Centre	9 Pat Tat Street, San Po Kong	2047	100.00	–	–	161,998	–	**161,998**	40
Winning Centre	29 Tai Yau Street, San Po Kong	2047	100.00	–	–	–	150,212	**150,212**	–
Hollywood Plaza	610 Nathan Road, Mong Kok	2047	33.33	–	33,511	64,422	–	**97,933**	–
Square Mile	11 Li Tak Street, Mong Kok	2870	100.00	–	41,939	–	–	**41,939**	–
Cité 33	33 Lai Chi Kok Road, Mong Kok	2026	100.00	–	13,620	–	–	**13,620**	–
The Sparkle	500 Tung Chau Street, Cheung Sha Wan	2055	100.00	–	53,443	–	–	**53,443**	–
The Zutten	50 Ma Tau Kok Road	2050	100.00	–	17,078	–	–	**17,078**	–

				Attributable gross floor area (sq. ft.)					
Name	Location	Lease expiry	Group's interest (%)	Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
New Territories									
KOLOUR • Tsuen Wan I	68 Chung On Street, Tsuen Wan	2047	74.96	–	138,555	156,981	–	**295,536**	100
KOLOUR • Tsuen Wan II	145-165 Castle Peak Road, Tsuen Wan	2047	100.00	–	155,022	–	–	**155,022**	85
Skyline Plaza	88 Tai Ho Road, Tsuen Wan	2047	100.00	–	154,259	–	–	**154,259**	104
Shatin Plaza	21-27 Shatin Centre Street, Sha Tin	2047	77.55	–	114,730	–	–	**114,730**	67
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	–	100,029	–	–	**100,029**	408
MOSTown	18 On Luk Street and 628 Sai Sha Road, Ma On Shan	2047	100.00	–	612,279	–	–	**612,279**	1,053
MOSTown Street	8, 18 and 22 On Shing Street, Ma On Shan	2047	100.00	–	78,422	–	–	**78,422**	186
Double Cove Place	8 Wu Kai Sha Road, Ma On Shan	2060	59.00	–	58,131	–	–	**58,131**	328
MCP Central	8 Yan King Road, Tseung Kwan O	2047	100.00	–	956,849	–	–	**956,849**	669
MCP Discovery	8 Mau Yip Road, Tseung Kwan O	2047	100.00	–	266,954	–	–	**266,954**	233
La Cité Noble Shopping Arcade	1 Ngan O Road, Tseung Kwan O	2047	100.00	–	35,186	–	–	**35,186**	–
KOLOUR • Yuen Long	1 Kau Yuk Road, Yuen Long	2047	100.00	–	140,341	–	–	**140,341**	51
Fanling Centre	33 San Wan Road, Fanling	2047	100.00	–	151,513	–	–	**151,513**	302
Flora Plaza	88 Pak Wo Road, Fanling	2047	60.00	–	94,657	–	–	**94,657**	130
Dawning Views Plaza	23 Yat Ming Road, Fanling	2047	100.00	–	87,766	–	–	**87,766**	–
Citygate Outlets	18-20 Tat Tung Road and 41 Man Tung Road, Tung Chung, Lantau Island	2047	20.00	–	160,767	32,280	–	**193,047**	233
The Trend Plaza	Tuen Mun Heung Sze Wui Road	2047	100.00	–	195,280	–	–	**195,280**	78
The Sherwood	8 Fuk Hang Tsuen Road, Tuen Mun	2052	100.00	–	30,139	–	–	**30,139**	250
Marina Cove	Lot No. 526 in D.D. No. 210, Sai Kung	2047	40.00	–	9,566 *(Note)*	–	–	**9,566**	151
			Total:	**390,445**	**4,497,800**	**3,125,490**	**395,321**	**8,409,056**	**5,965**

Note: In addition there are 121 pontoons and 30 hardstand spaces attributable to the Group.

Major Completed Investment Properties

Major Completed Investment Properties

1 One International Finance Centre
2 Two International Finance Centre
3 Four Seasons Place
4 H Code
5 Eva Court
6 FWD Financial Centre
7 AIA Tower
8 Harbour East
9 Mira Moon
10 Manulife Financial Centre
11 52 Hung To Road
12 78 Hung To Road
13 H Zentre
14 Nathan Hill
15 AIA Financial Centre
16 Well Tech Centre
17 Winning Centre
18 Hollywood Plaza
19 Square Mile
20 Cité 33
21 The Sparkle
22 The Zutten
23 KOLOUR • Tsuen Wan I
24 KOLOUR • Tsuen Wan II
25 Skyline Plaza
26 Shatin Plaza
27 Shatin Centre
28 MOSTown
29 MOSTown Street
30 Double Cove Place
31 MCP Central
32 MCP Discovery
33 La Cité Noble Shopping Arcade
34 KOLOUR • Yuen Long
35 Fanling Centre
36 Flora Plaza
37 Dawning Views Plaza
38 Citygate Outlets
39 The Trend Plaza
40 The Sherwood
41 Marina Cove

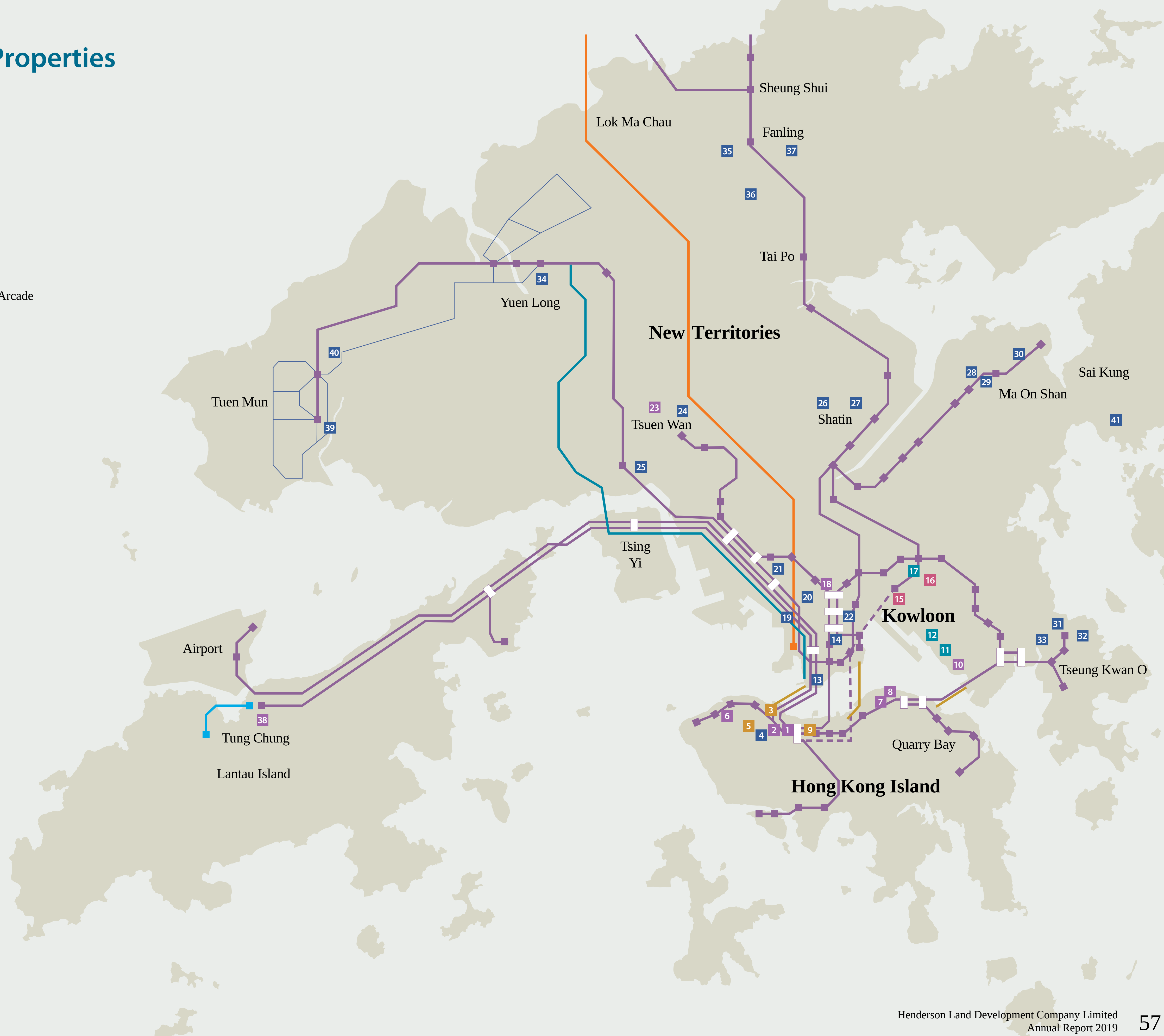
Residential / Hotel Serviced Suites
Commercial
Office
Industrial / Office
Commercial & Office

Existing Line

MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel
Guangzhou – Shenzhen – Hong Kong Express Rail Link

Network Extensions In Progress

Shatin to Central Link



Artist's impression

Artist's impression

LUMINA GUANGZHOU

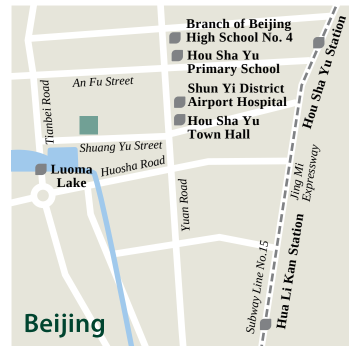
GUANGZHOU

Progress of Major Development Projects

Lakeside Mansion, Beijing (artist's impression)

Beijing

Lakeside Mansion (24.5% owned)



Located in the central villa area of Houshayu town, Shunyi District, "Lakeside Mansion" is adjacent to the Luoma Lake wetland park and various educational and medical institutions. The site of about 700,000 square feet will be developed into low-rise country-yard townhouses and high-rise apartments, complemented by commercial and community facilities. It is scheduled for completion in the third quarter of 2020, providing a total gross floor area of about 1,290,000 square feet for 979 households.

Beijing

Residential project at Chaoyang District (100% owned)

Residential project at Chaoyang District, Beijing (artist's impression)

Located in the villa area of Sunhe, Chaoyang District, this project is adjacent to the Wenyu River wetland park, Sunhe subway station and an array of educational and medical institutions. The site of about 420,000 square feet will be developed into low-density luxury residences. The project is under planning and it will provide a total gross floor area of about 460,000 square feet for 168 households upon scheduled completion in the second quarter of 2023.

Beijing

Residential-cum-commercial project at Chaoyang District (50% owned)

Located in the upmarket residential neighbourhood of Sunhe Xiang, Chaoyang District, with Sunhe station of subway line 15 and Jingping Highway in its vicinity, this project is characterised by its blending of transportation convenience with the natural beauty of its surrounding areas. The project is now under planning and a site of about 340,000 square feet will be developed into a low-density residential-cum-commercial development, complemented by community facilities. It is scheduled for completion in the second quarter of 2023 with a total gross floor area of about 510,000 square feet for 154 households.

Changsha

The Landscape (50% owned)

The Landscape, Changsha (artist's impression)

Located in Kaifu District with convenient access, the 5,490,000-square-foot land lot will be built in five phases, offering luxury villas, high-rise apartments and commercial facilities with a total gross floor area of around 9,500,000 square feet for 6,280 households. Phase 1 with a total gross floor area of 1,080,000 square feet is under construction. The first batch of 760,000 square feet under Phase 1 is scheduled for completion in 2020. The high-rise residences of Phase 2 are under construction and it will provide a total gross floor area of 2,070,000 square feet upon its scheduled completion in late 2020. The high-rise residences of Phase 5 are also under construction and will provide a total gross floor area of about 1,790,000 square feet. The prestigious Changsha Lushan Gaoling Experimental School is also being built, with the scheduled completion in 2021.

Chengdu ICC, Chengdu (artist's impression)

Chengdu

Chengdu ICC (30% owned)

Situated in Jinjiang District, a planned business hub of Chengdu, the 14-million-square-foot Chengdu ICC is a large-scale integrated development sitting atop an interchange station of two metro lines. In a convenient location, the project is close to the Chengdu East Railway Station, the city's main hub for inter-city trains and High Speed Rail, and also enjoys exceptional natural scenery of the adjacent Tazishan Park and Shahe River. Comprising over seven million square feet of quality residences, about four million square feet of prime office space, close to two million square feet of retail space and a five-star hotel, the project is expected to become a prominent one-stop destination for both working and living. Phase 1 and Phase 2A of the project, providing a combined gross floor area of about 2.3 million square feet, were virtually sold out and handed over to buyers before mid-2018. The one-million-square-foot Phase 2B, namely The Arch Suites, will provide over 1,100 residential units in twin towers of approximately 150 metres tall upon scheduled completion in the second quarter of 2020. Phase 2C contains a trendy retail street of 230,000 square feet. Together with some 1.2 million square feet of a premium shopping mall under construction in Phase 3, they will offer customers an exclusive one-stop shopping experience. Preliminary marketing has started with positive responses from popular brands and restaurants. This premium mall is poised to open in the first half of 2021.

Lumina Guangzhou, Guangzhou (artist's impression)

Guangzhou

Lumina Guangzhou (100% owned)

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.

Central Manor, Guangzhou (artist's impression)

Guangzhou

Central Manor (18% owned)

Located in Shijing Town, Baiyun District, with Shijing River and the impending Shitan subway station in its proximity, a residential land lot of about 390,000 square feet will be developed in two phases into high-rise residences. Phase 1 and Phase 2 are scheduled for completion in mid-2020 and 2021 respectively. They will provide an aggregate gross floor area of over 1,440,000 square feet.

Guangzhou

Runyue Huayuan (formerly known as Zengcheng Project) (10% owned)

Runyue Huayuan, Guangzhou (artist's impression)

Located in Sanlian village, Zengcheng District, in the proximity of Guangshan highway and Zhonggang station of the planned subway line 21, a land lot of 920,000 square feet will be developed into high-rise apartments, complemented by commercial and community facilities. The project is now under construction works and it will provide a total gross floor area of around 2,750,000 square feet upon its scheduled completion in 2021.

Xuheng Huayuan, Hefei (artist's impression)

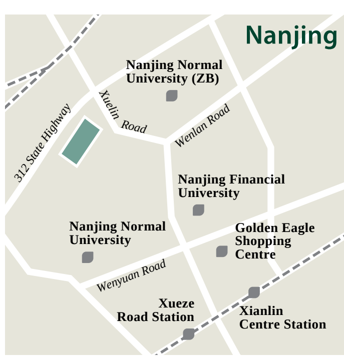
Hefei

Xuheng Huayuan (50% owned)

At the junction of Binhu New District and the administration zone of the municipal government, the 540,000-square-foot land lot will be built as a development with a total gross floor area of over 1,340,000 square feet for more than 800 households, complemented by commercial facilities of about 8,400 square feet. The project is under construction and it is planned for a single-phased completion in the third quarter of 2021.

Nanjing

Emerald Valley (100% owned*)



Emerald Valley, Nanjing (artist's impression)

Located in Xianlin New District, the project will be completed in 3 phases. For Phases 1 and 2, a site of approximately 1,600,000 square feet was developed into a high-end residential community, complemented by a nursery, amenities and a community centre and other facilities, providing an aggregate gross floor area of about 1,100,000 square feet. These two phases were completed already. Phase 3, comprising the residential, commercial and supporting facilities with an aggregate gross floor area of about 340,000 square feet against the total site area of about 240,000 square feet, is under construction. It is planned for completion in the fourth quarter of 2020.

*(*CIFI, which participates in the development of Phase 3, shares 50% of their costs and economic interests.)*

Lumina Shanghai, Shanghai (artist's impression)

Shanghai

Lumina Shanghai (100% owned)

"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 with connection to Longyao Road subway station. 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, which consists of 4 office towers, 5 commercial towers and a multi-functional event venue, 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.

Hengxu Hui, Shanghai (artist's impression)

Shanghai

Hengxu Hui (formerly known as Middle Huaihai Road Project) (50% owned)

Its prime location close to both Madang Road and Xintiandi subway stations, together with its green features and intelligent facilities, make this office development a new benchmark in the Middle Huaihai Road business hub. The project, which comprises office and retail space with an aggregate gross floor area of about 280,000 square feet, is slated for completion in the fourth quarter of 2020.

Shanghai

Bojing Yayuan (formerly known as Lin Gang Nanhui New Town Project at Lot NNW-C4A-02) (16% owned)

Bojing Yayuan, Shanghai (artist's impression)

This project is situated at Lin Gang New Town, Pudong. With a total gross floor area of about 793,000 square feet, the project will contain 819 units in a blend of houses and high-rise apartments. It is planned for a single-phased completion in the fourth quarter of 2020.

Xinxiang Qingfeng Yuan, Shanghai (artist's impression)

Shanghai

Xinxiang Qingfeng Yuan (formerly known as Lin Gang Nanhui New Town Project at Lots NNW-C4D-08 and NNW-C4D-09)

(12.5% owned)

In Lin Gang New Town, Pudong, two adjoining land lots will be jointly developed into a low-density residential development, providing a total gross floor area of about 830,000 square feet against the total site areas of about 690,000 square feet. Offering nearly 900 apartment units, the project is complemented by ample greenery and a wide range of amenities. It is scheduled for a single-phased completion in the fourth quarter of 2020.

Shanghai

Project at Pudong New District (51% owned)

Project at Pudong New District, Shanghai (artist's impression)

Located at Pudong's core financial hub with Pudong Avenue station of subway line 4 in the vicinity, the 330,000-square-foot site at Lujiazui street, Pudong New District, will be developed into a composite development comprising office space and a commercial podium. The project is now under planning. Construction is scheduled to commence in 2021 and upon planned completion in 2024, it will provide a total developable gross floor area of about 830,000 square feet.

Nanshan Project, Shenzhen (artist's impression)

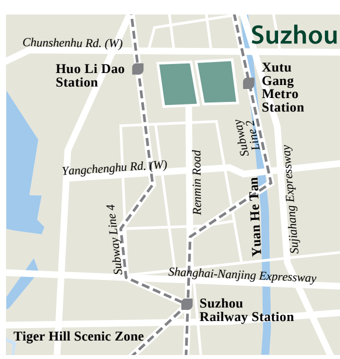
Shenzhen

Nanshan Project (50% owned)

Located in Nanyou section of Nanshan District, with the subway stations of Nanyou West and Nanyou in its proximity, a 70,000-square-foot land lot will be developed into an integrated complex with industrial R&D office space, dormitory, and commercial facilities. Construction works will commence in 2020 and it is planned for completion in 2023, providing a total gross floor area of about 420,000 square feet.

Suzhou

Riverside Park (100% owned*)



Riverside Park, Suzhou

Riverside Park is a community development project in Xiangcheng District. The entire residential community, which were developed in six phases, has been completed. There is also an adjoining integrated commercial project. Phase 1, which boasts a total gross floor area of about 990,000 square feet, was completed and delivered in 2017. Phase 2 with a total gross floor area of about 1,100,000 square feet is under design and planning and it is planned for completion in 2022.

*(*CIFI, which participates in the development of Phase 5 (Block Nos. 24 and 30) and Phase 6 of its residential community as well as the integrated commercial project, shares 30% of their costs and economic interests.)*

Kuanyue Yayuan, Suzhou (artist's impression)

Suzhou

Kuanyue Yayuan (formerly known as Xuguan Project) (35.037% owned)

Located in Xushuguan Development Zone of Gaoxin District, an 870,000-square-foot land lot will be built as a community development with a total gross floor area of over 1,820,000 square feet for about 1,400 households, complemented by supporting facilities. The entire project will be completed in two phases. The construction works for Phase 1 with a total gross floor area of around 800,000 square feet are scheduled for completion in the second quarter of 2020. The construction works for Phase 2 also commenced. It will provide a total gross floor area of about 1,000,000 square feet upon its scheduled completion in the second quarter of 2021.

La Botanica, Xian (artist's impression)

Xian

La Botanica (50% owned)

Jointly developed by the Group and CapitaLand Limited, La Botanica is located within the scenic Chan Ba Ecological District with a subway line connecting it to the city centre. This community development will have a total gross floor area of about 32,850,000 square feet, providing homes for over 28,000 households upon full completion. Phases 1A, 1B, 2A, 3A, 2R6, 4R1, 2R2, 2R4, 2R5 (first section) and 3R2, with a total gross floor area of about 18,000,000 square feet, were completed and delivered to buyers. Phase 2R5 (second/third sections), which comprises about 1,900,000 square feet of gross floor areas, is planned to be completed and delivered to buyers in the third quarter of 2020. Phases 3R4 and 2R3, with total gross floor areas of 1,470,000 and 840,000 square feet respectively, are both expected to be completed in the second quarter of 2021. Furthermore, construction works for C1/C2 section of Phase 1R1 already commenced in the third quarter of 2019 and will provide a total gross floor area of about 2,060,000 square feet. Construction works for C3/C4 section of Phase 1R1 will commence in the second quarter of 2020 and will provide a total gross floor area of about 1,670,000 square feet. The entire development of Phase 1R1 is planned for completion in 2022.

Xuzhou

Grand Paradise (100% owned)

Grand Paradise, Xuzhou

Catering to mid to high-end home buyers, Grand Paradise benefits from the beautiful natural landscape of Dalong Lake, convenient transportation and a comprehensive range of facilities. Premium residences with a total gross floor area of about 4,500,000 square feet were handed over to buyers. The project also boasts a commercial area of about 610,000 square feet, of which 259,000 square feet is slated for completion in the fourth quarter of 2020.

Grand Lakeview, Yixing

Yixing

Grand Lakeview (100% owned*)

Set amongst lush, tranquil surroundings in Dongjiu District, Grand Lakeview is just a five-minute drive away from the city centre. To be completed in phases, this lakefront development offers luxury living in a mix of semi-detached and duplex houses, multi-storey and low-rise apartments, providing an aggregate gross floor area of about 9,000,000 square feet for over 6,800 households. Phases 1A/1B/1C/1D and 2A at Site F, as well as Phases 1A/1B/1C at Site B1, have both been completed providing a residential/commercial area of about 4,300,000 square feet in aggregate. Phases 2B and 3 at Site F, as well as Phases 2 and 3 at Site B1, will in aggregate provide a residential/commercial area of about 4,500,000 square feet for nearly 3,400 households. Construction has commenced on all of these phases except commercial blocks at Phase 2B at Site F. Phase 2 at Site B1 is slated for completion in the second quarter of 2020. Phase 3 at Site B1 is planned for completion in the fourth quarter of 2020. Phase 3 at Site F is scheduled for completion in the fourth quarter of 2021.

*(*CIFI, which participates in its development of Phases 2A, 2B and 3 at Site F and Phases 2 and 3 at Site B1, shares 50% of their costs and economic interests.)*

Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq. ft.) Commercial	Office	Total	Attributable no. of carpark
Beijing							
World Financial Centre	No. 1 East Third Ring Middle Road, Chaoyang District	2044	100.00	212,644	1,999,947	**2,212,591**	1,163
Shanghai							
Henderson Metropolitan	No. 300 Nanjing Road East, Huangpu District	2053	100.00	406,618	427,980	**834,598**	272
Henderson 688	No. 688 Nanjing Road West, Jingan District	2044	100.00	49,807	660,829	**710,636**	404
2 Grand Gateway	No. 3 Hong Qiao Road, Xuhui District	2043	100.00	–	687,981	**687,981**	–
Centro	No. 568 Heng Feng Road, Jingan District	2042	100.00	65,467	368,658	**434,125**	186
Greentech Tower	No. 436 Heng Feng Road, Jingan District	2042	100.00	52,922	355,882	**408,804**	163
Skycity	No. 547 Tian Mu Road West, Jingan District	2042	100.00	293,448	142,353	**435,801**	272
Guangzhou							
Heng Bao Plaza	No. 133 Bao Hua Road, Liwan District	2040	100.00	653,557	–	**653,557**	326
			Total:	**1,734,463**	**4,643,630**	**6,378,093**	**2,786**

Business Model and Strategic Direction

Business Model

Henderson Land has established a diversified business model which comprises "three pillars" namely, property investment, strategic investments and property development in both Hong Kong and mainland China. The property investment business and strategic investments provide a reliable and growing income source to the Group, while the property development business is a dynamic profit driver.

The Group's property development business in Hong Kong is vertically integrated, enabling the design, development, construction, sales and management of development projects to be executed in an efficient manner. In addition to actively participating in public tenders, the Group also applies a cost effective approach of land banking by acquiring old buildings for redevelopment in the urban areas and converting the land-use of New Territories land in order to obtain development land sites at a reasonable cost. For mainland China projects, the Group continues to co-operate with mainland property developers in jointly developing large-scale residential sites in the first-tier cities as well as the second-tier cities with high growth potential, which are characterised by a preponderance of middle class residents, whilst also expanding its premier portfolio of commercial investment properties in the first-tier cities.

In Hong Kong, the Group's substantial and diverse property investment portfolio mainly comprises offices and shopping arcades in core areas, as well as a number of large-scale shopping malls located in strategic locations above or adjacent to MTR stations. In mainland China, the Group owns exceptionally well designed and quality large-scale commercial complexes situated in prime locations for rental purposes.

As regards strategic investments, the Group is the largest shareholder of three listed companies, namely, The Hong Kong and China Gas Company Limited ("HKCG"), Miramar Hotel and Investment Company, Limited ("Miramar") and Hong Kong Ferry (Holdings) Company Limited ("HKF"). HKCG is engaged in the production and distribution of gas in Hong Kong and mainland China. Miramar is engaged in property investment, hotel operation and food and beverage operations. HKF is engaged in property development and investment. HKCG, being a public utility company, provides a very substantial income to the Group.

Strategic Direction

The Group is dedicated to maximising value for shareholders over the long term by executing the following strategies:

Building for a sustainable future with low land costs

The Group actively participates in public tenders. In addition, the Group also replenishes its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land. Such dual approach to land banking has proven to be a reliable source of land supply with a reasonable acquisition cost, which is beneficial to the Group's development returns in the long term.

As a sustainable property developer, the Group is highly proactive in its commitment to environmental stewardship during the process of its development activities, and carefully anticipates the needs and concerns of society.

Locating prime sites for property investment with a stable income stream

The Group's property investment portfolio is well diversified with commercial properties situated in prime locations, generating a recurring and steady income stream. Furthermore, the department store business operated by the Group's listed subsidiary – Henderson Investment Limited, mainly at the Group's properties, serve to maximise the value and occupancy rate of the Group's investment properties.

Expanding the mainland China market

Property development and property investment in mainland China provide the Group with potential for territorial expansion. The Group will continue to look for development projects in the first-tier cities, as well as those second-tier cities with high growth potential, so as to expand its land bank. Co-operation with local property developers will be enhanced so as to push forward the property development business. In addition, in the central locations of major cities, the Group will actively seek to acquire prime sites for commercial/office developments for long-term investment holding. The Group will concentrate on the development of Grade-A office buildings with retail malls comprising a smaller percentage of the overall rental portfolio.

Holding of strategic investment for constant return

The investments in the three listed associates, HKCG, Miramar and HKF, provide stable and constant returns for the Group. The distinctive business nature of HKCG, in particular, is a supplement to the Group's core businesses of property development and property investment and allows Henderson Land to smooth out the cyclicality of the Group's property development business.

Conservative financial strategy

The Group employs a conservative funding and treasury strategy. It consistently keeps a low to moderate financial gearing ratio with abundant unutilised committed banking facilities in place that are of medium term in tenor. The Group maintains an excellent ongoing relationship with the major commercial banks while endeavouring to diversify its funding sources through debt issuance in different financial markets.

Financial Review

Management discussion and analysis

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 Group's attributable share of 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			Profit contribution from operations		
	Year ended 31 December			Year ended 31 December		*Increase/ (Decrease)*
	2019 HK$ million	2018 HK$ million	*Increase %*	**2019 HK$ million**	2018 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 HK$ million	2018 HK$ million	*Decrease %*
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 taxation) 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 transfers 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 transfers 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, Hong Kong	**–**	(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, are as follows:

	Year ended 31 December		*Increase/(Decrease)*	
	2019	2018		
	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		*Increase/(Decrease)*	
	2019	2018		
	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		Increase	
	2019	2018		
	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		Increase	
	2019	2018		
	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 rental 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 (including guaranteed notes) 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 HK$ million	2018 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 Note in the principal amount 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 a pledged bank deposit 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 given by the Company 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 given by the Group 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).

