



WHEELOCK

Founded 1857

WHEELOCK AND COMPANY LIMITED

ANNUAL REPORT 2019



CONTENTS

Corporate Information	2
Chairman's Statement	4
Financial Highlights	10
Business Review	12
Event Subsequent to the Financial Year-end	19
Financial Review	20
Corporate Governance Report	29
Report of the Directors	45
Independent Auditor's Report	67
Consolidated Income Statement	73
Consolidated Statement of Comprehensive Income	74
Consolidated Statement of Financial Position	75
Consolidated Statement of Changes in Equity	76
Consolidated Statement of Cash Flows	77
Notes to the Financial Statements	80
Principal Accounting Policies	128
Principal Subsidiaries, Associates and Joint Ventures	152
Schedule of Principal Properties	164
Ten-year Financial Summary	179

CORPORATE INFORMATION

BOARD OF DIRECTORS

Douglas C K Woo (*Chairman & Managing Director*)
Stephen T H Ng (*Deputy Chairman*)
Stewart C K Leung (*Vice Chairman*)
Paul Y C Tsui (*Executive Director & Group Chief Financial Officer*)
Ricky K Y Wong (*Executive Director*)
Horace W C Lee (*Director*)

Non-executive Director

Mignonne Cheng (Mrs)

Independent Non-executive Directors

Tak Hay Chau, GBS
Winston K W Leong
Alan H Smith, JP
Richard Y S Tang, SBS, JP
Kenneth W S Ting, SBS, JP
Nancy S L Tse, JP
Glenn S Yee

SECRETARY

Wilson W S Chan, FCIS

REGISTRARS

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Level 54
Hopewell Centre
183 Queen's Road East
Wanchai
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REGISTERED OFFICE

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20 Pedder Street
Hong Kong
Telephone : (852) 2118 2118
Fax : (852) 2118 2018
Website : www.wheelockcompany.com

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

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



National Geographic Wheelock Hong Kong Photo Contest 2019,
People – Merit : Persistence
Tse Lai Tai



National Geographic Wheelock Hong Kong Photo Contest 2019,
Nature – Merit : Rising Sun
Poon Chi Leung

CHAIRMAN'S STATEMENT



2019 was a disruptive year globally and for Hong Kong as well. Geopolitical tensions remain front and centre as the pendulum continues to swing.

A new paradigm is evolving between China and the US, with trade talks dominating headlines. Currencies and supply chains are adapting. Then, at the tail of 2019, the World Health Organization reported the emergence of the Covid-19 coronavirus. Monetary stimulus continues.

Hong Kong entered a technical recession mid-year. The first recession in a decade. The economy contracted 1.2% and unemployment rate rose to 3.1%. Small and medium enterprises, retail, catering and hotel businesses have been hit the hardest. The Government introduced several rounds of substantial relief measures, increasing

spending of more than HK\$26 billion, to assist the business sectors and people that have been worst hit.

Elsewhere in the world, other factors at play weighed on global economic growth. China's economy grew at the lowest rate since 1990, at 6.1%. The US economy grew by 2.3%, after the Federal Reserve lowered interest rates thrice to counteract the effects of trade tensions and a global slowdown. Brexit is still unfolding and political tensions remain high in the Middle East.

PERFORMANCE

Hong Kong Properties

Against this backdrop, the Company, supported by successful launches of MONTARA and GRAND MONTARA in the first half, delivered stable results. Total contracted sales reached HK\$23.6 billion. A total of 2,080 units were transacted during the year, including all 1,120 launched units of MONTARA and GRAND MONTARA, which were presold in less than three days. Sales take-up in the second half of 2019 moderated when we launched MARINI and GRAND MARINI, selling 82% or 786 units of total launched units. Together with sales of previously launched developments, net order book rose to HK\$32.5 billion.



During the reporting year, we continued to actively replenish our land bank, acquiring one solo and four joint venture sites with attributable GFA of 1.6 million square feet. The Group's land bank, with a focus on urban areas, stood at 6.6 million square feet as at the end of 2019.

FINANCIAL PERFORMANCE

The Group's underlying net profit for the year was HK\$12.4 billion, slightly down by 6% against last year. The results reflect a tough operating environment throughout the period. There were higher contributions from Hong Kong Development Properties and Mainland China Investment Properties, which were partly offset by impairment provisions of HK\$4.9 billion for certain Development Properties in Hong Kong and Mainland China.

Wheelock's own gearing improved from 13.0% to 9.9% as a result of higher sales proceeds and prudent financial management.

A second interim dividend of HK\$1.050 per share has been declared, making total dividends for the full year HK\$1.575 per share.

The Wharf (Holdings) Limited ("Wharf")

Wharf's underlying profit for the year fell by 58% to HK\$2.7 billion. Mount Nicholson, a key contributor to Hong Kong Development Properties' contracted sales in Wharf's Peak Portfolio, recorded the sale of four houses and three apartments, amounting to HK\$4.2 billion.

In Mainland China, Development Properties' operating profit fell by 38% to HK\$4.9 billion, while attributable contracted sales fell by 13% to RMB19.9 billion for 4,500 units. Net order book increased to RMB27.4 billion. By the end of 2019, its land bank stood at 3.5 million square metres.

For Mainland Investment Properties, the revenue and operating profit increased by 14% and 23% to HK\$3,924 million and HK\$2,311 million respectively.

CHAIRMAN'S STATEMENT

Wharf Real Estate Investment Company Limited ("Wharf REIC")

Wharf REIC's underlying net profit eased to HK\$9.8 billion during the year, as prolonged uncertainties and challenging market conditions weighed on the retail portfolio performance. Revenue from Harbour City fell to HK\$11.6 billion for the year, while Times Square and Plaza Hollywood recorded revenues of HK\$2.8 billion and HK\$552 million respectively.

Revenue and operating profit from Investment Properties fell slightly to HK\$14.3 billion and HK\$12.5 billion respectively. Revenue and operating profit from the Central Portfolio – comprising Wheelock House and Crawford House – rose to HK\$495 million and HK\$431 million respectively.

Total revenue for the Marco Polo hotels in Harbour City fell by 22% to HK\$1.2 billion and operating profit dropped by 47% to HK\$250 million.

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

SUSTAINABILITY

As a new member of the Hang Seng Corporate Sustainability Index, Wheelock continued its sustainability journey. We are committed to long-term progress by making decisions that shape our present and future.

In 2019, the Company announced the signing of the first sustainability-linked loan in Hong Kong. Furthermore, all Hong Kong development

projects are now green-certified and our corporate headquarters was awarded LOOP Platinum by WWF-Hong Kong.

Our endeavours in the community extend through Project WeCan, Wheelock Interior Design Internship Program, Swim for Millions with Community Chest of Hong Kong and National Geographic Wheelock Hong Kong Photo Contest.

In December, Wheelock Properties announced two peppercorn leases to NGOs with the intention to provide approximately 2,000 units of transitional housing for a term of eight years. This initiative will be subject to the approvals of regulatory and consultative bodies.

ANNOUNCEMENT – A SCHEME OF ARRANGEMENT

On 27 February 2020, a joint announcement in relation to a proposal for the privatization of Wheelock and Company Limited by Admiral Power Holdings Limited by way of a scheme of arrangement was issued. The Proposal comprises the distribution to Shareholders of one Wharf REIC share and one Wharf share in respect of each share of Wheelock and Company held as at the record date, and the subsequent privatization of the remaining Wheelock and Company after the making of the distribution in consideration of the Scheme consideration of HK\$12.00 per Scheme Share, less Dividend Adjustment (if any), which will be payable by the Offeror to Scheme Shareholders in cash. Please refer to the announcement dated 27 February, 2020 on the Company's corporate website for details.

OUTLOOK

In the near-term, the world remains in a state of profound transformation. Politics, climate, social media, labour and trade are evolving. The oil market is in upheaval. Covid-19 is serious and has become a pandemic. The world is in shock.

Confirmed cases continue to rise. Borders are under lock down with unprecedented travel bans. Widespread fear of contagion growth and economic stoppages reverberate. Global recession expectations rise and stock markets are in meltdown.

In this sea of change, important anchors remain. China's economic momentum will continue in the long-term, supported by domestic consumption growth. From the Pearl River Delta, a dynamic engine of production and innovation, comes the new national Greater Bay Area policy initiative.

At the heart of this story are the twin cities of Hong Kong and Shenzhen. A 20 million population cluster marrying a technology hub with a free port and a fair and robust financial market. This would be a big economic story in the coming two decades.

Despite a challenging 2019 and 2020 to date, we have confidence in Hong Kong as a city with the DNA and experiences to steer through these choppy waters with the strength of spirit and pragmatism.

CLOSING

The current adversities are severe and far reaching, crossing continents and industries. When infected cases drop, restarting and recovering will be hard work.

The Company is focused on our core business. Financial prudence and resilience are the utmost priorities as the world braces through this pandemic.

Last but not least, I would like to thank our employees, especially front line staff, for their dedication and spirit in what has been a difficult year. I would also like to thank our customers and partners for their support, and members of the Board for their wise counsel and guidance.

Douglas C.K. Woo

11 March 2020



National Geographic Wheelock Hong Kong Photo Contest 2019,
City – Winner : Living under the Lion Rock
Cheung Yick Chun



National Geographic
Wheelock Hong Kong
Photo Contest 2019,
Nature – Merit : Beautiful Bay
Chan Wai Pan Eddy



National Geographic Wheelock Hong Kong Photo Contest 2019,
Mobile – Winner : Childhood and the Unknown
Chan Kin Shing





National Geographic Wheelock Hong Kong Photo Contest 2019,
Mobile – First Runner-Up : Local Gems
Mok Chun Kin

National Geographic Wheelock Hong Kong Photo Contest 2019,
Mobile – Merit : Sea of Silvergrass
Mok Hang Kin



National Geographic Wheelock Hong Kong Photo Contest 2019,
Monochrome – Merit : Family
Choi Kam Har

National Geographic Wheelock Hong Kong Photo Contest 2019,
People – Merit : Rice Noodles
Wong Man Chun

FINANCIAL HIGHLIGHTS

RESULTS AND FINANCIAL POSITION

	2019 HK\$ Million	2018 HK\$ Million	Change
Results			
Revenue	48,519	48,490	+0.1%
Operating profit	27,243	24,934	+9%
Underlying net profit (Note 1)	12,362	13,208	-6%
Profit before property revaluation (loss)/gain	12,782	11,796	+8%
Profit attributable to equity shareholders	9,173	17,239	-47%
Total dividend for the year	3,230	3,174	+2%
Earnings per share			
Underlying net profit	HK\$6.03	HK\$6.46	-7%
Before property revaluation gain	HK\$6.24	HK\$5.77	+8%
Attributable to equity shareholders	HK\$4.48	HK\$8.43	-47%
Dividend per share			
First interim	52.50¢	50.00¢	+5%
Second interim	105.00¢	105.00¢	–
Total for the year	157.50¢	155.00¢	+2%
Financial Position			
Total assets	609,413	592,624	+3%
Total business assets (Note 2)	527,723	521,808	+1%
Total investment properties	336,819	341,466	-1%
Net debt	88,218	93,007	-5%
Shareholders' equity	268,004	251,077	+7%
Total equity	393,713	389,478	+1%
Number of issued shares (in million)	2,049	2,048	+0.04%
Net asset value per share	HK\$130.81	HK\$122.60	+7%
Net debt to total equity	22.4%	23.9%	-1.5%pt

Financial year	Underlying net profit HK\$ Million	Profit before property revaluation gain/(loss) HK\$ Million	Profit attributable to equity shareholders HK\$ Million	Total equity HK\$ Million	Shareholders' equity HK\$ Million	Net asset value per share HK\$	Earnings per share			
							Underlying net profit HK\$	Before property revaluation gain/(loss) HK\$	Attributable to equity shareholders HK\$	Dividends per share ¢
2010	4,582	4,974	20,194	193,076	100,372	49.40	2.26	2.45	9.94	12.50
2011	9,038	8,359	22,866	235,194	122,562	60.32	4.45	4.11	11.25	50.00
2012	7,267	8,734	26,935	285,880	152,041	74.83	3.58	4.30	13.26	110.00
2013	7,822	7,724	16,954	311,572	166,582	81.99	3.85	3.80	8.34	100.00
2014	8,103	7,035	22,009	339,916	191,206	94.11	3.99	3.46	10.83	106.75
2015	10,598	9,974	14,232	340,859	201,667	99.26	5.22	4.91	7.00	115.00
2016	11,811	15,987	16,294	349,520	215,365	105.85	5.81	7.86	8.02	130.00
2017	12,117	14,839	20,570	387,823	241,684	118.37	5.94	7.28	10.09	142.50
2018	13,208	11,796	17,239	389,478	251,077	122.60	6.46	5.77	8.43	155.00
2019	12,362	12,782	9,173	393,713	268,004	130.81	6.03	6.24	4.48	157.50

Notes:

- (1) Underlying net profit primarily excludes attributable net investment property revaluation gain/(loss) and other exceptional items. Please refer to note (a) to the Ten-year Financial Summary on page 180.
- (2) Business assets exclude unallocated corporate assets, mainly comprising certain other long term investments, deferred tax assets, bank deposits and cash and derivative financial assets.
- (3) Please refer to Ten-year Financial Summary on pages 179 to 180.

GROUP PROFIT AND ASSETS COMPOSITION

	Profit attributable to equity shareholders				Shareholders' equity			
	2019		2018		2019		2018	
	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%
Wheelock & Company Limited	3,669	30	2,375	18	56,535	19	43,556	15
The Wharf (Holdings) Limited	1,764	14	4,154	32	96,595	33	87,722	31
Wharf Real Estate Investment Company Limited	6,243	50	6,226	47	141,419	48	137,251	49
Others (Note 1)	686	6	453	3	–	–	15,100	5
Underlying net profit	12,362	100	13,208	100				
Exceptional items (Note 2)	420		(1,412)					
	12,782		11,796		294,549	100	283,629	100
Investment property revaluation (loss)/gain	(3,609)		5,443					
Profit to shareholders	9,173		17,239					
Earnings per share	HK\$4.48		HK\$8.43					
Corporate items (Note 3)					(26,545)		(32,552)	
Shareholders' equity					268,004		251,077	
Net asset value per share					HK\$130.81		HK\$122.60	

Notes:

- (1) Wheelock Properties (Singapore) Pte. Limited (formerly known as Wheelock Properties (Singapore) Limited) has become a private limited company since November 2019 following a scheme of Selective Capital Reduction Exercise.
- (2) Please refer to note (a) to the Ten-year Financial Summary on page 180.
- (3) Corporate items represent the net debt of the Company and other subsidiaries.

BUSINESS REVIEW





OASIS KAITAK

10 MUK NING STREET

BUSINESS REVIEW

HONG KONG PROPERTIES

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

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

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

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

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



Grand Montara

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

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



Kai Tak Runway Portfolio boasts panoramic views of Victoria Harbour

Land bank

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

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

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

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

Education

Project WeCan, the Group’s key BIC initiative, aims to provide secondary school students with support to broaden their horizons, equip them and unleash their potential for future careers. With the support of 68 partners, the programme has been benefitting over 70,000 students in 76 secondary schools in Hong Kong through various enrichment activities. In summer 2019, the annual Job Tasting Programme was held, and six students were assigned to work in

BUSINESS REVIEW

different departments of the Group. During the Completion Ceremony held on the programme's last day, the participating students shared with the Group's management, mentors and school principals their valuable experiences gained through the programme.

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



National Geographic Wheelock Hong Kong Photo Contest 2019,
People – Second Runner-Up : A Very Good Way to Space Out
Glaycheong Wong

Community

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

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

Sustainable development

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

Lifestyle

To encourage and nurture budding photographers, the third annual, global National Geographic Wheelock Hong Kong Photo Contest was launched in October 2019. The theme was "Hong Kong Story: Nature, City and People", welcoming users of both professional gear and mobile phones to uncover the city landscape and stories beyond words.



Monterey

SUBSIDIARIES

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

The Wharf (Holdings) Limited (“WHL”)

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

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

Revenue from Mainland IP increased by 14% to HK\$3.9 billion and operating profit by 23%

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

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

BUSINESS REVIEW



Mount Nicholson

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

Wharf Real Estate Investment Company Limited ("Wharf REIC")

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

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

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

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

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

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

EVENT SUBSEQUENT TO THE FINANCIAL YEAR-END

Announcement – A Scheme of Arrangement

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

FINANCIAL REVIEW

(I) REVIEW OF 2019 RESULTS

WHEELOCK-OWN (before consolidation of WHL and Wharf REIC)

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

WHEELOCK GROUP

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

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

Revenue and Operating Profit

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

Investment Property ("IP")

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

Development Property ("DP")

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

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

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

Hotels

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

Logistics

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

Investment and Others

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

Fair Value (Loss)/Gain of Investment Properties

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

Other Net Charge

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

Finance Costs

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

FINANCIAL REVIEW (CONTINUED)

Share of Results of Associates and Joint Ventures

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

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

Income Tax

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

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

Non-controlling Interests (“NCI”)

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

Profit attributable to Equity Shareholders

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

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

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

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

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

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

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

(II) LIQUIDITY, FINANCIAL RESOURCES AND COMMITMENTS

Shareholders' and Total Equity

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

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

Assets and Liabilities

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

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

FINANCIAL REVIEW (CONTINUED)

Investment Properties

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

Properties for Sale

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

Interests in Associates and Joint Ventures

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

Deposits from Sale of Properties

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

Other Long Term Investments

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

Debt and Gearing

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

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

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

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

Finance and Availability of Facilities

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

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

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

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

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

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

Cash Flows from the Group's Operating and Investing Activities

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

FINANCIAL REVIEW (CONTINUED)

Major Capital and Development Expenditures and Commitments

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

A. Major Capital and Development Expenditure during 2019

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

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

B. Commitments to Capital and Development Expenditure

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

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

- i. Wheelock-Own's commitments of HK\$17.0 billion are mainly related to land and construction costs of development properties in Hong Kong.
- ii. WHL's commitments of HK\$22.3 billion are mainly comprised of land and construction costs of development and investment properties of HK\$19.1 billion.
- iii. Wharf REIC's commitments of HK\$5.7 billion are mainly comprised of HK\$5.6 billion for construction costs of development and investment properties.
- iv. The commitments and planned expenditure will be funded by the respective group's own internal financial resources including surplus cash, cash flows from operations as well as bank and other borrowings and pre-sale proceeds. Other available resources include other long term investments.

FINANCIAL REVIEW (CONTINUED)

(III) HUMAN RESOURCES

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

(IV) BUSINESS MODEL

Wheelock and Company's core businesses are Hong Kong DP and investment holding. The Group has a substantial urban-focused land bank under management for development, which spans over Hong Kong's key regions and comprises diversified product offerings to cater to different segments of customers. WHL and Wharf REIC, both being listed companies in Hong Kong, are Wheelock's equity investments. Apart from Hong Kong property development, logistics and hotel management, WHL also focuses on IP and DP in Mainland China. Wharf REIC focuses on Hong Kong IP and holds a portfolio of prime IP in strategic locations, including Harbour City, Times Square and the Central portfolio (Wheelock House, Crawford House and The Murray).