Five Year Financial Summary

		Year ended 31 December				
		2015	2016	2017 (restated)	2018	2019
	Note	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Profit for the year	*1*	21,326	21,916	30,809^	31,157	**16,994**
Underlying Profit for the year	*1&2*	11,009	14,169	19,516^	19,765	**14,640**
		HK$	HK$	HK$	HK$	HK$
Earnings per share	*1&4*	4.41	4.53	6.36^	6.44	**3.51**
Underlying earnings per share	*1,2&4*	2.28	2.93	4.03^	4.08	**3.02**
Dividends per share	*1*	1.45	1.55	1.71	1.80	**1.80**

		At 31 December				
		2015	2016 (restated)	2017 (restated)	2018	2019
	Note	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Investment properties		128,597	131,860^	173,494^	176,717	**182,963**
Other property, plant and equipment		1,692	1,419	350	370	**389**
Interest in associates		51,953	53,933^	59,491^	62,059	**63,171**
Interest in joint ventures		35,619	38,728	44,865	53,011	**65,230**
Inventories		81,556	78,476^	74,219^	97,177	**100,495**
Net debt	*3*	40,317	33,434	55,631	70,123	**81,655**
Net asset value	*1*	251,247	262,607^	292,574^	313,153	**320,851**
Net debt to net asset value		16.0%	12.7%	19.0%	22.4%	**25.5%**
		HK$	HK$	HK$	HK$	HK$
Net asset value per share	*1&4*	51.90	54.25^	60.44^	64.69	**66.28**

^ *Restated as a result of the adoption of Hong Kong Financial Reporting Standard 15 "Revenue from contracts with customers" during the year ended 31 December 2018.*

Notes:

1 *The profits, earnings, dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

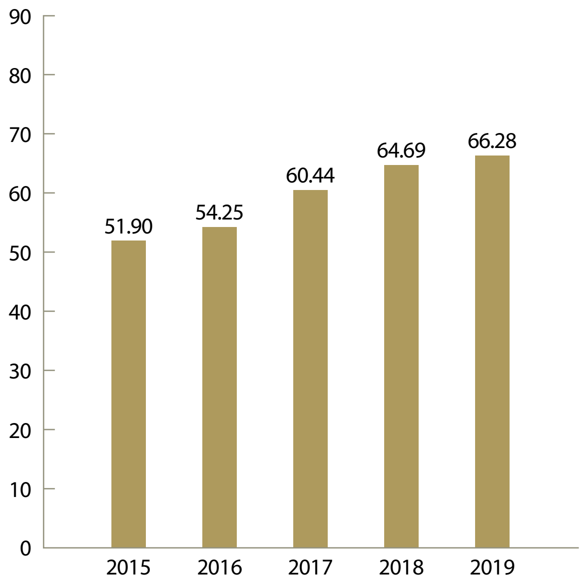
2 *Definitions of "Underlying Profit" and "Underlying earnings per share" are referred to in note 13(b) to the Company's audited consolidated financial statements for the year ended 31 December 2019 as contained in the Company's annual report for the year ended 31 December 2019.*

3 *Net debt represents the total of bank loans, guaranteed notes and the amount due to a fellow subsidiary minus cash and bank balances.*

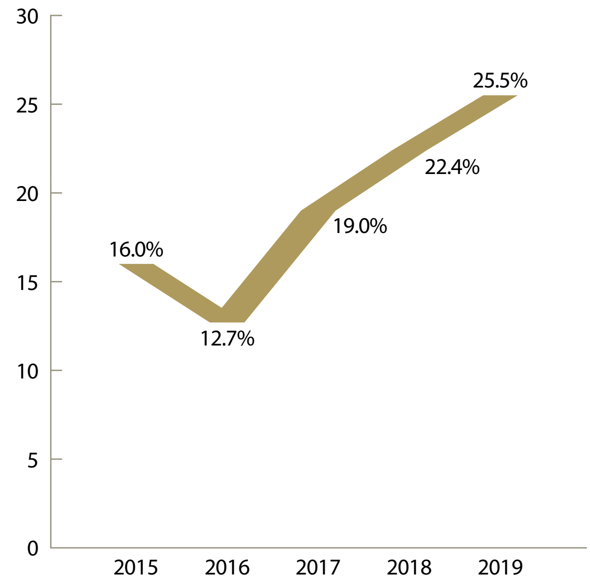
4 *The earnings per share and underlying earnings per share were calculated based on the weighted average number of shares as adjusted for the effect of the bonus issues under Hong Kong Accounting Standard 33 "Earnings per share".*

The net asset values per share were calculated based on the number of issued shares outstanding at the end of the respective reporting periods and adjusted for the effect of the bonus issues.

Net asset value per share (HK$)

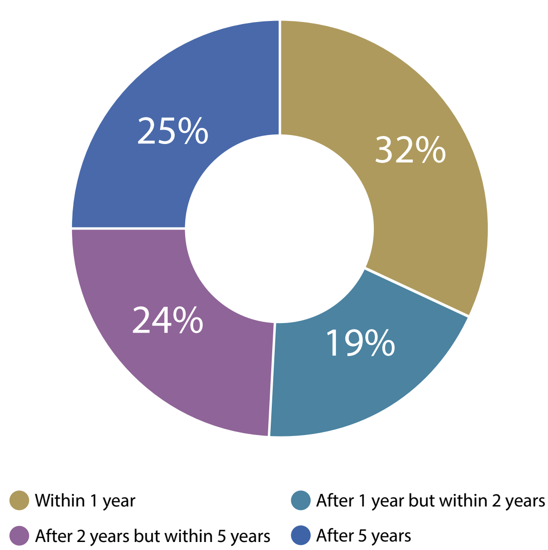


Net debt to net asset value (%)



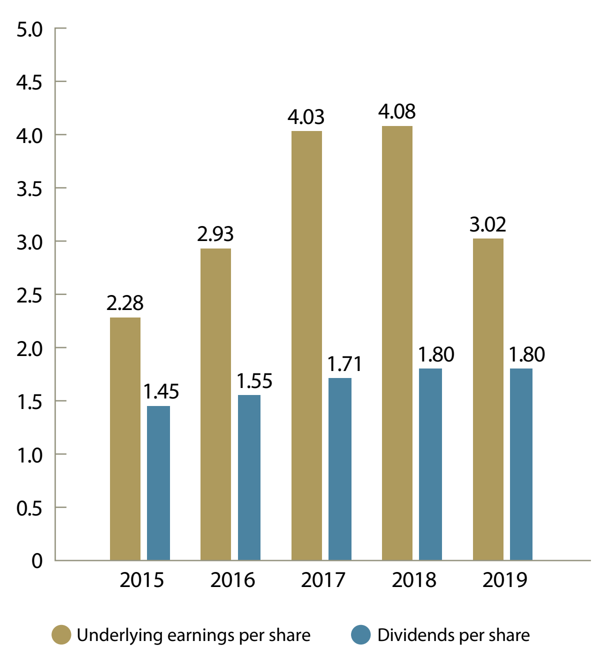
Maturity profile of the Group's bank and other borrowings repayable[note 1]

at 31 December 2019



Note 1: Excluding the amount due to a fellow subsidiary.

Underlying earnings / dividends per share (HK$)



Sustainability and CSR

This section provides a summary of the Group's strategy and achievements with regard to sustainability. Henderson Land's sixth standalone Sustainability and CSR Report was published in April 2020 in accordance with Global Reporting Initiative ("GRI") Standards: Core option with GRI's sector guidance on the Construction and Real Estate Sector, and the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Sustainability and CSR Report provides the details of the Group's ESG commitments, highlights and performance through the year.

Together with our Corporate Social Responsibility and Environmental Policies, Henderson Land's Sustainability Strategy affirms the Group's commitment and direction, and focuses our attention on key aspects that are most important to our business and stakeholders.

From design to management, we have found ways to reduce the environmental impact of our buildings. These efforts have led to the award of several green building certifications and ratings. The Group cumulatively achieved 12 LEED, 19 BEAM, 37 BEAM Plus, 5 China Green Building Design Label, 1 China Healthy Building Design Label and 4 WELL project accreditations. In 2019, two of our development projects received international recognition for green building design and construction. Our Murray Road site in Central achieved WELL Platinum Pre-certification from International WELL Building Institute (IWBI) and LEED Platinum Pre-certification (Core & Shell), while Harbour East became the first Hong Kong project to achieve a China Healthy Building Design Label – 3-Star Rating. These accolades demonstrate the Group's ability to provide office, retail and residential spaces that contribute to improving customers' well-being and reducing negative environmental impacts.

Our property portfolio is managed with careful consideration of its environmental impacts. We support the Hong Kong Government's Climate Action Plan 2030+, and have set our own target to reduce energy consumption in the common areas of 14 commercial properties by 10% by 2025, with 2015 as the baseline year. While our performance in 2019 against this target is satisfactory, we remain committed to reducing energy consumption so as to play our part in Hong Kong's efforts against climate change.

The Group is dedicated to using technology to improve operational efficiency, optimising the use of materials and reducing waste generally. Throughout the development process, Building Information Modelling (BIM) is used to allow better communication and avoid wasting materials. In 2019, the Group has increasingly employed prefabricated materials, which are produced off-site in factories, to lessen wastage. Our Construction Department has also digitalised site inspections, so that all quality inspections can be standardised and accessed in real-time, allowing senior executives to access information immediately while significantly reducing paper use.

As one of Hong Kong's leading property developers, we continue to use our strengths and resources to make Hong Kong a better place to live and work. In 2019, we initiated the single largest modular social housing scheme in Hong Kong by lending a 428,000-square-foot site in Kong Ha Wai, Kam Tin in the New Territories for the purpose of transitional housing over a seven-year period. The site can accommodate around 2,000 modular housing units, which will provide transitional housing for approximately 40,000 people, all of who are from 10,000 underprivileged families. Additionally, since 2017, we have provided nearly 230 of our temporarily vacant residential units and a redevelopment site to various community housing schemes. Beyond our participation in these schemes, the Group also supported and participated in more than 100 other community initiatives during the year, demonstrating our contribution to a sustainable future.

Our employees are the heart of our business and are integral to Henderson Land's track record of developing, building, delivering and managing award-winning properties. Staff are offered competitive remuneration packages, as well as a range of opportunities to continuously develop their skills and are encouraged to maintain a healthy work-life balance. During the year, the Group's employees undertook nearly 178,000 hours of training to further expand their competence and knowledge. Henderson Land was also one of only 16 Hong Kong companies ranked in Forbes' World's Best Employers 2019 – Top 500. Results are based on surveys and wide-ranging feedback from multiple sources including employees.

Regular engagement with stakeholders ensures that the Group's approach to CSR remains relevant and consistent across its operations, and continues to meet stakeholder expectations. Each year, we engage with a range of stakeholder groups and individuals to capture feedback related to our sustainability performance and disclosure. To prepare for the 2019 Sustainability and CSR Report, we engaged with our senior executives, frontline staff, external consultant, journalist, NGO partner, professional body and supplier. These regular engagements help us better predict and respond to challenges and expectations.

The Group's five volunteering teams continue to work hand in hand with the community to support people in need, with the aim of creating value for the communities and business. More than 4,500 of our volunteers organised over 410 activities in 2019, contributing over 147,000 volunteering hours.

For further details on Henderson Land's sustainability and CSR performance and the Group's relationship with customers, suppliers, employees, and other key stakeholders, please refer to the Sustainability and CSR Report 2019 on the Company's website www.hld.com.

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2019.

1 Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound risk management and internal controls, and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

2 Corporate Governance Code

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.

3 Board of Directors

(a) Responsibilities of and Support for Directors

The Board has the responsibility for the management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal, or grant of options, in respect of securities or debentures of the Company and reviewing the effectiveness of the risk management and internal control systems which include reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations and implementation of the above matters to the standing committee of the Board (the "Standing Committee").

The day-to-day management, administration and operation of the Company are delegated to the management team. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or public organisations. The Company has also requested Directors to provide in a timely manner any change on such information. Each Director is also required to disclose to the Company his/her time commitment. The details of the Directors' time commitment are disclosed under the sub-paragraph "Directors' Time Commitment and Trainings" below.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of latest code provision requirements and be assisted in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

(b) Corporate Governance Functions

The Corporate Governance Committee set up in 2012 has undertaken the corporate governance functions as required under the CG Code. Details of the Corporate Governance Committee are shown in paragraph 4(d) headed "Corporate Governance Committee" below.

(c) Board Composition

The Board currently comprises eighteen members, as detailed below:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Dr Lee Ka Kit *(Chairman and Managing Director)*	Lee Pui Ling, Angelina	Kwong Che Keung, Gordon
Lee Ka Shing *(Chairman and Managing Director)*	Lee Tat Man	Professor Ko Ping Keung
Dr Lam Ko Yin, Colin *(Vice Chairman)*		Wu King Cheong
Dr Lee Shau Kee		Woo Ka Biu, Jackson
Yip Ying Chee, John		Professor Poon Chung Kwong
Suen Kwok Lam		Au Siu Kee, Alexander
Fung Lee Woon King		
Lau Yum Chuen, Eddie		
Kwok Ping Ho		
Wong Ho Ming, Augustine		

The changes to the Board and the biographical details of the Directors are set out on page 114 and pages 127 to 132 of this Annual Report respectively. Dr Lee Shau Kee is the father of Dr Lee Ka Kit and Mr Lee Ka Shing, the brother of Mr Lee Tat Man and Madam Fung Lee Woon King. Save as aforesaid, none of the members of the Board is related to one another. A List of Directors and their Role and Function is available on the Company's website.

The Board comprises male and female Directors with diverse backgrounds and/or extensive expertise in the Group's businesses. The Board also has a balanced composition of Executive and Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term of not more than three years. All Directors are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and at least one-third of its members being Independent Non-executive Directors, with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received confirmation in writing of independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the Non-executive Directors and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

(d) Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person, as a Director, either to fill a casual vacancy on or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care, skill and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference with due regard to the Company's Nomination Policy and Board Diversity Policy, and recommendations of the Nomination Committee are then put to the Board for decision.

In accordance with the Articles, new appointments to the Board are subject to re-election at the next following AGM. Furthermore, nearest one-third of the Directors, including those appointed for a specific term, shall retire from office by rotation but are eligible for re-election at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years. Each Director was appointed by a letter of appointment setting out the key terms and conditions of his/her appointment.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. Mr Au Siu Kee, Alexander ("Mr Au"), an Independent Non-executive Director, has the following directorships which fall within the independence guideline in Rule 3.13(7) of the Listing Rules:

(i) Mr Au is currently the chairman and a non-executive director of Henderson Sunlight Asset Management Limited ("HSAM"), a subsidiary of the Company and the manager of the publicly-listed Sunlight Real Estate Investment Trust ("Sunlight REIT"). Sunlight REIT is regarded as a core connected person of the Company for the purpose of the Listing Rules. As Mr Au plays a non-executive role in HSAM, and Sunlight REIT is not a subsidiary of the Company, the Company considers that such non-executive role in HSAM has no bearing on Mr Au's independence.

(ii) Mr Au is currently also an independent non-executive director of Henderson Investment Limited, a subsidiary of the Company, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both of which are associated companies of the Company. As an independent non-executive director/a non-executive director, Mr Au does not/did not take part in the day-to-day management of and has no/had no executive role in such companies. The Company considers that Mr Au's role in such companies has no impact on his independence as an Independent Non-executive Director of the Company.

(e) Board Meetings

(i) Number of Meetings and Directors' Attendance

The Board meets from time to time and at least four times a year to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2019, the Board held four meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 103.

During the year, the Independent Non-executive Directors held a meeting among themselves. In addition, the Chairman held a meeting with the Independent Non-executive Directors without the presence of other Directors in accordance with the CG Code.

(ii) Practices and Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Meeting agenda and accompanying Board papers are sent to all Directors in a timely manner and at least three days before the Board/committee meetings.

The Company Secretary of the Company is responsible to take and keep minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is open for Directors' inspection with copies sent to all Directors for their records.

(f) Conflict of Interest

If a Director has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who is considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

(g) Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of the Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

(h) Directors' Time Commitment and Trainings

Each Director had ensured that he/she had given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify the Company of any change of such information in a timely manner. Other details of Directors, including their directorships held in listed public companies in the past three years, are set out in the biographical details of Directors on pages 127 to 132 of this Annual Report.

During the year, arrangements were made for speakers delivering talks and presentations to Directors of the Company on topics relating to business development and technology relevant to the Group's businesses. Legal and regulatory updates are provided from time to time to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information on seminars organised by professional bodies are provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

According to the training records provided by the Directors to the Company, they participated in continuous professional development in 2019 which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials. The seminars and talks involved topics on anti-money laundering, rule amendments, financial and information technologies, etc. During the year, the trainings undertaken by the Directors are summarised as follows:

	Attending Seminars, Talks and Briefings	Reading Legal and Regulatory Updates and other Reference Materials
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	✓	✓
Wong Ho Ming, Augustine	✓	✓
Non-executive Directors		
Lee Pui Ling, Angelina	✓	✓
Lee Tat Man	✓	✓
Independent Non-executive Directors		
Kwong Che Keung, Gordon	✓	✓
Ko Ping Keung	✓	✓
Wu King Cheong	✓	✓
Woo Ka Biu, Jackson	✓	✓
Poon Chung Kwong	✓	✓
Au Siu Kee, Alexander	✓	✓

4 Board Committees

The Board has five Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Corporate Governance Committee for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors

Kwong Che Keung, Gordon *(Chairman)*
Professor Ko Ping Keung
Wu King Cheong
Au Siu Kee, Alexander

Both the Chairman and Mr Au Siu Kee, Alexander have the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within two years immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgement in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and risk management and internal control systems. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held three meetings during the year ended 31 December 2019. The major work performed by the Audit Committee in respect of the year ended 31 December 2019 included reviewing and recommending the re-appointment of external auditor, approving the audit plan, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2019, reviewing the audited financial statements and final results announcement for the year ended 31 December 2018, reviewing the work of the Group's audit department and assessing the effectiveness of the Group's systems of risk management and internal control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, training programmes and budget.

(b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors	Independent Non-executive Directors
Dr Lee Ka Kit *(appointed on 28 May 2019)*	Wu King Cheong *(Chairman)*
Lee Ka Shing *(appointed on 28 May 2019)*	Kwong Che Keung, Gordon
Dr Lam Ko Yin, Colin	Professor Ko Ping Keung
	Au Siu Kee, Alexander *(appointed on 28 May 2019)*

Each member is sufficiently experienced and is appropriately skilled in the issues of determining executive compensations in public companies. The Board expects the committee members to exercise independent judgement in conducting the business of the committee.

The written terms of reference include the specific duties of determining, with delegated responsibility, the remuneration package of the individual Executive Director and senior management and making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 December 2019, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increments for 2020 as well as the remuneration of senior management staff and the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 8 to the financial statements on pages 193 to 195 while the analysis of the senior management's emoluments by band is set out in note 9 to the financial statements on page 196. The Director's fees are fixed at the rate of HK$150,000 per annum for each Executive Director/Non-executive Director and HK$250,000 per annum for each Independent Non-executive Director. In the event that an Independent Non-executive Director serves on Board committees, he will be paid an additional fee of HK$250,000 per annum for acting as a member of the Audit Committee, and HK$100,000 per annum for acting as a member of each of the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee. The above remuneration remains unchanged until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

(c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

Executive Directors	Independent Non-executive Directors
Dr Lee Ka Kit *(appointed on 28 May 2019)*	Wu King Cheong *(appointed as Chairman on 28 May 2019)*
Lee Ka Shing *(appointed on 28 May 2019)*	Kwong Che Keung, Gordon
Dr Lam Ko Yin, Colin	Professor Ko Ping Keung
	Au Siu Kee, Alexander *(appointed on 28 May 2019)*

Each member is sufficiently experienced and is appropriately skilled in the issues of nomination of directors to the Board. The Company has provided the Nomination Committee with sufficient resources to perform its duties. The Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

The written terms of reference include the specific duties of reviewing the structure, size and composition of the Board with due regard to the Board Diversity Policy and making recommendation on any proposed changes to the Board to complement the Company's corporate policy. Nominations will be made in accordance with the Nomination Policy and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are available on the Company's website.

The Nomination Committee held two meetings during the year ended 31 December 2019. The major work performed by the Nomination Committee in respect of the year included assessing the independence of Independent Non-executive Directors of the Company, and making recommendation to the Board on the retiring Directors' eligibility for re-election at the AGM and the extension of the terms of office of Non-executive/ Independent Non-executive Directors. It also reviewed the size and composition of the Board, the Board Diversity Policy and the Nomination Policy, and considered that the said policies were appropriate and effective. Further, the Nomination Committee had considered the proposed change of the Chairman and Managing Director of the Company and recommended to the Board for approving the appointment of each of Dr Lee Ka Kit and Mr Lee Ka Shing as Chairman and Managing Director of the Company as well as consequential changes to memberships of the Nomination Committee and Remuneration Committee.

The Nomination Committee has to follow the principles set out in the Nomination Policy and the Board Diversity Policy adopted by the Board which are more particularly described in the paragraph "Board Policies" below.

(d) Corporate Governance Committee

The Corporate Governance Committee which was established in October 2012 comprises:

Independent Non-executive Directors

Kwong Che Keung, Gordon *(Chairman)*
Professor Poon Chung Kwong
Au Siu Kee, Alexander

Each member is sufficiently experienced and is appropriately skilled in the issues of corporate governance. The Company has provided the Corporate Governance Committee with sufficient resources to perform its duties.

The written terms of reference include the duties of developing and reviewing the Company's policies and practices on corporate governance and monitor such policies and practices on compliance with legal and regulatory requirements. The terms of reference of the Corporate Governance Committee are available on the Company's website.

During the year, the Corporate Governance Committee held a meeting to review the Company's policies and practices on corporate governance, formulate the work plan for the 2019 Corporate Governance Report and review the training and continuous professional development of the Directors and senior management.

(e) Attendance Record at Board Meeting, Committees' Meeting and AGM

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the AGM during the year ended 31 December 2019 is set out in the following table:

	No. of meetings attended/No. of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	AGM
Executive Directors						
Lee Ka Kit *(Chairman and Managing Director)*	4/4	N/A	1/1	1/1[1]	N/A	1/1
Lee Ka Shing *(Chairman and Managing Director)*	4/4	N/A	1/1	1/1[1]	N/A	1/1
Lam Ko Yin, Colin	4/4	N/A	1/1	2/2	N/A	1/1
Lee Shau Kee	4/4	N/A	N/A	1/1[2]	N/A	1/1
Yip Ying Chee, John	4/4	N/A	N/A	N/A	N/A	1/1
Suen Kwok Lam	4/4	N/A	N/A	N/A	N/A	1/1
Fung Lee Woon King	4/4	N/A	N/A	N/A	N/A	1/1
Lau Yum Chuen, Eddie	4/4	N/A	N/A	N/A	N/A	1/1
Kwok Ping Ho	4/4	N/A	N/A	N/A	N/A	1/1
Wong Ho Ming, Augustine	4/4	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Lee Pui Ling, Angelina	4/4	N/A	N/A	N/A	N/A	1/1
Lee Tat Man	1/4	N/A	N/A	N/A	N/A	0/1
Independent Non-executive Directors						
Kwong Che Keung, Gordon	4/4	3/3	1/1	2/2	1/1	1/1
Ko Ping Keung	4/4	3/3	1/1	2/2	N/A	1/1
Wu King Cheong	4/4	3/3	1/1	2/2	N/A	1/1
Woo Ka Biu, Jackson	4/4	N/A	N/A	N/A	N/A	1/1
Poon Chung Kwong	4/4	N/A	N/A	N/A	1/1	1/1
Au Siu Kee, Alexander	4/4	3/3	1/1	1/1[1]	1/1	1/1

Remarks: 1. Subsequent to the appointment of Dr Lee Ka Kit, Mr Lee Ka Shing and Mr Au Siu Kee, Alexander as a member of the Nomination Committee on 28 May 2019, there was one Nomination Committee meeting held.

2. Antecedent to the retirement of Dr Lee Shau Kee as a member of the Nomination Committee on 28 May 2019, there was one Nomination Committee meeting held.

5 Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 138 to 142.

6 Auditor's Remuneration

For the year ended 31 December 2019, the Auditor(s) of the Company and its subsidiaries agreed to receive approximately HK$21 million for audit and audit related services (2018: HK$20 million) as well as approximately HK$13 million for non-audit services (2018: HK$16 million) covering tax services, corporate and advisory services and other reporting services. The remuneration of the Auditor(s) in respect of audit and non-audit services is reviewed by the Audit Committee twice a year.

7 Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in the 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.

8 Continuing Connected Transactions

The Independent Non-executive Directors and the Auditor of the Company conducted reviews on the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report (the "Continuing Connected Transactions"). The Audit Department of the Company has reviewed the Continuing Connected Transactions together with the relevant internal controls and confirmed to the Independent Non-executive Directors of the Company that the Continuing Connected Transactions were conducted in accordance with the pricing mechanism under the relevant agreements.

9 Board Policies

The following are the summaries of certain major policies adopted by the Board:

(i) Inside Information Policy

The Board approved and adopted the Inside Information Policy in December 2012 which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.

(ii) Board Diversity Policy

The Board approved and adopted the Board Diversity Policy in June 2013 which provides that selection of candidates during nomination process will be based on a range of diversity perspectives. These perspectives include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

(iii) Nomination Policy

The Board approved and adopted the Nomination Policy in December 2018 which sets out the principles guiding the Nomination Committee to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders of the Company for election as a Director of the Company. The policy contains a number of factors to which the Nomination Committee has to adhere when considering nominations. These factors include the candidate's skills and experience, diversity perspectives set out in the Board Diversity Policy, the candidate's time commitment and integrity, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an Independent Non-executive Director. The policy also lays down the following nomination procedures: the Nomination Committee (a) will take appropriate measures to identify and evaluate a candidate; (b) may consider a candidate recommended or offered for nomination by a shareholder of the Company; and (c) will, on making the recommendation, submit the candidate's personal profile to the Board for consideration.

(iv) Dividend Policy

The Board approved and adopted the Dividend Policy in December 2018 which sets out the guidelines for the Board to determine whether to pay a dividend and the level of such dividend to be paid. In general, it is the policy of the Company to allow its shareholders to participate in the Company's profits whilst retaining adequate reserves for future growth. Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. The Board may also declare special dividends in addition to such dividends as it considers appropriate. The policy also contains a number of factors for which the Board has to consider in determining the frequency, amount and form of any dividend in any financial year/period. The Board may also consider the issuance of bonus shares on a basis as permitted by the applicable laws and regulations.

The full text of the above Board policies are available on the Company's website.

10 Corporate Social Responsibility

The Company is a founding constituent member of the Hang Seng Corporate Sustainability Index Series launched in July 2010.

A Corporate Social Responsibility Committee, chaired by Mr Lee Ka Shing with certain Directors and department heads as members, was formed in 2012 to assist the Board in reviewing the policy on corporate social responsibility and overseeing relevant issues including workplace quality, environmental protection, operating practices and community involvement.

During the year, the Corporate Social Responsibility Committee held a meeting to review the corporate social responsibility policy, environmental policy and the sustainability strategy for the sustainability direction and strategy of the Group, and considered that the said policies and strategy were in order. A standalone Sustainability and CSR Report is to be published on the same date of this Annual Report and posted on the Company's website.

The above policies and strategy and the terms of reference of the Corporate Social Responsibility Committee have been adopted by the Board and posted on the Company's website.

11 Internal Audit, Risk Management and Internal Controls

Internal Audit

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the shareholders' interests and the Company's assets.

The Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audits on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. It is also considered that the resources, staff qualifications and experience and training programmes are adequate.

An email link has been set up in the webpage of the intranet of the Company for employees to express their opinions or concerns about the Group's operations directly to the Vice Chairman. In addition, the Company has provided a separate email link on its website, by which stakeholders can freely provide comments and suggestions on the operations of the Company so that proper actions can be taken to address issues being raised.

Risk Management and Internal Controls

The successful management of risks is essential for the long-term growth and sustainability of the Group's business. The Board is responsible for setting strategies, business objectives and risk appetite as well as ensuring a review of effectiveness of the risk management and internal control systems, and overseeing management in the design, implementation and monitoring of the risk management and internal control systems. Management staff of various departments of the Group have provided confirmations to the Board on the effectiveness of such systems.

Risk management is proactive to ensure that significant risks are:
- identified;
- assessed by considering the impacts and likelihoods of their occurrence; and
- effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.

(i) Approach to Risk Management

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

The Board, by the top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group.

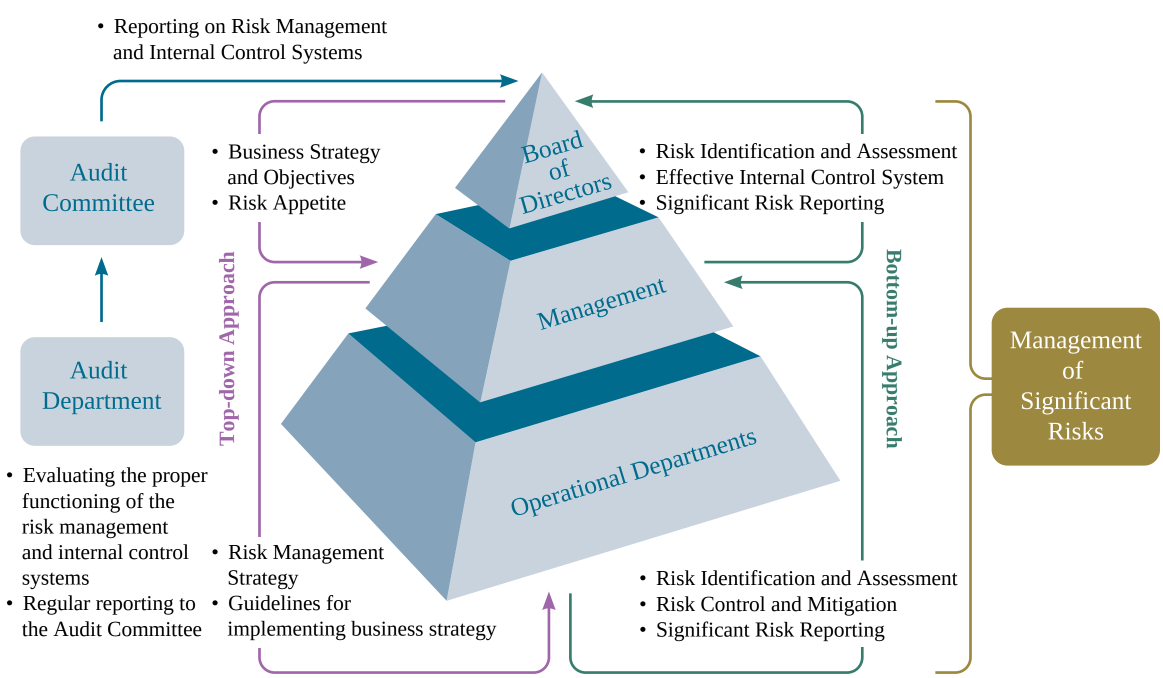
Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of risk register setting out the particulars of material risks together with the control measures as reported by significant departments of the Group. This bottom-up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board in determining the risk appetite.

The terms of reference of the Audit Committee include, among other things, the responsibility of reviewing the risk management and control systems. In addition, a risk management policy has been adopted to serve as a guideline for risk management and internal control systems and such policy is available on the Company's website.

(ii) *Risk Management Reporting and Framework*

The Audit Department performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2019. It is intended to carry out this evaluation process on an ongoing basis. The Audit Committee, after reviewing and considering the risk management findings submitted by the Audit Department, reported and confirmed to the Board that the risk management and internal control systems are effective and adequate.

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



(iii) *Significant Risks and Control/Mitigation*

Certain significant risks have been identified through the process of risk identification and assessment. A summary on such significant risks of the Group together with the relevant internal control measures or mitigation in place is listed below:

(a) *Regulatory and Compliance Risk*

As a listed and a diversified property development and investment, construction and real estate developer company, the Group is exposed to and subject to extensive government policies and regulations of mainland China and Hong Kong. These include the Companies Ordinance, financial and tax legislations, Residential Properties (First-hand Sales) Ordinance, new property control measures by the central and/or local government authorities in the mainland China and construction legislations and regulations, as well as the Listing Rules in Hong Kong.

Any non-compliance with these policies and regulations may cause damage to the Group, delay its project development and affect its ability to deliver its primary objectives.

The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations through developing internal guidelines, frequent staff trainings, sufficient time for review process, compliance handling by experienced and professional staff as well as by consultancy with external experts.

(b) *Economic Risk*

The Group is dependent on the regional economic conditions in which the Group is active. Global economic uncertainty, prospect of interest rates fluctuation, and slowdown of the economic growth in mainland China and Hong Kong resulting from the China-US trade war, coronavirus outbreak (COVID-19) and possibly Hong Kong social unrest might affect the Group's operations.

The Group reviews and optimises its asset portfolio to ensure that it is sufficiently cost effective and efficient. The risk of adverse economic conditions is managed by ensuring proper monitoring of the business performance, and constant assessment of economic conditions and the appropriateness of the prevailing investment and business strategy.

(c) *Market Risk*

The Group operates in areas that are highly competitive, and failure to compete effectively in terms of price, product quality and specification or levels of service can have an adverse impact on the Group's results. The market demand and supply condition is also one of the significant factors impacting the Group's performance.

The Group manages market risks by keeping track of the property market conditions, strengthening its brand names and product quality, and setting sales strategies commensurate with the market demand.

(d) *Financial Risk*

An effective and sound financial management system is essential to the Group's operations. The Group may be exposed and impacted by factors such as shortage of fund flow, increase in costs of funding and currency fluctuation.

The Group's finance team is embedded within the Group to provide financial management support by monitoring the financial market conditions and setting an appropriate financial strategy. The Group maintains an open and proactive relationship with the banking community, arranges different terms of loan facilities from different sources with different tenures and ensures continuous assessment of counterparty risks.

(e) *Image/Reputation Risk*

The Group's reputation is one of its most valuable assets, playing a major part in the continued success of the business. The image of the Group may be affected by delayed handover of residential units and quality issues.

The Group is committed to employing, training, developing and retaining a diverse and talented workforce to cope with potential complaints and ensuring proper quality delivery. The Group frequently organises brand name promotion events and maintains good public relations.

(f) *Sales, Leasing, Construction and Property Development Risk*

The Group continues to develop its well-planned property development and construction projects. Various measures have been well established to ensure that the development projects are built with high quality standards, on time and within budget.

Whilst the Group ensures that strong management controls are in place and monitoring systems are enforced, it has occasionally encountered increases in development and selling costs, delays in property development, contractors' incapability and contract disputes. The social instability and COVID-19 outbreak might have effect on the Group's overall business operations.

(g) *Cyber Security Risk*

The Group continues to monitor and improve risk management in cyber security and information technology development. The Group manages the risks by employing experienced information technology personnel and/or engaging the services of external cyber security consultants to improve the system controls.

12 Company Secretary

The Company Secretary is to support the Board by ensuring that there is good information flow and the board policy and procedures are strictly followed. The Company Secretary is responsible for advising the Board on governance matters and also facilitating the induction and professional development of Directors.

During the year, the Company Secretary took no less than 15 hours of the relevant professional training.

13 Amendments to the Articles of Association

At the AGM held on 28 May 2019, a special resolution was passed to amend the Articles to facilitate a joint chairmanship structure of the Board, details of which were set out in the Company's circular dated 23 April 2019. The amendments to the Articles took effect on 28 May 2019. The amended Articles are available on the websites of the Company and The Stock Exchange of Hong Kong Limited.

14 Shareholder Rights and Investor Relations

The Board is committed to maintaining an ongoing dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The AGM of the Company provides a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The Chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the Chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company on the day of the general meeting. Moreover, separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

Under Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. Besides, in relation to an annual general meeting which a company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all shareholders of the company having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholder(s) making it, in a hard copy form or in electronic form. Such request must be deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. The request made under Section 615 must also identify the resolution of which notice is to be given and be received by the Company not later than six weeks before the AGM to which the request relates, or if later, the time at which notice is given of the AGM.

The Company has maintained a Shareholders' Communication Policy which is available on the Company's website. Shareholders may make enquiries to the Board by contacting the Company either through the Company Investor Relations on telephone number (852) 2908 8392 or by email at ir@hld.com or directly by raising questions at general meetings.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at www.hld.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance report and other information are posted.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 31 December 2019.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were property development and investment, construction, project management, property management, finance, department store operation and investment holding.

An analysis of the Group's revenue and contribution from operations by business and geographical segments is set out in note 14 to the financial statements on pages 206 to 211.

Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairmen's Statement and Review of Operations on pages 10 to 73 of this Annual Report. Possible risks and uncertainties that the Group may be facing are set out in the Financial Review on pages 76 to 89 and the Corporate Governance Report on pages 94 to 110. Particulars of important events affecting the Group since the end of the financial year (if any) are provided in the Chairmen's Statement on pages 10 to 41 and the Financial Statements on pages 143 to 260. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five Year Financial Summary on pages 90 and 91 of this Annual Report. An environmental policy of the Group has been put in place to give due consideration to environmental issues and minimise the impact of business operations of the Group on environment. In addition, discussions on the Group's environmental policy and relationships with employees, customers, suppliers and other stakeholders are contained in the Sustainability and CSR and the Corporate Governance Report on pages 92 and 93 and pages 94 to 110 of this Annual Report respectively as well as the standalone Sustainability and CSR Report. The Chairmen's Statement, the Review of Operations, the Financial Review, the Sustainability and CSR, and the Corporate Governance Report form part of this report.

The Residential Properties (First-hand Sales) Ordinance (Cap. 621) ("RPFSO") regulates the sales and marketing activities in relation to the first-hand residential properties in Hong Kong, with a view to enhancing the transparency, fairness and consumer protection of the sales of first-hand residential properties. The Group takes particular care to comply with the requirements of the RPFSO through established internal procedures, as well as by engaging external professional advisors including architects, surveyors and solicitors in the checking of the accuracy of the information contained in sales brochures and other relevant documents made available to the public in connection with such sales.

The Group is also committed to safeguarding the security and proper use of personal data. When collecting, processing and using such data in the course of leasing, sale and marketing of properties, the Group complies with the Personal Data (Privacy) Ordinance (Cap. 486) and the guidelines issued by the Office of the Privacy Commissioner for Personal Data from time to time, with a view to protecting the privacy of, amongst others, the purchasers of its properties, in relation to personal data under its management.

In addition, the Group observes the requirements of trademarks, copyrights and other intellectual properties by obtaining the trademark and copyright owners' consent before the use of their products and artworks for the sale promotion of residential units. For the proper use and the protection of the Group's interests, chosen prestige brand names and chosen property names are registered under the Trade Marks Ordinance (Cap. 559) in Hong Kong.

The Company has complied with the requirements under the Companies Ordinance (Cap. 622), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (Cap. 571) for, among other things, the disclosure of information and corporate governance. The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code of dealing in securities of the Company by the Directors.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2019 are set out on pages 252 to 258.

Group Profit

The profit of the Group for the year ended 31 December 2019 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 143 to 260.

Dividends

An interim dividend of HK$0.50 per share was paid on 16 September 2019. The Directors have recommended 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.

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

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$27,000,000 (2018: HK$28,000,000).

Investment Properties and Other Property, Plant and Equipment

Particulars of the movements in investment properties and other property, plant and equipment during the year are set out in note 15 to the financial statements on pages 212 to 218.

Bank Loans, Guaranteed Notes and Medium Term Note Programme

Particulars of bank loans, Guaranteed Notes and Medium Term Note Programme of the Company and the Group as at 31 December 2019 are set out in notes 30 and 31 to the financial statements on pages 236 to 238, respectively.

Interest Capitalised

The amount of interest capitalised by the Group during the year ended 31 December 2019 is set out in note 7(a) to the financial statements on page 191.

Reserves

Particulars of the movements in reserves of the Company during the year ended 31 December 2019 are set out in note 41(b) to the financial statements on pages 249.

Shares Issued and Share Capital

During the year, the Company issued 440,126,091 bonus shares on the basis of one share for every ten shares held. The reason for the bonus shares issuance was to enable the shareholders to enjoy a pro-rata increase in the number of shares being held in the Company without incurring any costs.

Details of the Company's share capital are set out in note 41(c) to the financial statements on page 250.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years ended 31 December 2019 are summarised on pages 90 and 91.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 42 to 73.

Directors' Emoluments

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 8 to the financial statements on pages 193 to 195.

Directors

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Dr Lee Ka Kit[1] *(Chairman and Managing Director)*	Lee Pui Ling, Angelina	Kwong Che Keung, Gordon
Lee Ka Shing[1] *(Chairman and Managing Director)*	Lee Tat Man	Professor Ko Ping Keung
Dr Lam Ko Yin, Colin *(Vice Chairman)*		Wu King Cheong
Dr Lee Shau Kee[2]		Woo Ka Biu, Jackson
Yip Ying Chee, John		Professor Poon Chung Kwong
Suen Kwok Lam		Au Siu Kee, Alexander
Fung Lee Woon King		
Lau Yum Chuen, Eddie		
Kwok Ping Ho		
Wong Ho Ming, Augustine		

Notes:

1. *Appointed as Chairman and Managing Director on 28 May 2019*
2. *Retired from the position of Chairman and Managing Director on 28 May 2019*

Dr Lee Ka Kit, Mr Lee Ka Shing, Mr Suen Kwok Lam, Madam Fung Lee Woon King, Mr Lau Yum Chuen, Eddie and Mrs Lee Pui Ling, Angelina shall retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and the Corporate Governance Code and, except for Mr Lau Yum Chuen, Eddie, have offered themselves for re-election.

The list of directors of the subsidiaries of the Company during the financial year and up to the date of this report is kept at the Company's registered office and available for inspection by the Company's shareholders during office hours.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2019, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the " Stock Exchange") pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

***Ordinary Shares** (unless otherwise specified)*

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	15,548,667		3,509,782,778		3,525,331,445	72.82
	Lee Ka Kit	1				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	1				3,509,782,778	3,509,782,778	72.50
	Lee Tat Man	2	220,299				220,299	0.00
	Lee Pui Ling, Angelina	3	64,554				64,554	0.00
	Fung Lee Woon King	4	2,493,138				2,493,138	0.05
	Woo Ka Biu, Jackson	5		3,896			3,896	0.00
Henderson Investment Limited	Lee Shau Kee	6			2,110,868,943		2,110,868,943	69.27
	Lee Ka Kit	6				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	6				2,110,868,943	2,110,868,943	69.27
	Lee Tat Man	7	6,666				6,666	0.00
The Hong Kong and China Gas Company Limited	Lee Shau Kee	8			7,028,292,718		7,028,292,718	41.53
	Lee Ka Kit	8				7,028,292,718	7,028,292,718	41.53
	Lee Ka Shing	8				7,028,292,718	7,028,292,718	41.53
	Poon Chung Kwong	9				220,486	220,486	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	10	799,220		119,017,090		119,816,310	33.63
	Lee Ka Kit	10				119,017,090	119,017,090	33.41
	Lee Ka Shing	10				119,017,090	119,017,090	33.41
	Lam Ko Yin, Colin	11	150,000				150,000	0.04
	Fung Lee Woon King	12	465,100				465,100	0.13
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	13			338,647,980		338,647,980	49.01
	Lee Ka Kit	13				338,647,980	338,647,980	49.01
	Lee Ka Shing	13				338,647,980	338,647,980	49.01
Towngas China Company Limited	Lee Shau Kee	14			1,945,034,864		1,945,034,864	67.76
	Lee Ka Kit	14				1,945,034,864	1,945,034,864	67.76
	Lee Ka Shing	14				1,945,034,864	1,945,034,864	67.76

***Ordinary Shares** (unless otherwise specified) (continued)*

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	15			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	16			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	17	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	15				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	16				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	17				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	15				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	16				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	17				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
Best Homes Limited	Lee Shau Kee	18			26,000		26,000	100.00
	Lee Ka Kit	18				26,000	26,000	100.00
	Lee Ka Shing	18				26,000	26,000	100.00
Feswin Investment Limited	Lee Ka Kit	19			5,000	5,000	10,000	100.00

***Ordinary Shares** (unless otherwise specified) (continued)*

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Fordley Investment Limited	Fung Lee Woon King	20	2,000				2,000	20.00
Furnline Limited	Lee Shau Kee	21			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	22			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	21				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	22				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	21				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	22				1 (B Share)	1 (B Share)	100.00
Gain Base Development Limited*	Fung Lee Woon King	23	50				50	5.00
Perfect Bright Properties Inc.	Lee Shau Kee	24			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	25			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	24				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	25				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	24				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	25				1 (B Share)	1 (B Share)	100.00

* *in members' voluntary winding up*

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO, other than the deemed interests of Dr Lee Shau Kee, Dr Lee Ka Kit and Mr Lee Ka Shing in the shares, underlying shares and debentures of the associated corporations of the Company which are solely derived from their deemed interests in Henderson Development Limited, Henderson Investment Limited and/or the Company and not from any separate personal interests of their own, in respect of which an application for waiver from strict compliance with the disclosure requirements under paragraph 13 of Appendix 16 to the Listing Rules has been made to, and granted by the Stock Exchange.

Substantial Shareholders' and Others' Interests

As at 31 December 2019, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders		
Rimmer (Cayman) Limited (Note 1)	3,509,782,778	72.50
Riddick (Cayman) Limited (Note 1)	3,509,782,778	72.50
Hopkins (Cayman) Limited (Note 1)	3,509,782,778	72.50
Henderson Development Limited (Note 1)	3,506,860,733	72.44
Yamina Investment Limited (Note 1)	1,580,269,966	32.64
Believegood Limited (Note 1)	797,887,933	16.48
South Base Limited (Note 1)	797,887,933	16.48
Persons other than Substantial Shareholders		
Cameron Enterprise Inc. (Note 1)	371,145,414	7.67
Richbond Investment Limited (Note 1)	475,801,899	9.83

Notes:

1. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 15,548,667 shares, and for the remaining 3,509,782,778 shares, (i) 1,450,788,868 shares were owned by Henderson Development Limited ("HD"); (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; and (iv) 2,922,045 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

2. *Mr Lee Tat Man was the beneficial owner of these shares.*

3. *Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.*

4. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

5. *These shares were owned by the wife of Mr Woo Ka Biu, Jackson.*

6. *Of these shares, 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

7. *Mr Lee Tat Man was the beneficial owner of these shares.*

8. *Of these shares, 3,912,669,216 shares and 1,519,705,467 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 1,595,918,035 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and The Hong Kong and China Gas Company Limited ("China Gas") by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

9. *These shares were owned by Professor Poon Chung Kwong and his wife jointly.*

10. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 799,220 shares, and for the remaining 119,017,090 shares, 48,817,090 shares were held by Wiselin Investment Limited, 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Hong Kong Ferry (Holdings) Company Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

11. *Dr Lam Ko Yin, Colin was the beneficial owner of these shares.*

12. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

13. *Of these shares, 120,735,300 shares, 121,306,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

14. *These shares representing 67.76% of the total issued shares in Towngas China Company Limited were taken to be interested by Hong Kong & China Gas (China) Limited (as to 1,777,488,912 shares), Planwise Properties Limited (as to 164,742,704 shares) and Superfun Enterprises Limited (as to 2,803,248 shares), all being wholly-owned subsidiaries of China Gas. Dr Lee Shau Kee was taken to be interested in China Gas as set out in Note 8 and Towngas China Company Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.*

15. *These shares were held by Hopkins as trustee of the Unit Trust.*

16. *These shares were held by Hopkins as trustee of the Unit Trust.*

17. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.*

18. *Of these shares, (i) 10,400 shares were owned by the Company; and (ii) 15,600 shares were owned by Manifest Investments Limited which was 100% held by HD.*

19. *Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Dr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of the Company.*

20. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

21. *These shares were owned by Jetwin International Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.*

22. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by the Company.*

23. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

24. *These shares were owned by Jetwin International Limited.*

25. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by the Company.*

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

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

Equity-linked Agreements

No equity-linked agreements entered into by the Company were subsisting as at 31 December 2019 and the Company did not enter into any equity-linked agreements during the year under review.

Interests in Transactions, Arrangements or Contracts and Connected Transactions/Continuing Connected Transactions

During the year under review, the Group had the transactions, arrangements and contracts as described below with persons who are "connected persons" for the purposes of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

(1) Henderson Finance Company Limited, a wholly-owned subsidiary of Henderson Development Limited, made unsecured advances from time to time to subsidiaries of the Company up to a maximum aggregate sum of approximately HK$5,295 million during the year, with interest chargeable on the balances outstanding from time to time by reference to HIBOR quoted by banks. As at 31 December 2019, the aggregate sum owing by subsidiaries of the Company to Henderson Finance Company Limited amounted to approximately HK$737 million, which has been included in the financial statements under "Amount due to a fellow subsidiary".

Dr Lee Shau Kee, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in the transactions, arrangements and contracts referred to in the above as directors of the Company's ultimate holding company, Henderson Development Limited (and as more particularly described in the section "Disclosure of Interests" above) with respect to their interests in Henderson Development Limited or the trust.

(2) The Company had the following continuing connected transactions/connected transactions, each of which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

Sunlight Real Estate Investment Trust ("Sunlight REIT") being a trust in accordance with the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong ("REIT Code") was regarded by the Stock Exchange as a connected person of the Company under the Listing Rules so long as the aggregate percentage unitholdings in Sunlight REIT held by the Group and the Shau Kee Financial Enterprises Limited group ("SKFE Group") (controlled by a family trust of Dr Lee Shau Kee, Director of the Company) is above 30%. Accordingly, the transactions between the Group and Sunlight REIT group constitute connected transactions of the Company under the Listing Rules.

As disclosed in the announcement dated 16 May 2018, new annual cap amounts in respect of each of the three financial years ending up to 31 December 2021 were set for the continuing connected transactions between the Group and Sunlight REIT group contemplated under the following agreements/deeds:

(a) a property management agreement dated 29 November 2006 was entered into between Henderson Sunlight Asset Management Limited ("HSAM"), a wholly-owned subsidiary of the Company, as manager of Sunlight REIT, and Henderson Sunlight Property Management Limited (the "Property Manager"), a wholly-owned subsidiary of the Company, as property manager of the Sunlight REIT, and the property holding companies under the Sunlight REIT group had also subsequently acceded thereto. The property management agreement was thereafter supplemented by four supplemental agreements dated 28 April 2009, 25 June 2012, 12 May 2015 and 15 May 2018 respectively. The agreement related to the provision of certain property management and lease management as well as marketing services in respect of the properties of Sunlight REIT at a fee of not exceeding 3% per annum of the gross property revenue of the relevant properties of Sunlight REIT plus a commission on the base rent or licence fee for a tenancy or a licence secured. By the last supplemental agreement entered into between HSAM and the Property Manager, the term of the appointment of the Property Manager for the provision of the said property related management services (the "Property Management Transactions") has been extended to 30 June 2021;

(b) a trust deed dated 26 May 2006 (as supplemented by supplemental deeds dated 1 June 2006, 28 November 2006, 28 April 2009, 23 July 2010 and 30 April 2012, and further supplemented by the supplemental deed dated 16 March 2015 which related to the expansion of the investment scope of Sunlight REIT in alignment with the amendments to the REIT Code, etc.) was entered into between Uplite Limited, a subsidiary of SKFE Group, as settlor, HSAM as manager, and HSBC Institutional Trust Services (Asia) Limited as trustee in respect of, among other things, the appointment of HSAM as the manager of Sunlight REIT for the management and operation of Sunlight REIT at a base fee not exceeding 0.4% per annum of the property values of Sunlight REIT for the relevant financial year and a variable fee of 3% per annum of the relevant net property income of Sunlight REIT payable in the form of cash and/or Sunlight REIT units as HSAM may elect. HSAM is also entitled to an acquisition fee in respect of acquisition of real estate by Sunlight REIT, and a divestment fee in respect of any real estate sold or divested by Sunlight REIT (where applicable) and certain reimbursement (the "Asset Management Transactions");

(c) agreements are entered into from time to time between the Property Manager and Megastrength Security Services Company Limited ("Megastrength"), a wholly-owned subsidiary of the Company, in respect of the provision of security and related services for property(ies) of the Sunlight REIT for various terms, typically of durations ranging from short intervals up to 24 months at fees determined through a tendering/quotation procedure or on the basis of commercial negotiations. Details of such agreements entered into or subsisted during the year under review are as follows:

  (i) on 11 May 2018, the Property Manager and Megastrength entered into a services contract to renew a security services contract in respect of two properties located at Wanchai (the "First Renewed Security Services Contract") for a term of 12 months commencing on 1 July 2018, which was on the same terms and conditions as the initial security services contract, at a monthly service fee of approximately HK$228,000 for the first 12 months ended on 1 May 2018 and approximately HK$235,000 for the remaining term ended on 1 July 2019. On 11 March 2019, the parties entered into a new services contract to renew the First Renewed Security Services Contract for a further term of 24 months commencing on 1 July 2019, which was on the same terms and conditions as the First Renewed Security Services Contract, at a monthly service fee of approximately HK$247,000 for the first 12 months ending on 1 July 2020 and approximately HK$258,000 for the remaining term ending on 1 July 2021; and

  (ii) on 30 January 2019, the Property Manager and Megastrength entered into a security services contract in respect of a property located at Sheung Wan for a term of 24 months commencing on 1 July 2019 at a monthly service fee of approximately HK$49,000 for the first 12 months ending on 1 July 2020 and approximately HK$51,000 for the remaining term ending on 1 July 2021 (together with the transactions set out in item (i) above, collectively referred to as the "Security Services Transactions"); and

(d) agreements or arrangements are to be entered into from time to time between members of the Group and members of Sunlight REIT group for the provision of other ancillary property services for the properties of Sunlight REIT (the "Other Ancillary Property Services Transactions").

The maximum aggregate sums to be paid by the Sunlight REIT group to the Group under the Property Management Transactions, the Asset Management Transactions, the Security Services Transactions and the Other Ancillary Property Services Transactions will not exceed the following:

Financial year ended 31 December 2019 (HK$ million)	Financial year ending 31 December 2020 (HK$ million)	Financial year ending 31 December 2021 (HK$ million)
198	218	241

For the year ended 31 December 2019, the Group received approximately HK$53,700,000 for the Property Management Transactions, approximately HK$102,300,000 for the Asset Management Transactions and approximately HK$3,300,000 for the Security Services Transactions which in aggregate amounted to approximately HK$159,300,000; while no fee was received for the Other Ancillary Property Services Transactions (collectively the "Sunlight REIT Transactions").

The Audit Department has reviewed the Sunlight REIT Transactions together with the relevant internal controls and confirmed to the Independent Non-executive Directors of the Company that the Sunlight REIT Transactions were conducted in accordance with the pricing mechanism and the terms under the relevant agreements. The Independent Non-executive Directors of the Company have reviewed and confirmed that such transactions are (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the terms of the respective agreements/deeds relating to the transactions in question and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor of the Company has also confirmed that nothing has come to the Auditor's attention that causes it to believe that the Sunlight REIT Transactions (a) have not received the approval of the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group; (c) were not entered into, in all material respects, in accordance with the relevant agreements/deeds governing such transactions; and (d) have exceeded the respective caps as aforesaid.

The Company's Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a signed copy of the said letter to the Stock Exchange.

The material related party transactions set out in note 40 to the financial statements on pages 245 to 247 include transactions that constitute connected transactions/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other transaction, arrangement or contract that is significant in relation to the Company's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had, directly or indirectly, a material interest, subsisted at the year end or at any time during the year.

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the year ended and as at 31 December 2019 were as follows:

Dr Lee Ka Kit and Mr Lee Ka Shing, Joint Chairmen and Managing Directors of the Company, and Dr Lee Shau Kee, Director of the Company, have deemed interests and/or held directorships in companies engaged in the same businesses of property investment, development and management in Hong Kong and mainland China as the Group. As those companies which engage in the same businesses as the Group are involved in the investment, development and management of properties of different types and/or in different locations, and the Group has been operating independently of, and at arm's length from, the businesses of those companies, no competition is considered to exist.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts (as defined in Section 543 of the Companies Ordinance (Cap. 622)) relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

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.

Major Customers and Suppliers

For the year ended 31 December 2019:

(1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchase; and

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

Management Discussion and Analysis

A management discussion and analysis of the Group's results for the year ended 31 December 2019 is shown on pages 76 to 89.

Sustainability and Corporate Social Responsibility

The standalone Sustainability and CSR Report is to be published on the same date of this Annual Report and posted on the Company's website.

Retirement Benefits Scheme

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance (Cap. 426) or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Scheme Ordinance (Cap. 485) ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. There were no forfeited contributions of the Scheme utilised during the year ended 31 December 2019 (2018: Nil). As at 31 December 2019, there were no forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme (2018: Nil).

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund or the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised during the year ended 31 December 2019 was HK$1,600,000 (2018: HK$2,500,000) and there was no balance available to be utilised as at 31 December 2019 (2018: Nil).

The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The Group's retirement costs charged to the profit and loss account for the year ended 31 December 2019 were HK$101,000,000 (2018: HK$96,000,000).

Permitted Indemnity

The Articles of Association of the Company provide that every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

In addition, the indemnity agreements made by the Company, which are currently in force and were in force throughout the financial year, contained permitted indemnity provisions (as permitted in Section 469(2) of the Companies Ordinance (Cap. 622)), for the benefit of the Directors of the Company. The Company has also taken out and maintained Director's liability insurance throughout the financial year, which provides appropriate cover for the Directors.

Revolving Credit Agreements with Covenants of the Controlling Shareholders

The Company through a wholly-owned subsidiary as borrower had obtained the 5-year term loan and revolving credit facilities of up to HK$18,000,000,000 in March 2015 from groups of syndicate of banks under a guarantee given by the Company.

In connection with the above credit facilities, it will be an event of default if the Company is deemed to be ultimately controlled by any person(s) other than Dr Lee Shau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the outstanding amounts (if any) under the credit facilities may become due and payable on demand.

The above credit facilities have been fully prepaid and cancelled before the original due date in March 2020.

Public Float

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

Auditor

A resolution for the re-appointment of KPMG as Auditor of the Company is to be proposed at the forthcoming annual general meeting.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 94 to 110.