(V) BUSINESS STRATEGY

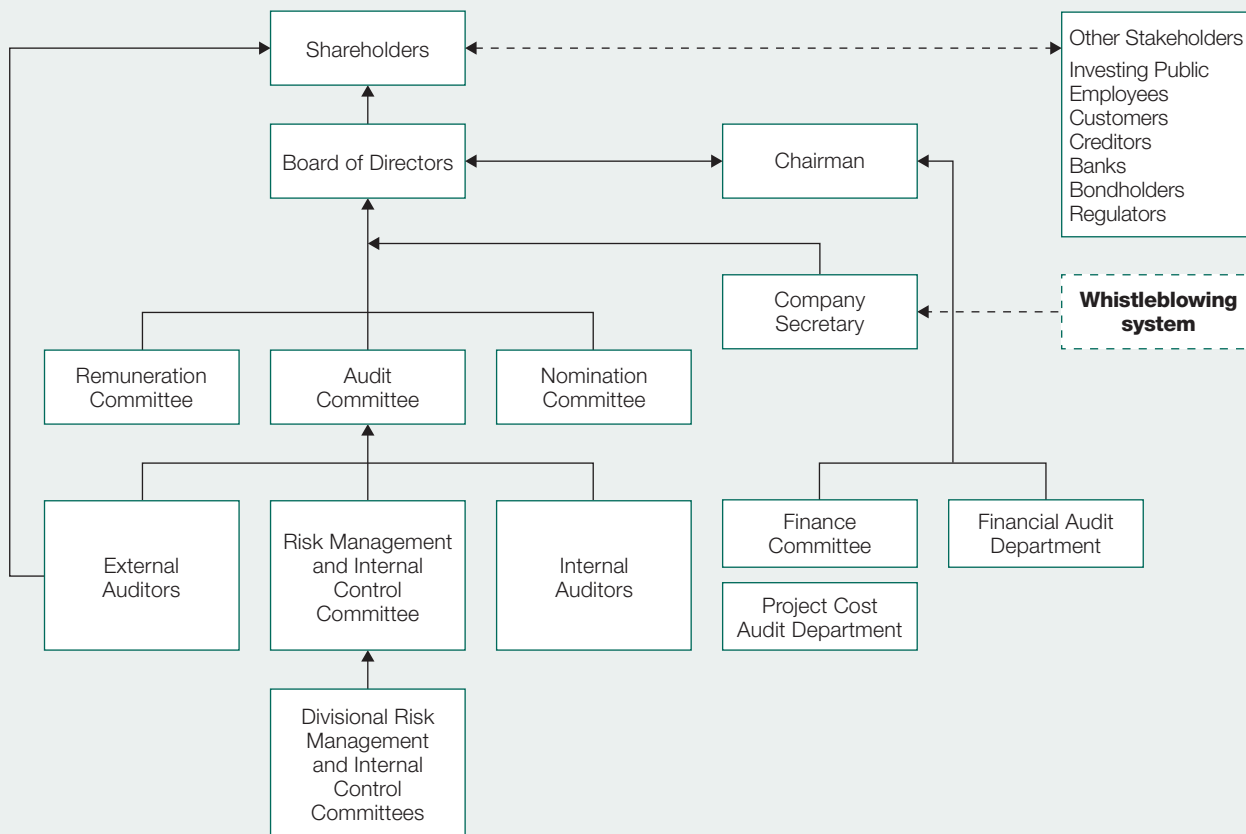
For the Group's core business, Wheelock and Company endeavours to continuously enhance its competitiveness and to drive sustainable growth through:

1. Building and maintaining a diversified and competitive land bank with timely acquisitions and constant turning of assets;
2. Competence in selection and acquisition, planning and design, execution, sales and marketing;
3. Building organisation and focusing professional team efforts in building brand; and
4. Exercising prudent and disciplined financial management to ensure sustainability at all times.

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE STRUCTURE

The Group’s current corporate governance, risk management and internal control framework can be diagrammatically shown as below:



(B) CORPORATE GOVERNANCE PRACTICES

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

The reason for the First Deviation from the relevant Code Provision is stated under section (E) below. Regarding the Second Deviation, the Company Secretary of the Company has for some years directly reported to, and continues to report to, the Deputy Chairman of the Company, which is considered appropriate and reasonable given the size of the Group. In the view of the Directors, this reporting arrangement in no way adversely affects the efficient discharge by the Company Secretary of his job duties.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(C) CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

A set of the Company's own code of conduct (the "Company's Code") was adopted by the Company in 2014 to govern Directors' securities transactions with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors of the Company, and all the Directors have complied with the required standard set out in the Company's Code during the financial year.

(D) BOARD OF DIRECTORS

(I) Composition of the Board, Number of Board/General Meetings and Directors' Attendance

The Company's Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, and a balanced composition of executive and non-executive directors. Four Board meetings and one general meeting were held during the financial year ended 31 December 2019. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance/Number of Meeting(s)	
	Board Meetings	General Meeting
Douglas C K Woo (<i>Chairman & Managing Director</i>)	4/4	1/1
Stephen T H Ng (<i>Deputy Chairman</i>)	4/4	1/1
Stewart C K Leung (<i>Vice Chairman</i>)	4/4	1/1
Paul Y C Tsui (<i>Executive Director & Group Chief Financial Officer</i>)	4/4	1/1
Ricky K Y Wong (<i>Executive Director</i>)	4/4	1/1
Horace W C Lee (appointed on 1 January 2020)	N/A	N/A
Non-executive Director		
Mignonne Cheng (Mrs)	3/4	1/1
Independent Non-executive Directors		
Tak Hay Chau	4/4	1/1
Winston K W Leong	4/4	1/1
Alan H Smith	4/4	1/1
Richard Y S Tang	3/4	1/1
Kenneth W S Ting	4/4	1/1
Nancy S L Tse	4/4	1/1
Glenn S Yee	3/4	0/1

Each Director of the Company has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

During the year ended 31 December 2019, the Chairman of the Company held a meeting with Independent Non-executive Directors ("INED(s)") without the presence of other Directors.

(II) Board Diversity Policy

The Board has adopted a Board Diversity Policy. Under the Policy, the Company recognises and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision to achieving a sustainable and balanced development, the Company regards increasing diversity at the Board level as an essential element in achieving a diversity of perspectives and supporting the attainment of its strategic goals. Appointments of Directors are made on merits having due regard for the benefits of diversity on the Board.

At present, half of the Directors on the Board are INEDs. They represent diverse career experience in both international and local enterprises. They bring with them diverse professional backgrounds, spanning engineering, finance and banking, investment banking, legal, manufacturing and entrepreneurship. They also hold or have held important public service positions in Hong Kong and Mainland China, covering business, industry and commerce, health and welfare, education, regulations and politics.

The Board composition reflects various cultural and educational backgrounds, professional development, length of service, knowledge of the Company and a broad range of individual attributes, interests and values. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time, taking into consideration specific needs for the Group's business.

(III) Operation of the Board

The Company is headed by an effective Board which makes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) Directors' Continuous Professional Development

The Company has arranged for Directors to attend training sessions which place emphasis on the roles, functions and duties of a listed company director. In addition to the training arranged by the Company, some of the Directors also received training organised by other companies and provided records thereof to the Company.

According to the records of training maintained by the Company Secretary, during the financial year under review, Directors pursued continuous professional development and relevant details are set out below:

Directors	Type of trainings <i>(See Remarks)</i>
Douglas C K Woo	C
Stephen T H Ng	A, C
Stewart C K Leung	A, C
Paul Y C Tsui	A, C
Ricky K Y Wong	A, C
Mignonne Cheng (Mrs)	A, C
Tak Hay Chau	C
Winston K W Leong	C
Alan H Smith	A, C
Richard Y S Tang	A, C
Kenneth W S Ting	A, C
Nancy S L Tse	A, B, C
Glenn S Yee	A, C

Remarks:

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading journals, updates, articles and/or materials, etc.

(E) CHAIRMAN AND CHIEF EXECUTIVE

Mr Douglas C K Woo serves as the Chairman and also as the *de facto* chief executive of the Company. This is a deviation from Code Provision A.2.1 with respect to the roles of chairman and chief executive to be performed by different individuals. The relevant arrangement is deemed appropriate as it is considered to be more efficient for one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with half of them being INEDs.

Furthermore, the Chairman is supported by Deputy Chairman Mr Stephen T H Ng, Vice Chairman Mr Stewart C K Leung, Executive Director & Group Chief Financial Officer Mr Paul Y C Tsui, Executive Director Mr Ricky K Y Wong and Director Mr Horace W C Lee. The Chairman is responsible for the Board, focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and management, and also in his capacity as *de facto* chief executive, he directly has responsibilities in certain major business units of the Group.

(F) NON-EXECUTIVE DIRECTORS

All those existing Directors of the Company who do not hold any executive office of the Company (including INEDs) have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors. The re-election of each of those INEDs who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by Shareholders at the relevant Annual General Meeting; and (ii) further information to be given to Shareholders together with the notice of meeting regarding the reasons why the Board believes the relevant Director is still independent and should be re-elected.

(G) BOARD COMMITTEES

(I) Audit Committee

The Company has set up an Audit Committee ("AC") with all its members appointed from the Company's INEDs.

All AC members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Alan H Smith and Ms Nancy S L Tse have the appropriate professional qualifications and/or experience in financial matters.

Four AC meetings were held during the financial year ended 31 December 2019. Attendance of the AC members is set out below:

Members	Attendance/Number of Meeting
Alan H Smith (<i>Chairman of AC</i>)	4/4
Kenneth W S Ting	4/4
Nancy S L Tse	4/4
Glenn S Yee	4/4

- (i) The terms of reference of the AC are aligned with the provisions set out in the CG Code and the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the AC:

(A) Relationship with the Company's External Auditors

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The AC should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(B) Review of Financial Information of the Company

- (a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the AC should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (b) regarding (B)(a) above:
 - (i) members of the AC should liaise with the Company's Board and Senior Management and the AC must meet, at least twice a year, with the Company's external auditors; and
 - (ii) the AC should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts; it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, or for compliance function, or auditors (internal or external).

(C) Oversight of the Company's financial reporting systems, and risk management and internal control systems

- (a) to review the Company's risk management and internal control systems covering all controls, including financial, operational and compliance controls, with the support of the Risk Management and Internal Control Committee;
- (b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- (c) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings, and to review the statements concerning risk management and internal control to be included in the annual report;

- (d) to ensure co-ordination between the internal and external auditors, to review and approve the annual internal audit plan, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company for it to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Company's financial reporting system and risk management and internal control systems, and to review and monitor the effectiveness of the internal audit function;
 - (e) to review the Group's financial and accounting policies and practices;
 - (f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
 - (g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
 - (h) to report to the Board on the matters in the Code Provisions in the Listing Rules;
 - (i) to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
 - (j) to act as the key representative body for overseeing the Company's relations with the external auditors; and
 - (k) to consider other topics, as defined by the Board.
- (D) Oversight of the Company's Corporate Governance Matters
- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
 - (b) to review and monitor the training and continuous professional development of Directors and Senior Management;
 - (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
 - (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
 - (e) to consider other topics, as defined by the Board.
- (ii) Whistleblowing Policy & Procedures have been adopted by the Group, with the authority and responsibility being delegated to the AC, further information of which is set out in the third paragraph of the subsection headed "(ii) Practices & Processes" on page 41.

CORPORATE GOVERNANCE REPORT (CONTINUED)

- (iii) The other work performed by the AC for the financial year ended 31 December 2019 is summarised below:
- (a) approval of the remuneration, appointment and terms of engagement of the external auditors;
 - (b) review of the external auditors' independence, objectivity and effectiveness of audit process in accordance with applicable standards;
 - (c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(B) above regarding the duties of the AC;
 - (d) discussion with the external auditors before the audit commences, the nature and scope of the audit;
 - (e) review of the audit programme of the internal audit function;
 - (f) review of the Group's financial controls, risk management and internal control systems;
 - (g) meeting with the external auditors without executive Board members present;
 - (h) review of the drafts of the representation letters to be provided by the Company to the external auditors, namely, KPMG, in connection with, inter alia, audit of the consolidated financial statements of the Company and its subsidiaries, and making suggestions for prior vetting by in-house professional advisor and for identifying new items in the letters as compared to the previous year; and
 - (i) review of continuing connected transactions entered into during the financial year under review, and making suggestions for improving the system regarding the monitoring and identification of relevant transactions with connected persons.

(II) Remuneration Committee

The Company has set up a Remuneration Committee ("RC") consisting of the Chairman and two INEDs of the Company.

During the financial year ended 31 December 2019, two RC meetings were held and the attendance of the RC members is set as below:

Members	Attendance/Number of Meeting
Kenneth W S Ting (<i>Chairman of RC</i>)	2/2
Alan H Smith	2/2
Douglas C K Woo	2/2

- (i) The terms of reference of the RC are aligned with the provisions set out in the CG Code. Given below are the main duties of the RC:
- (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
 - (b) to review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives;
 - (c) either:
 - (i) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and Senior Management; or
 - (ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and Senior Management.

This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
 - (d) to make recommendations to the Board on the remuneration of Non-executive Directors;
 - (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
 - (f) to review and approve compensation payable to Executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
 - (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
 - (h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
 - (i) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under the Listing Rules.
- (ii) The work performed by the RC, which has the delegated authority and responsibility, for the financial year ended 31 December 2019 is summarised below:
- (a) review of the Company's policy and structure for all remuneration of Directors and Senior Management;
 - (b) consideration and approval of the emoluments for all Directors and Senior Management; and
 - (c) review of the level of fees for Directors, AC members and RC members.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(III) Nomination Committee

The Company has set up a Nomination Committee (“NC”) comprising three members, namely, Chairman of the Company (as chairman of NC) and two INEDs of the Company, namely, Mr Alan H Smith and Mr Kenneth W S Ting.

During the financial year ended 31 December 2019, one NC meeting was held and the attendance of the NC members is set out below:

Members	Attendance/Number of Meeting
Douglas C K Woo (<i>Chairman of NC</i>)	1/1
Alan H Smith	1/1
Kenneth W S Ting	1/1

Apart from the abovementioned NC meeting, some matters relating to, *inter alia*, nomination of Directors for re-election requiring NC’s approval and/or recommendation were arranged by means of circulation of written resolutions.

- (i) The terms of reference of the NC are aligned with the provisions set out in the CG Code. Given below are the main duties of the NC:
 - (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy;
 - (b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
 - (c) to assess the independence of INEDs; and
 - (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the chief executive.
- (ii) The work performed by the NC, which has the delegated authority and responsibility, for the financial year ended 31 December 2019 is summarised below:
 - (a) approval and recommendation to the Board for adopting the Nomination Policy of the Company;
 - (b) consideration and review of the structure, size and composition of the Board of Directors;
 - (c) recommendation to re-elect five retiring Directors at the last Annual General Meeting held in May 2019; and
 - (d) nomination of a candidate as an additional Director of the Company for the Board’s approval.

- (iii) The Board has adopted a Nomination Policy which sets out the selection criteria of Board members, procedures of nomination of new Board members and re-election and/or election of Directors to ensure an optimal composition of the Board with sustainability.
- (1) The criteria listed below will be used as reference in assessing the suitability of a proposed candidate:
- character and integrity;
 - skills, knowledge and experience relevant to the Company's business and corporate strategy;
 - willingness and availability to dedicate sufficient time and attention to ensure the diligent performance of duties in concurrence with his/her other major appointments and significant commitments;
 - attributes enhancing the Board diversity in line with the Company's Board Diversity Policy;
 - such other perspectives appropriate to the Company's business; and
 - requirements in respect of independent non-executive directors under the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines as set out in the Listing Rules.
- (2) Procedures for Appointment of New Director by the Board:
- (a) For appointment of new Director, the NC as delegated by the Board shall identify and evaluate candidate based on the criteria set out in paragraph (1) above to determine whether the candidate is qualified for directorship.
- (b) If the candidate is considered qualified, the NC shall recommend to the Board for consideration and the Board, if considered appropriate, shall approve the appointment of the proposed candidate as a new Director.
- (3) Procedures for Re-election and/or Election of Director at General Meeting:
- (a) The NC as delegated by the Board shall review the contribution made by the retiring Director and whether he/she can continue to fulfill his/her role as required with reference to the criteria set out in paragraph (1) above.
- (b) The Board shall then, under advice of the NC, make recommendation to Shareholders for the proposed re-election of Director(s) at the general meeting.
- (c) For any candidate (other than a retiring Director) nominated by the Board or Shareholder(s) to stand for election as a Director in a general meeting of the Company, the NC shall, upon receipt of the proposal of nomination and the biographical information of the candidate, evaluate his/her suitability based on the same criteria as set out in paragraph (1) above. The Board, under advice of the NC, may or may not make recommendation to Shareholders on their voting to the proposed election in the relevant announcement and/or circular to Shareholders.

CORPORATE GOVERNANCE REPORT (CONTINUED)

(IV) Corporate Governance Functions

While the Board is and remains to be principally responsible for the corporate governance functions of the Company, it has delegated the relevant duties to the AC to ensure the proper performance of corporate governance functions of the Company. In this connection, the terms of reference of the AC including various duties relating to corporate governance matters are set out in paragraph “(D) Oversight of the Company’s Corporate Governance Matters” on page 35.

(H) AUDITORS’ REMUNERATION

The fees in relation to the audit and other services for the financial year ended 31 December 2019 provided by KPMG, the external auditors of the Company, amounted to HK\$33 million and HK\$4 million respectively.

(I) RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS

(i) Risk Governance Structure

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

Reporting to the Board, the AC is delegated with the authority and responsibility for ongoing monitoring and evaluation of the effectiveness of the relevant systems with assistance of the Risk Management and Internal Control Committee. In November 2015, the terms of reference of the AC were updated to formally incorporate risk management into its scope of duties.

In adherence to its long standing principle for prudent management, the Group has put in place a robust and inclusive framework to manage risks at different business operations in diversified segments within the organisation.

Risk Management and Internal Control Committee (“RMICC”)

The RMICC of the Company was formally established in 2015 to replace the former Internal Control Committee as an initiative to further enhance the Group’s risk management and internal control systems. It was principally an evolvement from the pre-existing internal control framework, which has been in operation since 2004, comprising the divisional internal control committees of the business units and various control functional departments at corporate level, including, *inter alia*, Finance Committee, Project Cost Audit Department and Financial Audit Department.

Under the enhanced framework, RMICC plays a central role in the ongoing management of risk management and internal control systems of the Group with the following features:

Objective	Assist the AC in discharge of its oversight responsibility over risk management and internal control systems of the Group.
Composition	Chaired by Mr Paul Y C Tsui. Three other members comprising Mr Stewart C K Leung, Mr Ricky K Y Wong and Mr Horace W C Lee.
Structure	Accountable to the AC on all matters relating to risk management and internal control. Supervision on Divisional Risk Management and Internal Control Committees (“DRMICCs”) which in turn are responsible for the identification and reporting of functional risks, and the ongoing supervision and monitoring of the risk management and internal control systems.
Scope & Duties	Assist the AC to conduct periodical reviews of the effectiveness of the risk management and internal control systems of the Group based on the certification procedure as further explained below. Report to the AC on identified risks, relevant evaluations and risk management strategy. Direct and monitor the proper functioning of DRMICCs and report to the AC on any major internal control issues from time to time. Assume an advisory role on objective settings, formulation of internal control framework, policies and procedures.

DRMICCs are set up at the level of business units with composition of the respective key management staff together with those charged with the internal control functions. Acting as divisional advisory bodies, DRMICCs are entrusted with implementation of the Group’s control policies and on-going assessment of control activities in the relevant business units.

(ii) Practices & Processes

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Furthermore, Whistleblowing Policy & Procedures (“WPP”) have been adopted by the Group, with the authority and responsibility being delegated to the AC. Such WPP are for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Company Secretary, and any and all relevant complaints received may then be referred to the Deputy Chairman and Group Chief Financial Officer or the AC about possible improprieties in any matter related to the Group.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. Findings regarding internal control matters are reported to the AC. The external auditors have access to a full set of internal audit reports.

(iii) Periodical Reviews

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



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

(iv) Annual Confirmation

During the financial year ended 31 December 2019, the AC, with the assistance of RMICC and DRMICCs, has conducted a review of the effectiveness of the Group’s risk management and internal control systems and procedures covering all material controls, including financial, operational and compliance control and risk management, and the adequacy of, *inter alia*, resources, staff qualifications and experience, training programmes and budget of the Group’s accounting, internal audit and financial reporting functions. Confirmations from management in the form of certification that risk management and internal control systems are functioning effectively to meet the respective financial reporting, operational and compliance needs are submitted by business and corporate unit heads to RMICC for consolidation and reporting to the AC.

Based on the result of the review as reported by the AC, in respect of the financial year ended 31 December 2019, the Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate.

A discussion on the principal risks and uncertainties encountered by the Group is set out on pages 61 to 62 in the Report of the Directors.

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 December 2019, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO") and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2019:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- (ii) prudent and reasonable judgements and estimates are made; and
- (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(K) COMMUNICATION WITH SHAREHOLDERS

A Shareholders Communication Policy has been adopted by the Company to ensure that Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. Annual and interim reports are published/printed and printed copies of such reports or notifications of publication thereof on the Company's website are sent to all Shareholders. Such reports and press releases are posted and are available for download at the Company's corporate website (www.wheelockcompany.com). Constantly being updated in a timely manner, the website contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and for Shareholders to stay informed of the Group's strategy and goals.

The Board and external auditors attend Annual General Meetings to answer Shareholders' questions.

(L) SHAREHOLDERS' RIGHTS

(I) Convene a General Meeting

Pursuant to Section 566 of the CO, on written requisition by Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors of the Company must convene a general meeting (other than an annual general meeting).

CORPORATE GOVERNANCE REPORT (CONTINUED)

(II) Send Enquiries to the Board

The Company's corporate website (www.wheelockcompany.com) provides an email address (for enquiry purpose only), postal address, fax number and telephone number for Shareholders to address their enquiries to the Company's Board at any time.

(III) Make Proposals at General Meetings

- (i) The procedures for proposing candidate(s) for election as Director(s) at a Shareholders' meeting are set out in the Corporate Governance section of the Company's corporate website.
- (ii) The procedures for proposing resolution(s) to be moved at the Company's annual general meeting(s) are as follows:

Pursuant to Section 615 of the CO, Shareholder(s) can submit a written requisition to move a resolution at the Company's annual general meeting(s) if they represent:

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

The relevant written requisition must-

- (a) identify the resolution of which notice is to be given;
- (b) be authenticated by the person or persons making it; and
- (c) be received by the Company not later than six weeks before the relevant annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

Any written requisitions from Shareholders pursuant to Sections 566 and 615 of the CO as set out in sections L(I) and L(III) above must be sent to the Company and deposited at the Company's registered office at 23rd Floor, Wheelock House, 20 Pedder Street, Hong Kong.

(M) DIVIDEND POLICY

The Company adopts a dividend policy of providing Shareholders with regular dividends which will take into account the Company's financial performance, capital requirements, future investment plans, cash flow and general business and economic environment. The policy will be reviewed from time to time so as to keep in line with changes in market conditions.

(N) AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the financial year ended 31 December 2019.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 152 to 159.

BUSINESS REVIEW

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

- Chairman's Statement (pages 4 to 7)
- Business Review (pages 12 to 18)
- Financial Highlights (pages 10 to 11) and Financial Review (pages 20 to 28)
- Principal Risks and Uncertainties (pages 61 to 62)

Throughout the financial year under review, the Group had duly complied with the relevant laws and regulations which have a significant impact on the Group, including Companies Ordinance, Competition Ordinance, Employment Ordinance, Minimum Wage Ordinance, Personal Data (Privacy) Ordinance, Residential Properties (First-hand Sales) Ordinance, Securities and Futures Ordinance, the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Codes on Takeovers and Mergers and Share Buy-backs.

In addition, the Group's policies and performance in the area of environment, social and governance are discussed in section (K) "Environment, Social and Governance" on pages 63 to 65.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2019 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 73 to 74.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity on page 76 and Note 25 to the Financial Statements on pages 121 to 122.

DIVIDENDS

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

REPORT OF THE DIRECTORS (CONTINUED)

SHARE CAPITAL

During the financial year, as a result of exercises of share options previously granted under the Company's share option scheme, a total of 900,000 ordinary shares of the Company, credited as fully paid, were allotted and issued for a total consideration of HK\$32,940,000.

Details of movements in share capital of the Company during the financial year are set out in Note 25(a) to the Financial Statements on page 121.

DONATIONS

The Group made donations during the financial year totalling HK\$47 million.

DIRECTORS

The names of persons who serve/served as Directors of the Company during the financial year and/or during the period from the end of the financial year to the date of this Report are Mr Douglas C K Woo, Mr Stephen T H Ng, Mr Stewart C K Leung, Mr Paul Y C Tsui, Mr Ricky K Y Wong, Mr Horace W C Lee (appointed with effect from 1 January 2020), Mr Tak Hay Chau, Mrs Mignonne Cheng, Mr Winston K W Leong, Mr Alan H Smith, Mr Richard Y S Tang, Mr Kenneth W S Ting, Ms Nancy S L Tse and Dr Glenn S Yee.

At the forthcoming Annual General Meeting, Mr Horace W C Lee, who was appointed as a Director of the Company after the last Annual General Meeting, is due to retire from the Board in accordance with Article 97 of the Company's Articles of Association, and Mr Douglas C K Woo, Mr Ricky K Y Wong, Mr Winston K W Leong, Mr Richard Y S Tang and Dr Glenn S Yee will also retire by rotation from the Board in accordance with Article 106(A). Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

A list of names of all persons who serve/served as directors of the Company's subsidiaries during the financial year and/or during the period from the end of the financial year to the date of this Report is set out in section (L) "Directors of Subsidiaries" on page 66.

INDEMNITY TO DIRECTORS

Under the Articles of Association of the Company, every Director of the Company is, and is entitled to be, indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution/discharge of the duties of his/her office or otherwise in relation thereto, to the extent as permitted by law.

Furthermore, during the financial year under review and up to the date of this Report, the Company maintains/maintained suitable directors' and officers' liability insurance providing appropriate insurance cover for the Directors of the Company and also for the directors of the Company's subsidiaries in respect of relevant legal action against those directors.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement and contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

During the financial year, a total of 900,000 ordinary shares of the Company were allotted and issued to two Directors of the Company, namely, Mr Paul Y C Tsui and Mr Ricky K Y Wong, and a total of 1,100,000 ordinary shares of WHL were allotted and issued to two Directors of the Company, namely, Mr Stephen T H Ng and Mr Paul Y C Tsui, on their exercises of options respectively under the Company's and/or WHL's share option schemes. Further information of the share option schemes of the Company and WHL is set out on pages 56 to 58.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDITORS

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

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 11 March 2020

REPORT OF THE DIRECTORS (CONTINUED)

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

(i) Directors

Douglas C K WOO, *JP, Chairman & Managing Director (Age: 41)*

Mr Woo has been Chairman of the Company since 2014 and a Director and Managing Director since 2013. He is chairman and member of the Nomination Committee and a member of the Remuneration Committee. He is also vice chairman and managing director of Wheelock Properties Limited ("WPL") and a director of certain other subsidiaries of the Company.

Mr Woo is a Non-official member of the Development Bureau's Land and Development Advisory Committee and a member of the Land Sub-Committee; chairman of the Environment and Conservation Fund; a director and Executive Committee member of The Real Estate Developers Association of Hong Kong ("REDA"); a member of the Notaries Public Disciplinary Tribunal Panel, the Judiciary of Hong Kong; a General Committee member, and member of the Real Estate & Infrastructure Committee of the Hong Kong General Chamber of Commerce ("HKGCC"); and Patron of Project *WeCan* (a Business-in-Community school project). Mr Woo is also a member of the Beijing Committee of the Chinese People's Political Consultative Conference and a member of the All-China Youth Federation. He was appointed a Justice of the Peace in 2016.

Mr Woo holds a Bachelor degree in Architecture from Princeton University in USA and a Master of Business Administration degree (EMBA Program) from The HKUST Business School and The Kellogg School of Management of Northwestern University. He was awarded an Honorary Doctor of Humane Letters degree by Savannah College of Art and Design (Hong Kong). Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$7.12 million (2019: HK\$6.94 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 67)*

Mr Ng has been a Director of the Company since 1988 and became Deputy Chairman in 1995. He is chairman and managing director of both The Wharf (Holdings) Limited ("WHL") and Wharf Real Estate Investment Company Limited ("Wharf REIC"), as well as chairman of Harbour Centre Development Limited ("HCDL"), all of which are publicly listed subsidiaries of the Company. Mr Ng is primarily responsible for the overall strategic planning and major decision making for WHL group and Wharf REIC group and performs a leadership role in monitoring and evaluating the two groups' businesses. Furthermore, he is non-executive chairman of publicly listed Joyce Boutique Group Limited ("JBGL") and a non-executive director of publicly listed Greentown China Holdings Limited ("Greentown"). Mr Ng is also chairman of Wheelock Properties (Singapore) Pte. Ltd. (formerly known as "Wheelock Properties (Singapore) Limited" which had been a subsidiary of the Company publicly listed in Singapore until October 2018). Mr Ng formerly served as chairman and chief executive officer of publicly listed i-CABLE Communications Limited ("i-CABLE") until his resignation in September 2017 and also a non-executive director of Hotel Properties Limited (publicly listed in Singapore) until his resignation in December 2018.

Mr Ng was born in Hong Kong in 1952 and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is chairman of Project *WeCan* Committee (a Business-in-Community school project), council member, vice chairman of General Committee and member of Executive Committee of the Employers' Federation of Hong Kong ("EFHK"), and a council member of HKGCC (on retirement from the Chamber Chair in 2018). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$8.89 million (2019: HK\$8.65 million) per annum.

Stewart C K LEUNG, *Vice Chairman (Age: 81)*

Mr Leung has been Vice Chairman of the Company since 2012. He is currently the chairman of WPL and Wheelock Properties (Hong Kong) Limited (“WPHKL”), both being wholly-owned subsidiaries of the Company. Mr Leung has extensive experience in property development, construction, management and related businesses in Hong Kong. He was formerly a director of two publicly listed companies, namely, New World Development Company Limited and New World China Land Limited. Mr Leung is currently the chairman of the Executive Committee of REDA. Under the existing service contract between the Group and Mr Leung, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$5.52 million (2019: HK\$5.52 million) per annum.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 73)*

Mr Tsui, *FCCA, FCPA, FCMA, CGMA, CPA, CGA*, has been a Director of the Company since 1998. He became Executive Director of the Company in 2003 and is currently also Group Chief Financial Officer. Mr Tsui is a vice chairman and group chief financial officer of WHL; and a vice chairman and an executive director of Wharf REIC. Furthermore, he is a vice chairman of WPL and a director of certain other subsidiaries of the Company. Mr Tsui is also a director of JBGL. He formerly served as a director of i-CABLE until his resignation in September 2017. Mr Tsui is currently a member of the General Committee of the EFHK and chairman of the EFHK’s Property & Construction functional group. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$5.81 million (2019: HK\$5.64 million) per annum.

Ricky K Y WONG, *Executive Director (Age: 55)*

Mr Wong has been a Director of the Company since 2010 and became an Executive Director in January 2018. He joined the Group in 1989 and is currently the managing director of WPL and WPHKL, as well as a director of certain other subsidiaries of the Company. He is presently responsible for overseeing the property development and related business of the Group in Hong Kong. Mr Wong is currently a member of the General Committee of the EFHK, a member of the Legal Sub-committee of REDA, a fellow member of Royal Institution of Chartered Surveyors, a board member of Estate Agents Authority, and the chairman of the Advisory Committee on Enhancing Self-reliance through District Partnership (ESR) Programme of the Home Affairs Department.

Mr Wong was a director of The Hong Kong Green Building Council, an associate member of Hong Kong Special Administrative Region (“HKSAR”) – Central Policy Unit from 2013 to June 2017 and also served as a co-opted member of the Hong Kong Diploma of Secondary Education Examination (HKDSE) – Applied Learning Subject Committee of the Hong Kong Examinations and Assessment Authority from September 2015 to August 2018. Mr Wong graduated from University of Wisconsin in the US with a Master Degree in Business Administration. Under the existing service contract between the Group and Mr Wong, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$5.42 million (2019: HK\$5.21 million) per annum.

REPORT OF THE DIRECTORS (CONTINUED)

Horace W C LEE, *Director (Age: 59)*

Mr Lee, *CPA (HKICPA)*, was appointed a Director of the Company in January 2020. He joined the Group in 2012 and has over 30 years of financial management experience across different business sectors and companies. He is also a director and group financial controller of Wheelock Corporation Limited and a director of WPHKL and certain other subsidiaries of the Company. Mr Lee is also a member of the Company's Finance Committee and a member of WPHKL's Management Committee. He assumes responsibilities for the Company's finance, banking, human resources, investor relations, corporate communications and information technology functions.

Mr Lee attained a Master of Business Administration degree (EMBA Programme) in 2004 from The Kellogg School of Management of Northwestern University and The Hong Kong University of Science & Technology Business School. Currently, he is a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Under the existing service contract between the Group and Mr Lee, his basic salary and various allowances for the year 2020, calculated on an annualised basis, would be approximately HK\$3.28 million per annum.

Tak Hay CHAU, *GBS, Director (Age: 77)*

Mr Chau has been an Independent Non-executive Director ("INED") of the Company since 2012. He graduated from The University of Hong Kong in 1967. Mr Chau served in a number of principal official positions in the Hong Kong Government between 1988 and 2002, including Secretary for Commerce and Industry, Secretary for Broadcasting, Culture and Sport, and Secretary for Health and Welfare. Mr Chau was awarded the Gold Bauhinia Star by the Government of HKSAR in 2002. He is an INED of two companies publicly listed in Hong Kong, namely, SJM Holdings Limited and Tradelink Electronic Commerce Limited.

Mignonne CHENG, *Director (Age: 73)*

Mrs Cheng has been a Non-executive Director of the Company since 2012. Mrs Cheng, a seasoned banker, has amassed over 35 years of experience in the financial sector with over 25 years in senior management positions in corporate and commercial banking as well as investment banking. She joined BNP Paribas in 1990 and has held various senior positions in BNP Paribas group in the past 30 years. Mrs Cheng is currently the chairman of BNP Paribas Wealth Management for Asia Pacific and a member of the executive committee of BNP Paribas Wealth Management, since the appointment in 2010. In addition, she is the G100 member of BNP Paribas.

Prior to joining BNP Paribas, Mrs Cheng had been with Chase Manhattan Bank Hong Kong Branch for 18 years, where she took up various positions both on the control and on the operational sides. Mrs Cheng was a member of the Banking Advisory Committee chaired by the Financial Secretary of the Government of HKSAR, and also served as a member of The Consultative Committee of the Basic Law of the HKSAR between 1985 and 1989 when the Basic Law was being drafted.

In October 2006, Mrs Cheng was granted the "Top 100 Outstanding Women in Greater China Award" by The Chinese Women Entrepreneurs Association. In October 2007, Mrs Cheng was decorated "Chevalier de l'Ordre National du Mérite", a French national award, and subsequently "Chevalier de l'Ordre de la Légion d'Honneur" in May 2012. In August 2011, Mrs Cheng was honored as Top 20 Women in Finance by FinanceAsia. Mrs Cheng was granted the "Private Banker of the Year-Hong Kong" by The Asset in September 2015 and "Outstanding Private Banker-Asia Pacific 2016" by Private Banker International in October 2016.

Winston K W LEONG, *Director (Age: 60)*

Mr Leong has been an INED of the Company since 2013. He holds a Bachelor of Arts degree in economics and law from the University of Cambridge and a Bachelor of Laws degree from the University of British Columbia. He qualified to practise law in England & Wales, New York State and the Province of British Columbia, Canada, before working in investment banking and then management of private equity funds for investment in the Asia Pacific region. During the course of his career, he has worked in London, Vancouver, New York as well as Hong Kong. Mr Leong is currently a director of various private business enterprises. He was elected the Chairman of The Hong Kong Club for a one-year term in May 2019.

Alan H SMITH, *JP, Director (Age: 76)*

Mr Smith has been an INED of the Company since 2012. He also serves as a member and chairman of the Company's Audit Committee, and a member of the Company's Nomination Committee and Remuneration Committee. He was the vice chairman, Pacific Region, of Credit Suisse First Boston ("CSFB"), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was chief executive of the Jardine Fleming group from 1983 to 1994 and was chairman of the Jardine Fleming group from 1994 to 1996. Mr Smith has over 27 years of investment banking experience in Asia. He was elected a council member of the Stock Exchange on two occasions. He was a member of the Economic Advisory Committee of the Government of HKSAR, and had for 10 years been a member of the Hong Kong Government's Standing Committee on Company Law Reform. He was a trustee of the Hospital Authority Provident Fund Scheme from 2002 to 2014.

Mr Smith graduated with an LLB (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr Smith is also a director of Genting Hong Kong Limited and Guangdong Land Holdings Limited, which are both listed on the Stock Exchange, and also an INED of ICBC Credit Suisse Asset Management Co., Ltd.

Richard Y S TANG, *SBS, JP, Director (Age: 67)*

Mr Tang, *BSc, MBA*, has been an INED of the Company since 2012. He is an MBA graduate from the University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. Mr Tang is currently chairman and managing director of Richcom Company Limited. He is also chairman of King Fook Holdings Limited and an executive director of Miramar Hotel and Investment Company, Limited, both companies being publicly listed on the Stock Exchange. Mr Tang formerly served as an INED of Hang Seng Bank Limited until his retirement in May 2018. Furthermore, he is a director of various private business enterprises and an advisor of Tang Shiu Kin and Ho Tim Charitable Fund.

Kenneth W S TING, *SBS, JP, Director (Age: 77)*

Mr Ting has been an INED of the Company since 2003. He also serves as a member and chairman of the Company's Remuneration Committee as well as a member of the Company's Audit Committee and Nomination Committee. Mr Ting is the chairman and managing director of publicly listed Kader Holdings Company Limited and chairman of Kader Industrial Company Limited. He is also an INED of publicly listed Cheuk Nang (Holdings) Limited. Mr Ting currently serves as the honorary president of HK Wuxi Trade Association Limited, the Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong and the Toys Manufacturers' Association of Hong Kong Limited, and also the Honorary Life President of Hong Kong Plastics Manufacturers' Association Limited. Mr Ting also serves as a member of a number of other trade organisations and public committees such as HKGCC. He is a Life Honorary Court member of The Hong Kong University of Science and Technology Court.