On behalf of the Board

Lee Ka Kit	**Lee Ka Shing**
Chairman	*Chairman*

Hong Kong, 23 March 2020

Biographical Details of Directors and Senior Management

Executive Directors

Dr LEE Ka Kit, *GBS, JP, DBA (Hon),* aged 56, a Member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1985 and was the Vice Chairman of the Company from 1993 to May 2019. On 28 May 2019, he was appointed as Chairman and Managing Director, and a member of the Remuneration Committee and the Nomination Committee of the Company. He was educated in the United Kingdom and has been primarily responsible for the development of the business of Henderson Land Group in the People's Republic of China since he joined the Company in 1985. He is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited and the chairman of The Hong Kong and China Gas Company Limited, both of which are listed companies. He previously served as a non-executive director of The Bank of East Asia, Limited and an independent non-executive director of Xiaomi Corporation until 23 August 2019, both of which are listed companies. He was appointed as a Justice of the Peace in 2009 and was awarded the Gold Bauhinia Star (GBS) in 2015 by the Government of the Hong Kong Special Administrative Region. He is a member as well as the chairman of the Board of Directors of One Country Two Systems Research Institute. He was awarded an Honorary University Fellowship by The University of Hong Kong in 2009 and an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. He is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited and Henderson Development which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Mr Lee Ka Shing, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

LEE Ka Shing, *JP,* aged 48, a Committee Member of the 13th Beijing Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1993 and was the Vice Chairman of the Company from 2005 to May 2019. On 28 May 2019, he was appointed as Chairman and Managing Director, and a member of the Remuneration Committee and the Nomination Committee of the Company. He was educated in Canada. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the chairman and managing director of Henderson Investment Limited, the chairman and chief executive officer of Miramar Hotel and Investment Company, Limited as well as the chairman of The Hong Kong and China Gas Company Limited, all of which are listed companies. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2017. He is a member of the Court of The Hong Kong Polytechnic University. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Believegood Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Dr Lee Ka Kit, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

Dr LAM Ko Yin, Colin, *SBS, FCILT, FHKIoD, DB (Hon),* aged 68, joined the Company in 1982 and has been an Executive Director since 1985 and the Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. Dr Lam holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 46 years' experience in banking and property development. He is the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. Dr Lam was awarded the Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region in 2017. He is the deputy chairman of The University of Hong Kong Foundation for Educational Development and Research, a director of Fudan University Education Development Foundation and an honorary Court member of Hong Kong Baptist University. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Dr the Hon LEE Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon),* aged 91, the founder of the Company and Henderson Investment Limited, was the Chairman and Managing Director of the Company from 1976 to 28 May 2019, upon his retirement from such position. He continues to act as an Executive Director of the Company after his stepping down as Chairman and Managing Director. He has been engaged in property development in Hong Kong for more than 60 years. He is the chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Sun Hung Kai Properties Limited and a non-executive director of Hong Kong Ferry (Holdings) Company Limited, both of which are listed companies. Dr Lee previously served as the chairman of The Hong Kong and China Gas Company Limited and an executive director of Henderson Investment Limited until 28 May 2019 as well as a non-executive director of Miramar Hotel and Investment Company, Limited until 4 June 2019, all of which are listed companies. Dr Lee was awarded the Grand Bauhinia Medal (GBM) by the Government of the Hong Kong Special Administrative Region in 2007. Dr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Believegood Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Mr Lee Tat Man and Madam Fung Lee Woon King, the father of Ms Lee Pui Man, Margaret, Dr Lee Ka Kit and Mr Lee Ka Shing and the father-in-law of Mr Li Ning.

YIP Ying Chee, John, *LLB, FCIS,* aged 71, has been an Executive Director of the Company since 1997. He graduated from The University of Hong Kong and the London School of Economics and is a solicitor, a certified public accountant and a chartered surveyor. He has over 40 years' experience in corporate finance, and corporate and investment management.

SUEN Kwok Lam, *BBS, JP, MH, FHIREA,* aged 73, joined the Company in 1997 and has been an Executive Director of the Company since 2002. Mr Suen is an individual Member of The Real Estate Developers Association of Hong Kong. He was the president of Hong Kong Association of Property Management Companies from 2003 to 2007 and the vice president of Hong Kong Institute of Real Estate Administrators from 2006 to 2018. He has over 45 years' experience in property management. He was awarded the Medal of Honour in 2005 and the Bronze Bauhinia Star (BBS) in 2015 and appointed as a Justice of the Peace in 2011 by the Government of the Hong Kong Special Administrative Region respectively. Mr Suen previously served as an independent non-executive director of China Overseas Property Holdings Limited until 9 October 2018.

FUNG LEE Woon King, aged 81, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited ("Henderson Development"), the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the Chief Treasurer of Henderson Development Group, Henderson Land Group and Henderson Investment Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc., South Base Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr Lee Shau Kee and Mr Lee Tat Man and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Ms Lee Pui Man, Margaret and Mr Li Ning.

LAU Yum Chuen, Eddie, aged 73, has been an Executive Director of the Company since 1987. He has over 50 years' experience in banking, finance and investment. Mr Lau is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, both of which are listed companies.

KWOK Ping Ho, *BSc, MSc, Post-Graduate Diploma in Surveying, FRICS, ACIB,* aged 67, joined the Company in 1987 and has been an Executive Director since 1993. Mr Kwok holds a Bachelor of Science (Engineering) (Civil Engineering Group) Honours degree from the University of London and a Master of Science degree in Administrative Sciences from Cass Business School, City, University of London. He is also the holder of a Post-Graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong. Mr Kwok is a Fellow of the Royal Institution of Chartered Surveyors and he is also an Associate member of The Chartered Institute of Bankers (A.C.I.B.) of the United Kingdom. Mr Kwok had previously been a Part-time Lecturer for the MBA programme of The University of Hong Kong and he is also currently an Honorary Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong. He had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company and has over 35 years of experience in the finance and business management areas which include responsibilities in the corporate investment, finance and treasury and project management activities of Henderson Land Group since 1987, including group re-organisation, privatisation proposals and corporate acquisitions. He is also a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. Mr Kwok is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

WONG Ho Ming, Augustine, *JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP),* aged 59, joined the Company in 1996 and has been an Executive Director of the Company since 2010. He is presently the General Manager of Property Development Department as well. He is a registered professional surveyor and has over 35 years' experience in property appraisal, dealing and development. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2008.

Non-executive Directors

LEE Pui Ling, Angelina, *SBS, JP, LLB, FCA,* aged 71, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs Lee is a Partner of the firm of solicitors, Woo Kwan Lee & Lo, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs Lee was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a non-executive director of the Securities and Futures Commission and a non-executive director of the Mandatory Provident Fund Schemes Authority. Mrs Lee is also a non-executive director of CK Infrastructure Holdings Limited and TOM Group Limited as well as an independent non-executive director of Great Eagle Holdings Limited, all of which are listed companies.

LEE Tat Man, aged 82, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 40 years and is also an executive director of Henderson Investment Limited, a listed company. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee and Madam Fung Lee Woon King and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Ms Lee Pui Man, Margaret and Mr Li Ning.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 70, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and the Corporate Governance Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Investment Limited, Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, FSE Services Group Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited and Piraeus Port Authority S.A. (listed in Greece), all of which are listed companies. Mr Kwong previously served as an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. until 25 May 2017, CITIC Telecom International Holdings Limited until 1 June 2017 and OP Financial Limited until 27 August 2019.

Professor KO Ping Keung, *PhD, FIEEE, JP,* aged 69, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the vice chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991-1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982-1984. Professor Ko is an independent non-executive director of Henderson Investment Limited, Q Technology (Group) Company Limited and VTech Holdings Limited, all of which are listed companies.

WU King Cheong, *BBS, JP,* aged 69, has been an Independent Non-executive Director of the Company since 2005. He is also the chairman of the Remuneration Committee and the Nomination Committee of the Company, and a member of the Audit Committee of the Company. Mr Wu is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an independent non-executive director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited, Miramar Hotel and Investment Company, Limited and Yau Lee Holdings Limited, all of which are listed companies.

WOO Ka Biu, Jackson, *MA (Oxon),* aged 57, has been an Independent Non-executive Director of the Company since 2012. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. He is an honorary director of Tsinghua University, a China-Appointed Attesting Officer appointed by the Ministry of Justice, People’s Republic of China and a Practising Solicitor Member on the panel of the Solicitors’ Disciplinary Tribunal in The Hong Kong Special Administrative Region. He is a member of the Public Shareholders Group, the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission, and is also a member of the Listing Review Committee of The Stock Exchange of Hong Kong Limited as well as a member of the Honorary Advisory Panel and the Investigation and Compliance Committee of Financial Reporting Council. Mr Woo was a partner of Ashurst Hong Kong and a director of N M Rothschild & Sons (Hong Kong) Limited (“Rothschild”). Prior to joining Rothschild, Mr Woo was a partner in the corporate finance department of Woo Kwan Lee & Lo. Mr Woo was an alternate to Sir Po-shing Woo, in Sir Po-shing Woo’s capacity as a non-executive director of the Company. He is a director of Kailey Group of Companies, the Chief Executive Officer of Challenge Capital Management Limited and a consultant of Guantao & Chow Solicitors and Notaries. He previously served as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. until during the month of August 2017 and an alternate to Sir Po-shing Woo, in Sir Po-shing Woo’s capacity as a non-executive director of Sun Hung Kai Properties Limited until 31 August 2019. He is the son of Sir Po-shing Woo.

Professor POON Chung Kwong, *GBS, JP, PhD, DSc*, aged 80, has been an Independent Non-executive Director and a member of the Corporate Governance Committee of the Company since 2012. Professor Poon obtained a Bachelor of Science (honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Higher Doctor of Science degree from the University of London. He was a postdoctoral fellow at the California Institute of Technology, University of Southern California and University of Toronto. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009. Professor Poon is currently the chairman of Virya Foundation Limited (a registered non-profit charitable organisation) and he is the President Emeritus and Emeritus Professor of The Hong Kong Polytechnic University and had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon was appointed a non-official Justice of the Peace (JP) in 1989 and received the OBE award in 1991, the Gold Bauhinia Star (GBS) award in 2002 by the Government of the Hong Kong Special Administrative Region, and the "Leader of the Year Awards 2008 (Education)". In addition, Professor Poon was appointed a member of the Legislative Council (1985-1991) and a member of the National Committee of the Chinese People's Political Consultative Conference (1998-2013). Professor Poon is the Honorary Professor of a number of top-rated universities in mainland China. Professor Poon is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of The Hong Kong and China Gas Company Limited and Chevalier International Holdings Limited, all of which are listed companies. He previously served as an independent non-executive director of Shenzhen Investment Holdings Bay Area Development Company Limited until 2 May 2018.

AU Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB*, aged 73, rejoined the Company as an Independent Non-executive Director in December 2018. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company. Mr Au was an Executive Director and the Chief Financial Officer of the Company from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a Non-executive Director of the Company on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an Independent Non-executive Director of the Company until his retirement on 2 June 2015. A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Mr Au previously served as an independent non-executive director of The Wharf (Holdings) Limited until 23 November 2017. Currently, Mr Au is an independent non-executive director of Henderson Investment Limited and Wharf Real Estate Investment Company Limited, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is also the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, a wholly-owned subsidiary of the Company, which is the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Senior Management

YU Wai Wai, *JP, BA (AS), B Arch, FHKIA, HonFHKIPM, Authorized Person (Architect), Registered Architect (HK),* aged 59, joined the Company in 2013 and is presently the General Manager of Project Management (1) Department. He is a Fellow member of the Hong Kong Institute of Architects, an Honorary Fellow of the Hong Kong Institute of Project Management and an Authorized Person (Architect). He has over 30 years of experience in property planning and design, project management, quality management, cost management, land acquisition and customer services. He also has experience in art and cultures, green building innovations, heritage and conservation developments. Mr Yu was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

KWOK Man Cheung, Victor, *BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorized Person (Architect), Registered Architect (HK), PRC Class 1 Registered Architect Qualification,* aged 66, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from The University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 41 years of professional experience in the property and construction industry of Hong Kong and mainland China.

LEUNG Kam Leung, *MSc, PGDMS, FHKIS, RPS (GP),* aged 66, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He has over 43 years' experience in land and property development. He joined the former Public Works Department in 1976 and qualified as a Chartered Surveyor in 1980. He was assigned to an international property consultancy firm in London in 1982 receiving professional training in valuation, town planning and property development. He was promoted to Senior Estate Surveyor and Chief Estate Surveyor of the Lands Department in 1986 and 1994 respectively. He holds an Associateship in General Practice Surveying, a Postgraduate Diploma in Management Studies and a Master of Science degree in International Real Estate. He was sponsored by the Hong Kong Government in 1992 to complete a one-year programme of studies at the Graduate School of Public Policy of the University of California, Berkeley. Mr Leung is a Fellow Member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor. He was a non-official member of the Business Facilitation Advisory Committee, the convenor of the Former Pre-construction Task Force, a member of the Review Panel under the Land (Miscellaneous Provisions) Ordinance, a member of the Real Estate Services Training Board of Vocational Training Council and an external examiner of Master of Science in Real Estate Programme of the Faculty of Architecture of The University of Hong Kong. He is now a member of the Land Sub-committee of the Land and Development Advisory Committee and the convenor of the Planning, Environment and Lands Sub-committee of The Real Estate Developers Association of Hong Kong.

WONG Wing Hoo, Billy, *BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE,* aged 62, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. Mr Wong was appointed as a Justice of the Peace in 2005 and was awarded Bronze Bauhinia Star (BBS) in 2014 by the Government of the Hong Kong Special Administrative Region respectively. He previously served as president of Hong Kong Construction Association, chairman of Construction Industry Training Authority, chairman of Construction Industry Training Board and director of Hong Kong Science and Technology Parks Corporation. Mr Wong is currently director of Hong Kong-Shenzhen Innovation and Technology Park Ltd., board member of the Airport Authority Hong Kong, board member of the Hospital Authority and permanent supervisor of Hong Kong Construction Association.

CHENG Yuk Lun, Stephen, *BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE, Registered Structural Engineer, Registered Geotechnical Engineer, Authorized Person (List II), PRC Class 1 Registered Structural Engineer Qualification,* aged 71, joined the Company in 1994 and is presently the Senior General Manager of the Engineering Department. He is a member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, and the Institution of Structural Engineers. He has over 40 years of professional experience in structural, civil, and geotechnical engineering.

WONG Man Wa, Raymond, *MSc(Real Estate), LLB, PCLL, Solicitor,* aged 54, joined the Company in 2012 and is presently the Senior General Manager of Sales Department. He possesses professional qualification as a solicitor in Hong Kong and is presently sitting on a number of professional, government consultative and advisory committees. He is also an individual member of The Real Estate Developers Association of Hong Kong. He holds a Master of Science in Real Estate degree with distinction, a Bachelor of Laws (LL.B) degree and a Postgraduate Certificate in Laws (PCLL) all from The University of Hong Kong. Prior to joining the Company, he had over 22 years' practical experience as a lawyer specializing in land and property development related works and was a partner of one of the largest international law firms in Hong Kong.

LAM Tat Man, Thomas, *MEM(UTS), DMS, EHKIM, MHIREA, China GBL Manager,* aged 60, joined the Company in 1983 and is presently the General Manager of Sales (1) Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney, Australia and a Diploma in Management Studies from The Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administrators and an Executive Member of Hong Kong Institute of Marketing and a China Green Building Label Manager. He has over 36 years' experience in property sales and marketing.

HAHN Ka Fai, Mark, *BSc, MRICS, MHKIS, RPS (GP),* aged 56, joined the company in 2013 and is presently the General Manager of Sales (2) Department. He is a member of both the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He has over 33 years' experience in property acquisitions, developments, sales and marketing as well as fund raising involving projects in Hong Kong, mainland China, Taiwan and Japan. Prior to joining the Company, he held various senior posts with several leading international property consultancies, associate director at Sino Land and executive director, Asia/managing director, development at Grosvenor.

CHOI Ngai Min, Michael, *BBS, JP, MBA,* aged 62, joined the Company in 2013 and is presently the in charge of China sales and land acquisition. He graduated from the Business Management Department of the Hong Kong Baptist College and holds a Master Degree in Business Administration from the University of East Asia, Macau. He has been in the real estate industry for 39 years and has extensive knowledge and experience in the real estate markets in Hong Kong and mainland China. Mr Choi was appointed as a Justice of the Peace in 2005 and was awarded Bronze Bauhinia Star (BBS) in 2015 by the Government of the Hong Kong Special Administrative Region respectively. Currently, he is the vice president of The Hong Kong Real Property Federation Limited.

LEE Pui Man, Margaret, *BHum (Hons),* aged 59, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B Hum (Honours) degree from the University of London and has over 35 years' experience in marketing development. She is the eldest daughter of Dr Lee Shau Kee, the spouse of Mr Li Ning, the sister of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

SIT Pak Wing, *ACIS, FHIREA, FRICS,* aged 72, joined the Company in 1991 and is presently the General Manager of Portfolio Leasing Department. He is a Member of The Institute of Chartered Secretaries and Administrators, a Fellow Member of the Hong Kong Institute of Real Estate Administrators, an individual Member of The Real Estate Developers Association of Hong Kong and a Fellow of the Royal Institution of Chartered Surveyors. He has over 40 years' experience in marketing development, leasing and property management.

LI Ning, *BSc, MBA,* aged 63, Mr Li, has been appointed an executive director of Henderson Investment Limited since 2014 and is also an executive director of Hong Kong Ferry (Holdings) Company Limited. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li set up the business of Citistore Stores in 1989 and has been managing the business since then in the capacity as a director, being a veteran with 30 years' experience in the department store business. Mr Li is the son-in-law of Dr Lee Shau Kee, the spouse of Ms Lee Pui Man, Margaret, the brother-in-law of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

Dr WONG Kim Wing, Ball, *BA (AS), B. Arch, PhD (Finance), FHKIA, Registered Architect (HK), Authorized Person (List 1, HK),* aged 58, joined the Company in 2011 as the group consultant and serves to advise Henderson Land Group in his expert areas of sales and marketing, leasing, and project management. He is also presently acting as the General Manager of Asset Development Department and Comm. & Ind. Properties Department and advises Henderson Land Group on its asset development and asset branding of investment portfolio. Dr Wong is a Registered Architect and Authorized Person in Hong Kong and holds a PhD Degree in Finance from the Shanghai University of Finance and Economics. Prior to joining Henderson Land Group, he was an executive director of CC Land Holdings Ltd., and was the director (Project and Planning) of The Link Management Limited (as Manager of The Link Real Estate Investment Trust). He had also served Sun Hung Kai Properties Group for over 10 years.

FUNG Hau Chung, Andrew, *BBS, JP*, *BA*, aged 62, was appointed as the Chief Financial Officer of the Company on 1 August 2017. He holds the Bachelor of Arts Degree from The University of Hong Kong and the Honorary Fellowship awarded by Lingnan University. Mr Fung served as an executive director and the Head of Global Banking and Markets of Hang Seng Bank Limited before he stepped down such positions in July 2017. He is the Professor of Practice (Finance) in the School of Accounting and Finance of The Hong Kong Polytechnic University and the Adjunct Professor of The Hang Seng University of Hong Kong. He has about 38 years of experience in banking, capital markets and asset management. Mr Fung is currently the chairman of the Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital, a member of the Court of The University of Hong Kong, a client representative director of OTC Clearing Hong Kong Limited and a trustee of The D.H. Chen Foundation.

LEE King Yue, aged 93, joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged in property development for over 60 years. Mr Lee was an Executive Director of the Company for about 40 years until his stepping down from the board on 2 June 2016. He is an executive director of Henderson Real Estate Agency Limited and also a director of various members of the Group. He performs a senior executive role in the Finance Department of the Group and is responsible for the Group's property mortgage loans business.

LIU Cheung Yuen, Timon, *BEc, FCPA, CA (Aust), FCS, FCIS,* aged 62, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), FCA,* aged 57, joined the Company in 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of The Institute of Chartered Accountants in England & Wales. He has over 35 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr Wong was the chief financial officer of Kerry Properties Limited between December 2004 and May 2007.

NGAN Suet Fong, Bonnie, *BBA,* aged 62, joined the Company in 2005 and is presently the General Manager of Corporate Communications Department. Ms Ngan graduated from the University of Wisconsin, USA. She has over 35 years of experience in both banking and real estate industries, and has held senior positions in corporate communications, marketing, retail banking and e-business. Prior to joining the Company, Ms Ngan was the general manager, corporate communications and public relations of Hong Kong Tourism Board.

Financial Statements

Report of the Independent Auditor

Independent auditor's report to the members of Henderson Land Development Company Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Henderson Land Development Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 143 to 260, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

Valuation of investment properties and investment properties under development	
Refer to note 15 to the consolidated financial statements on pages 212 to 218 and the accounting policy 2(j)(i) on page 159.	
The key audit matter	**How the matter was addressed in our audit**
The Group holds either directly or through its joint ventures and associates, a portfolio of investment properties and investment properties under development located in Hong Kong and in certain first and second-tier cities across mainland China. These properties comprise office premises, industrial premises, shopping malls, residential premises and car parking bays. The fair values of investment properties and investment properties under development as at 31 December 2019 were assessed by the management based on independent valuations prepared by a firm of qualified external property valuers. The net changes in fair value of investment properties and investment properties under development are recorded in the consolidated statement of profit or loss. We identified valuation of the investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's total assets and the significance of changes in fair value of investment properties and investment properties under development to the Group's profit before taxation and because the valuation of investment properties and investment properties under development can be inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias, particularly given the number and the diverse nature and location of the investment properties and investment properties under development.	Our audit procedures to address the valuation of investment properties and investment properties under development, either directly held by the Group or through its joint ventures and associates, included the following: • obtaining and inspecting the valuation reports prepared by the external property valuers on which the management's assessment of the fair values of investment properties and investment properties under development was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; • with the assistance of our internal property valuation specialists and utilising their industry knowledge and experience, discussing with the external property valuers, without the presence of management, their valuation methodologies; and assessing the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data; • comparing tenancy information, including committed rents and occupancy rates, provided by the management to the external property valuers, with underlying contracts and related documentation, on a sample basis; • conducting site visits to investment properties under development, on a sample basis, to observe the development progress and evaluating management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.

Key audit matters (continued)

Assessing the net realisable value of properties held for/under development for sale and completed properties for sale in mainland China	
Refer to note 24 to the consolidated financial statements on page 228 and the accounting policy 2(o) on pages 167 to 168.	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2019, the Group held either directly or through its joint ventures and associates, properties held for/under development for sale and completed properties for sale located in certain cities across mainland China. These properties are stated at the lower of cost and net realisable value. The determination of the net realisable value of these properties requires estimations, including expected future selling prices and costs necessary to complete the sale of these properties, and is assessed by the management with reference to the independent valuations carried out by the external property valuers for certain properties. Changes in government policies, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices, particularly for properties in mainland China. We identified the assessment of the net realisable value of the properties in mainland China as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.	Our audit procedures to assess the net realisable value of properties held for/under development for sale and completed properties for sale in mainland China, either directly held by the Group or through its joint ventures and associates, included the following: • obtaining and inspecting management's valuation assessments and/or the external valuation reports prepared by external property valuers and on which the management's assessment of the net realisable value of the properties held for/under development for sale and completed properties for sale was based; • assessing the qualifications, experience and expertise of the management and/or the external property valuers in the nature and locations of the properties being valued; • with the assistance of our internal property valuation specialists and utilising their industry knowledge and experience, discussing with management and/or the external property valuers their valuation methodologies; and assessing the key estimates and assumptions adopted in the valuation, including expected future selling prices and costs to completion, by comparing expected future selling prices to, where available, recently transacted prices for similar properties or the prices of comparable properties located in the vicinity of each development, and publicly available construction cost information for properties of a similar nature and location; • conducting site visits to properties under development for sale, on a sample basis, to observe the development progress and evaluating the management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Felix Kwo Hang Lee.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2020

Consolidated Statement of Profit or Loss

for the year ended 31 December 2019

	Note	2019 HK$ million	2018 HK$ million
Revenue	5	**24,184**	21,982
Direct costs		**(11,378)**	(9,987)
		12,806	11,995
Other net income	6	**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	15(a)	**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	7(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	7	**19,086**	33,495
Income tax	10(a)	**(2,037)**	(2,123)
Profit for the year		**17,049**	31,372
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	*13(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	*13(b)*	***HK$3.02***	*HK$4.08**

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

The notes on pages 152 to 260 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 11.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

	Note	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):	12(a)		
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

The notes on pages 152 to 260 form part of these financial statements.

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	15	**182,963**	176,717
Other property, plant and equipment	15	**389**	370
Right-of-use assets	16	**451**	–
Goodwill	17	**262**	262
Interest in associates	19	**63,171**	62,059
Interest in joint ventures	20	**65,230**	53,011
Derivative financial instruments	21	**453**	42
Other financial assets	22	**13,160**	13,825
Deferred tax assets	10(c)	**416**	641
		326,495	306,927
Current assets			
Deposits for acquisition of properties	23	**1,260**	1,310
Inventories	24	**100,495**	97,177
Trade and other receivables	25	**14,885**	15,239
Cash held by stakeholders		**1,376**	2,158
Cash and bank balances	27(a)	**10,734**	16,507
		128,750	132,391
Assets of the disposal group classified as held for sale	34	**–**	1,788
		128,750	134,179
Current liabilities			
Trade and other payables	28	**27,298**	27,113
Lease liabilities	29	**232**	–
Bank loans	30	**27,768**	27,834
Guaranteed notes	31	**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

	Note	At 31 December 2019 HK$ million	At 31 December 2018 HK$ million
Non-current liabilities			
Bank loans	30	**52,157**	44,621
Guaranteed notes	31	**10,243**	7,888
Amount due to a fellow subsidiary	32	**737**	1,100
Derivative financial instruments	21	**381**	376
Lease liabilities	29	**242**	–
Provisions for reinstatement costs		**17**	13
Deferred tax liabilities	10(c)	**6,910**	6,802
		70,687	60,800
NET ASSETS		**325,393**	317,992
CAPITAL AND RESERVES	33		
Share capital	41(c)	**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

Approved and authorised for issue by the Board of Directors on 23 March 2020.