REPORT OF THE DIRECTORS (CONTINUED)

Nancy S L TSE, JP, Director (Age: 67)

Ms Tse, *FCPA (HKICPA), CPA, CA (Canada)*, has been an INED of the Company since 2013. She also serves as a member of the Company's Audit Committee. Ms Tse is currently an INED of Link Asset Management Limited (as manager of Link Real Estate Investment Trust, a publicly listed company in Hong Kong), DBS Bank (Hong Kong) Limited and HSBC Provident Fund Trustee (Hong Kong) Limited. She is also a member of the Board of Governors of the Prince Philip Dental Hospital. Ms Tse obtained her Bachelor of Arts (Honours) degree in Mathematics and Master of Business Administration degree in Finance/Accounting from the University of California, Los Angeles, United States; and qualified as Chartered Accountant in Toronto, Canada. She is also a Fellow of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Ms Tse was the Chief Financial Officer and Director (Finance and Information Technology Services) of the Hong Kong Hospital Authority ("HA") until her retirement at the end of August 2013. She joined the HA in 1991 when it was established. She is an Adjunct Professor of The Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong and sits on the boards and committees of a number of other charitable organisations and non-government organisations. She served as a member of Audit Committee of The University of Hong Kong until June 2019.

Glenn S YEE, Director (Age: 69)

Dr Yee has been an INED of the Company since 2010. He also serves as a member of the Company's Audit Committee. Dr Yee is the founder, managing director and chairman of Pacific Can China Holdings Limited ("Pacific Can"), which was a leading beverage can manufacturers in China. In 2018, after completing the sale of the entire China manufacturing business to a Chinese entity, he founded Oakhaven Limited, a private investment company involved in green industry and other projects. Dr Yee obtained a B.S. in Mechanical Engineering from Worcester Polytechnic Institute ("WPI") in Massachusetts, an MBA Degree from Columbia University in New York, and received an Honorary Doctor of Engineering Degree from WPI. Starting his career in General Electric Company in New York, and later joining Continental Can Company in Stamford, Connecticut, he has held senior positions in Marketing and Finance areas and became managing director of Continental Can Hong Kong Ltd in 1988. He resigned in 1991 and subsequently started Pacific Can. Dr Yee is a member of the Board of Trustees at WPI.

Note: The Company confirms that it has received written confirmation from each of the INEDs confirming their independence pursuant to Rule 3.13 of the Listing Rules, and considers them independent.

(II) Senior Management

Various businesses of the Group are respectively under the direct responsibility of the Chairman & Managing Director, the Deputy Chairman, the Vice Chairman and the Executive Directors of the Company as named under (A)(I) above, who are regarded as senior management of the Group.

(B) DIRECTORS' INTERESTS IN SECURITIES**(I) Interests in Shares & Debt Securities**

At 31 December 2019, Directors of the Company had the following interests, all being personal, beneficial and long position interests, in the shares and/or debt securities of the Company, of three subsidiaries of the Company, namely, WHL, Wharf REIC and Wheelock Finance Limited, and also of Greentown, which is regarded as an associated corporation of the Company, and the percentages which the relevant shares represented as compared to the total number of shares in issue of the relevant companies respectively are also set out below:

	Quantity (percentage, where applicable) held
The Company	
Douglas C K Woo – Ordinary Shares	3,000,000 (0.1464%)
Stephen T H Ng – Ordinary Shares	176,000 (0.0086%)
Stewart C K Leung – Ordinary Shares	50,000 (0.0024%)
Paul Y C Tsui – Ordinary Shares	300,000 (0.0146%)
Ricky K Y Wong – Ordinary Shares	609,000 (0.0297%)
WHL	
Stephen T H Ng – Ordinary Shares	2,009,445 (0.0659%)
Kenneth W S Ting – Ordinary Shares	659,024 (0.0216%)
Wharf REIC	
Stephen T H Ng – Ordinary Shares	1,259,445 (0.0415%)
Kenneth W S Ting – Ordinary Shares	659,024 (0.0217%)
Wheelock Finance Limited	
Ricky K Y Wong – HKD Guaranteed Notes due 2022	HK\$5,000,000
Greentown China Holdings Limited	
Stephen T H Ng – Senior Notes due 2020	US\$210,000
Ricky K Y Wong – USD Fixed Rate Notes due 2020	US\$600,000

Note: The interests in shares disclosed above do not include interests in share options of the Company and/or its subsidiary(ies) held by Directors of the Company as at 31 December 2019. Details of such interests in share options are separately set out below under subsection (B)(II) "Interests in Share Options of the Company" and subsection (B)(III) "Interests in Share Options of WHL".

REPORT OF THE DIRECTORS (CONTINUED)

(II) Interests in Share Options of the Company

Set out below are particulars and movement(s), if any, of all options (all being personal interests) held during the financial year ended 31 December 2019 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of the Company ("Wheelock's share(s)") granted/exercisable under the share option scheme of the Company:

Name of Director	Total No. of Wheelock's shares under option held as at 31 December 2019 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of Wheelock's shares under option				Subscription price per share (HK\$)
			As at date of grant	As at 1 January 2019	Exercised during the year	As at 31 December 2019	
Douglas C K Woo	5,000,000 (0.24%)	07/07/2016	5,000,000	5,000,000	–	5,000,000	36.60
Stewart C K Leung	1,200,000 (0.06%)	07/07/2016	3,000,000	1,200,000	–	1,200,000	36.60
Paul Y C Tsui	600,000 (0.03%)	07/07/2016	1,500,000	900,000	300,000 (Note b)	600,000	36.60
Ricky K Y Wong	1,200,000 (0.06%)	07/07/2016	3,000,000	1,800,000	600,000 (Note c)	1,200,000	36.60

Notes:

- (a) Regarding the share options granted to the abovementioned Directors on the date of grant as set out above, the share options as originally granted (i.e. the original total quantity of options granted on the date of grant) were/are vested in five tranches exercisable within a period of 5 years, with each tranche covering one-fifth of the options, i.e. exercisable to the extent of one-fifth of the total number of Wheelock's shares under option, and with the 1st tranche exercisable from the day immediately following the date of grant, and the 2nd, 3rd, 4th and 5th tranches exercisable from the day immediately following the 1st, 2nd, 3rd and 4th anniversary dates of the date of grant respectively; all the options will lapse at the close of business on the 5th anniversary date of the date of grant.
- (b) The closing price of Wheelock's shares immediately before the date of exercise of options by Mr Paul Y C Tsui (all exercised on the same day) during the year was HK\$51.50 per share.
- (c) The closing price of Wheelock's shares immediately before the date of exercise of options by Mr Ricky K Y Wong (all exercised on the same day) during the year was HK\$58.65 per share.

(III) Interests in Share Options of WHL

There was in existence during the financial year a share option scheme of WHL (the “WHL’s Scheme”). Set out below are particulars and movement(s), if any, of all options (all being personal interests) held during the financial year ended 31 December 2019 by Directors (and/or their respective associate(s)) of the Company to subscribe for ordinary shares of WHL (“WHL’s share(s)”) granted/exercisable under the WHL’s Scheme:

Name of Director	Total No. of WHL’s shares under option held as at 31 December 2019 (percentage based on all issued shares)	Date of grant (Day/Month/Year)	No. of WHL’s shares under option				Subscription price per Share (HK\$)
			As at date of grant	As at 1 January 2019	Exercised during the year	As at 31 December 2019	
Stephen T H Ng	3,000,000 (0.10%)	07/07/2016	5,000,000	3,500,000	500,000 (Note ii)	3,000,000	15.92
Paul Y C Tsui	300,000 (0.01%)	07/07/2016	1,500,000	900,000	600,000 (Note iii)	300,000	15.92

Notes:

- (i) Regarding the share options granted to the abovementioned Directors on the date of grant as set out above, the share options as originally granted (i.e. the original total quantity of options granted on the date of grant) were/are vested in five tranches exercisable within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the total number of WHL’s shares under option, and with the 1st tranche exercisable from the day immediately following the date of grant, and the 2nd, 3rd, 4th and 5th tranches exercisable from the day immediately following the 1st, 2nd, 3rd and 4th anniversary dates of the date of grant respectively; all the options will lapse at the close of business on the 5th anniversary date of the date of grant.
- (ii) The closing price of WHL’s shares immediately before the date of exercise of options by Mr Stephen T H Ng (all exercised on the same day) during the year was HK\$17.66 per share.
- (iii) The closing price of WHL’s shares immediately before the date of exercise of options by Mr Paul Y C Tsui (all exercised on the same day) during the year was HK\$16.92 per share.

Except as disclosed above:

- (1) no share option of the Company and/or WHL held by Directors of the Company and/or their associate(s) lapsed or was exercised or cancelled during the financial year and no share option of the Company and/or WHL was granted to any Director of the Company and/or any of their associate(s) during the financial year; and
- (2) as recorded in the register kept by the Company under Section 352 of the Securities and Futures Ordinance (“SFO”) in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Listing Rules, there were no interests, both long and short positions, held as at 31 December 2019 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and/or its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and/or its associated corporations held by any of them as at 31 December 2019.

REPORT OF THE DIRECTORS (CONTINUED)

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 31 December 2019 and the respective relevant numbers of shares (percentages based on all issued shares) in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under Section 336 of the SFO (the "Register"):

Names	Number (percentage) of Ordinary Shares
(i) Mr Peter K C Woo <i>(Note 2)</i>	368,948,652 (18.01%)
(ii) Mrs Bessie P Y Woo <i>(Note 2)</i>	368,948,652 (18.01%)
(iii) HSBC Trustee (C.I.) Limited	995,221,678 (48.57%)

Notes:

- (1) Duplication occurred in respect of the shareholdings stated against parties (i) and (ii) above to the extent that they represented the same block of shares.
- (2) For the purpose of disclosure of interests in share options of the Company and of WHL under the Listing Rules, Mr Douglas C K Woo is regarded as an associate of each of party (i) and party (ii). Particulars of Mr Douglas C K Woo's relevant share option interests (not included in the interests held by party (i) and party (ii) mentioned above) are set out above under subsections (II) and (III) in section (B) "Directors' Interests in Securities".

All the interests stated above represented long positions and as at 31 December 2019, there were no short position interests recorded in the Register.

(D) SHARE OPTION SCHEMES

(I) Summary of the Share Option Scheme of the Company (the "Company's Scheme")

- (a) Purpose of the Company's Scheme:
To provide directors and/or employees with the opportunity of acquiring an equity interest in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Group's continued growth and success.
- (b) Eligibility:
Eligible participants include any person(s) who is/are full-time and/or part-time employee(s) and/or Director(s) of the Company, any of its subsidiary(ies), and/or any of its associate(s). "Associates" include joint venture(s) and subsidiary(ies) of associates and of joint ventures.
- (c) (i) Total number of Wheelock's shares available for issue under the Company's Scheme as at the date of this Annual Report:
182,184,928
- (ii) Percentage which the 182,184,928 Ordinary Shares represent to the total number of Wheelock's shares in issue as at the date of this Annual Report:
8.87%
- (d) Maximum entitlement of each eligible participant under the Company's Scheme:
Not to exceed 1% of all Wheelock's shares in issue in any 12-month period unless approved by Shareholders of the Company
- (e) Period within which Wheelock's shares must be taken up under an option:
Within 10 years from the date on which the option is offered or such shorter period as the Directors may determine

- (f) Minimum period for which an option must be held before it can be exercised:
No minimum period unless otherwise determined by the Board
- (g) (i) Price payable on application or acceptance of the option:
HK\$10.00
- (ii) The period within which payments or calls must or may be made:
28 days after the offer date of an option or such shorter period as the Directors may determine
- (iii) The period within which loans for the purposes of the payments or calls must be repaid:
Not applicable
- (h) Basis of determining the subscription price:
The subscription price shall be determined by the Directors at the time of offer but shall not be less than whichever is the highest of:
- (i) the indicative price per share for subscription of Wheelock's shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participant;
- (ii) the closing price of Wheelock's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of an option, which must be a Stock Exchange trading day; and
- (iii) the average closing price of Wheelock's shares as stated in the Stock Exchange's daily quotation sheets for the five Stock Exchange trading days immediately preceding the date of grant of an option.
- (i) The remaining life of the Company's Scheme:
Approximately 1 year (expiring on 8 June 2021)

(II) Details of Outstanding Options for Shares of the Company

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

Date of grant (Day/Month/Year)	No. of Wheelock's shares under option			Vesting/Exercise Period (both dates inclusive) (Day/Month/Year)	Subscription price per share (HK\$)
	As at 1 January 2019	Exercised during the year	As at 31 December 2019		
07/07/2016:	1,000,000	–	1,000,000	08/07/2016-07/07/2021	36.60
	1,000,000	–	1,000,000	08/07/2017-07/07/2021	36.60
	1,900,000	900,000	1,000,000	08/07/2018-07/07/2021	36.60
	2,500,000	–	2,500,000	08/07/2019-07/07/2021	36.60
	2,500,000	–	2,500,000	08/07/2020-07/07/2021	36.60
Total:	8,900,000	900,000	8,000,000		

Notes:

- (1) The weighted average closing price of Wheelock's shares immediately before the date(s) of exercise(s) of the options during the financial year as abovementioned was HK\$56.27 per share.
- (2) Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial year.

REPORT OF THE DIRECTORS (CONTINUED)

(III) Details of Outstanding Options for Shares of WHL

The terms, conditions, and relevant information of the WHL's Scheme are, *mutatis mutandis*, identical to those of the Company's Scheme (as set out under section (D)(I) above) in all material respects, except that for (c)(i) and (c)(ii) under section (D)(I) above, the relevant number/percentage for the WHL's Scheme are 276,144,732 and 9.06% respectively.

Set out below are particulars and movement(s), if any, during the financial year of all WHL's share options outstanding during the year (all such share options were granted to employees and/or directors of WHL and/or its subsidiaries (some being also Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and all being participants with options not exceeding the respective individual limits):

Date of grant (Day/Month/Year)	No. of WHL's shares under option			Vesting/Exercise Period (both dates inclusive) (Day/Month/Year)	Subscription price per share (HK\$)
	As at 1 January 2019	Exercised during the year	As at 31 December 2019		
07/07/2016:	–	–	–	08/07/2016-07/07/2021	15.92
	800,000	700,000	100,000	08/07/2017-07/07/2021	15.92
	2,300,000	500,000	1,800,000	08/07/2018-07/07/2021	15.92
	2,900,000	900,000	2,000,000	08/07/2019-07/07/2021	15.92
	2,900,000	–	2,900,000	08/07/2020-07/07/2021	15.92
Total:	8,900,000	2,100,000	6,800,000		

Notes:

- (1) The weighted average closing price of WHL's shares immediately before the date(s) of exercise(s) of the options during the financial year as abovementioned was HK\$17.77 per share.
- (2) Except as disclosed above, no share option of WHL lapsed or was granted, exercised or cancelled during the financial year.

(E) RETIREMENT BENEFITS SCHEMES

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

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

(F) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2019:

- (a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented 22% of the Group's total purchases;
- (b) the largest supplier accounted for 8% of the Group's total purchases;
- (c) none of the Directors of the Company or their associates holds, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's equity capital hold, any interests in any of the Group's five largest suppliers; and
- (d) the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

(G) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2019 which were repayable on demand or within a period not exceeding one year or after one year are set out in Note 21 to the Financial Statements on pages 107 to 108.

(H) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2019.

(I) DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcement made by the Company dated 2 January 2018, and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) Master Tenancy Agreement between the Group and WGL

During the financial year under review, there existed various tenancy agreements entered into between certain subsidiaries of the Company as landlords and certain subsidiaries, associates and/or affiliates of Wisdom Gateway Limited ("WGL") as tenants (the "Eligible Tenants") for the purpose of the letting by the landlords to the Eligible Tenants certain properties owned by the Group for operating various retail businesses, including Lane Crawford stores and CitySuper stores.

On 2 January 2018, the Group entered into a master tenancy agreement (the "MTA") with WGL for a term of three years from 1 January 2018 to 31 December 2020. The MTA is for the purpose of, *inter alia*, regulating various continuing connected transactions in respect of the leasing of premises owned by members of the Group to the Eligible Tenants and the fixing of the aggregate annual cap amount of rentals in relation thereto during the said three-year term.

REPORT OF THE DIRECTORS (CONTINUED)

As WGL is indirectly wholly-owned by a trust, the settlor of which is Mr Peter K C Woo, who is a substantial shareholder of the Company, the MTA and various transactions contemplated therein and/or governed thereunder (collectively, the “MTA Transactions”) constituted continuing connected transactions for the Company under the Listing Rules.

The annual aggregate amount of rental under the MTA, which is subject to the relevant aggregate annual cap amount previously disclosed in the abovementioned announcement dated 2 January 2018, received by the Group from the Eligible Tenants for the financial year ended 31 December 2019 amounted to HK\$903 million.

- (ii) With regard to the Material Related Party Transactions as disclosed under Note 29 to the Financial Statements on page 125, the transactions stated under paragraph “(a)” therein constitutes connected transactions (as defined under the Listing Rules) of the Company and the one under paragraph “(b)” does not constitute a connected transaction for the Company.

(iii) Confirmation from Directors etc.

The Directors, including the INEDs, of the Company have reviewed the MTA Transactions mentioned under section (I)(i) above and confirmed that the MTA Transactions were entered into:

- (a) by the Group in the ordinary and usual course of its business;
- (b) on normal commercial terms or better; and
- (c) according to the agreements governing such MTA Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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

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

- (1) the MTA Transactions had not been approved by the Company’s Board of Directors;
- (2) the MTA Transactions were not, in all material respects, entered into in accordance with the terms of the related agreements governing the MTA Transactions;
- (3) the relevant cap amounts, where applicable, have been exceeded during the financial year ended 31 December 2019; and
- (4) in the event that there would be any transactions involving the provision of goods and services by the Group, the transactions were not, in any material respects, in accordance with the pricing policies of the Group.

(J) PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks pertaining to Development Properties ("DP")

DP segment is the Group's core business, primarily in Hong Kong and Mainland China. Accordingly, the DP segment is subject to economic, political and legal developments in Hong Kong and Mainland China as well as in the economies in the surrounding region.

In Hong Kong, the DP market has been affected by the economic and market conditions, escalating construction costs, environmental issues, government approval and the policies of the government through legislative or administrative measures. In recent years, the Government of HKSAR has imposed control measures including Residential Properties (First-hand Sales) Ordinance, heavier stamp duties and home loan curbs.

In recent years, the DP market in Mainland China has been concurrently affected by the economic trend and government policies such as the adoption of category-based regulatory measures and the bilateral regulatory measures for the real estate market, policy changes affecting the issue of pre-sale licenses and permitted selling prices, mortgage levels and ownership, interest rate changes, supply and demand conditions as well as the overall economic volatility in Mainland China.

The Group's DP segment is expected to continue exposing to these risks, which may affect the Group's investment strategy and business model as well as the performance in DP. In this respect, the Group actively assesses the overall economic, political and legal developments as well as the property markets in Hong Kong and Mainland China for deciding viable acquisitions and selling strategies. For each potential project, detailed feasibility and stress test with regard to all aspects will be carried out before an acquisition to minimise the commercial and legal risks.