Lee Ka Kit
Lee Ka Shing
Directors

The notes on pages 152 to 260 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2018		52,345	16	3,475	(1)	135	(449)	116	237,120	292,757	5,371	298,128
Changes in equity for 2018:												
Profit for the year		–	–	–	–	–	–	–	31,157	31,157	215	31,372
Other comprehensive income for the year	12(c)	–	–	(3,989)	(2)	3	395	–	(31)	(3,624)	(11)	(3,635)
Total comprehensive income for the year		–	–	(3,989)	(2)	3	395	–	31,126	27,533	204	27,737
Transfer to other reserves		–	–	–	–	–	–	30	(30)	–	–	–
Transfer to retained profits upon disposal of equity investments		–	–	–	–	(91)	–	–	91	–	–	–
Bonus shares issued	41(c)	–	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	11(b)	–	–	–	–	–	–	–	(4,921)	(4,921)	–	(4,921)
Dividend declared and paid in respect of the current year	11(a)	–	–	–	–	–	–	–	(2,201)	(2,201)	–	(2,201)
Share of associates' and joint ventures' reserves		–	–	–	–	–	–	5	(20)	(15)	–	(15)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(709)	(709)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	(27)	(27)
Balance at 31 December 2018		52,345	16	(514)	(3)	47	(54)	151	261,165	313,153	4,839	317,992

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Note	Attributable to equity shareholders of the Company										
		Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balances at 31 December 2018 and 1 January 2019, as previously reported		52,345	16	(514)	(3)	47	(54)	151	261,165	313,153	4,839	317,992
Impact of a change in accounting policy upon adoption of HKFRS 16, net of tax	2(b)	–	–	–	–	–	–	–	(10)	(10)	(15)	(25)
Adjusted balances at 1 January 2019		52,345	16	(514)	(3)	47	(54)	151	261,155	313,143	4,824	317,967
Changes in equity for 2019:												
Profit for the year		–	–	–	–	–	–	–	16,994	16,994	55	17,049
Other comprehensive income for the year	12(c)	–	–	(1,747)	2	417	97	–	42	(1,189)	(4)	(1,193)
Total comprehensive income for the year		–	–	(1,747)	2	417	97	–	17,036	15,805	51	15,856
Transfer to other reserves		–	–	–	–	–	–	13	(13)	–	–	–
Bonus shares issued	41(c)	–	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	11(b)	–	–	–	–	–	–	–	(5,722)	(5,722)	–	(5,722)
Dividend declared and paid in respect of the current year	11(a)	–	–	–	–	–	–	–	(2,421)	(2,421)	–	(2,421)
Share of associates' and joint ventures' reserves		–	–	–	–	–	–	37	9	46	–	46
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(76)	(76)
Increase in shareholding in a subsidiary		–	–	–	–	–	–	–	–	–	3	3
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	(260)	(260)
Balance at 31 December 2019		52,345	16	(2,261)	(1)	464	43	201	270,044	320,851	4,542	325,393

The notes on pages 152 to 260 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019

	Note	**2019 HK$ million**	2018 HK$ million
Operating activities			
Profit before taxation		**19,086**	33,495
Adjustments for:			
– Interest income		**(967)**	(991)
– Dividend income from investments designated as financial assets at fair value through other comprehensive income ("FVOCI") and investments measured as financial assets at fair value through profit or loss ("FVPL")	7(d)	**(90)**	(117)
– Net gain on disposal of investment properties	6	**(251)**	(234)
– Provision on inventories, net	6	**19**	90
– Impairment loss/(reversal of impairment loss) on trade debtors, net	6	**3**	(25)
– Net gain on transfers of subsidiaries	6 & 36(b)	**–**	(1,444)
– Net gain on transfer of interest in joint ventures	6	**(345)**	–
– Net fair value (gain)/loss on investments measured as financial assets at FVPL	6	**(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	6	**(409)**	(91)
Other derivatives	6	**–**	(13)
– Cash flow hedges: reclassified from hedging reserve to profit or loss	6	**–**	519
– Increase in fair value of investment properties and investment properties under development	15(a)	**(2,530)**	(10,465)
– Finance costs			
– On bank and other borrowings	7(a)	**2,559**	2,178
– On lease liabilities	7(a)	**19**	–
– Amount capitalised	7(a)	**(1,977)**	(1,368)
– Depreciation			
– On other property, plant and equipment	7(d)	**65**	68
– On right-of-use assets	7(d)	**312**	–
– Share of profits less losses of associates		**(3,627)**	(5,265)
– Share of profits less losses of joint ventures		**(2,194)**	(6,947)
– Net foreign exchange loss/(gain)		**15**	(22)
– Other cash flows from operating activities		**58**	(20)
Operating profit before changes in working capital		**9,745**	9,441
Increase in instalments and loans receivable		**(57)**	(4,390)
Decrease in deposits for acquisition of properties		**43**	341
Increase in inventories (other than through acquisitions and transfers of subsidiaries and transfers to/from investment properties)		**(2,891)**	(9,960)
Decrease in debtors, prepayments and deposits		**1,053**	2,400
Increase in gross amount due from customers for contract work		**(7)**	(24)

Consolidated Cash Flow Statement

for the year ended 31 December 2019

	Note	**2019** **HK$ million**	2018 HK$ million
Operating profit before changes in working capital (continued)			
Decrease in cash held by stakeholders		**782**	175
(Increase)/decrease in cash restricted for use		**(2)**	2,569
Increase/(decrease) in creditors and accrued expenses		**25**	(1,650)
Decrease in gross amount due to customers for contract work		**(3)**	(4)
Increase in rental and other deposits received		**21**	116
(Decrease)/increase in forward sales deposits received		**(1,017)**	6,307
Cash generated from operations		**7,692**	5,321
Interest received		**327**	313
Tax paid			
– Hong Kong		**(142)**	(908)
– Outside Hong Kong		**(1,133)**	(902)
Net cash generated from operating activities		**6,744**	3,824
Investing activities			
Payment for purchase of investment properties and other property, plant and equipment		**(3,569)**	(2,134)
Proceeds from disposal of investment properties and other property, plant and equipment		**637**	2,165
Repayment from/(advances to) associates, net		**87**	(2,742)
Advances to joint ventures, net		**(7,599)**	(1,663)
Additional investments in associates		**(33)**	(749)
Additional investments in joint ventures		**(2,219)**	–
Payment for purchase of investments designated as financial assets at FVOCI and investments measured as financial assets at FVPL		**(8)**	(119)
Proceeds from sale of investments in equity securities designated as financial assets at FVOCI, net		**–**	1,623
Proceeds from redemption/disposal of held-to-maturity debt securities		**–**	495
Net cash outflow in respect of the acquisitions of subsidiaries	36(a)	**–**	(16,211)
Net cash inflow in respect of the transfers of subsidiaries	36(b)	**–**	9,744
Net cash inflow in respect of the transfers of interest in joint ventures		**1,725**	–
Interest received		**671**	681
Dividends received from associates		**2,611**	2,397
Dividends received from joint ventures		**1,274**	1,389
Dividends received from investments in equity securities designated as financial assets at FVOCI and investments measured as financial assets at FVPL		**90**	113
Decrease/(increase) in deposits with banks and other financial institutions over three months of maturity at acquisition		**829**	(509)
Decrease/(increase) in structured bank deposits		**1,681**	(1,819)
Net cash used in investing activities		**(3,823)**	(7,339)

	Note	**2019 HK$ million**	2018 HK$ million
Financing activities			
Repayment to non-controlling interests, net	27(b)	**(260)**	(27)
Proceeds from new bank loans	27(b)	**39,882**	46,608
Repayment of bank loans	27(b)	**(32,498)**	(43,350)
Proceeds from issue of guaranteed notes	27(b)	**3,858**	4,880
Repayment of guaranteed notes	27(b)	**(5,421)**	(1,244)
Decrease in amount due to a fellow subsidiary	27(b)	**(363)**	(654)
Payments of principal portion of lease liabilities	27(b)	**(306)**	–
Interest and other borrowing costs paid	27(b)	**(2,542)**	(2,114)
Dividends paid to equity shareholders of the Company	11	**(8,143)**	(7,122)
Dividends paid to non-controlling interests		**(76)**	(709)
Net cash used in financing activities		**(5,869)**	(3,732)
Net decrease in cash and cash equivalents		**(2,948)**	(7,247)
Cash and cash equivalents at 1 January		**12,899**	20,828
Effect of foreign exchange rate changes		**(317)**	(682)
Cash and cash equivalents at 31 December	27(a)	**9,634**	12,899

The notes on pages 152 to 260 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2019

1 General information

Henderson Land Development Company Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72/F-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, department store operation and management, construction, finance, project management, investment holding and property management.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "the Group") is set out below.

(b) 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.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

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.

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 attributable share of consolidated retained profits (after tax) at 1 January 2019, for a cumulative decrease in the amount of HK$10 million, was recognised only as referred to in the Group's consolidated statement of changes in equity for the year ended 31 December 2019.

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.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

	HK$ million
Operating lease commitments at 31 December 2018 (note 38(b)) 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 (note 29)	**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.

Up to the date of issue of these 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 these 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.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise those of the Company and its subsidiaries and have equity accounted for the Group's interests in associates and joint ventures.

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

– investments designated as financial assets at fair value through other comprehensive income (see note 2(g));

– investments measured as financial assets at fair value through profit or loss (see note 2(g));

– derivative financial instruments (see note 2(h)); and

– investment properties and certain investment properties under development (see note 2(j)(i)).

2 Significant accounting policies (continued)

(c) Basis of preparation of the financial statements (continued)

The measurement basis of non-current assets held for sale and disposal groups is set out in note 2(l) below.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and the key sources of estimation uncertainty are discussed in note 3.

(d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, where appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(l)).

(e) Associates and joint arrangements

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

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(l)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(n)). Any excess of acquisition-date fair value over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

2 Significant accounting policies (continued)

(e) Associates and joint arrangements (continued)

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(l)).

(ii) A joint operation is a joint arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses attributable to its interest with similar items on a line-by-line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(n)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except for those investments measured at fair value through profit or loss for which transaction costs are recognised directly in profit or loss and where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

2 Significant accounting policies (continued)

(g) Other investments in debt and equity securities (continued)

Investments other than equity investments

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

– Amortised cost, if the investment is held for the collection of contractual cash flows which represents solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(x)(iii)).

– Fair value through other comprehensive income ("FVOCI (recycling)"), if the contractual cash flows of the investment comprises solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– Fair value through profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividend income from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recyling), are recognised in profit or loss as income in accordance with the accounting policy set out in note 2(x)(vii).

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

2 Significant accounting policies (continued)

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on re-measurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

The Group prospectively and retrospectively assesses and ensures that the effectiveness of each individual derivative financial instrument in hedging cash flows of the respective underlying hedged item are supported by fulfilments of statistical criteria (minimum coefficient of determination 0.8, regression slope of between 0.8 and 1.25, and minimum confidence level of 95%), based on the results of periodical empirical tests.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the financial asset acquired or financial liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point in time remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(j) Investment properties and other property, plant and equipment

(i) Investment properties and investment properties under development

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

Investment properties and investment properties under development are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(x)(ii).

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease, and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases.

2 Significant accounting policies (continued)

(j) Investment properties and other property, plant and equipment (continued)

(ii) Other property, plant and equipment

The following items of other property, plant and equipment are stated at cost less accumulated depreciation (see note 2(k)) and impairment losses (see note 2(n)):

– other land and buildings; and

– plant and equipment.

The cost of self-constructed items of other property, plant and equipment includes the costs of materials and direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(z)).

Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

(k) Depreciation

(i) Investment properties and investment properties under development

No depreciation is provided on investment properties and investment properties under development.

(ii) Other land and buildings

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Cost of buildings thereon is depreciated on a straight-line basis over the unexpired terms of the respective leases or 40 years, if shorter.

(iii) Plant and equipment

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

– Leasehold improvements, furniture and fixtures	5 years
– Others	2 to 10 years

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

(iv) Right-of-use assets

Depreciation charge on the right-of-use assets is recognised using the straight-line method over a period of 2 to 8 years, being the period from the commencement dates of the Remaining Leases (as such term is defined in note 2(b)) to the end of the term of the Remaining Leases, taking into consideration any renewal options attaching thereto.

2 Significant accounting policies (continued)

(l) Non-current assets held for sale and disposal groups

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then on initial classification as held for sale and until the completion of the disposal, the non-current assets (except for certain assets as explained below) or the disposal group are recognised at the lower of their carrying amounts and fair value less costs to sell. The principal exceptions to this measurement policy, so far as the financial statements of the Group are concerned, are deferred tax assets, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent re-measurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(m) Leased assets

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for monetary consideration payable by the recipient of such right (i.e. the lessee). The right to control an identified asset is conveyed when the lessee has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(A) Policy applicable from 1 January 2019

At the lease commencement date, the Group (as the lessee) recognises a right-of-use asset and a lease liability, except for (i) short-term leases that have lease term of 12 months or less; and (ii) leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before 1 January 2019 (being the date on which the lease commenced to be capitalised), and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes 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 stated at cost less accumulated depreciation and impairment losses (see notes 2(k)(iv) and 2(n)(iii) respectively), except for the right-of-use asset that meets the definition of an investment property (see note 2(j)) and inventory (see note 2(o)).

2 Significant accounting policies (continued)

(m) Leased assets (continued)

(A) Policy applicable from 1 January 2019 (continued)

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

The Group presents the right-of-use asset that does not meet the definition of an investment property separately from the lease liabilities in the statement of financial position.

(B) Policy applicable prior to 1 January 2019

(i) Classification of leases under which the Group was a lessee

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

– property held under operating leases that would otherwise meet the definition of an investment property was classified as an investment property on a property-by-property basis and, if classified as an investment property, was accounted for as if it were held under a finance lease; and

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

(ii) Operating lease charges paid by the Group as the lessee

Where the Group had the use of assets under operating leases, payments made by the Group under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

The cost of acquiring land under an operating lease was amortised on a straight-line basis over the period of the lease term except where the property was classified as an investment property (see note 2(j)(i)) or was held for/under development for sale (see note 2(o)(ii)).

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets

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

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

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

– contract assets as defined in HKFRS 15, *Revenue from contracts with customers* (see note 2(p));

– debt securities measured at FVOCI (recycling);

– lease receivables (which is included under "Debtors, prepayments and deposits" within trade and other receivables); and

– loan commitments issued, which are not measured at FVPL.

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

Measurement of ECLs

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

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan; and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

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

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

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

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

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

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

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

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

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

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

Significant increases in credit risk (continued)

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 2(x)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

The accounting policy for financial guarantees is set out in note 2(w)(i).

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

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increases in credit risk as described in note 2(n)(i) apply.

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

(iii) Impairment of other assets

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

– Other property, plant and equipment;

– right-of-use assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position, except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(l)).

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(iii) Impairment of other assets (continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iv) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the aforementioned interim period, the Group applies the same impairment testing, recognition and reversal criteria (see notes 2(n)(i), (ii) and (iii)) as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which such interim period relates.

(o) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Leasehold land held for development for sale

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) Properties held for/under development for sale

The cost of properties held for/under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(z)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

2 Significant accounting policies (continued)

(o) Inventories (continued)

(iii) Completed properties for sale

The cost of completed properties for sale comprises the total land and development costs for that project, being all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined by apportionment attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

(iv) Retail, catering stocks and trading goods

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

(p) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

A contract asset is recognised when the Group recognises revenue (see note 2(x)(iv)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(n)(i) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(x)(iv)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(p)).

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for credit losses (see note 2(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for credit losses.

2 Significant accounting policies (continued)

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the accounting policy set out in note 2(n)(i).

(u) Employee benefits

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

(v) Income tax

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

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

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

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

2 Significant accounting policies (continued)

(v) Income tax (continued)

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(j)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets or liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

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

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

    – the same taxable entity; or

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

2 Significant accounting policies (continued)

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(ii) Other provisions and contingent liabilities

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

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

2 Significant accounting policies (continued)

(x) Revenue recognition

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised in the Group's consolidated statement of profit or loss on the basis that control over the ownership of the property has been passed to the customer during the current accounting period, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all the benefits of ownership of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under forward sales deposits received.

(ii) Rental income from leases

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

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of allowance) of the asset.

(iv) Contract revenue

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

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

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(w)(ii).

(v) Hotel operation

Income from hotel operation carried out by the Group's associates and joint ventures is recognised when services are provided.

2 Significant accounting policies (continued)

(x) Revenue recognition (continued)

(vi) Department store operation

Revenue arising from the sale of goods from department store operation is recognised at a point in time when the Group sells a product to the customer, which is taken to be the point in time when the customer has obtained control of the goods sold. Commission income from consignment and concessionaire counters is recognised at a point in time of the sale of goods by counter suppliers. Promotion income is recognised over time when the services are provided. Revenue is recognised after deduction of any trade discounts.

(vii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

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

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the transaction dates. Items in the statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated into Hong Kong dollars at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or are completed.

2 Significant accounting policies (continued)

(aa) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

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

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

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

(ab) Segment reporting

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

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

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties and certain investment properties under development

As described in note 15, investment properties and certain investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional surveyors.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Certain investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

(b) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property surveyors and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from those properties. These estimates require judgement as to the anticipated selling prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

(c) Impairment of non-current assets

If circumstances indicate that the carrying amounts of non-current assets may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

3 Accounting estimates and judgements (continued)

(d) Recognition of deferred tax assets

At 31 December 2019, the Group has recognised deferred tax assets in relation to the unused tax losses as set out in note 10(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised, in which case a partial reversal of deferred tax assets may arise and which amount will be recognised in profit or loss for the period in which such a reversal takes place.

4 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, foreign currency and interest rate risks arises in the normal course of the Group's business. The Group is also exposed to price risk arising from its financial investments. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, derivative financial instruments as well as instalments, loans, rental and other trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and loans receivable which enable management to assess their recoverability and to minimise the exposure to credit risk. In relation to property sales for which the buyers have entered into mortgage loans advanced by the Group, management mitigates the credit risk by holding collateral in the form of properties to cover the amounts of mortgage loans advanced by the Group to the property buyers. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowance for impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Except for the financial guarantees given by the Group as disclosed in note 39 to these financial statements, the Group does not provide any other guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 25 to these financial statements.

4 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Given the amount due to a fellow subsidiary (see note 32) classified as a non-current liability, amounts due to associates and amounts due to certain joint ventures (see note 28) have no fixed terms of repayment, it is not practical to disclose their remaining contractual maturities at the end of the reporting period. Except for these, the following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2019 Contractual undiscounted cash outflow						2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million
Bank loans	30,059	16,477	23,733	17,253	87,522	79,925	29,917	15,868	19,601	13,284	78,670	72,455
Guaranteed notes	1,870	3,380	2,124	6,770	14,144	11,727	5,657	1,737	3,433	4,177	15,004	13,075
Lease liabilities	245	131	111	15	502	474	–	–	–	–	–	–
Creditors and accrued expenses	6,409	–	–	–	6,409	6,409	6,217	–	–	–	6,217	6,217
Rental and other deposits received	694	429	479	36	1,638	1,638	657	490	440	43	1,630	1,630
Amounts due to joint ventures	1,713	–	–	–	1,713	1,673	939	–	–	–	939	919
	40,990	20,417	26,447	24,074	111,928	101,846	43,387	18,095	23,474	17,504	102,460	94,296

	2019 Contractual undiscounted cash inflow/(outflow)					2018 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Derivative settled net:										
Interest rate swap contracts	9	(6)	2	120	125	(63)	(55)	(99)	13	(204)
Derivative settled gross:										
Cross currency interest rate swap contracts held as cash flow hedging instruments:										
– outflow	(16)	(16)	(174)	(84)	(290)	(6,436)	(17)	(188)	(87)	(6,728)
– inflow	18	18	176	85	297	6,215	19	192	90	6,516
Other cross currency interest rate swap contracts and cross currency swap contracts:										
– outflow	(267)	(1,477)	(2,289)	(6,028)	(10,061)	(95)	(96)	(1,220)	(2,396)	(3,807)
– inflow	152	1,307	2,058	5,956	9,473	33	33	995	2,291	3,352

4 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and mainland China with its cash flows substantially denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB"), respectively. The Group reports its results in Hong Kong dollars.

The Group's primary foreign currency exposure arises from its property development and investment activities in mainland China, as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investments and the related returns to be generated therefrom, and thereby establishing a natural hedge against any foreign currency risk arising from assets and liabilities denominated in Renminbi.

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars ("US$"), Renminbi, Japanese Yen ("¥") and other currencies, and all of which were not hedged at 31 December 2019 and 2018. At 31 December 2019, the Group's cash deposits denominated in United States dollars amounted to US$53 million which was equivalent to HK$409 million (2018: US$62 million which was equivalent to HK$485 million). The Group does not expect that there will be any significant foreign currency risk associated with the aforementioned cash deposits denominated in United States dollars given that the Hong Kong dollar is pegged to the United States dollar. At 31 December 2019, the Group's cash deposits denominated in Renminbi amounted to RMB4,991 million which was equivalent to HK$5,572 million (2018: RMB10,330 million which was equivalent to HK$11,790 million), and the Group's cash deposits denominated in Japanese Yen amounted to ¥5,526 million which was equivalent to HK$396 million (2018: Nil). Since such cash deposits denominated in Renminbi and Japanese Yen were not hedged against the foreign currency risk arising from the difference in the exchange rates between Renminbi and Hong Kong dollars and between Japanese Yen and Hong Kong dollars respectively at the beginning and the end of the reporting period, the Group recognises an exchange gain or loss in the event of an appreciation or a depreciation of the Renminbi against the Hong Kong dollars and the Japanese Yen against the Hong Kong dollars respectively during the reporting period. For cash deposits denominated in other currencies, since the balances were insignificant, the Group considered the exposure to foreign currency risk to be low.

(i) Hedging

Fixed-to-floating USD interest rate swap contracts and floating-to-fixed cross currency (USD-HKD) interest rate swap contracts and fixed-to-fixed cross currency (USD-HKD) interest rate swap contracts have been entered into with certain counterparty banks in order to convert the principal and interest amounts of the guaranteed notes denominated in United States dollars into Hong Kong dollars. Fixed-to-floating cross currency (GBP-USD) interest rate swap contracts and floating-to-fixed cross currency (USD-HKD) interest rate swap contracts had been entered into with certain counterparty banks in order to convert the principal and interest amounts of guaranteed notes denominated in Pound Sterling ("£") into Hong Kong dollars, but which had matured following the full repayment by the Group of the guaranteed notes denominated in Pound Sterling during the year ended 31 December 2019.

4 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk (continued)

(i) Hedging (continued)

Given the involvement of different derivatives in the hedging relationships (see the paragraph above), the following tables summarise and demonstrate the profile of the Group's hedging instruments at 31 December 2019 and 2018, which provide cash flow hedge to the Group's guaranteed notes.

(a) Fixed-to-floating USD interest rate swap contracts and floating-to-fixed cross currency (USD-HKD) interest rate swap contracts

	2019				
	Guaranteed notes due for repayment on	**Weighted average exchange rate**	**Weighted average fixed interest rate receivable/ (pay) leg**	**Weighted average floating interest rate receivable/ (pay) leg**	**Notional amount**
Fixed-to-floating USD interest rate swap contracts					
Maturity profile:					
2 to 5 years	**25 July 2022**	**Not applicable**	**6.38%**	**(2.5046%)**	**US$20,000,000**
Floating-to-fixed cross currency (USD-HKD) interest rate swap contracts					
Maturity profile:					
2 to 5 years	**25 July 2022**	**7.7896**	**(5.6833%)**	**2.5046%**	**US$20,000,000**

(b) Fixed-to-fixed cross currency (USD-HKD) interest rate swap contracts

	2019				
	Guaranteed notes due for repayment on	**Weighted average exchange rate**	**Weighted average fixed interest rate receivable/ (pay) leg**	**Weighted average floating interest rate receivable/ (pay) leg**	**Notional amount**
Fixed-to-fixed cross currency (USD-HKD) interest rate swap contracts					
Maturity profile:					
After 5 years	**20 October 2026**	**7.7800**	**5.2000%/ (4.4500%)**	**Not applicable**	**US$10,000,000**

4 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk (continued)

(i) Hedging (continued)

(a) Fixed-to-floating USD interest rate swap contracts and floating-to-fixed cross currency (USD-HKD) interest rate swap contracts

	2018				
	Guaranteed notes due for repayment on	Weighted average exchange rate	Weighted average fixed interest rate receivable/ (pay) leg	Weighted average floating interest rate receivable/ (pay) leg	Notional amount
Fixed-to-floating USD interest rate swap contracts					
Maturity profile:					
Within 1 year	25 July 2019	Not applicable	6.2800%	(3.0099%)	US$99,000,000
2 to 5 years	25 July 2022	Not applicable	6.3800%	(3.0549%)	US$20,000,000
Floating-to-fixed cross currency (USD-HKD) interest rate swap contracts					
Maturity profile:					
Within 1 year	25 July 2019	7.7896	(5.5960%)	3.0099%	US$99,000,000
2 to 5 years	25 July 2022	7.7896	(5.6833%)	3.0549%	US$20,000,000

(b) Fixed-to-floating cross currency (GBP-USD) interest rate swap contracts and floating-to-fixed cross currency (USD-HKD) interest rate swap contracts

	2018				
	Guaranteed notes due for repayment on	Weighted average exchange rate	Weighted average fixed interest rate receivable/ (pay) leg	Weighted average floating interest rate receivable/ (pay) leg	Notional amount
Fixed-to-floating cross currency (GBP-USD) interest rate swap contracts					
Maturity profile:					
Within 1 year	25 July 2019	1.9969	6.3400%	(3.0389%)	£50,000,000
Floating-to-fixed cross currency (USD-HKD) interest rate swap contracts					
Maturity profile:					
Within 1 year	25 July 2019	7.7896	(5.6253%)	3.0389%	US$99,845,000

4 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk (continued)

(i) Hedging (continued)

(c) Fixed-to-fixed cross currency (USD-HKD) interest rate swap contracts

	2018				
	Guaranteed notes due for repayment on	Weighted average exchange rate	Weighted average fixed interest rate receivable/ (pay) leg	Weighted average floating interest rate receivable/ (pay) leg	Notional amount
Fixed-to-fixed cross currency (USD-HKD) interest rate swap contracts					
Maturity profile:					
Within 1 year	17 September 2019	7.7505	5.5000%/ (4.9690%)	Not applicable	US$500,000,000
After 5 years	20 October 2026	7.7800	5.2000%/ (4.4500%)	Not applicable	US$10,000,000

The Group's hedging objective is to hedge the foreign currency exposure to the cash flows variability arising from the coupon and principal repayments of the guaranteed notes (as referred to above), as a result of the movements in the exchange rates between Hong Kong dollars (being the issuing entity's functional currency) and United States dollars and Pound Sterling during the tenure and upon the maturity of such guaranteed notes. The Group also adopts the rollover strategy under which the management carefully reviews and considers the reference interest rates and interest payment and/or receipt dates between the hedging instrument and the hedged item, in order to maximise the Group's savings in cash outflow under hedging arrangement. The Group applies a hedge ratio of 1:1.

The main sources of hedge ineffectiveness in these hedging relationships principally arise from (i) the difference in the tenure between the hedging instrument and the hedged item; and (ii) the difference in timing of the settlement of hedging instrument and the hedged item.

4 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk (continued)

(i) Hedging (continued)

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2019 HK$ million	2018 HK$ million
Balance at 1 January	**(54)**	(449)
Effective portion of the cash flow hedge recognised in other comprehensive income (see below)	**91**	(13)
Amounts reclassified to profit or loss (note 6)	**–**	519
Related tax	**(15)**	(84)
Share of hedging reserve of associates and joint ventures	**21**	(27)
Balance at 31 December	**43**	(54)
Change in the fair value and reclassification adjustments of the cross currency interest rate swap contracts during the year	**91**	(13)
Hedge ineffectiveness recognised in profit or loss during the year	**–**	–
Effective portion of the cash flow hedge recognised in other comprehensive income (see above)	**91**	(13)

Furthermore, cross currency interest rate swap contracts have been entered into with certain counterparty banks in respect of certain guaranteed notes denominated in United States dollars and Renminbi in the aggregate principal amounts of US$200 million and RMB200 million respectively, and certain bank loans denominated in Japanese Yen and Australian dollars ("AUD") in the aggregate principal amounts of ¥13,000 million and AUD319 million respectively at 31 December 2019 (2018: Nil). The Group does not apply hedge accounting in relation to the abovementioned guaranteed notes and bank loans. Therefore, the cross currency interest rate swap contracts were used as economic hedge of these guaranteed notes and bank loans.

4 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk (continued)

(i) Hedging (continued)

In addition, cross currency swap contracts have been entered into with certain counterparty banks in respect of certain guaranteed notes denominated in Japanese Yen and United States dollars in the aggregate principal amounts of ¥2,000 million and US$100 million respectively, and certain bank loans denominated in Japanese Yen and Australian dollars in the aggregate principal amounts of ¥30,000 million and AUD173 million respectively at 31 December 2019 (2018: guaranteed note denominated in Japanese Yen in the principal amount of ¥2,000 million and certain bank loans denominated in Japanese Yen and Australian dollars in the aggregate principal amounts of ¥30,000 million and AUD173 million respectively). The Group does not apply hedge accounting in relation to the abovementioned guaranteed notes and bank loans. Therefore, the cross currency swap contracts were used as economic hedge of these guaranteed notes and bank loans.

The following table sets out the Group's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rates at 31 December 2019 and 2018:

	2019			
	Exposure to foreign currencies in relation to assets and liabilities for which no hedge accounting is applied (expressed in HK$ million)			
	United States dollars	Japanese Yen	Renminbi	Australian dollars
Cash and cash equivalents	409	396	5,572	–
Bank loans	–	(3,083)	(2,869)	(2,687)
Guaranteed notes	(2,336)	(143)	(224)	–
Gross exposure arising from recognised assets and liabilities	(1,927)	(2,830)	2,479	(2,687)
Less:				
Notional amounts of cross currency interest rate swap contracts and cross currency swap contracts designated as economic hedge	(2,336)	(3,226)	(224)	(2,687)
Net exposure arising from recognised assets and liabilities	409	396	2,703	–

4 Financial risk management and fair values of financial instruments (continued)

(c) Foreign currency risk (continued)

(i) Hedging (continued)

	2018				
	Exposure to foreign currencies in relation to assets and liabilities for which no hedge accounting is applied (expressed in HK$ million)				
	United States dollars	Japanese Yen	Renminbi	Australian dollars	Other currencies
Cash and cash equivalents	485	–	11,790	–	1
Bank loans	–	(2,128)	–	(959)	–
Guaranteed note	–	(142)	–	–	–
Gross exposure arising from recognised assets and liabilities	485	(2,270)	11,790	(959)	1
Less:					
Notional amounts of cross currency swap contracts designated as economic hedge	–	(2,270)	–	(959)	–
Net exposure arising from recognised assets and liabilities	485	–	11,790	–	1

(ii) Sensitivity analysis

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (2018: 5%) at 31 December 2019 and the changes had been applied to each of the Group entities' exposure to foreign currency risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$105 million (2018: increase/decrease by HK$19 million).

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2018.

4 Financial risk management and fair values of financial instruments (continued)

(d) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates. The Group monitors closely its interest rate exposure and the level of fixed rate and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The Group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedging

At 31 December 2019, interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk which may arise during the periods between the drawdown dates and the repayment dates in respect of certain bank borrowings which bear floating interest rates denominated in Hong Kong dollars in the aggregate principal amount of HK$21,100 million at 31 December 2019 (2018: HK$11,450 million).

The interest rate swap contracts mature over the next six years matching the maturity of the underlying bank borrowings denominated in Hong Kong dollars, and after taking into account the effect of swap contracts have fixed interest rates ranging from 1.86% to 4.62% (2018: 3.16% to 5.10%) per annum.

At 31 December 2019, the Group does not apply hedge accounting in relation to the abovementioned bank borrowings which bear floating interest rates denominated in Hong Kong dollars in the aggregate principal amount of HK$21,100 million (2018: HK$11,450 million). Furthermore, at 31 December 2019, interest rate swap contracts have been entered into with certain counterparty banks in respect of certain guaranteed notes denominated in Hong Kong dollars in the aggregate principal amount of HK$5,599 million (2018: HK$5,599 million), and for which the Group does not apply hedge accounting. Therefore, the interest rate swap contracts were used as economic hedge of these bank borrowings and guaranteed notes.

(ii) Interest rate profile

The following table details the interest rate profile of the Group's bank loans and guaranteed notes after taking into account the effect of swap contracts, and of the lease liabilities and amount due to a fellow subsidiary at the end of the reporting period.