Risks pertaining to Investment Properties ("IP")

IP segment is another core business of the Group accounting for over 55% of the Group's total assets. With the majority of the properties locating in Hong Kong and Mainland China, the general economic climate, regulatory changes, government policies and the political conditions in both Hong Kong and Mainland China may have a significant impact on the Group's overall financial results and condition. The Group's rental income may experience more frequent adjustments resulting from competition arising from an oversupply in retail and office areas. Furthermore, rental levels may also be impacted by external economic and market conditions including but not limited to the fluctuations in general supply and demand, performance in stock markets and financial volatility, which may indirectly affect the Group's IP performance.

IPs are stated at fair values in accordance with the Hong Kong Financial Reporting Standards in the statement of financial position at each reporting period. The fair values are provided by independent professional surveyors and the changes in fair value are recognised in the statement of profit or loss. Given the size of the Group's IP portfolio, any significant change in the IP values may overwhelmingly affect the Group's results that may not be able to reflect the Group's operating and cash flow performance.

REPORT OF THE DIRECTORS (CONTINUED)

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

Non property related businesses

The Group operates container terminals both in Hong Kong and Mainland China. Amid soft trade and manufacturing activity, global economic growth slipped to the slowest pace since the financial crisis. Sino-US trade tension and a slowdown in Mainland China's growth further dampened confidence in investment and economic development.

The Group operates 18 hotels in the Asia Pacific region, 8 of which are owned by the Group. Hotel performance is usually subject to a high degree of fluctuations caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions.

The Group also set to capture opportunities in the new economy that covers much larger markets with greater growth potential and holds a portfolio of long-term investments, which accounted for about 8% of the Group's total assets. The diversified portfolio is held for long term growth potential with reasonable return that in line with the general market, consisting of mainly blue chips listed investments and investments in technology and new economy with each investment individually immaterial to the Group's total assets. Given that the volatility of the stock market, the portfolio is subject to market fluctuation and may affect the net asset value of the Group yet impacts on the Group's results should be insignificant. The performance of the portfolio is assessed and monitored by top management regularly.

Legal and Regulatory Compliance risks

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

Financial risks

The Group is exposed to financial risks related to interest rate, foreign currency, equity price and credit in the normal course of the business. For further details of such risks and relevant management policies, please refer to Note 24 to the Financial Statements on pages 113 to 120.

(K) ENVIRONMENT, SOCIAL AND GOVERNANCE (“ESG”)

At Wheelock, our sustainability journey continues as we strive to progress and improve our performance diligently with regard to the environment, our people and our communities. We do this by bringing different stakeholders together to help accelerate progress and create greater impact. We continue to live up to our Business-in-Community principle, and shoulder responsibility as a sustainable company to proactively manage the emerging global ESG risks and opportunities.

In 2019, we further reinforced our holistic and long-term commitment to sustainability and elevated our sustainability efforts with some major achievements:

- Obtained HK\$2 billion sustainability-linked loan, first of its kind in Hong Kong. Pegging interest rates to our sustainability efforts as guided by the Sustainability Linked Loan Principles, the loan is a testament to the Group’s all-round sustainability management practices;
- Selected as constituent of Hang Seng Corporate Sustainability Benchmark Index for our continuous efforts in promoting sustainability over the years;
- Announced by WPL, two peppercorn leases to NGOs with the intended planned target for provision of approximately 2,000 units of transitional housing to address communities’ needs.

More information on our ESG policies and initiatives could be found in our next standalone Sustainability Report (previously named as CSR Report). It will be published in May 2020 on the Company’s corporate website (www.wheelockcompany.com). The Report will be prepared in accordance with the ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited and Core Option of the Global Reporting Initiative (GRI) Standards, and it will be independently assured to enhance content reliability.

Environment

Wheelock endeavours to exceed regulatory requirements and to demonstrate global environmental best practices across our offices, managed properties and construction sites.

Since its early ages, Wheelock has realised the importance of crafting properties that create positive environmental impacts and values for our stakeholders, by incorporating environmental sustainability in the life cycle management, in all stages of a project. We are committed to achieving BEAM Plus Gold certification for all developments and endeavour to attain LEED¹ Gold certification for all commercial developments. As of 31 December 2019, 100% of construction floor area has been certified with or under application for the relevant green building standards. In particular, our new O’EAST portfolio, together with the O’SOUTH portfolio, has formed a connected green living hub for residents in Tseung Kwan O to enjoy living in harmony with the environment.

Joining the global efforts in addressing climate risks, we conducted comprehensive impact evaluation of wind force and other environmental factors for all new developments to enhance building resilience against strong winds and other extreme weather events. Furthermore, we created additional values by improving the health and well-being standards in our commercial portfolio through maintaining indoor air quality.

¹ LEED (Leadership in Energy and Environmental Design) certification is the most widely used green building rating system in the world and is issued by the US Green Building Council.

REPORT OF THE DIRECTORS (CONTINUED)

Apart from bettering our development projects with green features, we continued to optimise our resources consumption and limit emissions generated from daily operations. In 2019, we achieved around 9% reduction in energy use at our headquarters as compared to 2018.

One step furthered in 2019, WPL has participated in the Low-carbon Office Operation Programme (LOOP) for the eight consecutive year and attained Platinum Label (carbon emission per employee has been reduced by 34% compared to eight years ago), a recognition as one of the top performing offices. WPL also received the “Corporate Social Responsibility Project of The Year – Winner” awards at RICS (Royal Institution of Chartered Surveyors) Awards 2019 for the sixth year consecutively. With the concerted effort within the Company, we will continue to strive for greener and more sustainable way of operation.

Community

Wheelock regards community investment as an indispensable element of our journey to connect people for knowledge-exchange, resources-sharing and value-creation. We support the communities with financial aids and volunteering in the areas of youth and art, community betterment, and nature and environment.

Our flagship youth development programme, Project *WeCan*, continued to serve as a platform to empower and provide underprivileged youth with more exposure to the society. The total number of students standing to benefit under the programme has grown above 70,000 since its launch in 2011, with the support from 68 partners within the year. During 2019, we received exceptional support from partners to share their experience and expertise on sales, product development and intellectual properties through one of its joint-school programmes – Young Innovators Bazaar, in order to equip the students with knowledge to run a retail business. Over 1,500 students participated in this programme and achieved remarkable results. In addition, we promote community betterment through connecting and engaging the innovative community, so as to facilitate the thriving of innovative ideas and business solutions. During the year, HKSTP@Wheelock Gallery continued to provide a venue for organising business meetings and events targeting at technopreneurs and startups. Over 2,600 business meetings and 120 events were organised.

Valuing our Employees

Wheelock is committed to creating a pleasant working environment and to providing opportunities for employees to grow. Our human resources policies outline the direction for the Group in managing employee affairs, including but not limited to recruitment, promotion and remunerations with strict compliance to all applicable laws and regulations. Through Group-wide Equal Opportunities Policy and Grievance Procedures, we ensure that every employee enjoys equal and non-biased treatment regardless of their characteristics and background.

To gear up our team for delivering high quality products and services to our customers, we arrange regular and extensive leadership and professional training programmes for employees in different business segments. The training topics cover technical skills such as Building Information Modelling (BIM) and PowerBI, as well as interpersonal and transferrable skills. To further develop staff with potentials, the CONNECT Mentorship Programme has been introduced during the year to link up employees of different seniorities for close coaching on soft skills like leadership. The average training hours per employee was around six hours in 2019.

Fostering a coherent and family-like working environment has also been our priority. We encourage employees to join us in different volunteering and leisure activities beyond work, as a way to maintain mental wellness and bond with colleagues from different teams.

Health and Safety

Wheelock strives to work towards a zero-harm workplace for securing the health and safety of members engaged in our operations. We have developed policies and guidelines, such as the Project Safety Manual for Corporate Level, to lead our health and safety risk control and monitoring measures. Safety training and workshops have been delivered not only to our employees but also subcontractor workers to raise their awareness on our safety standards. We have also commissioned external safety consultants to conduct site safety inspections to ensure alignment with relevant laws and regulations, as well as industry best practices. Besides, occupational health and safety management systems certified with ISO 45001 have been established at four of our managed sites.

In light of the outbreak of novel coronavirus disease, we undertake best practices and preventive measures for virus contagion, and open channels of communication with health authorities. We proactively carry out preventive initiatives, recommended behavioral best practices, operational business continuity plans and protocols in order to facilitate smooth business operations and the safety of our employees where possible. We continue to endeavour to provide a healthy and safe working environment for our employees.

Products and Services

Our winning combination of quality products and attentive services has brought us to the industry-leading position. We have dedicated internal committees and task forces to supervise the development and implementation of product concept, design and quality. We also embrace innovative solutions and utilise technology such as smart home services and mobile apps to provide customers with extraordinary and new experiences. Aiming to uplift the product and service standards, we actively gather customers' feedback and take it seriously as the major driving force for quality advancement. Club Wheelock, the property and esteemed lifestyle circle of WPL, allows our valued customers to enjoy an array of special privileges. While handling customer information, we pay extra attention to privacy issues and manage to comply with the Personal Data (Privacy) Ordinance.

Supply Chain Management

Wheelock works closely with suppliers and contractors to build a desirable community based on the shared belief and responsibilities regarding sustainable development. It has been our long-standing preference to source from local suppliers and those who operate and adhere to the same social and environmental standards as ours. In 2019, we continued to stipulate our ESG requirements in tendering documents and subsequent contracts. All our suppliers and contractors are required to adhere to our Supplier Code of Conduct, which defines our expectations on their practices relating to environmental protection, labour standards, business ethics and legal compliance, etc. As the partnerships progress, we continuously track suppliers' product and service quality, as well as all-round performance of contractors on construction sites, securing our supply chain with rigid compliance with laws and industrial standards.

Stakeholder Engagement

For the best development of the Company, Wheelock takes into considerations of our stakeholders' expectations for decision making and strategy development. We constantly carry out engagement exercises with all parties we value – employees, customers, business partners, community partners, government and regulators, investors and the media – and communicate our response to their key concern topics via our Sustainability Report, as well as other communication means. In addition, an extensive stakeholder engagement exercise, including survey, interviews and focus group discussions, has been conducted for the identification of key ESG topics for the Sustainability Report 2019.

REPORT OF THE DIRECTORS (CONTINUED)

(L) DIRECTORS OF SUBSIDIARIES

The names of all directors of the Company's subsidiaries who/which, during the period from the beginning of the financial year to 11 March 2020 (being the date of the Report of the Directors of the Company), serve/served as directors of one or more of those companies which, as at the end of the financial year, were subsidiaries of the Company are set out below:

Name	Name	Name
Admirable Corporation	LEUNG Kai Hang	WONG Man Fai
Andrea Limited	LEUNG Kwan Yuen Andrew	WONG Wing Sing
Ascend Link Limited	LEUNG Ping Chiu	WONG Yee Lut Eliot
AU Siu Kee Alexander	LEUNG Yan Yee Hester	WOO Chun Kuen Douglas
AU YEUNG Hung Yuen Steve	LEVESQUE Peter Jon	WU Guan
CHAK Hoi Kit Jacques	LI Jun	YEOH Eng Kiong
CHAN Kai Cheuk	LI Lei	YEUNG Kwok Sang
CHAN Kwok Pong Kevin	LI Qingan	YICK Chi Ming Frankie
CHAN Mable	LI Yubin	YIM Kong
CHAN Sik Wah	LIE-A-CHEONG Tai Chong David	YOUNG Stephen Ying Yuen
CHAN Wai Leung	LING Miu Ngan	ZEMAN Allan
CHAN Wing Sang Wilson	LO Wai Man	ZHANG Vicky Yuanyuan
CHAVALIT Uttasart	LUK Koon Hoo	ZHANG Yi
CHEN Kwan Yiu Edward	MAN Yuk Sim	ZHOU Lian Ying
CHEUNG Mark Quintin	NG Tin Hoi Stephen	王佳宏
CHIANG Sui Fook Lilian	NGAN Chiu Long Sunny	王玲
CHOI Kevin	OON Hock Neo	周建罡
CHOI Margaret	PAO Zen Kwok Peter	凌學風
CHOW Ming Po Aaron	POON Kwok Fai	唐雷明
CHOW On Kiu	SEATON Andrew James	徐斯偉
CHOW Siu Ngor	SIT Kien Ping Peter	符冰力
Divine Skyline Limited	SIU Man Ho Simon	郭志成
FANG Kang Vincent	SIU Wing Koon	陳小平
FU Wai Hung	SIU Yau Chung Joseph	陳信霖
GUO Guanghui	SUN Ligan	劉鳴
GUO Yong	SZE Tsai Ping Michael	聶煥新
HAU Shun	TAM Wai Choi	
HAU Wing Shing Vincent	TAN Bee Kim	
HENNIG Hans Helmuth	TAN Zing Yan	
HO Lai Chu	TANG See King	
HUI Chung Ying Kevin	TING Tien Li Ivan	
HUNG Hing On	TO King Yan Adam	
JEBSEN Hans Michael	TSANG Yiu Fat Peter	
LAM Man Shing	TSO Hok Chiu Vivian	
LAW Elizabeth	TSUI Yiu Cheung Paul	
LEE Wai Chung	TURNBULL David Muir	
LEE Yuk Fong Doreen	WEI Qing Shan	
LENG Yen Thean	WILLIAMS Richard Gareth	
LEUNG Chi Kin	WONG Hei Lan	
LEUNG Ka Hing	WONG Kwong Yiu	

INDEPENDENT AUDITOR'S REPORT

To the members of Wheelock and Company Limited

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Wheelock and Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 73 to 163, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Refer to accounting policy D(i) and note 8 to the consolidated financial statements

The Key Audit Matter

The Group holds a portfolio of IP and IPUD located in Hong Kong, major cities across Mainland China and Singapore which accounted for 55% of the Group's total assets as at 31 December 2019.

The fair values of the IP and IPUD as at 31 December 2019 were assessed by the Group based on independent valuations prepared by qualified external property valuers.

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

How the matter was addressed in our audit

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

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

For IPUD our audit procedures also included the following:

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

Assessing the net realisable value of properties for sale

Refer to accounting policy K and note 15 to the consolidated financial statements

The Key Audit Matter

The Group had a number of property development projects located in Hong Kong, major cities across Mainland China and Singapore, which were stated at the lower of cost and net realisable value at an aggregate amount of HK\$92 billion as at 31 December 2019.

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

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

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

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

How the matter was addressed in our audit

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

- conducting site visits to properties for sale on a sample basis, discussing the progress with the Group's internal property valuers and comparing the observed progress with the latest development budgets for PUD provided by management with reference to quantity surveyors' reports;
- assessing the internal property valuers' qualifications, experience and expertise in the properties being valued;
- evaluating the internal property valuers' valuation methodology and assessing the key estimates, data inputs and assumptions adopted in the valuations, which included comparing expected future average selling prices with available market data such as recently transacted prices for similar properties located in the nearby vicinity of each property for sale and comparing costs to complete each PUD with publicly available construction cost information for similar properties (taking into account both property type and location), on a sample basis;
- re-performing the calculations made by the internal property valuers in arriving at the year end assessments of net realisable value of properties for sale, and comparing the estimated costs to complete the PUD with the Group's latest budgets, on a sample basis; and
- performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Revenue recognition for investment properties ("IP") and development properties ("DP") in Hong Kong and Mainland China

Refer to accounting policy R and note 1 to the consolidated financial statements

The Key Audit Matter

Revenue from the IP and DP segments in Hong Kong and Mainland China accounted for 83% of the Group's revenue for the year ended 31 December 2019.

Revenue from IP in Hong Kong and Mainland China is recognised in equal instalments over the accounting periods covered by the lease term and includes contingent rental which is determined based on the turnover of certain retail outlets.

Revenue from DP in Hong Kong and Mainland China is recognised at a point in time when control of the property has been transferred to the customer. It is considered control of the property has been transferred, in respect of Hong Kong property, when the property is legally assigned to the customer or in respect of Mainland China property, when the property is accepted by the customer.

We identified the revenue recognition for IP and DP in Hong Kong and Mainland China as a key audit matter because of its significance to the Group and because small errors in the recognition of revenue, either individually or in aggregate, for each property development project could have a material impact on the Group's profit for the year.

How the matter was addressed in our audit

Our audit procedures to assess the revenue recognition for IP and DP included the following:

- comparing fixed rental revenue received and receivable with underlying tenancy information, including monthly rents and rental periods as set out in the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period;
- re-performing the calculation of contingent rental received and receivable with reference to turnover reports submitted by the relevant retail outlets, on a sample basis, and assessing whether the contingent rental had been recorded and accounted for in the appropriate accounting period; and
- inspecting, on a sample basis, documents which evidenced that the properties were legally assigned to or accepted by customers in respect of Hong Kong and Mainland China properties respectively and assessing whether the related revenue should be recorded in the current accounting period.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

KPMG

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

11 March 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 HK\$ Million	2018 HK\$ Million
Revenue	1	48,519	48,490
Direct costs and operating expenses		(17,220)	(19,435)
Selling and marketing expenses		(1,593)	(1,513)
Administrative and corporate expenses		(1,493)	(1,667)
Operating profit before depreciation, amortisation, interest and tax		28,213	25,875
Depreciation and amortisation	2	(970)	(941)
Operating profit	1 & 2	27,243	24,934
(Decrease)/increase in fair value of investment properties		(4,927)	9,195
Other net charge	3	(2,837)	(1,894)
		19,479	32,235
Finance costs	4	(2,286)	(1,599)
Share of results after tax of:			
Associates	10(e)	412	1,585
Joint ventures	11(d)	497	1,279
Profit before taxation		18,102	33,500
Income tax	5	(6,110)	(6,630)
Profit for the year		11,992	26,870
Profit attributable to:			
Equity shareholders		9,173	17,239
Non-controlling interests		2,819	9,631
		11,992	26,870
Earnings per share	7		
Basic		HK\$4.48	HK\$8.43
Diluted		HK\$4.47	HK\$8.41

The notes and principal accounting policies on pages 80 to 163 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

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

The notes and principal accounting policies on pages 80 to 163 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK\$ Million	2018 HK\$ Million
Non-current assets			
Investment properties	8	336,819	341,466
Property, plant and equipment	9	20,945	21,970
Interest in associates	10	19,971	21,390
Interest in joint ventures	11	37,740	29,161
Other long term investments	12	46,749	42,645
Goodwill and other intangible assets	13	298	298
Deferred tax assets	23	1,179	1,116
Derivative financial assets	17	502	282
Other non-current assets		743	1,032
		464,946	459,360
Current assets			
Properties for sale	15	92,231	91,433
Inventories		16	13
Trade and other receivables	16	14,491	10,002
Derivative financial assets	17	64	171
Bank deposits and cash	18	37,665	28,824
		144,467	130,443
Non-current assets classified as held for sale	14	–	2,821
		144,467	133,264
Total assets		609,413	592,624
Non-current liabilities			
Derivative financial liabilities	17	(562)	(682)
Deferred tax liabilities	23	(14,947)	(13,984)
Other deferred liabilities		(333)	(331)
Bank loans and other borrowings	21	(102,436)	(106,863)
		(118,278)	(121,860)
Current liabilities			
Liabilities directly associated with the non-current assets classified as held for sale	14	–	(11)
Trade and other payables	19	(36,073)	(34,916)
Deposits from sale of properties	20	(30,676)	(24,780)
Derivative financial liabilities	17	(165)	(490)
Taxation payable	5(d)	(7,061)	(6,121)
Bank loans and other borrowings	21	(23,447)	(14,968)
		(97,422)	(81,286)
Total liabilities		(215,700)	(203,146)
NET ASSETS		393,713	389,478
Capital and reserves			
Share capital	25(a)	3,764	3,724
Reserves		264,240	247,353
Shareholders' equity		268,004	251,077
Non-controlling interests		125,709	138,401
TOTAL EQUITY		393,713	389,478

The notes and principal accounting policies on pages 80 to 163 form part of these financial statements.

Douglas C K Woo
Chairman & Managing Director

Paul Y C Tsui
Executive Director & Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Shareholders' equity						
	Share capital HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non- controlling interests HK\$ Million	Total equity HK\$ Million
At 1 January 2018	3,418	1,888	734	235,644	241,684	146,139	387,823
Changes in equity for 2018:							
Profit	-	-	-	17,239	17,239	9,631	26,870
Other comprehensive income	-	(4,965)	(3,103)	(3)	(8,071)	(4,134)	(12,205)
Total comprehensive income	-	(4,965)	(3,103)	17,236	9,168	5,497	14,665
Shares issued under the share option scheme	306	(60)	-	-	246	-	246
Equity settled share-based payments	-	29	-	-	29	6	35
Shares issued by a subsidiary	-	(111)	-	-	(111)	350	239
Acquisition of additional interest in subsidiaries	-	-	-	3,030	3,030	(9,587)	(6,557)
Transfer to revenue reserves upon de-recognition of equity investments	-	16	-	(16)	-	-	-
2017 second interim dividend paid	-	-	-	(1,945)	(1,945)	-	(1,945)
2018 first interim dividend paid	-	-	-	(1,024)	(1,024)	-	(1,024)
Dividends paid to non-controlling interests	-	-	-	-	-	(4,004)	(4,004)
At 31 December 2018 and 1 January 2019	3,724	(3,203)	(2,369)	252,925	251,077	138,401	389,478
Changes in equity for 2019:							
Profit	-	-	-	9,173	9,173	2,819	11,992
Other comprehensive income	-	7,172	(1,662)	35	5,545	1,674	7,219
Total comprehensive income	-	7,172	(1,662)	9,208	14,718	4,493	19,211
Shares issued under the share option scheme	40	(7)	-	-	33	-	33
Equity settled share-based payments	-	15	-	-	15	3	18
Shares issued by a subsidiary	-	(10)	-	-	(10)	44	34
Acquisition of additional interest in subsidiaries	-	-	-	5,397	5,397	(14,099)	(8,702)
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	320	320
Transfer to revenue reserves upon de-recognition of equity investments	-	(896)	-	896	-	-	-
2018 second interim dividend paid	-	-	-	(2,151)	(2,151)	-	(2,151)
2019 first interim dividend paid	-	-	-	(1,075)	(1,075)	-	(1,075)
Dividends paid to non-controlling interests	-	-	-	-	-	(3,453)	(3,453)
At 31 December 2019	3,764	3,071	(4,031)	265,200	268,004	125,709	393,713

The notes and principal accounting policies on pages 80 to 163 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK\$ Million	2018 HK\$ Million
Operating cash inflow	(a)	25,523	24,439
Changes in working capital	(a)	(1,137)	(15,210)
Exchange differences	(a)	298	288
Cash generated from operations	(a)	24,684	9,517
Net interest paid		(2,367)	(3,171)
Interest paid		(4,024)	(3,907)
Interest received		1,657	736
Dividends received from associates		891	737
Dividends received from joint ventures		1,178	279
Dividends received from other long term investments		1,047	783
Hong Kong Profits Tax paid		(644)	(2,015)
Tax paid outside Hong Kong		(3,413)	(2,548)
Net cash generated from operating activities		21,376	3,582
Investing activities			
Additions to investment properties		(1,331)	(2,739)
Additions to property, plant and equipment		(265)	(422)
Net decrease/(increase) in interest in associates		562	(4,364)
Net (increase)/decrease in interest in joint ventures		(9,445)	32
Acquisition of additional interest in subsidiaries		(8,543)	(6,495)
Purchase of other long term investments		(8,486)	(19,509)
Net proceeds from disposal of an associate		–	22
Proceeds from disposal of other long term investments		14,289	1,156
Proceeds from disposal of investment properties		3,393	–
Decrease in long term receivables		289	8
Net (placement)/release of bank deposits with maturity greater than three months		(1,006)	1,430
Release of pledged bank deposits		–	105
Net cash used in investing activities		(10,543)	(30,776)
Financing activities			
Proceeds from the issue of shares under the share option scheme		33	246
Proceeds from the issue of shares under the share option scheme of a subsidiary		34	239
Drawdown of bank loans and other borrowings	(c)	55,400	66,435
Repayment of bank loans and other borrowings	(c)	(51,786)	(58,026)
Capital contribution from non-controlling interests of a subsidiary		320	–
Dividends paid to equity shareholders		(3,226)	(2,969)
Dividends paid to non-controlling interests		(3,453)	(4,004)
Net cash (used in)/generated from financing activities		(2,678)	1,921
Net increase/(decrease) in cash and cash equivalents		8,155	(25,273)
Cash and cash equivalents at 1 January		26,129	52,244
Effect of exchange rate changes		(320)	(842)
Cash and cash equivalents at 31 December	(b)	33,964	26,129

The notes and principal accounting policies on pages 80 to 163 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2019

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit to cash generated from operations

	2019 HK\$ Million	2018 HK\$ Million
Operating profit	27,243	24,934
Adjustments for:		
Interest income	(1,658)	(684)
Dividend income from other long term investments	(1,051)	(791)
Depreciation and amortisation	970	941
Loss on disposal of property, plant and equipment	1	4
Equity settled share-based payment expenses	18	35
Operating cash inflow	25,523	24,439
Increase in properties under development for sale	(10,559)	(43,787)
Decrease in completed properties for sale	6,136	14,146
Increase in inventories	(3)	(1)
(Increase)/decrease in trade and other receivables	(4,552)	2,639
Increase in trade and other payables	1,905	1,896
Increase in deposits from sale of properties	5,914	9,904
Changes in derivative financial instruments	20	(36)
Other non-cash items	2	29
Changes in working capital	(1,137)	(15,210)
Exchange differences	298	288
Cash generated from operations	24,684	9,517

b) Cash and cash equivalents

	2019 HK\$ Million	2018 HK\$ Million
Bank deposits and cash in the consolidated statement of financial position (note 18)	37,665	28,824
Less: Bank deposits with maturity greater than three months	(3,701)	(2,695)
Cash and cash equivalents in the consolidated statement of cash flows	33,964	26,129

c) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings 2019 HK\$ Million	Bank loans and other borrowings 2018 HK\$ Million
At 1 January	121,831	114,191
Changes from financing cash flows:		
Proceeds from new bank loans	55,400	66,435
Repayment of bank loans	(51,786)	(58,026)
Total changes from financing activities	3,614	8,409
Exchange adjustments	(79)	(544)
Other change:		
Fair value loss/(gain)	517	(225)
At 31 December	125,883	121,831

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

a) Analysis of segment revenue and results

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Analysis of inter-segment revenue

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

c) Disaggregation of revenue

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to revenue from hotels, logistics and management fee under investment property such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts with customers that had an original expected duration of one year or less.

d) Analysis of segment business assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

e) Other segment information

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

The Group had no significant non-cash expenses other than i) net provision of HK\$4,780 million (2018: HK\$17 million) made for certain asset and development projects undertaken by subsidiaries, joint ventures and associates in Hong Kong and Mainland China, ii) impairment provision for hotel properties of HK\$157 million (2018: HK\$Nil) and iii) depreciation and amortisation.

f) Geographical information

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

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

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

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

2. OPERATING PROFIT

a) Operating profit

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

Notes:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) 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 were as follows:

	Fees HK\$' 000	Salaries, allowances and benefits in kind HK\$' 000	Discretionary bonuses HK\$' 000	Contributions to pension schemes HK\$' 000	2019 Total emoluments HK\$' 000	2018 Total emoluments HK\$' 000
Board of Directors						
Douglas C K Woo (note iii)	350	6,938	13,000	690	20,978	22,423
Stephen T H Ng	350	8,650	23,260	-	32,260	50,332
Stewart C K Leung	250	5,518	9,000	-	14,768	17,701
Paul Y C Tsui	250	5,643	15,092	-	20,985	23,100
Ricky K Y Wong	250	5,214	9,000	774	15,238	15,906
Non-executive Director						
Mignonne Cheng	250	-	-	-	250	200
Independent Non-executive Directors						
T H Chau	250	-	-	-	250	200
Winston K W Leong	250	-	-	-	250	200
Alan H Smith (note ii and iii)	450	-	-	-	450	350
Richard Y S Tang	250	-	-	-	250	200
Kenneth W S Ting (note ii and iii)	450	-	-	-	450	350
Nancy S L Tse (note ii)	400	-	-	-	400	300
Glenn S Yee (note ii)	400	-	-	-	400	300
Total for 2019	4,150	31,963	69,352	1,464	106,929	
Total for 2018	3,300	30,811	96,070	1,381		131,562

Notes:

- (i) There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2019 and 2018.
- (ii) Includes Audit Committee Members' fee for the year ended 31 December 2019 of HK\$150,000 (2018: HK\$100,000) received/receivable by each of relevant Directors.
- (iii) Includes Remuneration Committee Member's fee for the year ended 31 December 2019 of HK\$50,000 (2018: HK\$50,000) received/receivable by each of relevant Directors.
- (iv) 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 respective services in connection with the management of the affairs of the Company and/or its subsidiary undertakings.
- (v) In addition to the above emoluments, certain Directors of the Company were granted share options under the share option schemes adopted by the Company and WHL, details of which are disclosed in note 22.

c) Five highest paid employees

For the year ended 31 December 2019, information regarding emoluments of 2 (2018: 3) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group has been set out below:

(i) Aggregate emoluments

	2019 HK\$ Million	2018 HK\$ Million
Salaries, allowances and benefits in kind	18	23
Equity settled share-based payment expenses (note)	2	8
Contributions to pension schemes	–	–
Discretionary bonuses	46	117
Total	66	148

Note: Equity settled share-based payment expenses represent the fair value of the options issued under the share option schemes charged to the consolidated income statement during the years.

(ii) Bandings

	2019 Number	2018 Number
Bands (in HK\$)		
\$30,000,001 – \$30,500,000	1	–
\$36,000,001 – \$36,500,000	1	–
\$44,500,001 – \$45,000,000	–	1
\$50,500,001 – \$51,000,000	–	1
\$52,500,001 – \$53,000,000	–	1
	2	3

3. OTHER NET CHARGE

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

- a) Gain on disposal of investment properties of HK\$559 million.
- b) Net exchange gain of HK\$135 million (2018: loss of HK\$692 million) which included a fair value loss on forward foreign exchange contracts of HK\$22 million (2018: HK\$41 million).
- c) Net provision for diminution in value of HK\$1,137 million and HK\$2,420 million was made in respect of certain development properties held by subsidiaries in Hong Kong and Mainland China, respectively.
- d) Net fair value gain of HK\$133 million (2018: HK\$Nil) on other long term investments classified as financial assets at fair value through profit or loss.
- e) 2018 included a deficit of HK\$1,171 million resulted from the reclassification of the investment in an associate from interest in associates to other long term investments (see note 10).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FINANCE COSTS

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

- a) Interest was capitalised at an average annual rate of approximately 3.0% (2018: 1.9%).
- b) Included in the total interest charge are amounts totalling HK\$3,176 million (2018: HK\$2,351 million) in respect of interest bearing borrowings that are stated at amortised cost.
- c) The above interest charge has taken into account the interest paid/received in respect of interest rate swaps and cross currency interest rate swaps.

5. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2019 HK\$ Million	2018 HK\$ Million
Current income tax		
Hong Kong		
– provision for the year	3,004	2,530
– (over)/under-provision in respect of prior years	(22)	2
Outside Hong Kong		
– provision for the year	1,665	1,452
– under/(over)-provision in respect of prior years	47	(9)
	4,694	3,975
Land appreciation tax (“LAT”) in Mainland China (note 5(c))	314	1,551
Deferred tax (note 23)		
Change in fair value of investment properties	736	522
Origination and reversal of temporary differences	366	582
	1,102	1,104
Total	6,110	6,630

- a) The provision for Hong Kong Profits Tax is based on the profit for the year as adjusted for tax purposes at the rate of 16.5% (2018: 16.5%).
- b) Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25% (2018: 25%), China withholding income tax at a rate of up to 10% and Singapore income tax at a rate of 17% (2018: 17%).
- c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditure including the cost of land use rights, borrowing costs and all property development expenditure.
- d) Taxation payable in the consolidated statement of financial position is expected to be settled within one year.
- e) Tax attributable to associates and joint ventures for the year ended 31 December 2019 of HK\$1,073 million (2018: HK\$1,247 million) is included in the share of results after tax of associates and joint ventures.
- f) The China tax law imposes a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China for earnings generated since 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. For the year ended 31 December 2019, the Group has provided HK\$214 million (2018: HK\$314 million) for withholding taxes on accumulated earnings generated by its Mainland China subsidiaries which will be distributed to their immediate holding companies outside Mainland China in the foreseeable future.
- g) Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates:

	2019 HK\$ Million	2018 HK\$ Million
Profit before taxation	18,102	33,500
Notional tax on profit before taxation calculated at applicable tax rates	3,217	6,072
Tax effect of non-deductible expenses	1,283	774
Tax effect of non-taxable income	(370)	(993)
Tax effect of non-deductible/(taxable) fair value loss/(gain) on investment properties	913	(1,425)
Net under/(over)-provision in respect of prior years	25	(7)
Tax effect of tax losses not recognised	344	291
Tax effect of previously unrecognised tax losses utilised	(210)	(105)
Tax effect of previously unrecognised tax losses recognised as deferred tax assets	(32)	(10)
Tax effect of temporary difference not recognised	(125)	(214)
LAT on trading properties	314	1,551
Deferred LAT on change in fair value of investment properties	537	382
Withholding tax on distributed/undistributed earnings	214	314
Actual total tax charge	6,110	6,630

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

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

- a) The second interim dividend based on 2,053 million (2018: 2,048 million) issued ordinary shares declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b) The second interim dividend of HK\$2,151 million for 2018 was approved and paid in 2019.

7. EARNINGS PER SHARE

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

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

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

b) Weighted average number of ordinary shares

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

8. INVESTMENT PROPERTIES

	Completed HK\$ Million	Under development HK\$ Million	Total HK\$ Million
a) Cost or valuation			
At 1 January 2018	312,486	33,956	346,442
Exchange differences	(2,205)	(926)	(3,131)
Additions	319	5,461	5,780
Reclassification	18,141	(32,140)	(13,999)
Revaluation surplus	9,173	22	9,195
Transfer to assets held for sale (note 14)	(2,821)	–	(2,821)
At 31 December 2018 and 1 January 2019	335,093	6,373	341,466
Exchange differences	(1,156)	(15)	(1,171)
Additions	497	551	1,048
Disposal	(19)	–	(19)
Reclassification	128	(128)	–
Transfer from properties for sale	422	–	422
Revaluation (deficit)/surplus	(4,936)	9	(4,927)
At 31 December 2019	330,029	6,790	336,819

b) The analysis of cost or valuation of the above assets is as follows:

2019 valuation	330,029	5,820	335,849
At cost	–	970	970
	330,029	6,790	336,819
2018 valuation	335,093	5,526	340,619
At cost	–	847	847
	335,093	6,373	341,466

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

c) Tenure of title to properties:

At 31 December 2019			
Held in Hong Kong			
Long term leases	233,710	–	233,710
Medium term leases	36,242	5,843	42,085
	269,952	5,843	275,795
Held outside Hong Kong			
Freehold	1,133	–	1,133
Long term leases	4,968	–	4,968
Medium term leases	53,976	947	54,923
	330,029	6,790	336,819
At 31 December 2018			
Held in Hong Kong			
Long term leases	237,204	–	237,204
Medium term leases	37,433	5,670	43,103
	274,637	5,670	280,307
Held outside Hong Kong			
Freehold	1,159	–	1,159
Long term leases	4,925	–	4,925
Medium term leases	54,372	703	55,075
	335,093	6,373	341,466

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

d) Investment properties revaluation

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

The investment properties stated at fair value as at 31 December 2019 (2018: including those classified as held for sale) were revalued by Knight Frank Petty Limited ("Knight Frank") and Savills Valuation and Professional Services (S) Pte Ltd ("Savills"), independent firms of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors and the Singapore Institute of Surveyors and Valuers respectively with extensive experience in valuing properties in Hong Kong, Mainland China and Singapore. Knight Frank and Savills have valued the investment properties on a market value basis and have taken into account the net rental income allowing for reversionary potential, the redevelopment potential of the properties and the price per square feet on comparable market transactions (which is available to public) where appropriate.

The revaluation deficit or surplus arising on revaluation on investment properties is recognised as “decrease/increase in fair value of investment properties” in the consolidated income statement.

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

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

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

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

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

	Level 2			Level 3		Total HK\$ Million
	Residential HK\$ Million	Retail HK\$ Million	Office HK\$ Million	Residential HK\$ Million	Others HK\$ Million	
Recurring fair value measurements						
At 31 December 2019						
Hong Kong	422	149,868	99,116	21,082	5,284	275,350
Mainland China	-	30,060	20,123	3,793	-	53,976
Singapore	-	3,917	2,184	-	-	6,101
	422	183,845	121,423	24,875	5,284	335,427
At 31 December 2018						
Hong Kong	-	155,312	99,127	20,656	5,068	280,163
Mainland China	-	29,988	20,412	3,972	-	54,372
Singapore	-	3,854	2,230	-	-	6,084
	-	189,154	121,769	24,628	5,068	340,619
Non-current assets classified as held for sale – Hong Kong	-	2,821	-	-	-	2,821
	-	191,975	121,769	24,628	5,068	343,440

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Completed HK\$ Million	Under development HK\$ Million	Total HK\$ Million
At 1 January 2018	312,486	12,187	324,673
Reclassification	18,141	(6,957)	11,184
Exchange differences	(2,205)	–	(2,205)
Additions	319	274	593
Revaluation surplus	9,173	22	9,195
Transfer to assets held for sale (note 14)	(2,821)	–	(2,821)
At 31 December 2018 and 1 January 2019	335,093	5,526	340,619
Reclassification	128	(128)	–
Exchange differences	(1,156)	–	(1,156)
Additions	497	413	910
Disposals	(19)	–	(19)
Revaluation deficit	(4,936)	9	(4,927)
At 31 December 2019	329,607	5,820	335,427

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

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

Valuation processes

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

Valuation methodologies

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

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

Level 3 valuation methodologies

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

	Capitalisation rate		Weighted average		Market rent	
	2019	2018			2019	2018
Hong Kong			(per square foot)		(per square foot)	
– Retail (note)	5.1%	5.2%	HK\$268		HK\$260	
– Office	4.2%	4.2%	HK\$59		HK\$59	
– Residential	2.6%	2.6%	HK\$64		HK\$68	
Mainland China			(per square metre)		(per square metre)	
– Retail	6.5%	6.3%	RMB365		RMB347	
– Office	6.5%	6.6%	RMB177		RMB177	
– Residential	4.3%	4.3%	RMB151		RMB149	
Singapore			(per square foot)		(per square foot)	
– Retail	4.9%	4.9%	S\$14.8		S\$15.3	
– Office	4.0%	4.0%	S\$11.1		S\$11.0	

Note: The weighted average capitalisation rate and market rent for 2018 included input adopted for those investment properties classified as held for sale.