	2019		
	Fixed/ floating	Effective interest rate per annum	Amount HK$ million
Lease liabilities	Fixed	4.04%	474
Bank loans	Floating	2.60%-5.31%	56,208
Bank loans	Fixed	1.86%-4.62%	23,717
Guaranteed notes	Floating	2.57%-3.56%	5,505
Guaranteed notes	Fixed	2.50%-5.74%	6,222
Amount due to a fellow subsidiary	Floating	2.29%	737

4 Financial risk management and fair values of financial instruments (continued)

(d) Interest rate risk (continued)

(ii) Interest rate profile (continued)

	2018		
	Fixed/ floating	Effective interest rate per annum	Amount HK$ million
Bank loans	Floating	2.62%-5.80%	61,054
Bank loans	Fixed	3.16%-5.10%	11,401
Guaranteed notes	Floating	2.55%-3.36%	5,735
Guaranteed notes	Fixed	3.05%-5.74%	7,340
Amount due to a fellow subsidiary	Floating	1.68%	1,100

(iii) Sensitivity analysis

Assuming that the interest rates had generally increased/decreased by not more than 100 basis points (2018: 100 basis points) at 31 December 2019 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial liabilities in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$98 million (2018: HK$187 million).

The sensitivity analysis above assumes the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2018.

(e) Price risk

The Group is exposed to risks arising from price and fair value changes in relation to investments designated as financial assets at FVOCI (non-recycling) and investments measured as financial assets at FVPL (see note 22).

Listed investments held in the portfolio have been chosen based on their long term growth potential and returns and are monitored regularly for performance against expectations. At 31 December 2019, assuming that the market value of the Group's listed investments designated as financial assets at FVOCI (non-recycling) had increased/decreased by not more than 10% (2018: 10%), with all other variables held constant, the total equity attributable to equity shareholders of the Company would increase/decrease by HK$10 million (2018: HK$11 million). Any increase or decrease in the market value of the Group's listed investments designated as financial assets at FVOCI (non-recycling) would not affect the Group's profit after tax. Assuming that the market value of the Group's listed investments measured as financial assets at FVPL had increased/decreased by not more than 10% (2018: 10%), with all other variables held constant, the Group's profit after tax and the total equity attributable to equity shareholders of the Company would increase/decrease by HK$144 million (2018: HK$138 million).

The sensitivity analysis above assumes that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the end of the reporting period. It is also assumed that the fair value of the Group's financial investments would change in accordance with the historical correlation with the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2018.

4 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2019	Fair value measurements at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	HK$ million	HK$ million	HK$ million	HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 22)	**82**	–	–	**82**
– Listed (note 22)	**104**	**104**	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 22)	**1,444**	**1,444**	–	–
Financial assets measured at FVPL (note 25)	**196**	–	–	**196**
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 21)	**156**	–	**156**	–
– Cross currency swap contracts (note 21)	**75**	–	**75**	–
– Interest rate swap contracts (note 21)	**227**	–	**227**	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 21)	**53**	–	**53**	–
– Cross currency swap contracts (note 21)	**65**	–	**65**	–
– Interest rate swap contracts (note 21)	**268**	–	**268**	–

4 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement (continued)

(i) *Financial assets and liabilities measured at fair value (continued)*

Fair value hierarchy (continued)

	Fair value at 31 December 2018	Fair value measurements at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	HK$ million	HK$ million	HK$ million	HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 22)	118	–	–	118
– Listed (note 22)	109	109	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 22)	1,384	1,384	–	–
Financial assets measured at FVPL (note 25)	190	–	–	190
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 21)	66	–	66	–
– Interest rate swap contracts (note 21)	23	–	23	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 21)	303	–	303	–
– Cross currency swap contracts (note 21)	95	–	95	–
– Interest rate swap contracts (note 21)	273	–	273	–

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into and out of Level 3. During the corresponding year ended 31 December 2018, there were no transfers between Level 1 and Level 2, but there was transfer into Level 3 for the reason that the investment in certain unlisted equity securities stated at cost less impairment losses at 31 December 2017 was measured at fair value at 1 January 2018. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

4 Financial risk management and fair values of financial instruments (continued)

(f) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of cross currency interest rate swap contracts, cross currency swap contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

(ii) Financial assets and liabilities measured at other than fair value

The carrying amounts of the Group's financial instruments measured at cost or amortised cost are not materially different from their fair values at 31 December 2019 and 2018 except as follows:

– **Amounts due from certain associates and certain joint ventures, amounts due to associates and amounts due to certain joint ventures**

Amounts due from certain associates and certain joint ventures, amounts due to associates and amounts due to certain joint ventures are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

5 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 HK$ million	2018 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 14(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.

6 Other net income

	2019 HK$ million	2018 HK$ million
Net gain on transfers of subsidiaries regarding (notes (i) and (ii)) (note 36(b))		
– 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 14(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 (notes 14(c) and 25(b))	**(3)**	25
Provision on inventories, net	**(19)**	(90)
Exchange (losses)/gains (note 7(d))	**(25)**	89
Others	**189**	326
	1,148	1,520

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 hedging reserve in 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.*

7 Profit before taxation

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

		2019 HK$ million	2018 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 (note 29)	**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.*

		2019 HK$ million	2018 HK$ million
(b)	**Directors' emoluments**	**192**	183

Details of the directors' emoluments are set out in note 8.

		2019 HK$ million	2018 HK$ million
(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

7 Profit before taxation (continued)

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

		2019 HK$ million	2018 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 6)	**25**	(89)
	Depreciation		
	– on other property, plant and equipment (note15(a))	**65**	68
	– on right-of-use assets (note 16)	**312**	–
		377	68
		(note 14(c))	(note 14(c))
	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
	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).*

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	2019				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$ '000	Total HK$'000
Executive Directors					
Dr Lee Ka Kit	200	21,360	600	18	22,178
Lee Ka Shing	200	14,789	6,381	808	22,178
Dr Lam Ko Yin, Colin	200	10,051	21,270	601	32,122
Dr Lee Shau Kee	171	23,691	–	–	23,862
Yip Ying Chee, John	150	9,204	14,907	549	24,810
Suen Kwok Lam	150	7,555	7,760	449	15,914
Fung Lee Woon King	150	5,342	5,200	319	11,011
Lau Yum Chuen, Eddie	150	29	–	–	179
Kwok Ping Ho	250	5,165	1,468	309	7,192
Wong Ho Ming, Augustine	150	10,414	15,520	623	26,707
Non-executive Directors					
Lee Pui Ling, Angelina	200	150	–	–	350
Lee Tat Man	200	–	–	–	200
Independent Non-executive Directors					
Kwong Che Keung, Gordon	300	750	–	–	1,050
Professor Ko Ping Keung	300	650	–	–	950
Wu King Cheong	300	650	–	–	950
Woo Ka Biu, Jackson	250	–	–	–	250
Professor Poon Chung Kwong	250	100	–	–	350
Au Siu Kee, Alexander	982	767	–	–	1,749
Total for the year ended 31 December 2019	4,553	110,667	73,106	3,676	192,002

8 Directors' emoluments (continued)

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows: (continued)

	2018				
	Directors' fees HK$ '000	Salaries, allowances and benefits-in-kind HK$ '000	Discretionary bonuses HK$ '000	Retirement scheme contributions HK$ '000	Total HK$ '000
Executive Directors					
Dr Lee Shau Kee	200	22,381	–	–	22,581
Dr Lee Ka Kit	200	20,114	600	18	20,932
Dr Lam Ko Yin, Colin	200	9,949	21,060	595	31,804
Lee Ka Shing	200	13,859	3,430	762	18,251
Yip Ying Chee, John	150	9,120	14,760	544	24,574
Suen Kwok Lam	150	7,261	7,760	434	15,605
Fung Lee Woon King	150	5,164	5,080	308	10,702
Lau Yum Chuen, Eddie	150	22	–	–	172
Kwok Ping Ho	250	5,018	1,456	300	7,024
Wong Ho Ming, Augustine	150	10,014	15,170	599	25,933
Non-executive Directors					
Lee Pui Ling, Angelina	200	150	–	–	350
Lee Tat Man	200	–	–	–	200
Independent Non-executive Directors					
Kwong Che Keung, Gordon	300	750	–	–	1,050
Professor Ko Ping Keung	300	650	–	–	950
Wu King Cheong	300	650	–	–	950
Leung Hay Man (deceased on 11 October 2018)	283	558	–	–	841
Woo Ka Biu, Jackson	250	–	–	–	250
Professor Poon Chung Kwong	250	100	–	–	350
Au Siu Kee, Alexander (appointed on 13 December 2018)	471	329	–	–	800
Total for the year ended 31 December 2018	4,354	106,089	69,316	3,560	183,319

8 Directors' emoluments (continued)

During the years ended 31 December 2019 and 2018:

(i) all the directors' fees payable to the executive directors of the Company were in respect of their services as directors of the Company and/or its subsidiary undertakings, and all the salaries, allowances, benefits-in-kind, discretionary bonuses and retirement scheme contributions payable to the executive directors of the Company were in respect of their services in connection with the management of the affairs of the Company and/or its subsidiary undertakings; and

(ii) all the emoluments payable to the non-executive directors and the independent non-executive directors of the Company were in respect of their services as directors of the Company and/or its subsidiary undertakings.

At 31 December 2019, there were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities for disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2018: None).

During the year ended 31 December 2019 and at 31 December 2019, save as disclosed in note 40, there was no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company and his/her connected entities had a material interest, subsisted at the end of the reporting period or at any time during the year for disclosure pursuant to section 383 (1)(e) of the Hong Kong Companies Ordinance (Cap. 622) and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2018: None).

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current and prior years.

9 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, all (2018: all) of them are directors whose emoluments are disclosed in note 8.

(b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 8 and 9(a) respectively, the emoluments of the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the Company's annual report for the year ended 31 December 2019 (of which these financial statements form a part) fell within the following bands:

	2019 Number of individuals	2018 Number of individuals
Emolument band (HK$) (note)		
$3,000,001 to $4,000,000	**1**	1
$4,000,001 to $5,000,000	**1**	2
$5,000,001 to $6,000,000	**3**	2
$6,000,001 to $7,000,000	**2**	3
$7,000,001 to $8,000,000	**1**	1
$8,000,001 to $9,000,000	**–**	–
$9,000,001 to $10,000,000	**1**	1
$10,000,001 to $11,000,000	**–**	–
$11,000,001 to $12,000,000	**4**	3
$12,000,001 to $13,000,000	**–**	1
$13,000,001 to $14,000,000	**1**	2
$14,000,001 to $15,000,000	**4**	2
	18	18

Note: Including salaries, allowances and benefits-in-kind, discretionary bonuses and retirement scheme contributions.

10 Income tax

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

	2019 HK$ million	2018 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 ("PRC") (the "HKSAR Government").

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.

10 Income tax (continued)

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

	2019 HK$ million	2018 HK$ million
Profit before taxation	**19,086**	33,495
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**3,527**	5,758
Tax effect of share of profits less losses of associates and joint ventures	**(991)**	(2,124)
Tax effect of non-deductible expenses	**134**	140
Tax effect of non-taxable revenue	**(1,090)**	(2,312)
Tax effect of current year's tax losses not recognised	**269**	248
Tax effect of prior years' tax losses utilised	**(40)**	(24)
Tax effect of unused tax losses not recognised in prior years now recognised	**(45)**	(128)
One-off rebate of Hong Kong Profits Tax	**(2)**	(2)
Land Appreciation Tax	**187**	471
Withholding tax	**79**	7
Under-provision in respect of prior years, net	**9**	89
Actual tax expense	**2,037**	2,123

10 Income tax (continued)

(c) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation HK$ million	Revaluation of properties HK$ million	Elimination and capitalisation of expenses HK$ million	Fair value adjustment on business combination HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
At 1 January 2018	1,510	3,637	317	1,030	(244)	(56)	6,194
Exchange adjustments	(23)	(174)	(1)	(5)	–	–	(203)
Charged/(credited) to profit or loss	192	200	(86)	–	(131)	(81)	94
Charged to reserves (note 12(a))	–	–	–	–	–	84	84
Acquisitions of subsidiaries (note 36(a))	–	–	–	–	(8)	–	(8)
At 31 December 2018	1,679	3,663	230	1,025	(383)	(53)	6,161
At 1 January 2019, as previously reported	**1,679**	**3,663**	**230**	**1,025**	**(383)**	**(53)**	**6,161**
Impact of a change in accounting policy upon adoption of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Adjusted balance at 1 January 2019	**1,679**	**3,663**	**230**	**1,025**	**(383)**	**(55)**	**6,159**
Exchange adjustments	**(11)**	**(102)**	**–**	**(1)**	**–**	**–**	**(114)**
Charged to profit or loss	**171**	**40**	**39**	**–**	**133**	**51**	**434**
Charged to reserves (note 12(a))	**–**	**–**	**–**	**–**	**–**	**15**	**15**
At 31 December 2019	**1,839**	**3,601**	**269**	**1,024**	**(250)**	**11**	**6,494**

10 Income tax (continued)

(c) Deferred tax assets and liabilities recognised: (continued)

	2019 HK$ million	2018 HK$ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(416)**	(641)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**6,910**	6,802
	6,494	6,161

(d) Deferred tax assets not recognised:

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

	2019		2018	
	Deductible temporary differences/ unused tax losses HK$ million	**Deferred tax assets not recognised HK$ million**	Deductible temporary differences/ unused tax losses HK$ million	Deferred tax assets not recognised HK$ million
Deductible temporary differences	**4**	**1**	4	1
Future benefits of tax losses				
Hong Kong (note (i))				
– Assessed by the Inland Revenue Department	**2,945**	**486**	2,830	467
– Not yet assessed by the Inland Revenue Department	**9,144**	**1,509**	8,327	1,375
Outside Hong Kong (note (ii))	**293**	**77**	287	76
	12,382	**2,072**	11,444	1,918
	12,386	**2,073**	11,448	1,919

Notes:

(i) These tax losses do not expire under current tax legislation.

(ii) These tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

11 Dividends

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

	2019 HK$ million	2018 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 HK$ million	2018 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

12 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2019			2018		
	Pre-tax amount HK$ million	**Tax expense HK$ million**	**Net-of-tax amount HK$ million**	Pre-tax amount HK$ million	Tax expense HK$ million	Net-of-tax amount HK$ million
Exchange differences: net movement in the exchange reserve	**(1,202)**	**–**	**(1,202)**	(2,484)	–	(2,484)
Cash flow hedges: net movement in the hedging reserve	**91**	**(15)**	**76**	506	(84)	422
Investments in equity securities designated as financial assets at FVOCI: net movement in the fair value reserve (non-recycling)	**(42)**	**–**	**(42)**	36	–	36
Share of other comprehensive income of associates and joint ventures	**(25)**	**–**	**(25)**	(1,609)	–	(1,609)
Other comprehensive income for the year	**(1,178)**	**(15)**	**(1,193)**	(3,551)	(84)	(3,635)
		(note 10(c))			(note 10(c))	

(b) Components of other comprehensive income, including reclassification adjustments

	2019 HK$ million	2018 HK$ million
Exchange differences:		
– translation of financial statements of foreign entities	**(1,202)**	(2,484)
Net movement in the exchange reserve during the year recognised in other comprehensive income	**(1,202)**	(2,484)
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year	**327**	44
– reclassification adjustments for amounts transferred to profit or loss	**(236)**	462
– net deferred tax charged to other comprehensive income	**(15)**	(84)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**76**	422
Investments in equity securities designated as financial assets at FVOCI:		
– changes in fair value recognised during the year	**(42)**	36
Net movement in the fair value reserve (non-recycling) during the year recognised in other comprehensive income	**(42)**	36

12 Other comprehensive income (continued)

(c) For each component of equity

	Attributable to equity shareholders of the Company									
	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total other comprehensive income HK$ million
2018										
Exchange differences:										
– translation of financial statements of foreign entities	–	(2,476)	–	–	–	–	–	(2,476)	(8)	(2,484)
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	36	–	–	36	–	36
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	386	–	–	386	–	386
Investments in equity securities designated as financial assets at FVOCI:										
– changes in fair value	–	–	–	39	–	–	–	39	(3)	36
Share of other comprehensive income of associates and joint ventures	–	(1,513)	(2)	(36)	(27)	–	(31)	(1,609)	–	(1,609)
Other comprehensive income for the year	–	(3,989)	(2)	3	395	–	(31)	(3,624)	(11)	(3,635)
2019										
Exchange differences:										
– translation of financial statements of foreign entities	–	(1,199)	–	–	–	–	–	(1,199)	(3)	(1,202)
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	273	–	–	273	–	273
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	(197)	–	–	(197)	–	(197)
Investments in equity securities designated as financial assets at FVOCI:										
– changes in fair value	–	–	–	(41)	–	–	–	(41)	(1)	(42)
Share of other comprehensive income of associates and joint ventures	–	(548)	2	458	21	–	42	(25)	–	(25)
Other comprehensive income for the year	–	(1,747)	2	417	97	–	42	(1,189)	(4)	(1,193)

13 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 million	2018 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.*

13 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 HK$ million	2018 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 (notes 15(a) and 15(c))	**(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 15(c))	**40**	200
Share of changes in fair value of investment properties (net of deferred tax) during the year:		
– associates (note 15(c))	**(347)**	(1,267)
– joint ventures (note 15(c))	**(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 13(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 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.*

14 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 assessment of segment performance, 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.

14 Segment reporting (continued)

(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:

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the year ended 31 December 2019										
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 6) (19)		1		(18)		–		(18)
Sales of property interests		(note 6) 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

14 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

14 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the year ended 31 December 2018										
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 6) (90)		1		(89)		–		(89)
Sales of property interests		(note 6) 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

14 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

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 5).*

(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 6), and the loss of HK$519 million arising from the reclassification from hedging reserve in equity 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 6). 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 15(c)).*

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 15(c)).*

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).

14 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 5)	(note 5)		

(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 7(d))	(note 7(d))	**(note 6)**	(note 6)

15 Investment properties and other property, plant and equipment

(a) Reconciliation of carrying amount

	Investment properties HK$ million	Investment properties under development HK$ million	Subtotal HK$ million	Other land and buildings HK$ million	Plant and equipment HK$ million	Subtotal HK$ million	Total HK$ million
Cost or valuation:							
At 1 January 2018	129,284	44,210	173,494	214	1,180	1,394	174,888
Exchange adjustments	(1,398)	(577)	(1,975)	(3)	(10)	(13)	(1,988)
Additions							
– through acquisition of a subsidiary (note 36(a))	–	–	–	–	32	32	32
– others	326	2,139	2,465	–	29	29	2,494
Disposals							
– through transfers of subsidiaries (note 36(b))	(9,000)	–	(9,000)	–	–	–	(9,000)
– others	(984)	–	(984)	–	(10)	(10)	(994)
Written off	–	–	–	–	(7)	(7)	(7)
Surplus on revaluation	7,481	2,984	10,465	–	–	–	10,465
Transfer to investment properties	7	–	7	(7)	–	(7)	–
Transfer from inventories, net	310	1,935	2,245	39	–	39	2,284
At 31 December 2018	126,026	50,691	176,717	243	1,214	1,457	178,174
Representing:							
Cost	–	1,182	1,182	243	1,214	1,457	2,639
Valuation	126,026	49,509	175,535	–	–	–	175,535
	126,026	50,691	176,717	243	1,214	1,457	178,174
Accumulated depreciation and impairment losses:							
At 1 January 2018	–	–	–	50	994	1,044	1,044
Exchange adjustments	–	–	–	–	(9)	(9)	(9)
Charge for the year (note 7(d))	–	–	–	5	63	68	68
Written back on disposals							
– others	–	–	–	–	(10)	(10)	(10)
Written off	–	–	–	–	(6)	(6)	(6)
At 31 December 2018	–	–	–	55	1,032	1,087	1,087
Net book value:							
At 31 December 2018	126,026	50,691	176,717	188	182	370	177,087

15 Investment properties and other property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Subtotal HK$ million	Other land and buildings HK$ million	Plant and equipment HK$ million	Subtotal HK$ million	Total HK$ million
Cost or valuation:							
At 1 January 2019	126,026	50,691	176,717	243	1,214	1,457	178,174
Exchange adjustments	(648)	(355)	(1,003)	(4)	(3)	(7)	(1,010)
Additions	258	4,390	4,648	3	89	92	4,740
Disposals	(378)	–	(378)	–	(13)	(13)	(391)
Written off	–	–	–	–	(22)	(22)	(22)
Surplus on revaluation	2,186	344	2,530	–	–	–	2,530
Transfer to right-of-use assets (note 16)	–	–	–	–	(3)	(3)	(3)
Transfer to investment properties	12,440	(12,440)	–	–	–	–	–
Transfer from inventories	–	449	449	–	–	–	449
At 31 December 2019	139,884	43,079	182,963	242	1,262	1,504	184,467
Representing:							
Cost	–	1,394	1,394	242	1,262	1,504	2,898
Valuation	139,884	41,685	181,569	–	–	–	181,569
	139,884	43,079	182,963	242	1,262	1,504	184,467
Accumulated depreciation and impairment losses:							
At 1 January 2019	–	–	–	55	1,032	1,087	1,087
Exchange adjustments	–	–	–	(1)	(3)	(4)	(4)
Charge for the year (note 7(d))	–	–	–	6	59	65	65
Written back on disposals	–	–	–	–	(12)	(12)	(12)
Written off	–	–	–	–	(21)	(21)	(21)
At 31 December 2019	–	–	–	60	1,055	1,115	1,115
Net book value:							
At 31 December 2019	139,884	43,079	182,963	182	207	389	183,352

15 Investment properties and other property, plant and equipment (continued)

(b) The analysis of net book value of properties is as follows:

	2019 HK$ million	2018 HK$ million
In Hong Kong		
– under long leases	**11,759**	11,144
– under medium-term leases	**128,122**	123,295
	139,881	134,439
Outside Hong Kong		
– under long leases	**10**	10
– under medium-term leases	**43,254**	42,456
	43,264	42,466
	183,145	176,905

(c) Fair value measurement of investment properties and investment properties under development

Fair value hierarchy

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

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

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

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

15 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2019	**Fair value measurements at 31 December 2019 categorised into**	
		Level 2	**Level 3**
	HK$ million	**HK$ million**	**HK$ million**
Recurring fair value measurement			
Investment properties:			
– In Hong Kong	**110,957**	**–**	**110,957**
– In mainland China	**28,927**	**–**	**28,927**
Investment properties under development:			
– In Hong Kong	**27,441**	**–**	**27,441**
– In mainland China	**14,244**	**–**	**14,244**

	Fair value at 31 December 2018	Fair value measurements at 31 December 2018 categorised into	
		Level 2	Level 3
	HK$ million	HK$ million	HK$ million
Recurring fair value measurement			
Investment properties:			
– In Hong Kong	96,464	–	96,464
– In mainland China	29,562	–	29,562
Investment properties under development:			
– In Hong Kong	36,704	–	36,704
– In mainland China	12,805	2,922	9,883

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2. During the year ended 31 December 2019, there was transfer of HK$2,922 million (2018: HK$5,244 million) of investment properties under development (based on fair value at 31 December 2018 (2018: based on fair value at 31 December 2017)) from Level 2 to Level 3 as a result of change in valuation methodology which involved significant unobservable inputs. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

15 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation process

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.

Valuation methodologies

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.

Inputs used in Level 2 fair value measurement

The valuations of investment properties under development in mainland China were determined using direct market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis, based on market data which is publicly available.

Inputs used in Level 3 fair value measurement

Below is a table which presents the significant unobservable inputs:

Completed investment properties

	Range of capitalisation rates		Range of occupancy rates	
	2019 %	2018 %	**2019 %**	2018 %
In Hong Kong				
– Retail	**2.75%-5.5%**	2.75%-5.5%	**53%-100%**	38%-100%
– Office/industrial	**3.0%-4.0%**	3.0%-4.0%	**86%-100%**	89%-100%
In mainland China				
– Retail	**5.5%-8.0%**	5.5%-8.0%	**66%-100%**	66%-100%
– Office	**6.0%-7.5%**	6.0%-7.5%	**50%-100%**	50%-100%

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

15 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Inputs used in Level 3 fair value measurement (continued)

Investment properties under development

	Estimated project development cost	
	2019	2018
In Hong Kong	**HK$50 million to HK$3,864 million**	HK$2 million to HK$3,720 million
In mainland China	**HK$2,809 million**	HK$2,433 million

The fair value measurement of investment properties under development is negatively correlated to the estimated cost to completion, being determined as the estimated project development cost less the actual amount of project development cost incurred up to the end of the reporting period.

Valuation

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 13(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).

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 13(b))	**2,460**	**70**	**2,530**
Less :			
Deferred tax (note 13(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 13(b) and 14(a)(iv))	**347**	**–**	**347**
– joint ventures (Group's attributable share) (notes 13(b) and 14(a)(v))	**403**	**211**	**614**
	3,208	**241**	**3,449**

15 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation (continued)

	For the year ended 31 December 2018		
	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 13(b))	9,736	729	10,465
Less:			
Deferred tax (note 13(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 13(b) and 14(a)(iv))	1,267	–	1,267
– joint ventures (Group's attributable share) (notes 13(b) and 14(a)(v))	5,198	98	5,296
	16,188	627	16,815

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

16 Right-of-use assets

At transition, the Group recognises for each of the Remaining Leases a right-of-use asset for own use, 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, and the aggregate effect (by class of underlying asset) of which is as follows:

	Indirect ownership interests in leasehold land and buildings HK$ million	Other properties leased for own use HK$ million	Total HK$ million
Cost:			
At 1 January 2019 (upon the adoption of HKFRS 16)	**614**	**285**	**899**
Additions	**48**	**172**	**220**
Transfer from other property, plant and equipment (note 15(a))	**–**	**3**	**3**
Written back on early termination of a lease	**(9)**	**–**	**(9)**
At 31 December 2019	**653**	**460**	**1,113**
Accumulated depreciation:			
At 1 January 2019 (upon the adoption of HKFRS 16)	**302**	**52**	**354**
Charge for the year (note 7(d))	**210**	**102**	**312**
Written back on early termination of a lease	**(4)**	**–**	**(4)**
At 31 December 2019	**508**	**154**	**662**
Net book value:			
At 31 December 2019	**145**	**306**	**451**
At 1 January 2019	**312**	**233**	**545**

Indirect ownership interests in leasehold land and buildings relate to certain investment properties held by (i) certain associates and a joint venture of the Group; and (ii) Sunlight Real Estate Investment Trust ("Sunlight REIT"). Other properties leased for own use relate to certain property interests held by external third parties.

Depreciation charge on the right-of-use assets is recognised using the straight-line method over a period of 2 years to 8 years, being the period from the commencement dates of the Remaining Leases to the end of the term of the Remaining Leases, taking into consideration any renewal options attaching thereto.

17 Goodwill

On 31 May 2018, Henderson Investment Limited, a listed subsidiary of the Company, completed its acquisition of the entire issued share capital of UNY (HK) Co., Limited ("UNY HK") (renamed as Unicorn Stores (HK) Limited on 27 July 2018) for a cash consideration of HK$300 million (subject to adjustment) (the "Acquisition"). Based on (i) the fair value of the assets acquired less the liabilities assumed of UNY HK in the amount of HK$29 million at the completion date of the Acquisition of 31 May 2018; and (ii) the adjusted amount of the consideration of HK$291 million in accordance with the terms of the agreement in relation to the Acquisition, a goodwill of HK$262 million has arisen from the Acquisition and was recognised in the Group's consolidated statement of financial position at 31 December 2019 and 2018.

The Directors have assessed that there was no impairment on the goodwill at 31 December 2019 and 2018.

18 Interest in subsidiaries

Details of the principal subsidiaries at 31 December 2019 which materially affected the results, assets or liabilities of the Group are set out on pages 252 to 258.

19 Interest in associates

	2019 HK$ million	2018 HK$ million
Unlisted		
Share of net assets	**3,369**	3,450
Amounts due from associates	**3,118**	3,146
	6,487	6,596
Listed in Hong Kong		
Share of net assets, including goodwill on acquisition	**56,684**	55,463
	63,171	62,059
Market value of listed shares	**113,121**	109,596

Except for the amounts due from associates of HK$46 million (2018: HK$65 million) which are interest-bearing at Hong Kong dollar prime rate less 3% (2018: Hong Kong dollar prime rate less 3%) per annum, all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year from the end of the reporting period and are neither past due nor impaired.

19 Interest in associates (continued)

All of the associates are accounted for using the equity method in the consolidated financial statements. Details of the principal associates at 31 December 2019 are set out on page 259.

Summarised financial information of the material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	The Hong Kong and China Gas Company Limited (note)	
	2019 HK$ million	2018 HK$ million
Gross amounts of the associate's:		
Current assets	**20,129**	20,612
Non-current assets	**120,482**	112,237
Current liabilities	**(26,167)**	(26,151)
Non-current liabilities	**(38,924)**	(36,366)
Equity	**75,520**	70,332
Revenue	**40,628**	39,073
Profit from continuing operation	**8,114**	10,433
Other comprehensive income	**823**	(2,872)
Total comprehensive income	**8,937**	7,561
Dividend received from the associate	**2,313**	2,103
Reconciled to the Group's interest in the associate:		
Gross amount of net assets of the associate	**75,520**	70,332
Carrying amount of perpetual capital securities	**(2,384)**	–
Non-controlling interests	**(8,803)**	(7,793)
Equity attributable to equity shareholders	**64,333**	62,539
Group's interest	**41.53%**	41.53%
Group's share of the associate's equity attributable to equity shareholders	**26,717**	25,972
Goodwill	**17,519**	17,519
Carrying amount in the consolidated financial statements	**44,236**	43,491
Market value of the listed shares	**106,971**	103,508

Note: The principal activities of The Hong Kong and China Gas Company Limited are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses. Its distinctive business nature forms a supplement to the Group's core business of property development and property investment to smooth out the cyclicality of the Group's property development business.

19 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2019 HK$ million	2018 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**18,935**	18,568
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operation	**734**	1,395
Other comprehensive income	**(76)**	(223)
Total comprehensive income	**658**	1,172

20 Interest in joint ventures

	2019 HK$ million	2018 HK$ million
Share of net assets	**41,242**	38,190
Less: Impairment loss	**(2)**	(2)
	41,240	38,188
Amounts due from joint ventures	**23,990**	14,823
	65,230	53,011

The amounts due from joint ventures are unsecured, interest-free, have no fixed terms of repayment and are not expected to be recovered within one year from the end of the reporting period except for the amounts of HK$12 million (2018: HK$13 million) and HK$207 million (2018: HK$280 million) which are interest-bearing at Hong Kong dollar prime rate (2018: Hong Kong dollar prime rate) per annum and Hong Kong Interbank Offered Rate plus 0.5% (2018: Hong Kong Interbank Offered Rate plus 0.5%) per annum respectively. During the corresponding year ended 31 December 2018, an amount due from a joint venture of HK$650 million which was secured and interest-bearing at Hong Kong Interbank Offered Rate plus 1.4% per annum, was transferred to the disposal group (see note 34). The balances are neither past due nor impaired.

All of the joint ventures are accounted for using the equity method in the consolidated financial statements. Details of the principal joint ventures at 31 December 2019 are set out on page 260.

20 Interest in joint ventures (continued)

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

	Central Waterfront Property Investment Holdings Limited (note)	
	2019 HK$ million	2018 HK$ million
Gross amounts of the joint venture's:		
Current assets	**1,294**	604
Non-current assets	**117,668**	116,293
Current liabilities	**(6,315)**	(6,081)
Non-current liabilities	**(14,970)**	(14,512)
Equity	**97,677**	96,304
Included in the above assets and liabilities:		
Cash and cash equivalents	**931**	256
Current financial liabilities (excluding trade and other payables and provisions)	**(3,500)**	(3,881)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(13,905)**	(13,500)
Revenue	**6,321**	6,514
Increase in fair value of investment properties	**1,265**	12,859
Profit from continuing operation	**4,775**	16,492
Other comprehensive income	**68**	23
Total comprehensive income	**4,843**	16,515
Dividend received from the joint venture	**1,187**	1,341
Included in the above profit:		
Depreciation and amortisation	**(61)**	(66)
Interest income	**16**	5
Interest expense	**(567)**	(498)
Income tax expense	**(690)**	(720)
Reconciled to the Group's interest in the joint venture:		
Gross amount of net assets of the joint venture	**97,677**	96,304
Group's interest	**34.21%**	34.21%
Group's share of net assets of the joint venture and its carrying amount in the consolidated financial statements	**33,415**	32,946

Note: *Central Waterfront Property Investment Holdings Limited was incorporated in the British Virgin Islands by the Group and its joint venture partners and operates in Hong Kong. Its subsidiaries are mainly engaged in property investment and hotel operation in the International Finance Centre complex in Hong Kong.*

20 Interest in joint ventures (continued)

Aggregate information of joint ventures that are not individually material:

	2019 HK$ million	2018 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements (including interest in a joint venture classified as "Assets of the disposal group classified as held for sale" under current assets at 31 December 2018 (see note 34))	**31,815**	21,853
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operation	**561**	1,305
Other comprehensive income	**(141)**	(362)
Total comprehensive income	**420**	943

21 Derivative financial instruments

	2019		2018	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rates swap contracts (note 4(f)(i))	**21**	**13**	66	303
Total cash flow hedges	**21**	**13**	66	303
Fair value through profit or loss:				
Cross currency interest rate swap contracts (note 4(f)(i))	**135**	**40**	–	–
Cross currency swap contracts (note 4(f)(i))	**75**	**65**	–	95
Interest rate swap contracts (note 4(f)(i))	**227**	**268**	23	273
	437	**373**	23	368
	458	**386**	89	671
Representing:				
Non-current portion	**453**	**381**	42	376
Current portion (notes 25 and 28)	**5**	**5**	47	295
	458	**386**	89	671

21 Derivative financial instruments (continued)

(a) Derivatives under cash flow hedges

Cross currency interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk and foreign currency risk in respect of certain guaranteed notes denominated in United States dollars with aggregate principal amount of US$30 million at 31 December 2019 (2018: certain guaranteed notes denominated in United States dollars and Pound Sterling in the aggregate principal amounts of US$629 million and £50 million respectively).

The abovementioned cross currency interest rate swap contracts will mature between 25 July 2022 and 20 October 2026 (2018: between 25 July 2019 and 20 October 2026).

(b) Derivatives to hedge against foreign currency risk and interest rate risk but not under cash flow hedges

At 31 December 2019, cross currency interest rate swap contracts have been entered into with certain counterparty banks to hedge against the foreign currency risk and interest rate risk in respect of certain guaranteed notes denominated in United States dollars and Renminbi in the aggregate principal amounts of US$200 million and RMB200 million respectively, and certain bank loans denominated in Japanese Yen and Australian dollars in the aggregate principal amounts of ¥13,000 million and AUD319 million, respectively at 31 December 2019 (2018: Nil).

(c) Derivatives to hedge against interest rate risk but not under cash flow hedges

At 31 December 2019, interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk in respect of certain bank loans and guaranteed 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.

(d) Derivatives to hedge against foreign currency risk but not under cash flow hedges

At 31 December 2019, cross currency swap contracts have been entered into with certain counterparty banks to hedge against the foreign currency risk in respect of certain guaranteed notes denominated in Japanese Yen and United States dollars in the aggregate principal amounts of ¥2,000 million and US$100 million respectively, and certain bank loans denominated in Japanese Yen and Australian dollars in the aggregate principal amounts of ¥30,000 million and AUD173 million respectively at 31 December 2019 (2018: guaranteed note denominated in Japanese Yen in the principal amount of ¥2,000 million and certain bank loans denominated in Japanese Yen and Australian dollars in the aggregate principal amounts of ¥30,000 million and AUD173 million respectively).

22 Other financial assets

	2019 HK$ million	2018 HK$ million
Investments designated as financial assets at FVOCI (non-recycling)		
Investments in equity securities		
Unlisted (note 4(f)(i))	**82**	118
Listed (note 4(f)(i)):		
– in Hong Kong	**104**	109
	186	227
Investments measured as financial assets at FVPL		
Investments in other securities		
Listed (note 4(f)(i)):		
– in Hong Kong	**1,444**	1,384
Financial assets measured at amortised cost		
Instalments receivable	**8,287**	8,660
Loans receivable	**3,243**	3,554
	11,530	12,214
	13,160	13,825

(a) Instalments receivable

Instalments receivable represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included in “Other financial assets” is neither past due nor impaired. Instalments receivable due within one year from the end of the reporting period are included in “Trade and other receivables” under current assets (see note 25).

Instalments receivable, which are due within one year (see note 25) and after more than one year from the end of the reporting period, included an amount of HK$7,028 million (2018: HK$7,304 million) representing the aggregate attributable amounts of the outstanding mortgage loans advanced by the Group to the property buyers and which were already drawdown by the property buyers at the end of the reporting period.

22 Other financial assets (continued)

(b) Loans receivable

The Group's loans receivable comprised the following amounts:

	2019 HK$ million	2018 HK$ million
Secured loans	**1,002**	883
Unsecured loans	**2,241**	2,671
	3,243	3,554

Except for an amount of HK$380 million (2018: HK$380 million) which is interest-bearing at Hong Kong Interbank Offered Rate plus 2.25% (2018: Hong Kong Interbank Offered Rate plus 2.25%) per annum, the remaining balance of the abovementioned secured loans in the aggregate amount of HK$622 million (2018: HK$503 million) is interest-bearing at fixed interest rates ranging from 5.225% to 7% (2018: 3% to 7.125%) per annum.

At 31 December 2019, the entire balance of the abovementioned unsecured loans in the aggregate amount of HK$2,241 million is interest-bearing at fixed interest rates ranging from 3.8% to 9% per annum. At 31 December 2018, except for an amount of HK$23 million which was interest-free, the remaining balance of the abovementioned unsecured loans in the aggregate amount of HK$2,648 million was interest-bearing at fixed interest rates ranging from 3.8% to 9% per annum.

These balances are due after more than one year from the end of the reporting period and are neither past due nor impaired.

The balances of loans receivable which are expected to be recovered within one year from the end of the reporting period have been classified as "Trade and other receivables" under current assets (see note 25). The balances are neither past due nor impaired.

23 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.

24 Inventories

	2019 HK$ million	2018 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

The analysis of carrying value of inventories for property development is as follows:

	2019 HK$ million	2018 HK$ million
In Hong Kong		
– under long leases	**36,888**	37,987
– under medium-term leases	**57,478**	56,375
	94,366	94,362
In mainland China		
– under long leases	**5,383**	1,768
– under medium-term leases	**625**	909
	6,008	2,677
	100,374	97,039
Including:		
– Properties expected to be completed after more than one year	**74,873**	69,495

25 Trade and other receivables

	2019 HK$ million	2018 HK$ million
Instalments receivable (note 22(a))	**292**	358
Loans receivable (note 22(b))	**1,302**	501
Debtors, prepayments and deposits	**12,987**	14,045
Gross amount due from customers for contract work (note 26)(^)	**59**	52
Financial assets measured at FVPL (note 4(f)(i))	**196**	190
Derivative financial instruments (note 21)	**5**	47
Amounts due from associates	**17**	32
Amounts due from joint ventures	**27**	14
	14,885	15,239

(^) *These balances represent 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 are recognised as contracts assets (see note 2(p)).*

Typical payment terms which impact on the amount of contract assets 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 assets 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.

25 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.

(a) Ageing analysis

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 HK$ million	2018 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

Details of the Group's credit policy are set out in note 4(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(n)(i)).

The movement in the allowance account during the year is as follows:

	2019 HK$ million	2018 HK$ million
At 1 January	**14**	50
Impairment loss/(reversal of impairment loss), net (notes 6 and 14(c))	**3**	(25)
Uncollectible amounts written off	**(2)**	(11)
At 31 December	**15**	14

26 Gross amount due from/(to) customers for contract work

	2019 HK$ million	2018 HK$ million
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus profits less losses	**218**	162
Progress billings	**(161)**	(115)
Net contract work	**57**	47
Represented by:		
Gross amount due from customers for contract work recognised as contract assets under "Trade and other receivables" (note 25)	**59**	52
Gross amount due to customers for contract work recognised as contract liabilities under "Trade and other payables" (note 28)	**(2)**	(5)
	57	47

27 Cash and bank balances and movements in the carrying amounts of items relating to financing activities

(a) Cash and cash equivalents comprise:

	2019 HK$ million	2018 HK$ million
Deposits with banks and other financial institutions	**9,825**	12,361
Structured bank deposits	**175**	1,856
Cash at bank and in hand	**734**	2,290
Cash and bank balances in the consolidated statement of financial position	**10,734**	16,507
Less:		
Deposits with banks and other financial institutions over three months of maturity at acquisition	**(819)**	(1,648)
Structured bank deposits	**(175)**	(1,856)
Cash restricted for use	**(106)**	(104)
Cash and cash equivalents in the consolidated cash flow statement	**9,634**	12,899

At 31 December 2019, cash and bank balances in the consolidated statement of financial position included (i) balances of bank deposits in mainland China which were subject to exchange controls, and of which an amount of HK$106 million (2018: HK$104 million) was restricted for use and primarily comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China; and (ii) structured bank deposits denominated in Renminbi in the equivalent amount of HK$175 million (2018: HK$1,856 million) which were capital-protected.

27 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(b) Movements in the carrying amounts of items relating to financing activities

	Bank loans HK$ million (note 30)	Guaranteed notes HK$ million (note 31)	Derivative financial instruments, net HK$ million (note 21)	Amount due to a fellow subsidiary HK$ million (note 32)	Amounts due to non-controlling interests and joint ventures, net HK$ million	Total HK$ million
At 1 January 2018	69,177	9,373	717	1,754	4,673	85,694
Changes from financing cash flows:						
Repayment to non-controlling interests, net	–	–	–	–	(27)	(27)
Proceeds from new bank loans/guaranteed notes	46,608	4,880	–	–	–	51,488
Repayment of bank loans/guaranteed notes	(43,350)	(1,244)	–	–	–	(44,594)
Decrease in amount due to a fellow subsidiary	–	–	–	(654)	–	(654)
Interest and other borrowing costs paid during the year	(1,240)	(501)	(177)	(76)	(120)	(2,114)
Total changes from financing cash flows	2,018	3,135	(177)	(730)	(147)	4,099
Exchange adjustments	(19)	60	–	–	–	41
Changes in fair value	–	–	(135)	–	–	(135)
Other changes:						
Interest expenses (before capitalisation) for the year (note 7(a))	1,158	555	125	76	120	2,034
Other borrowing costs (before capitalisation) for the year (note 7(a))	140	4	–	–	–	144
Others	(19)	(52)	52	–	705	686
Total other changes	1,279	507	177	76	825	2,864
At 31 December 2018	72,455	13,075	582	1,100	5,351	92,563

27 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(b) Movements in the carrying amounts of items relating to financing activities (continued)

	Lease liabilities HK$ million (note 29)	Bank loans HK$ million (note 30)	Guaranteed notes HK$ million (note 31)	Derivative financial instruments, net HK$ million (note 21)	Amount due to a fellow subsidiary HK$ million (note 32)	Amounts due to non-controlling interests and joint ventures, net HK$ million	Total HK$ million
At 31 December 2018	–	72,455	13,075	582	1,100	5,351	92,563
Impact on initial application of HKFRS 16 (note 2(b))	565	–	–	–	–	–	565
At 1 January 2019	565	72,455	13,075	582	1,100	5,351	93,128
Changes from financing cash flows:							
Repayment to non-controlling interests, net	–	–	–	–	–	(260)	(260)
Proceeds from new bank loans/guaranteed notes	–	39,882	3,858	–	–	–	43,740
Repayment of bank loans/guaranteed notes	–	(32,498)	(5,421)	–	–	–	(37,919)
Decrease in amount due to a fellow subsidiary	–	–	–	–	(363)	–	(363)
Payments of principal portion of lease liabilities	(306)	–	–	–	–	–	(306)
Interest and other borrowing costs paid during the year	(19)	(1,649)	(623)	(56)	(34)	(161)	(2,542)
Total changes from financing cash flows	(325)	5,735	(2,186)	(56)	(397)	(421)	2,350
Exchange adjustments	–	44	206	–	–	–	250
Changes in fair value	–	–	–	(654)	–	–	(654)
Other changes:							
Interest expenses (before capitalisation) for the year (note 7(a))	19	1,561	571	94	34	161	2,440
Other borrowing costs (before capitalisation) for the year (note 7(a))	–	133	5	–	–	–	138
Increase in lease liabilities from entering into new leases during the year	220	–	–	–	–	–	220
Written back on early termination of a lease	(5)	–	–	–	–	–	(5)
Others	–	(3)	56	(38)	–	425	440
Total other changes	234	1,691	632	56	34	586	3,233
At 31 December 2019	474	79,925	11,727	(72)	737	5,516	98,307

27 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(c) Total cash outflow for leases (under which the Group is the lessee)

Amounts included in the Group's consolidated cash flow statement for leases (under which the Group is the lessee) comprise the following:

	2019 HK$ million	2018 HK$ million
Within operating cash flows (relating to short-term leases which fall within the "practical expedient" under HKFRS 16/lease charges: minimum lease payments in respect of leasing of building facilities under HKAS 17 (before capitalisation))	**139**	387
Within financing cash flows	**325**	–
Total cash outflows recognised in the Group's consolidated cash flow statement	**464**	387

28 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 (note 26)(#)	**2**	5
Rental and other deposits received	**1,638**	1,630
Forward sales deposits received(#)	**14,897**	16,290
Derivative financial instruments (note 21)	**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 (see note 2(p)).

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.

28 Trade and other payables (continued)

Movements in contract liability

	Forward sales deposits received	
	2019 HK$ million	2018 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 HK$ million	2018 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).

29 Lease liabilities

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, and the aggregate effect is as follows:

	HK$ million
At 1 January 2019 (upon the adoption of HKFRS 16) (note 2(b))	**565**
Additions (note 27(b))	**220**
Written back on early termination of a lease (note 27(b))	**(5)**
Lease payments according to the terms of the Remaining Leases made during the year (note 27(b))	**(325)**
Finance costs on the lease liabilities payable after deducting lease payments made during the year (notes 7(a) and 27(b))	**19**
At 31 December 2019	**474**

	At 31 December 2019 HK$ million	At 1 January 2019 HK$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	**232**	292
Amount classified under non-current liabilities		
– contractual maturity after 1 year but within 2 years	**124**	185
– contractual maturity after 2 years but within 5 years	**103**	88
– contractual maturity after 5 years	**15**	–
	242	273
	474	565

30 Bank loans

The Group's bank loans were repayable as follows:

	2019 HK$ million	2018 HK$ million
Within 1 year and included in current liabilities	**27,768**	27,834
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**14,604**	14,441
– After 2 years but within 5 years	**20,538**	17,098
– After 5 years	**17,015**	13,082
	52,157	44,621
	79,925	72,455

30 Bank loans (continued)

At 31 December 2019 and 2018, all of the bank loans were unsecured.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain ratios in the Group's statement of financial position and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. Any breach of the covenants by the Group would result in the drawdown facilities to become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 4(b). At 31 December 2019 and 2018, none of the covenants relating to the drawdown facilities had been breached.

31 Guaranteed notes

	2019 HK$ million	2018 HK$ million
Guaranteed notes due 2022 (2018: due 2019-2022)	**156**	1,429
Guaranteed notes due 2019	**–**	3,914
Guaranteed notes issued pursuant to the Medium Term Note Programme	**11,571**	7,732
	11,727	13,075

The Group's guaranteed notes were repayable as follows:

	2019 HK$ million	2018 HK$ million
Within 1 year and included in current liabilities	**1,484**	5,187
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**3,062**	1,483
– After 2 years but within 5 years	**1,441**	2,966
– After 5 years	**5,740**	3,439
	10,243	7,888
	11,727	13,075

(a) Guaranteed notes due 2022 (2018: due 2019-2022)

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the "2007 Notes") with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe, respectively. At 31 December 2019, the 2007 Notes with principal amount of US$20 million bore fixed interest rate at 6.38% per annum (2018: the 2007 Notes with principal amounts of US$119 million and £50 million bore fixed interest rates which ranged from 6.28% to 6.38% per annum) and payable semi-annually in arrears. The 2007 Notes are guaranteed by the Company and will mature on 25 July 2022 (2018: between 25 July 2019 and 25 July 2022).

(b) Guaranteed notes due 2019

These guaranteed notes with an aggregate principal amount of US$500 million were fully repaid on 17 September 2019.

31 Guaranteed notes (continued)

(c) Guaranteed notes issued pursuant to the Medium Term Note Programme (the "MTN Programme")

On 15 October 2018, the Company increased the maximum aggregate principal amount of notes to be guaranteed by the Company and outstanding at any one time under the MTN Programme, from US$3,000 million to US$5,000 million. The aggregate carrying amounts of the guaranteed notes issued under the MTN Programme during the year ended 31 December 2019 were HK$1,316 million, US$300 million and RMB200 million, and the guaranteed notes issued under the MTN Programme which remained outstanding at 31 December 2019 comprised HK$8,840 million, US$310 million, RMB200 million and ¥2,000 million (2018: the aggregate amount of guaranteed notes issued during the year under the MTN Programme was HK$4,889 million, and the guaranteed notes issued under the MTN Programme which remained outstanding at 31 December 2018 comprised HK$7,524 million, US$10 million and ¥2,000 million).

The guaranteed notes which remained outstanding at 31 December 2019 under the MTN Programme were issued by a wholly-owned subsidiary of the Company during the period between 23 September 2011 and 22 November 2019 (2018: between 23 September 2011 and 16 November 2018), and bear fixed coupon rates ranging from 0.80% to 5.20% per annum (2018: 0.80% to 5.20% per annum) payable quarterly, semi-annually or annually in arrears, and will mature between 27 April 2020 and 6 December 2032 (2018: between 27 April 2020 and 6 December 2032).

32 Amount due to a fellow subsidiary

At 31 December 2019 and 2018, all of the amount due to a fellow subsidiary is unsecured, interest-bearing and is not expected to be settled within one year from the end of the reporting period and has no fixed terms of repayment.

33 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances during the year of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out in note 41(b).

(b) Nature and purpose of reserves

(i) Property revaluation reserve

The property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment properties, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

33 Capital and reserves (continued)

(b) Nature and purpose of reserves (continued)

(iii) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9, *Financial instruments* held at the end of the reporting period (see note 2(g)).

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(g)).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of a derivative financial instrument which is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, in accordance with the accounting policy adopted for cash flow hedges in note 2(i).

(vi) Other reserves

Other reserves mainly comprise the statutory reserve set up for enterprises established in mainland China. According to the relevant rules and regulations in the PRC applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

34 Disposal group

On 27 July 2018, the Group and a subsidiary of Lai Sun Development Company Limited (collectively as the "Vendors") entered into a conditional agreement with an independent third party (the "Purchaser") pursuant to which, inter alia, the Vendors transferred 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. At 31 December 2018, the Group presented the disposal group as held for sale, as follows:

	2018 HK$ million
Assets	
Share of consolidated net assets in Best Value	1,138
Amount due from Best Value (note 20)	650
	1,788

35 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net debt (being the aggregate of the Group's bank and other borrowings and the amount due to a fellow subsidiary (collectively, the "Total debt") less cash and bank balances) and shareholders' funds of the Group at the end of the reporting period.

During the year ended 31 December 2019, the Group's strategy, which was unchanged from that for the corresponding year ended 31 December 2018, was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the year, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

The Group's gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 HK$ million	2018 HK$ million
Bank and other borrowings (including guaranteed notes) 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%

Neither the Company nor any of its other subsidiaries was subject to externally imposed capital requirements during the year and at 31 December 2019.

36 Acquisitions and transfers of subsidiaries

(a) Acquisitions of subsidiaries

The Group acquired certain subsidiaries during the corresponding year ended 31 December 2018. The fair value of the assets acquired and the liabilities assumed for the Group's acquisitions of subsidiaries were as follows:

	2018 HK$ million
Other property, plant and equipment (note 15(a))	32
Deferred tax assets (note 10(c))	8
Inventories	16,303
Trade and other receivables	61
Tax recoverable	3
Cash and bank balances	1
Trade and other payables	(445)
Provisions for reinstatement costs	(13)
Fair value of identifiable net assets	15,950
Goodwill	262
Net consideration	16,212
Representing:	
Cash consideration paid	16,212
Net cash outflow in respect of the acquisitions:	
Cash consideration paid	16,212
Cash and cash equivalents acquired	(1)
	16,211

36 Acquisitions and transfers of subsidiaries (continued)

(b) Transfers of subsidiaries

The Group transferred certain subsidiaries during the corresponding year ended 31 December 2018. The transfers which were completed during the corresponding year ended 31 December 2018 had the following effect on the Group's assets and liabilities:

	2018 HK$ million
Investment properties (note 15(a))	9,000
Inventories	1,084
Trade and other receivables	8
Trade and other payables	(13)
Net assets	10,079
Interest in a joint venture	(1,682)
Professional charges	102
Net gain on transfers (note 6)	1,444
Total consideration	9,943
Net cash inflow in respect of the transfers:	
Total consideration	9,943
Consideration to be received	(199)
	9,744

37 Capital commitments

At 31 December 2019, the Group had capital commitments not provided for in these financial statements as follows:

		2019 HK$ million	2018 HK$ million
(a)	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**8,570**	9,852
	Future development expenditure and the related costs of internal fixtures and fittings approved by the Directors but not contracted for	**22,972**	23,188
		31,542	33,040
(b)	**In relation to the capital commitments undertaken by joint ventures and certain associates attributable to the Group:**		
	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**3,258**	2,466
	Future development expenditure and the related costs of internal fixtures and fittings approved by the Directors but not contracted for	**3,787**	4,662
		7,045	7,128

38 Significant leasing arrangements

(a) Lessor

The Group leases out a number of land/building facilities. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 15.

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

	2019 HK$ million	2018 HK$ million
Within 1 year	**4,685**	4,727
After 1 year but within 2 years	**3,078**	3,693
After 2 years but within 3 years	**1,558**	794
After 3 years but within 4 years	**627**	220
After 4 years but within 5 years	**279**	109
After 5 years	**233**	131
	10,460	9,674

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date at which time all terms are re-negotiated.

At 31 December 2018 (which was prior to the Group's adoption of HKFRS 16), the Group's total commitment under operating leases amounted to HK$659 million, which comprised future minimum lease payments under non-cancellable operating leases of (i) HK$373 million which was payable within one year; and (ii) HK$286 million which was payable after one year but within five years.

39 Contingent liabilities

At 31 December 2019, contingent liabilities of the Group were as follows:

(a) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight REIT (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before or upon the Completion. At 31 December 2019, the Group had contingent liabilities in this connection of HK$11 million (2018: HK$11 million).

(b) At 31 December 2019, the Group had contingent liabilities in respect of performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects amounting to HK$37 million (2018: HK$443 million), 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 HKSAR Government 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.

(c) At 31 December 2019, the Group had given guarantees to financial institutions in the aggregate amount of HK$1,302 million (2018: HK$1,458 million) 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. Such guarantees will be released upon the issuance of the Building Ownership Certificate.

(d) At 31 December 2019, the Company had given an irrevocable, unconditional and several guarantee to the lending bank in relation to the repayment obligations by 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, which entered into a loan facility agreement with such lending bank on 2 May 2017. The Group's contingent liabilities in respect of the guarantee in relation to the amount drawdown on the loan facility, which is proportional to the Group's attributable interest in the joint venture, amounted to HK$430 million (2018: HK$320 million).

(e) In accordance with a development agreement dated 21 November 2018 ("Development Agreement") between the Urban Renewal Authority ("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, the Company shall irrevocably and unconditionally guarantee the Developer's obligations under the Development Agreement in favour of URA 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.

(f) At 31 December 2019, the Group had given irrevocable, unconditional and several guarantees to the lending banks in relation to the repayment obligations by 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, which entered into loan facility agreements with such lending banks on 18 June 2019, 8 July 2019 and 4 December 2019 respectively. The Group's contingent liabilities in respect of the guarantees in relation to the maximum amounts which may be drawn down on the loan facilities, which are proportional to the Group's attributable interests in these joint ventures, amounted to HK$906 million (2018: Nil), HK$1,670 million (2018: Nil) and HK$2,100 million (2018: Nil), respectively.

40 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the year between the Group and its fellow subsidiaries are as follows:

	2019 HK$ million	2018 HK$ million
Rental income (note (iii))	**5**	6
Rental commission income (note (iii))	**–**	7
Other interest expense (note (i))	**34#**	76#
Sales commission income (note (iii))	**7**	4
Administration fee income (note (ii))	**11**	10

(b) Transactions with associates and joint ventures

Details of material related party transactions during the year between the Group and its associates and joint ventures are as follows:

	2019 HK$ million	2018 HK$ million
Construction income (note (iii))	**6**	41
Rental income (note (iii))	**21**	23
Cash rental paid (note (iii))	**238**	231
Management fee income (note (iii))	**4**	1
Security guard service fee income (note (iii))	**31**	25
Other interest income (note (i))	**193**	229
Other interest expenses (note (i))	**27**	38
Property management service fee income (note (iii))	**1**	9
Rental commission income (note (iii))	**16**	7

During the corresponding year ended 31 December 2018, the Group transferred the entire issued shares of its two wholly-owned subsidiaries to a joint venture in which the Group has a 50% interest, details of which are set out in note 6(ii) to these financial statements.

40 Material related party transactions (continued)

(c) Transactions with related companies

Details of material related party transactions during the year between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

	2019 HK$ million	2018 HK$ million
Purchase of leasehold land held for development for sale (note (iii))	**–**	105
Income from sale of construction materials (note (iii))	**9**	5
Rental income (note (iii))	**14**	8

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollar prime rate or Renminbi benchmark loan rates announced by the People's Bank of China.

(ii) This transaction represents cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) In the opinion of the Directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.

(iv) The amounts due to a fellow subsidiary at 31 December 2019 and 2018 are referred to in the Group's consolidated statement of financial position at 31 December 2019 and 2018, and the terms of which are set out in note 32. The amounts due from/to associates and joint ventures at 31 December 2019 and 2018 are set out in notes 19, 20, 25, 28 and 34.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the year between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	2019 HK$ million	2018 HK$ million
Property and leasing management service fee income and other ancillary property service fee income	**54#**	52#
Asset management service fee income	**102#**	97#
Cash rental paid	**12**	11
Security service fee income	**3#**	3#

The above transactions were conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 31 December 2019, the amount due from Sunlight REIT was HK$33 million (2018: HK$30 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (note 25).