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

For investment properties under development that are stated at fair value, estimated costs to complete construction and profit and margin for risk required are estimated by valuers based on market conditions at the end of the reporting period. The estimates are largely consistent with the development budgets prepared by the Group based on management's experience and knowledge of market conditions. The fair value measurement of investment properties under development is negatively correlated to the costs and the margins.

- e) The Group leases out properties under operating leases, which generally run for a period of one to ten years. Lease income may be varied periodically to reflect market rentals and may contain variable lease payment which is based on various percentages of tenants' sales receipts.
- f) The Group's total future undiscounted lease income under non-cancellable operating leases is receivable as follows:

	2019 HK\$ Million	2018 HK\$ Million
Within 1 year	13,364	13,523
After 1 year but within 2 years	8,758	9,357
After 2 years but within 3 years	5,193	5,295
After 3 years but within 4 years	2,901	3,054
After 4 years but within 5 years	1,547	2,184
After 5 years	1,410	1,645
	33,173	35,058

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK\$ Million	Hotel and club properties HK\$ Million	Properties under redevelopment HK\$ Million	Other property, plant and equipment HK\$ Million	Total HK\$ Million
a) Cost					
At 1 January 2018	4,155	11,258	1,610	14,323	31,346
Exchange differences	(119)	(129)	(71)	(193)	(512)
Additions/(reversal)	-	(45)	11	422	388
Disposals	-	-	-	(69)	(69)
Reclassification	-	1,140	(7)	4	1,137
At 31 December 2018 and 1 January 2019	4,036	12,224	1,543	14,487	32,290
Exchange differences	(53)	(84)	(32)	(92)	(261)
Additions	6	48	25	215	294
Disposals	-	-	-	(73)	(73)
Written off	-	-	-	(7)	(7)
Reclassification	-	(50)	(461)	515	4
At 31 December 2019	3,989	12,138	1,075	15,045	32,247
Accumulated depreciation, amortisation and impairment losses					
At 1 January 2018	1,044	1,680	-	6,850	9,574
Exchange differences	(20)	(44)	-	(63)	(127)
Charge for the year	69	271	-	601	941
Written back on disposals	-	-	-	(65)	(65)
Reclassification	-	-	-	(3)	(3)
At 31 December 2018 and 1 January 2019	1,093	1,907	-	7,320	10,320
Exchange differences	(7)	(23)	-	(36)	(66)
Charge for the year	71	301	-	598	970
Written back on disposals	-	-	-	(72)	(72)
Written off	-	-	-	(7)	(7)
Impairment losses	20	137	-	-	157
At 31 December 2019	1,177	2,322	-	7,803	11,302
Net book value					
At 31 December 2019	2,812	9,816	1,075	7,242	20,945
At 31 December 2018	2,943	10,317	1,543	7,167	21,970

b) Tenure of title to properties:

	Leasehold land HK\$ Million	Hotel and club properties HK\$ Million	Properties under redevelopment HK\$ Million	Other property, plant and equipment HK\$ Million	Total HK\$ Million
At 31 December 2019					
Held in Hong Kong					
Long term leases	81	154	-	-	235
Medium term leases	751	7,002	-	2,508	10,261
	832	7,156	-	2,508	10,496
Held outside Hong Kong					
Medium term leases	1,980	2,660	1,075	2,145	7,860
	2,812	9,816	1,075	4,653	18,356
At 31 December 2018					
Held in Hong Kong					
Long term leases	81	177	-	-	258
Medium term leases	787	7,223	-	2,593	10,603
	868	7,400	-	2,593	10,861
Held outside Hong Kong					
Medium term leases	2,075	2,917	1,543	1,789	8,324
	2,943	10,317	1,543	4,382	19,185

c) Right-of-use assets:

Upon the adoption of HKFRS 16 on 1 January 2019, the depreciated carrying amount of the ownership interests in leasehold land are also identified as a right-of-use assets.

The analysis of the expense items in relation to leases is as follows.

	2019 HK\$ Million	2018 HK\$ Million
Depreciation charge of leasehold land	71	69
Impairment losses on leasehold land	20	-
Total	91	69

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

d) Impairment of hotel and club properties:

The value of hotel and club properties is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by external valuer and internally. Such valuations assess the recoverable amount of each asset being the higher of its value in use or its fair value less costs of disposal. During the year, an impairment provision for hotel properties of HK\$157 million (2018: HK\$Nil) was made for Marco Polo Changzhou in Mainland China and has been recognised in "other net charge" in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INTEREST IN ASSOCIATES

	2019 HK\$ Million	2018 HK\$ Million
Share of net assets	12,114	8,833
Goodwill	1,853	1,853
	13,967	10,686
Amounts due from associates	6,004	10,704
	19,971	21,390
Amounts due to associates (note 19)	(4,869)	(2,709)
	15,102	18,681

On 28 December 2018, the Group completed the divestment in 68 Holdings Pte. Ltd, parent of Hotel Properties Limited ("HPL"). In return the Group received 22.5% of equity interest in HPL. Since the Group no longer had significant influence on HPL, a deficit on the reclassification of an associate of HK\$1,171 million was recorded in other net charge in the consolidated income statement, principally reflecting the shortfall of the fair value of the shares in HPL held by the Group over its net assets on 28 December 2018 and the release of the cumulative foreign exchange loss from exchange reserves. The fair value of the shares in HPL was included in other long term investments in the consolidated statement of financial position of the Group as at 31 December 2018.

- a) Details of principal associates at 31 December 2019 are shown on page 160.
- b) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment, except for an advance of HK\$371 million (2018: HK\$371 million) made by the Group to an associate which is interest bearing at market rate. Amounts due from associates are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.

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

- c) Included in interest in associates is goodwill of HK\$1,853 million (2018: HK\$1,853 million) mainly relating to the acquisition of Mega Shekou Container Terminals Limited which is held by Modern Terminals, a 67.6%-owned subsidiary of WHL, under an agreement for rationalisation of the interests in Shekou Container Terminals Phases I, II and III in 2007.
- d) All of the above associates are accounted for using the equity method in the consolidated financial statements.
- e) At 31 December 2019, no associate is considered to be individually material to the Group. Aggregate information of associates that are not individually material is summarised below:

	2019 HK\$ Million	2018 HK\$ Million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	13,967	10,686
Aggregate amounts of the Group's share of those associates		
Profit from continuing operations	412	1,585
Other comprehensive income	(344)	(634)
Total comprehensive income	68	951

11. INTEREST IN JOINT VENTURES

	2019 HK\$ Million	2018 HK\$ Million
Share of net assets	13,005	13,956
Amounts due from joint ventures	24,735	15,205
	37,740	29,161
Amounts due to joint ventures (note 19)	(6,210)	(5,707)
	31,530	23,454

- a) Details of principal joint ventures at 31 December 2019 are shown on page 161.
- b) Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment, except for advances of HK\$11,608 million (2018: HK\$4,564 million) made by the Group to joint ventures which are interest bearing. Amounts due from joint ventures are not expected to be recoverable within the next twelve months. The amounts are neither past due nor impaired.

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

- c) All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.
- d) At 31 December 2019, no joint venture is considered to be individually material to the Group. Aggregate information of joint ventures that are not individually material is summarised below:

	2019 HK\$ Million	2018 HK\$ Million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	13,005	13,956
Aggregate amounts of the Group's share of those joint ventures		
Profit from continuing operations	497	1,279
Other comprehensive income	(163)	(454)
Total comprehensive income	334	825

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. OTHER LONG TERM INVESTMENTS

	2019 HK\$ Million	2018 HK\$ Million
Equity and bond investments		
– listed in Hong Kong	32,221	24,200
– listed outside Hong Kong	12,160	17,092
	44,381	41,292
Other unlisted equity investments	2,368	1,353
	46,749	42,645

Analysed by industry sectors as follows:

	2019 HK\$ Million	2018 HK\$ Million
– Property	26,656	21,056
– Technology and new economy	13,482	17,787
– Others	6,611	3,802
	46,749	42,645

Equity investments are designated as financial assets at fair value through other comprehensive income which mainly represent a portfolio of blue chips including property counters and investments in technology and new economy held for long term growth potential with reasonable dividend return that in line with market and each investment within the portfolio is individually immaterial to the Group's total assets. Other unlisted equity investments are classified as financial assets through profit or loss.

Bond investments are designated as financial assets at fair value through other comprehensive income which mainly represent a portfolio of bonds issued by scalable companies with high credit-rating.

13. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill HK\$ Million	Other intangible assets HK\$ Million	Total HK\$ Million
Cost			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	298	12	310
Accumulated amortisation			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	–	12	12
Net carrying value			
At 31 December 2019	298	–	298
At 31 December 2018	298	–	298

Goodwill mainly relates to the Group's terminals business. As at 31 December 2019, an impairment test was performed by comparing the attributable carrying amount of the business with the recoverable amount. The recoverable amount of the terminals business is based on value in use. No impairment was recorded.

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 3 October 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain investment properties situated in Hong Kong. Accordingly, the following assets and liabilities were presented as assets held for sale as at 31 December 2018.

	2019 HK\$ Million	2018 HK\$ Million
Non-current assets classified as held for sale		
Investment properties	–	2,821
Liabilities directly associated with the non-current assets classified as held for sale		
Deposits received	–	11

The fair value of investment properties as at 31 December 2018 was determined by reference to the same methodology of valuing investment properties and were categorised as a level 3 measurement, details of which are disclosed in note 8(d).

15. PROPERTIES FOR SALE

	2019 HK\$ Million	2018 HK\$ Million
Properties under development for sale	82,551	76,258
Completed properties for sale	9,680	15,175
	92,231	91,433

- a) As at 31 December 2019, properties under development for sale of HK\$66,483 million (2018: HK\$64,533 million) are expected to be completed after more than one year.
- b) Properties under development for sale and completed properties for sale are stated at the lower of cost and net realisable value. The total carrying value of properties stated at net realisable value at 31 December 2019 was HK\$24,469 million (2018: HK\$2,083 million).
- c) At 31 December 2019, the carrying value of leasehold land (including land deposits) and freehold land included in properties under development for sale and completed properties for sale is summarised as follows:

	2019 HK\$ Million	2018 HK\$ Million
Held in Hong Kong		
Long term leases	6,617	3,862
Medium term leases	37,504	35,703
	44,121	39,565
Held outside Hong Kong		
Freehold	90	104
Long term leases	21,965	25,081
Medium term leases	437	434
	22,492	25,619
	66,613	65,184

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. TRADE AND OTHER RECEIVABLES

a) Ageing analysis

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

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

Note: Contract costs capitalised as at 31 December 2019 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the end of the reporting period.

Such sales commissions capitalised included in other receivables and prepayments were HK\$1,068 million (2018: HK\$475 million).

Contract costs are recognised as part of "selling and marketing expenses" in the consolidated income statement in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2019 was HK\$194 million (2018: HK\$208 million). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year (2018: HK\$Nil).

As at 31 December 2019, the amount of capitalised contract costs that is expected to be recovered after more than one year is HK\$545 million (2018: HK\$304 million).

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties, the proceeds from which are receivable pursuant to the terms of the agreements. Except for accrued sales receivables of HK\$3,662 million which are related to sale of properties with extended settlement plans, all the receivables are expected to be recoverable within one year.

Except for other contract costs, all of the above receivables and prepayments are financial assets measured at amortised cost.

b) Impairment of trade receivables

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

The movement in the allowance account for the bad and doubtful debts during the year is as follows:

	2019 HK\$ Million	2018 HK\$ Million
At 1 January	12	14
Reversal of impairment losses	(2)	(2)
At 31 December	10	12

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets HK\$ Million	Liabilities HK\$ Million	Assets HK\$ Million	Liabilities HK\$ Million
At fair value through profit or loss				
Fixed-to-floating interest rate swaps	240	27	188	95
Floating-to-fixed interest rate swaps	1	79	–	67
Cross currency interest rate swaps	215	577	137	994
Forward foreign exchange contracts	110	44	128	16
Total	566	727	453	1,172
Analysis				
Non-current	502	562	282	682
Current	64	165	171	490
Total	566	727	453	1,172

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

	2019		2018	
	Assets HK\$ Million	Liabilities HK\$ Million	Assets HK\$ Million	Liabilities HK\$ Million
Fixed-to-floating interest rate swaps				
Expiring within 1 year	4	–	21	–
Expiring after more than 1 year but not exceeding 5 years	182	8	82	23
Expiring after 5 years	54	19	85	72
Total	240	27	188	95
Floating-to-fixed interest rate swaps				
Expiring within 1 year	1	6	–	7
Expiring after more than 1 year but not exceeding 5 years	–	–	–	17
Expiring after 5 years	–	73	–	43
Total	1	79	–	67
Cross currency interest rate swaps				
Expiring within 1 year	7	73	23	305
Expiring after more than 1 year but not exceeding 5 years	10	412	84	505
Expiring after 5 years	198	92	30	184
Total	215	577	137	994
Forward foreign exchange contracts				
Expiring within 1 year	37	–	81	–
Expiring after more than 1 year but not exceeding 5 years	65	–	46	1
Expiring after 5 years	8	44	1	15
Total	110	44	128	16
Total	566	727	453	1,172

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- a) The notional principal amounts of derivative financial instruments outstanding at the end of the reporting period are as follows:

	2019 HK\$ Million	2018 HK\$ Million
Fixed-to-floating interest rate swaps	15,081	18,093
Floating-to-fixed interest rate swaps	6,300	5,730
Cross currency interest rate swaps	23,991	29,130
Forward foreign exchange contracts	8,322	17,503

- b) Derivative financial assets represent the amounts the Group would receive whilst derivative financial liabilities represent the amounts the Group would pay if the positions are closed at the end of the reporting period. Derivative financial instruments do not qualify for hedge accounting and their corresponding changes in fair values have been recognised in the consolidated income statement.
- c) During the year, a loss of HK\$22 million (2018: HK\$41 million) in respect of forward foreign exchange contracts was recognised in the consolidated income statement.
- d) During the year, fair value gain on cross currency interest rate swaps in the amounts of HK\$71 million (2018: HK\$210 million) and fair value gain on interest rate swaps in the amounts of HK\$70 million (2018: HK\$133 million) have been included within finance costs in the consolidated income statement.
- e) The Group enters into derivative transactions under International Swaps and Derivatives Association (“ISDA”) master agreements providing offsetting mechanisms under certain circumstances. At 31 December 2019, the Group has not offset any of the financial instruments as no parties have exercised their rights to offset the recognised amounts in the consolidated financial statements.

18. BANK DEPOSITS AND CASH

	2019 HK\$ Million	2018 HK\$ Million
Bank deposits and cash	37,665	28,824

At 31 December 2019, bank deposits and cash included:

- a) HK\$16,997 million equivalent (2018: HK\$15,734 million equivalent) placed with banks in Mainland China the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.
- b) RMB2,954 million equivalent to HK\$3,298 million (2018: RMB790 million equivalent to HK\$901 million) which is solely for certain designated property development projects in Mainland China, and Singapore dollar balances of HK\$Nil million equivalent (2018: HK\$207 million equivalent) in respect of certain proceeds received from the pre-sale of properties in Singapore held under the “Project Account Rules-1997 Ed”, withdrawals from which are designated for payments for expenditure incurred for the respective projects.

The effective interest rate on bank deposits was 2.2% (2018: 2.7%) per annum.

Bank deposits and cash are denominated in the following currencies:

	2019	2018
	HK\$ Million	HK\$ Million
RMB	17,095	15,835
HKD	13,403	8,352
SGD	564	4,328
USD	6,603	308
Other currencies	–	1
	37,665	28,824

19. TRADE AND OTHER PAYABLES

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

	2019	2018
	HK\$ Million	HK\$ Million
Trade payables		
0 – 30 days	624	579
31 – 60 days	281	227
61 – 90 days	33	24
Over 90 days	82	73
	1,020	903
Rental and customer deposits	4,934	4,742
Construction costs payable	11,384	12,853
Amounts due to associates (note 10)	4,869	2,709
Amounts due to joint ventures (note 11)	6,210	5,707
Other payables	7,656	8,002
	36,073	34,916

The amount of trade and other payables that is expected to be settled after more than one year is HK\$3,554 million (2018: HK\$3,641 million), which is mainly for rental and customer deposits. The Group considers the effect of discounting these items would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. DEPOSITS FROM SALE OF PROPERTIES

Deposits from sale of properties are recognised as contract liabilities in accordance with HKFRS 15 except for deposits of HK\$864 million as at 31 December 2018 received relating to the disposal of investment properties (see note 14).

Deposits from sale of properties in the amount of HK\$6,077 million (2018: HK\$11,932 million) are expected to be recognised as income in the consolidated income statement after more than one year.

Movement in deposits from sale of properties regarded as contract liabilities

	2019 HK\$ Million	2018 HK\$ Million
At 1 January	23,916	14,861
Exchange differences	(99)	37
Decrease in deposits from sale of properties as a result of recognising revenue during the year	(13,115)	(19,051)
Increase in deposits from sale of properties as a result of receiving sales deposits during the year in respect of properties still under development	19,974	28,069
At 31 December	30,676	23,916

The Group receives certain percentage of the contract value as deposits from customers when the Group sign the sale and purchase agreements with the customers. These deposits are recognised as contract liabilities until the properties are completed and legally assigned to/accepted by the customers.

In some sale arrangements, the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than when legal assignment is completed or the property is accepted by the customer. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period.

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

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$46,230 million (2018: HK\$34,842 million). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development entered into by the customers with the Group. The Group will recognise the expected revenue in future when the legal assignments are completed or the properties are accepted by the customers, which is expected to occur over the next 36 months.