40 Material related party transactions (continued)

(e) Transactions with a director of the Company and a company owned by him

(i) Dr Lee Ka Kit, a director of the Company, made an advance ("advance") of HK$44 million (2018: HK$44 million) to Henderson (China) Investment Company Limited ("HCI"), an indirect wholly-owned subsidiary of the Group, for the purpose of funding HCI's business operation in mainland China. The advance is unsecured, interest-free and has no fixed terms of repayment.

(ii) Dr Lee Ka Kit, through a company owned by him (the "entity"), has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate. At 31 December 2019, the advance by the entity to the abovementioned associate amounted to HK$80 million (2018: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

(f) Transactions with the close family members of directors of the Company

During the year ended 31 December 2019, the Group sold to the close family members of Mr Woo Ka Biu, Jackson and Madam Fung Lee Woon King, directors of the Company separately, completed property units for aggregate consideration of HK$29 million (2018: Nil).

(g) Key management personnel

Remuneration for key management personnel are disclosed in note 8.

\# *These related party transactions also constitute connected transactions and/or continuing connected transactions under the Listing Rules, details of which are set out in the paragraph headed "Interests in Transactions, Arrangements or Contracts and Connected Transactions/Continuing Connected Transactions" in the Report of the directors set out in the Company's annual reports for the years ended 31 December 2019 and 2018.*

41 Statement of financial position and changes in equity of the Company

(a) Statement of financial position

	Note	At 31 December 2019 HK$ million	At 31 December 2018 HK$ million
Non-current assets			
Interest in subsidiaries	18	**154,757**	178,231
Interest in associates		**91**	91
Interest in joint ventures		**672**	8
		155,520	178,330
Current assets			
Trade and other receivables		**26**	65
Cash and bank balances		**2**	2
		28	67
Current liability			
Trade and other payables		**21**	17
		21	17
Net current assets		**7**	50
Total assets less current liability		**155,527**	178,380
Non-current liabilities			
Amounts due to subsidiaries		**27,607**	49,680
Amounts due to associates		**2**	–
Amounts due to joint ventures		**30**	23
		27,639	49,703
NET ASSETS		**127,888**	128,677
CAPITAL AND RESERVE	41(b)		
Share capital	41(c)	**52,345**	52,345
Retained profits		**75,543**	76,332
TOTAL EQUITY		**127,888**	128,677

Approved and authorised for issue by the Board of Directors on 23 March 2020.

Lee Ka Kit
Lee Ka Shing
Directors

41 Statement of financial position and changes in equity of the Company (continued)

(b) Movement in equity

	Note	Share capital HK$ million	Retained profits HK$ million	Total HK$ million
Balance at 1 January 2018		52,345	78,444	130,789
Changes in equity for 2018:				
Profit and total comprehensive income for the year		–	5,010	5,010
Bonus shares issued	41(c)	–	–	–
Dividend approved in respect of the previous financial year	11(b)	–	(4,921)	(4,921)
Dividend declared and paid in respect of the current year	11(a)	–	(2,201)	(2,201)
Balances at 31 December 2018 and 1 January 2019		**52,345**	**76,332**	**128,677**
Changes in equity for 2019:				
Profit and total comprehensive income for the year		**–**	**7,354**	**7,354**
Bonus shares issued	41(c)	**–**	**–**	**–**
Dividend approved in respect of the previous financial year	11(b)	**–**	**(5,722)**	**(5,722)**
Dividend declared and paid in respect of the current year	11(a)	**–**	**(2,421)**	**(2,421)**
Balance at 31 December 2019		**52,345**	**75,543**	**127,888**

41 Statement of financial position and changes in equity of the Company (continued)

(c) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2019 million	2018 million	**2019 HK$ million**	2018 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**4,401**	4,001	**52,345**	52,345
Issue of bonus shares (see below)	**440**	400	**–**	–
At 31 December	**4,841**	4,401	**52,345**	52,345

In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the shares of the Company do not have a par value.

Issue of bonus shares
On 17 June 2019, an aggregate of 440,126,091 shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 5 June 2019.

On 21 June 2018, an aggregate of 400,114,628 shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 11 June 2018.

There is no change to the Company's share capital as the Company's shares no longer have a par or nominal value in accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622).

(d) Distributability of reserves

At 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK$75,543 million (2018: HK$76,332 million). As stated in note 11(a), after the end of the reporting period, the Directors proposed a final dividend of HK$1.30 (2018: HK$1.30) per ordinary share, amounting to HK$6,294 million (2018: HK$5,722 million). This dividend has not been recognised as a liability at the end of the reporting period.

42 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 11.

43 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(b).

44 Immediate parent and ultimate controlling party

At 31 December 2019, the Directors consider that the immediate parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce financial statements available for public use.

Principal Subsidiaries

at 31 December 2019

Details of the principal subsidiaries are as follows:

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(a) Property development				
(i) Incorporated and operates in Hong Kong				
Asia Cheer International Limited		1	–	100
Avion Investment Limited	(i)	3,000,000	100	–
Borten Limited	(i)	1	–	100
Capital Matrix Limited		1	–	100
Carley Limited		2	–	100
City Castle Limited		1	–	100
Denco Properties Limited	(i)	1	–	100
Dynamic Hero Limited	(i)	1	–	100
Dynamic Talent Limited		1	–	100
Fairtex Development Limited		1	–	100
Gainbo Limited	(i)	2	–	100
Gentway Limited	(i)	1	–	100
Global Crystal Limited	(i)	1	–	100
Golden Sharp Limited		1	–	100
Harven Limited		10,000	–	100
Harvest Development Limited		840	–	82.86
Hongkong Island Construction Properties Co., Limited	(i)	500,000	–	100
Hung Shun Investment Company Limited	(i)	3,940,200	–	100
Joinbo Enterprises Limited	(i)	1	–	100
Landrich Development Limited	(i)	1,000	–	100
Nation Sheen Limited	(i)	2	–	100
Onfine Development Limited	(i)	2	–	100
Perfect Success Development Limited		2	–	100
Rich Silver Development Limited		2	–	100
Rise Cheer Investment Limited	(i)	1	–	100
Sky Rainbow Development Limited		10,000	–	100
Smart Bright Development Limited	(i)	1,000,100	–	100
Sunny Perfect Limited		1,000	–	100
Super Fortune Investment Limited	(i)	1	–	100
Supreme Hero Limited	(i)	1	–	100
Sure Partner Limited		1	–	100
Treasure Palace Limited		1	–	100
Triple Glory Limited	(i)	1	–	100
Union Citizen Limited	(i)	1	–	100
Victory Well Development Limited		2	–	100
Winjoy Development Limited	(i)	2	100	–

		Issued/ contributed registered capital	% of equity interest held by The Company	% of equity interest held by Subsidiaries	% of profit sharing by subsidiaries
(a)	Property development (continued)				
(ii)	**Established and operates in mainland China**				
	Sino-Foreign Co-operative Joint Venture Enterprises				
	Guangzhou Guang Nam Property Development Limited	US$87,458,000	–	100	100
	Guangzhou Guang Hung Property Development Limited	US$73,836,000	–	100	100
	Guangzhou Guang An Property Development Limited	US$68,706,000	–	100	100
	Wholly Foreign-Owned Enterprises				
	上海益基房地產開發有限公司	US$630,000,000	–	100	100
	Shanghai Bin Heng Property Development Co., Limited	US$350,000,000	–	100	100
	Limited Liability Company				
	北京恒榆房地產開發有限公司	RMB10,000,000	–	100	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(b)	Property investment				
(i)	**Incorporated and operates in Hong Kong**				
	Bloomark Investment Limited	(i)	2	–	100
	Carry Express Investment Limited	(i)	100,000	–	100
	Century Base Development Limited	(i)	1	–	100
	Deland Investment Limited	(i)	200	–	100
	Easewin Development Limited	(i)	100,000	–	100
	Evercot Enterprise Company, Limited	(i)			
	– A Shares		14,990,000	100	–
	– B Shares		200	–	–
	Intelligent House Limited	(i)	10,000	–	100
	Join Fortune Development Limited	(i)			
	– A Shares		100	100	–
	– B Shares		2	–	–
	Millap Limited	(i)	2	100	–
	Shung King Development Company Limited	(i)			
	– Ordinary A Shares		2	100	–
	– Non-voting Deferred A Shares		2,000,000	100	–
	– B Shares		2	–	–
	Union Fortune Development Limited	(i)	10,000	–	100

Principal Subsidiaries
at 31 December 2019

		Issued/ contributed registered capital HK$ (unless otherwise stated)	% of equity interest held by The Company	% of equity interest held by Subsidiaries	% of profit sharing by subsidiaries
(b)	**Property investment** (continued)				
(ii)	**Established and operates in mainland China**				
	Wholly Foreign-Owned Enterprises				
	Beijing Gaoyi Property Development Co., Limited	US$81,000,000	–	100	100
	Guangzhou Jiejun Real Estate Development Co., Limited	207,796,800	–	100	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(c)	**Finance**				
(i)	**Incorporated and operates in Hong Kong**				
	Ever Supreme Development Limited		1	–	100
	Henderson (China) Finance Limited	(i)	10,000	–	100
	Henderson Land Credit (2014) Limited	(i)	1	–	100
	Henderson Land Credit (2015) Limited	(i)	1	–	100
	Henland Finance Limited	(i)	1,000,000	–	100
	Rich Chase Development Limited	(i)	2	–	100
	Smart Time International Limited		1	–	100
	Success Crown Development Limited		2	–	100
(ii)	**Incorporated and operates in the British Virgin Islands**				
	Hansom Technology Limited	(i)	US$1	–	100
	Henderson Land Finance Limited		US$1	100	–
	Henderson Land MTN Limited	(i)	US$1	–	100
	Henson Finance Limited	(i)	US$1	–	100
	St. Helena Holdings Co. Limited		US$3	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(d) Construction				
Incorporated and operates in Hong Kong				
E Man Construction Company Limited		35,000,000	100	–
Ginca Construction Machinery Limited		1	–	100
Granbo Construction Company Limited		1	–	100
Heng Lai Construction Company Limited		2	–	100
Heng Shung Construction Company Limited		2	–	100
Heng Tat Construction Company Limited		200	–	100
Hong Kong Concrete Precasting Product Company Limited		2	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(e) Property management				
Incorporated and operates in Hong Kong				
Beverly Hill (Estate Management) Limited		2	–	100
Flora Plaza Management Limited		10	–	60
Goodwill Management Limited		2	–	100
H-Privilege Limited		1	–	100
Hang On Estate Management Limited		2	–	100
Hang Yick Properties Management Limited		10,000,000	100	–
Henderson Sunlight Asset Management Limited	(i)	38,800,000	–	100
Henderson Sunlight Property Management Limited	(i)	1	–	100
Metro City Management Limited		2	–	100
Metro Harbourview Management Limited		2	–	100
Nathan Hill Management Company Limited		1	–	100
Star Management Limited		2	–	100
Sunshine City Property Management Limited		2	–	100
Well Born Real Estate Management Limited		2	100	–

Principal Subsidiaries

at 31 December 2019

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(f) Investment holding				
(i) Incorporated and operates in Hong Kong				
Banshing Investment Limited		2	–	100
Channel Best Limited	(i)	1	–	100
China Investment Group Limited		300,000,000	–	100
Citiright Development Limited		2	100	–
Covite Investment Limited		2	–	100
Darnman Investment Limited		2	–	100
Disralei Investment Limited				
– Ordinary Shares		2	–	100
– Non-voting Deferred Shares		1,000	–	100
Fondoll Investment Limited		200	100	–
Gainwise Investment Limited		2	–	100
Graf Investment Limited	(i)			
– Ordinary Shares		2	–	100
– Non-voting Deferred Shares		200	–	100
Henderson (China) Investment Company Limited	(i)			
– Ordinary Shares		2	–	100
– Non-voting Deferred Shares		2	–	100
Henderson China Properties Limited	(i)	3,000,000,000	–	100
Henderson Investment Limited		612,926,901	–	69.27
Macrostar Investment Limited				
– Ordinary Shares		2	–	100
– Non-voting Deferred Shares		2	–	100
Main Champion Development Limited	(i)	2	100	–
Markshing Investment Limited		2	–	100
Medley Investment Limited				
– Ordinary Shares		2	–	100
– Non-voting Deferred Shares		200	–	100
Mightymark Investment Limited		2	100	–
Mount Sherpa Limited	(i)			
– Ordinary Shares		2	–	100
– Non-voting Deferred Shares		20	–	100
Paillard Investment Limited	(i)			
– Ordinary Shares		2	–	100
– Non-voting Deferred Shares		200	–	100
Wellfine Development Limited		55	100	–
Wiselin Investment Limited	(i)	2	–	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(f)	Investment holding (continued)				
(ii)	**Incorporated in Hong Kong and operates in mainland China**				
	Hang Seng Quarry Company Limited	(i)	10,000	64	–
(iii)	**Incorporated and operates in the British Virgin Islands**				
	Cobase Limited		US$1	–	100
	Higgins Holdings Limited	(i)	US$1	–	100
	Midlink Limited	(i)	US$1	–	100
	Multiglade Holdings Limited	(i)	US$1	–	100
	Richful Resources Limited		US$1	–	100
	Starland International Limited		US$1	100	–
	Sunnice Investment Limited		US$1	–	100
	Threadwell Limited	(i)	US$1	–	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(g)	Department store operation and management				
	Incorporated and operates in Hong Kong				
	Citistore (Hong Kong) Limited		1	–	100
	Unicorn Stores (HK) Limited (formerly known as UNY (HK) Co., Limited)		35,000,000	–	100

Principal Subsidiaries

at 31 December 2019

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(h)	**Management and agency services**				
	Incorporated and operates in Hong Kong				
	Henderson Leasing Agency Limited	(i)	1	–	100
	Henderson Property Agency Limited		200,000	–	100
	Henderson Real Estate Agency Limited	(i)	200	100	–

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(i)	**Professional services and others**				
	Incorporated and operates in Hong Kong				
	Hang Oi Charitable Foundation Limited		–	–	100
	Henderson Warmth Foundation Limited		–	100	–
	Megastrength Security Services Company Limited	(i)			
	– Ordinary Shares		10,000	–	100
	– Non-cumulative Preference Shares		400	–	100

Note:

(i) Companies audited by KPMG.

The above list gives the principal subsidiaries of the Group which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group.

Principal Associates

at 31 December 2019

Details of the principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by		
	The Company	**Subsidiaries**	**Principal activities**
Listed			
Hong Kong Ferry (Holdings) Company Limited	–	33.41	Property development, property investment, ferry, shipyard and related businesses, and securities investment
Miramar Hotel and Investment Company, Limited	–	49.01	Property rental, hotels and serviced apartments, food and beverage operation and travel operation
The Hong Kong and China Gas Company Limited	–	41.53	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses
Unlisted			
Star Play Development Limited	–	33.33	Property investment
Start Treasure Limited	–	22.80	Property development
上海旭弘置業有限公司 (established and operates in mainland China)	–	50	Property development and investment
蘇州旭高房地產開發有限公司 (established and operates in mainland China)	–	50	Property development

The above list gives the principal associates of the Group which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group.

Principal Joint Ventures

at 31 December 2019

Details of the principal joint ventures, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by		
	The Company	Subsidiaries	Principal activities
Billion Ventures Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	50	Investment holding
Central Waterfront Property Investment Holdings Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	34.21	Investment holding
Double Cove Management Limited	–	50	Provision of property management services
Infinite Sun Limited	–	30	Property development
Long Global Investment (Chengdu) Limited (established and operates in mainland China)	–	30	Property development
Marble Edge Investments Limited	–	18	Property development
Newfoundworld Holdings Limited	–	20	Property investment and hotel operation
Special Concept Development Limited	–	25	Property development
Surbana-Henderson (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Surbana-Henderson II (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Teamfield Property Limited	–	49.18	Property development
The Reach Management Limited	–	50	Provision of property management services
Ultra Keen Holdings Limited	–	30	Property development
Voyage Mile Limited	–	29.30	Property development
上海旭領湖置業有限公司 (established and operates in mainland China)	–	35	Property development
合肥和卓房地產開發有限公司 (established and operates in mainland China)	–	50	Property development
上海富洲濱江開發建設投資有限公司 (established and operates in mainland China)	–	51	Property development
北京恒合天基房地產開發有限公司 (established and operates in mainland China)	–	50	Property development

The above list gives the principal joint ventures of the Group which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group.

Corporate Information

Board of Directors

Executive Directors

Dr Lee Ka Kit
(Chairman and Managing Director)
Lee Ka Shing
(Chairman and Managing Director)
Dr Lam Ko Yin, Colin *(Vice Chairman)*
Dr Lee Shau Kee
Yip Ying Chee, John
Suen Kwok Lam
Fung Lee Woon King
Lau Yum Chuen, Eddie
Kwok Ping Ho
Wong Ho Ming, Augustine

Non-executive Directors

Lee Pui Ling, Angelina
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Woo Ka Biu, Jackson
Professor Poon Chung Kwong
Au Siu Kee, Alexander

Audit Committee

Kwong Che Keung, Gordon*
Professor Ko Ping Keung
Wu King Cheong
Au Siu Kee, Alexander

Remuneration Committee

Wu King Cheong*
Dr Lee Ka Kit
Lee Ka Shing
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Au Siu Kee, Alexander

Nomination Committee

Wu King Cheong*
Dr Lee Ka Kit
Lee Ka Shing
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Au Siu Kee, Alexander

** Committee Chairman*

Corporate Governance Committee

Kwong Che Keung, Gordon*
Professor Poon Chung Kwong
Au Siu Kee, Alexander

Company Secretary

Liu Cheung Yuen, Timon

Registered Office

72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong
Telephone : (852) 2908 8888
Facsimile : (852) 2908 8838
Internet : www.hld.com
E-Mail : henderson@hld.com

Share Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 12)

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme
(Ticker Symbol: HLDCY
CUSIP Reference Number: 425166303)

Authorised Representatives

Dr Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

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

Solicitors

Woo Kwan Lee & Lo
Lo & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Mizuho Bank, Ltd.
DBS Bank Ltd., Hong Kong Branch

Group Executives

Dr Lee Ka Kit
GBS, JP, DBA (Hon)
General Manager

Lee Ka Shing
JP
General Manager

Dr Lam Ko Yin, Colin
SBS, FCILT, FHKIoD, DB (Hon)
Deputy General Manager

Yip Ying Chee, John
LLB, FCIS
Assistant General Manager

Departmental Executives

Group Business Development Department
Yip Ying Chee, John
LLB, FCIS
Executive Director

Project Management (1) Department
Yu Wai Wai
JP, BA (AS), B Arch, FHKIA, HonFHKIPM,
Authorized Person (Architect), Registered Architect (HK)
General Manager

Project Management (2) Department
Kwok Man Cheung, Victor
BA (AS), B Arch (Dist), MSc (Con P Mgt),
EMBA, FHKIA, MAPM, RIBA,
Authorized Person (Architect), Registered Architect (HK),
PRC Class 1 Registered Architect Qualification
General Manager

Siu Sing Yeung, Tony
B. Arch (Hons), HKIA,
Authorized Person (Architect), Registered Architect (HK),
PRC Class 1 Registered Architect Qualification
Senior Deputy General Manager

Property Development Department
Wong Ho Ming, Augustine
JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)
Executive Director

Yu Hon Kwan, Randy
MH, JP
General Manager

Leung Shu Ki, Shuki
BA (Hons), MHKIP, MRTPI,
MCIP, RPP (HK), MCILT
Senior Deputy General Manager

Property Planning Department
Leung Kam Leung
MSc, PGDMS, FHKIS, RPS (GP)
General Manager

Construction Department
Wong Wing Hoo, Billy
BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE
General Manager

Yiu Chi Kin, Simon
BSc (Bldg), MSc, MCIOB, MRICS, MASI, MHKICM, MHKIE
Deputy General Manager

Engineering Department
Cheng Yuk Lun, Stephen
BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE,
Registered Structural Engineer, Registered Geotechnical Engineer,
Authorized Person (List II), PRC Class 1 Registered Structural
Engineer Qualification
Senior General Manager

Sales Department
Wong Man Wa, Raymond
MSc(Real Estate), LLB, PCLL, Solicitor
Senior General Manager

Sales (1) Department
Lam Tat Man, Thomas
MEM(UTS), DMS, EHKIM, MHIREA,
China GBL Manager
General Manager

Sales (2) Department
Hahn Ka Fai, Mark
BSc, MRICS, MHKIS, RPS (GP)
General Manager

China Land Acquisition & Risk Control Department
Choi Ngai Min, Michael
BBS, JP, MBA
In Charge

Portfolio Leasing Department
Lee Pui Man, Margaret
BHum (Hons)
Senior General Manager

Sit Pak Wing
ACIS, FHIREA, FRICS
General Manager

Property Management Department
Suen Kwok Lam
BBS, JP, MH, FHIREA
Executive Director

Retail and Hotel Management Department
Li Ning
BSc, MBA
General Manager

Comm. & Ind. Properties Department
Dr Wong Kim Wing, Ball
BA (AS), B. Arch, PhD (Finance), FHKIA,
Registered Architect (HK), Authorized Person (List 1, HK)
General Manager

General Manager Department
Ngai Tung Hai, Karsky
FRICS, MHKIS, AACI
Manager

Dr Wong Kim Wing, Ball
BA (AS), B. Arch, PhD (Finance), FHKIA,
Registered Architect (HK), Authorized Person (List 1, HK)
Group Consultant

Finance Department
Fung Hau Chung, Andrew
BBS, JP, BA
Chief Financial Officer

Lau Yum Chuen, Eddie
Executive Director

Kwok Ping Ho
BSc, MSc, Post-Graduate Diploma in Surveying, FRICS, ACIB
Executive Director

Cashier Department
Fung Lee Woon King
Chief Treasurer

Human Resources Department
Dr Lam Ko Yin, Colin
SBS, FCILT, FHKIoD, DB (Hon)
Executive Director

Wong Ying Kin, Frankie
MSc, MBA, BBA, DMS, MIHRM
General Manager

Company Secretarial Department
Liu Cheung Yuen, Timon
BEc, FCPA, CA (Aust), FCS, FCIS
General Manager

Accounts Department
Wong Wing Kee, Christopher
BSc (Econ), FCA
General Manager

Audit Department
Choi Kam Fai, Thomas
B Comm, CPA(Canada), CMA
General Manager

Information Technology Department
Kum Tak Cheung, Bassanio
General Manager

Corporate Communications Department
Ngan Suet Fong, Bonnie
BBA
General Manager

Notice of Annual General Meeting

PRECAUTIONARY MEASURES FOR THE AGM

In view of the ongoing COVID-19 outbreak, mass gatherings would potentially impose a significant risk in terms of the spread of the virus. For the safety of our shareholders, staff and stakeholders, **the Company encourages shareholders, instead of attending the AGM in person, to appoint the Chairman of the AGM as their proxy to vote on the relevant resolutions at the AGM,** by completing and returning the form of proxy accompanying the Annual Report 2019 in accordance with the instructions printed thereon.

Shareholders and other persons attending the AGM should note that, consistent with the government guidelines for the prevention and control of COVID-19, the Company will implement precautionary measures to reduce the risk of contracting and spreading of COVID-19 at the AGM, including:

(a) body temperature screening;
(b) mandatory health declaration;
(c) mandatory wearing of surgical face masks; and
(d) NO distribution of corporate gifts or refreshments.

For the safety of the attendees at the AGM, the Company reserves the right to deny entry into or require any person to leave the AGM venue if such person:

(i) refuses to comply with any of the above precautionary measures;
(ii) is having a body temperature of over 37.4 degree Celsius;
(iii) is subject to any Hong Kong Government prescribed quarantine or has close contact with any person under quarantine; or
(iv) has any flu-like symptoms.

The Company seeks the understanding and cooperation of all shareholders to minimize the risk of spreading COVID-19.

NOTICE IS HEREBY GIVEN THAT the forthcoming Annual General Meeting of the Company (the "AGM") will be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 8 June 2020 at 11:30 a.m. to transact the following business:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditor for the year ended 31 December 2019.

2. To declare a Final Dividend (with no scrip option).

3. To re-elect retiring Directors.

4. To re-appoint Auditor and authorise the Directors to fix the Auditor's remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) **"THAT:**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to buy back shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate number of shares of the Company to be bought back pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total number of the issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

(B) **"THAT:**

(a) subject to compliance with the prevailing requirements of the Rules Governing the Listing of Securities on the Stock Exchange, a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as defined in paragraph (b) of this Resolution) all the powers of the Company to allot, issue and deal with additional shares of the Company, and to make or grant offers, agreements or options (including, without limitation, Rights Issue (as defined in paragraph (b) of this Resolution), warrants, bonus warrants, bonds, debentures, notes and other securities convertible into shares in the Company), which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate number of the shares of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue, or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(b) for the purposes of this Resolution:

"Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting; and

"Rights Issue" means an offer of shares in the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(C) **"THAT** the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate the aggregate number of shares in the Company bought back by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares under the authority granted pursuant to Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting provided that such number of shares shall not exceed 10 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period)."

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 April 2020

Registered Office:
72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

(1) At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.

(2) A Member of the Company entitled to attend, speak and vote at the above Meeting is entitled to appoint one proxy or more proxies to attend and speak and on a poll, to vote instead of him at the Meeting, and separate proxies may be appointed by a Member to represent the respective number of shares held by the Member as specified in the relevant proxy form. A proxy need not be a Member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of attorney or authority) must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited (the "Company's Registrar") at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the Meeting or any adjournment thereof or, in the case of poll taken more than 48 hours after it was demanded, not less than 24 hours (excluding any part of a day that is a public holiday) before the time appointed for the taking of the poll.

(3) For the purpose of determining Shareholders who are entitled to attend and vote at the above 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. In order to be entitled for attending the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar 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.

(4) For the purpose of determining Shareholders who qualify 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 Registrar at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 11 June 2020. The proposed final dividend will be paid to Shareholders whose names appear on the Register of Members of the Company on Tuesday, 16 June 2020.

(5) Concerning item no. 3 above, Dr Lee Ka Kit, Mr Lee Ka Shing, Mr Suen Kwok Lam, Madam Fung Lee Woon King, Mr Lau Yum Chuen, Eddie and Mrs Lee Pui Ling, Angelina will retire from office and, except for Mr Lau Yum Chuen, Eddie, have offered themselves for re-election at the above Meeting.

(6) A circular containing details relating to re-election of all the relevant retiring directors and the Ordinary Resolution (A) (including the relevant explanatory statement) of item no. 5 above is sent to Members for perusal.

(7) Concerning Ordinary Resolutions (B) and (C) of item no. 5 above, approvals are being sought from Members, as a general mandate in compliance with Sections 140 and 141 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on the Stock Exchange, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the total number of the issued shares as at the date of passing of Ordinary Resolution (B) of item no. 5 above plus the aggregate number of shares bought back by the Company pursuant to the general mandate approved in Ordinary Resolution (A) of item no. 5 above. Save as disclosed (if any), the Directors, however, have no immediate plans to issue any new shares of the Company under the said mandate being sought.

(8) If item no. 2 above is approved, the final dividend will be paid to Shareholders of the Company on Friday, 26 June 2020.

(9) If a tropical cyclone warning signal no. 8 or above, or "extreme conditions" caused by super typhoons, or a black rainstorm warning signal is in force at any time between 8:30 a.m. and 11:30 a.m. on the day of the above Meeting, the above Meeting will be adjourned. The Company will post an announcement on the Company's website (www.hld.com) and the HKEXnews website (www.hkexnews.hk) to notify Shareholders of the date, time and place of the adjourned meeting.

The above Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders should decide on their own whether they would attend the above Meeting under bad weather conditions bearing in mind their own situations.

(10) Please indicate in advance, not less than 1 week before the time appointed for holding the above Meeting, if Shareholders, because of disabilities, need special arrangements to participate in the above Meeting. Any such request should be made in writing to the Company's Registrar by post at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at hkinfo@computershare.com.hk. The Company will endeavour to make the necessary arrangements unless there is unjustifiable hardship in arranging for them.

(11) The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.

Financial Calendar

Interim Results	Announced on Wednesday, 21 August 2019
Final Results	Announced on Monday, 23 March 2020
Annual Report	Posted to Shareholders on Thursday, 23 April 2020
Closure of Register of Members	(1) To be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020 for the purpose of determining Shareholders who are entitled to attend and vote at the Annual General Meeting (2) To be closed from Friday, 12 June 2020 to Tuesday, 16 June 2020 for the purpose of determining Shareholders who qualify for the proposed final dividend
Annual General Meeting	To be held on Monday, 8 June 2020
Dividends – Interim	HK$0.50 per share (with no scrip option) – paid on Monday, 16 September 2019
– Final (Proposed)	HK$1.30 per share (with no scrip option) – payable on Friday, 26 June 2020

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HENDERSON LAND DEVELOPMENT COMPANY LIMITED

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