21. BANK LOANS AND OTHER BORROWINGS

	2019 HK\$ Million	2018 HK\$ Million
Bonds and notes (Unsecured)		
Due within 1 year	5,707	9,521
Due after 1 year but within 2 years	5,200	5,790
Due after 2 years but within 5 years	7,222	8,747
Due after 5 years	10,013	10,436
	28,142	34,494
Bank loans (Secured)		
Due within 1 year	45	121
Due after 1 year but within 2 years	2,099	1,307
Due after 2 years but within 5 years	14,893	14,670
Due after 5 years	359	651
	17,396	16,749
Bank loans (Unsecured)		
Due within 1 year	17,695	5,326
Due after 1 year but within 2 years	14,589	17,620
Due after 2 years but within 5 years	48,061	47,642
	80,345	70,588
Total bank loans and other borrowings	125,883	121,831
Analysis of maturities of the above borrowings		
Non-current borrowings		
Due after 1 year but within 2 years	21,888	24,717
Due after 2 years but within 5 years	70,176	71,059
Due after 5 years	10,372	11,087
	102,436	106,863
Current borrowings		
Due within 1 year	23,447	14,968
Total bank loans and other borrowings	125,883	121,831

- a) The Group's borrowings are considered by the management to be denominated in the following currencies (after the effects of cross currency interest rate swaps and forward foreign exchange contracts as detailed in notes 24(a) and 24(b)):

	2019 HK\$ Million	2018 HK\$ Million
HKD	118,281	115,250
RMB	7,602	6,581
	125,883	121,831

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- b) The interest rate profile of the Group's borrowings (after the effects of interest rate swaps and cross currency interest rate swaps as detailed in notes 24(a) and 24(b) respectively) are as follows:

	2019		2018	
	Effective	HK\$ Million	Effective	HK\$ Million
	interest rate		interest rate	
	%		%	
Fixed rate borrowings				
Bonds and notes	4.2	2,736	3.5	7,348
Bank loans	2.5	6,300	2.7	5,730
		9,036		13,078
Floating rate borrowings				
Bonds and notes	4.0	25,406	3.9	27,146
Bank loans	2.9	91,441	2.4	81,607
		116,847		108,753
Total borrowings		125,883		121,831

- c) All the interest bearing borrowings are carried at amortised cost except for borrowings in an amount of HK\$21,380 million (2018: HK\$23,171 million) which are carried at their fair values. None of the non-current interest bearing borrowings are expected to be settled within one year.
- d) Included in the Group's total loans are bank loans and other borrowings of HK\$46,336 million and HK\$45,536 million (2018: HK\$43,086 million and HK\$42,097 million) borrowed by WHL and Wharf REIC respectively. The loans are without recourse to the Company and its other subsidiaries.
- e) At 31 December 2019, certain banking facilities of the Group were secured by mortgages over certain properties under development, investment properties and property, plant and equipment with an aggregate carrying value of HK\$60,883 million (2018: HK\$55,248 million).
- f) Certain of the above borrowings are attached with financial covenants which require that at any time, the consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels of the relevant groups. During the year under review, all these covenants have been complied with by the Group.

22. EQUITY SETTLED SHARE-BASED TRANSACTIONS

a) Company

The Company has a share option scheme which was adopted in June 2011 whereby the Directors of the Company are authorised, at their discretion, to invite eligible participants to take up options at a consideration of HK\$10 to subscribe for shares of the Company (“Shares”). The exercise price of the options must be not less than whichever is the highest of (i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participant; (ii) the closing price of the Shares as stated in The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)’s daily quotations sheet on the date of grant; and (iii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant. The granted options are divided into five tranches, of which the first tranche vests immediately after the date of grant and the remaining four tranches vest between one year and four years after the date of grant.

i) The terms and conditions of the grants are as follows:

	Number of options	Contractual life of options
Options granted to Directors of the Company:		
– on 14 June 2013 (lapsed in 2018)	12,500,000	5 years after the date of grant
– on 7 July 2016	12,500,000	the date of grant
Total share options granted	25,000,000	

ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted.

iii) Movements of the share options and the weighted average exercise prices of share options are as follows:

Date of grant	Exercise price HK\$	Exercise period	2019 Number of share options						Remaining contractual life
			At 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2019	Exercisable at 31 December 2019	
7 July 2016	36.60	8 July 2016 to 7 July 2021	8,900,000	-	(900,000)	-	8,000,000	5,500,000	1.5 years
Weighted average exercise price (HK\$)			36.60	-	36.60	-	36.60	36.60	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Date of grant	Exercise price HK\$	Exercise period	2018						Remaining contractual life
			Number of share options						
			At 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2018	Exercisable at 31 December 2018	
14 June 2013	39.98	15 June 2013 to 14 June 2018	5,600,000	-	(5,600,000)	-	-	-	-
7 July 2016	36.60	8 July 2016 to 7 July 2021	9,500,000	-	(600,000)	-	8,900,000	3,900,000	2.5 years
			15,100,000	-	(6,200,000)	-	8,900,000	3,900,000	
Weighted average exercise price (HK\$)			37.85	-	39.65	-	36.60	36.60	

The weighted average share price at the date of exercise for share options exercised during the year was HK\$56.07 (2018: HK\$56.06).

- iv) In respect of share options granted to the Directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2019 and 2018, estimated in accordance with the Group's accounting policy in note (X)(i) was as follows:

	2019 HK\$'000	2018 HK\$'000
Douglas C K Woo	3,578	6,842
Stewart C K Leung	2,147	4,105
Paul Y C Tsui	1,074	2,052
Ricky K Y Wong	2,147	4,105
	8,946	17,104

b) WHL

WHL has a share option scheme which was adopted in June 2011 whereby the directors of WHL are authorised, at their discretion, to invite eligible participants to take up options at a consideration of HK\$10 to subscribe for shares of WHL ("WHL shares"). The exercise price of the options must be not less than whichever is the highest of (i) the indicative price per share for subscription of WHL shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participants; (ii) the closing price of the WHL shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (iii) the average closing price of the WHL shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. The granted options are divided into five tranches, of which the first tranche vests immediately after the date of grant and the remaining four tranches vest between one year and four years after the date of grant.

- i) The terms and conditions of the grants are as follows:

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

- ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted.

- iii) Movements of the share options and the weighted average exercise prices of share options are as follows:

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

Date of grant	Exercise price HK\$	Exercise period	2018 Number of share options						Remaining contractual life
			At	Granted	Exercised	Lapsed during	At	Exercisable at	
			1 January 2018	during the year	during the year	the year	31 December 2018	31 December 2018	
5 June 2013	23.83	6 June 2013 to 5 June 2018	9,100,000	-	(9,100,000)	-	-	-	-
7 July 2016	15.92	8 July 2016 to 7 July 2021	10,300,000	-	(1,400,000)	-	8,900,000	3,100,000	2.5 years
			19,400,000	-	(10,500,000)	-	8,900,000	3,100,000	
Weighted average exercise price (HK\$)			19.63	-	22.78	-	15.92	15.92	

The weighted average share price at the date of exercise for share options exercised during the year was HK\$17.94 (2018: HK\$27.84).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- iv) In respect of WHL's share options granted to its directors and employees, who are also Directors of the Company, the related charge recognised in the consolidated income statement for the years ended 31 December 2019 and 2018, estimated in accordance with the Group's accounting policy in note (X)(i) was as follows:

	2019 HK\$'000	2018 HK\$'000
Stephen T H Ng	3,206	6,249
Paul Y C Tsui	962	1,874
	4,168	8,123

23. DEFERRED TAXATION

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

	2019 HK\$ Million	2018 HK\$ Million
Deferred tax liabilities	14,947	13,984
Deferred tax assets	(1,179)	(1,116)
Net deferred tax liabilities	13,768	12,868

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

	Depreciation allowances in excess of the related depreciation HK\$ Million	Surplus arising from valuation of investment properties HK\$ Million	Others HK\$ Million	Future benefit of tax losses HK\$ Million	Total HK\$ Million
At 1 January 2018	3,740	8,162	322	(25)	12,199
Charged/(credited) to the consolidated income statement	381	522	263	(62)	1,104
Exchange differences	(62)	(393)	20	–	(435)
At 31 December 2018 and 1 January 2019	4,059	8,291	605	(87)	12,868
Charged/(credited) to the consolidated income statement	395	736	(3)	(26)	1,102
Exchange differences	(35)	(194)	27	–	(202)
At 31 December 2019	4,419	8,833	629	(113)	13,768

b) Deferred tax assets not recognised

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

	2019		2018	
	Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million	Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million
Deductible temporary differences	645	160	899	220
Future benefits of tax losses				
– Hong Kong	3,650	602	2,695	445
– Outside Hong Kong	3,316	829	3,492	872
	6,966	1,431	6,187	1,317
	7,611	1,591	7,086	1,537

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2019 and 2018. The tax losses arising from Hong Kong and Singapore operations do not expire under current tax legislation. The tax losses arising from operations in Mainland China can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

a) Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In line with the Group's prevailing strategy, the Group has entered into a number of interest rate swaps ("IRS") and cross currency interest rate swaps ("CCS") which have the economic effect of converting certain fixed rate interest bearing notes with notional amounts totalling HK\$19,327 million (2018: HK\$23,291 million) into floating rate borrowings. For each of the IRS and CCS entered into by the Group, the tenor and timing of the IRS and CCS cash flows matches those of the notes.

To ensure the certainty of a proportion of funding costs in the forthcoming years, the Group has entered into various floating-to-fixed IRS with notional amounts totalling HK\$4,600 million with maturities of 10 to 15 years together with another HK\$4,600 million fixed-to-floating IRS with a maturity of 2 years. Effectively, this arrangement has locked in fixed interest rates ranging from 2.4% to 3.6% per annum for a certain portion of the Group's floating rate loan portfolio for a period of 8 to 13 years from 2011 to 2012 onwards.

As at 31 December 2019, after taking into account of IRS and CCS, approximately 93% (2018: 89%) of the Group's borrowings was at floating rates and the remaining 7% (2018: 11%) was at fixed rates. (see note 21(b)).

Based on the sensitivity analysis performed as at 31 December 2019, it was estimated that a general increase/decrease of 1% (2018: 1%) in interest rates, with all other variables held constant, would have decreased/increased the post-tax profit and total equity of the Group by approximately HK\$498 million (2018: HK\$383 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax profit and total equity that would have arisen assuming that the change in interest rates had occurred at the end of reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of reporting period, the impact on the Group's post-tax profit and total equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed at the same basis as for 2018.

b) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and secondarily in Mainland China and Singapore, with its cash flows denominated substantially in HKD, RMB and SGD which exposes the Group to foreign currency risk with respect to RMB and SGD related to its development property and port-related operations and investments in Mainland China and WPSL's development property projects of Wheelock Properties Singapore Limited in Singapore, respectively.

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

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

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

	2019					2018					
	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	USD Million	RMB Million	JPY Million	SGD Million	HKD Million	AUD Million
Bank deposits and cash	826	271	1	1	-	36	156	6	75	-	-
Other long term investments	1,374	-	-	-	1,915	1,923	-	-	-	1,225	-
Trade and other receivables	2	-	-	-	-	8	-	-	-	-	-
Trade and other payables	(1)	(6)	(25)	(1)	-	(7)	(7)	-	(1)	-	(2)
Bank loans and other borrowings	(1,030)	(3,015)	(17,470)	(610)	-	(1,269)	(7,215)	(17,466)	(610)	-	(175)
Inter-company balances	25	291	-	-	-	25	305	-	-	-	-
Gross exposure arising from recognised assets and liabilities	1,196	(2,459)	(17,494)	(610)	1,915	716	(6,761)	(17,460)	(536)	1,225	(177)
Notional amount of forward foreign exchange contracts at fair value through profit or loss	793	1,400	7,000	8	(1,915)	1,435	4,000	7,000	8	(1,225)	-
Notional amount of CCS	377	1,015	10,500	610	-	(686)	1,215	10,500	610	-	175
Overall net exposure	2,366	(44)	6	8	-	1,465	(1,546)	40	82	-	(2)

In addition, the PRC subsidiaries of the Group with RMB as their functional currency were exposed to foreign currency risk with respect to HKD/USD by holding HKD/USD denominated bank deposits and cash, trade and other payables and inter-company borrowings in the amount of HK\$204 million, HK\$4 million and HK\$335 million respectively as at 31 December 2019 (2018: HK\$64 million, HK\$4 million and HK\$338 million respectively).

Based on the sensitivity analysis performed as at 31 December 2019, it was estimated that the impact on the Group's post-tax profit and total equity would not be material in response to possible changes in the foreign exchange rates of foreign currencies to which the Group is exposed.

It is further analysed that the sensitivity on the translation of the Mainland operations from 1% (2018: 1%) increase/decrease of exchange rate of RMB against HKD, the Group's total equity would have increased/decreased by HK\$970 million (2018: HK\$1,095 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

c) Equity price risk

The Group is exposed to equity price changes arising from other long term investments.

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

Based on the sensitivity analysis performed as at 31 December 2019, it is estimated that an increase/decrease of 10% (2018: 10%) in the market value of the Group's listed equity and bond investments, with all other variables held constant, would not have affected the Group's post-tax profit unless there were impairments but would have increased/decreased the Group's total equity by HK\$4,438 million (2018: HK\$4,129 million). The analysis has been performed on the same basis as for 2018.

d) Liquidity risk

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

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

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

	Contractual undiscounted cash flow					
	Carrying amount HK\$ Million	Total HK\$ Million	Within 1 year or on demand HK\$ Million	More than 1 year but less than 2 years HK\$ Million	More than 2 years but less than 5 years HK\$ Million	More than 5 years HK\$ Million
At 31 December 2019						
Bank loans and other borrowings	(125,883)	(139,865)	(27,374)	(24,402)	(76,435)	(11,654)
Trade and other payables	(36,073)	(36,073)	(32,519)	(2,099)	(1,316)	(139)
Interest rate swaps	135	(53)	(5)	(3)	(48)	3
Cross currency interest rate swaps	(362)	(618)	(190)	(261)	(118)	(49)
Forward foreign exchange contracts	66	66	27	12	63	(36)
	(162,117)	(176,543)	(60,061)	(26,753)	(77,854)	(11,875)
At 31 December 2018						
Bank loans and other borrowings	(121,831)	(135,661)	(19,338)	(27,321)	(76,278)	(12,724)
Trade and other payables	(34,916)	(34,916)	(31,275)	(2,134)	(1,287)	(220)
Interest rate swaps	26	12	(31)	1	2	40
Cross currency interest rate swaps	(857)	(402)	(219)	(73)	(127)	17
Forward foreign exchange contracts	112	112	80	21	25	(14)
	(157,466)	(170,855)	(50,783)	(29,506)	(77,665)	(12,901)

The Company is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligations. The maximum amount callable as at 31 December 2019 was HK\$34,128 million (2018: HK\$36,831 million).

e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to rental, trade and other receivables, cash and cash equivalents and over-the-counter derivative financial instruments. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies and procedures in each of the Group's core businesses. In respect of rental receivables, sufficient rental deposits from tenants are held to cover potential exposure to credit risk. In respect of receivables from customer of sale of properties with extended settlement plans, the underlying properties are deemed as securities pledged to the Group. Further, evaluations are made for the customers with reference to their repayment history and financial strength, as well as the economic environment in which the customer operates.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

f) Fair value of assets and liabilities

i) Assets and liabilities carried at fair value

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

Financial instruments carried at fair value

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

	Fair value measurements as at 31 December categorised into						
	2019				2018		
	Level 1 HK\$ Million	Level 2 HK\$ Million	Level 3 HK\$ Million	Total HK\$ Million	Level 1 HK\$ Million	Level 2 HK\$ Million	Total HK\$ Million
Assets							
Other long term investments:							
– Listed investments	44,381	–	–	44,381	41,292	–	41,292
– Unlisted investments	–	7	2,361	2,368	–	1,353	1,353
Derivative financial instruments:							
– Interest rate swaps	–	241	–	241	–	188	188
– Cross currency interest rate swaps	–	215	–	215	–	137	137
– Forward foreign exchange contracts	–	110	–	110	–	128	128
	44,381	573	2,361	47,315	41,292	1,806	43,098
Liabilities							
Derivative financial instruments:							
– Interest rate swaps	–	(106)	–	(106)	–	(162)	(162)
– Cross currency interest rate swaps	–	(577)	–	(577)	–	(994)	(994)
– Forward foreign exchange contracts	–	(44)	–	(44)	–	(16)	(16)
Bank loans and other borrowings:							
– Bonds and notes	–	(20,871)	–	(20,871)	–	(21,644)	(21,644)
– Bank loans	–	(509)	–	(509)	–	(1,527)	(1,527)
	–	(22,107)	–	(22,107)	–	(24,343)	(24,343)

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2.

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

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

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

Valuation techniques and inputs used in Level 3 fair value measurements

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

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

	2019
	HK\$ million
Unlisted investments	
At 1 January	–
Transferred from Level 2	1,374
Payment for purchases	1,157
Disposal	(303)
Net unrealised gains recognised in consolidated income statement during the year	133
At 31 December	2,361

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

ii) Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 2018.

g) Capital management

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

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

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

The net debt-to-total equity ratios as at 31 December 2019 and 2018 were as follows:

	2019	2018
	HK\$ Million	HK\$ Million
Total bank loans and other borrowings (note 21)	125,883	121,831
Less: Bank deposits and cash (note 18)	(37,665)	(28,824)
Net debt	88,218	93,007
Shareholders' equity	268,004	251,077
Total equity	393,713	389,478
Net debt-to-total equity ratio	22.4%	23.9%

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

25. SHARE CAPITAL AND RESERVES

a) Share capital

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

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

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

- b) The Group's equity, apart from share capital and other statutory capital reserves, includes investments revaluation reserve for dealing with the movements on revaluation of other long term investments, other capital reserves for dealing with the grant date fair value of the granted unexercised share options in accordance with accounting policy note (X)(i) and exchange reserves mainly for dealing with the exchange differences arising from the translation of the financial statements of operations outside Hong Kong in accordance with the accounting policy note (Q).

The revenue reserves of the Group at 31 December 2019 included HK\$3,109 million (2018: HK\$2,605 million) in respect of statutory reserves of the subsidiaries in Mainland China.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Share capital HK\$ Million	Other capital reserve HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
Company				
At 1 January 2018	3,418	98	5,013	8,529
Shares issued under the share option scheme	306	(60)	–	246
Profit	–	–	3,490	3,490
Equity settled share-based payments	–	17	–	17
2017 second interim dividend paid	–	–	(1,945)	(1,945)
2018 first interim dividend paid	–	–	(1,024)	(1,024)
At 31 December 2018 and 1 January 2019	3,724	55	5,534	9,313
Shares issued under the share option scheme	40	(7)	–	33
Profit	–	–	3,491	3,491
Equity settled share-based payments	–	9	–	9
2018 second interim dividend paid	–	–	(2,151)	(2,151)
2019 first interim dividend paid	–	–	(1,075)	(1,075)
At 31 December 2019	3,764	57	5,799	9,620

- c) Reserves of the Company available for distribution to equity shareholders of the Company at 31 December 2019 amounted to HK\$5,799 million (2018: HK\$5,534 million).

26. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2019 HK\$ Million	2018 HK\$ Million
Non-current assets			
Interest in subsidiaries		15,494	12,337
Current assets			
Receivables and prepayments		1	1
Bank deposits and cash		11	–
		12	1
Total assets		15,506	12,338
Current liabilities			
Trade and other payables		(14)	(15)
Amount due to a subsidiary		(5,872)	(3,010)
Total liabilities		(5,886)	(3,025)
NET ASSETS		9,620	9,313
Capital and reserves			
Share capital		3,764	3,724
Reserves		5,856	5,589
TOTAL EQUITY	25(b)	9,620	9,313

Douglas C K Woo*Chairman & Managing Director***Paul Y C Tsui***Executive Director & Group Chief Financial Officer*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. CONTINGENT LIABILITIES

- a) As at 31 December 2019, there were contingent liabilities in respect of guarantees given by the Group on behalf of certain associates and joint ventures of HK\$11,242 million (2018: HK\$1,998 million), of which HK\$6,603 million (2018: HK\$1,034 million) had been drawn.
- b) As at 31 December 2019, there were guarantees of HK\$3,264 million (2018: HK\$3,362 million) provided by WHL group and Wharf REIC group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of development properties of WHL group and Wharf REIC group. There were also mortgage loan guarantees of HK\$1,465 million (2018: HK\$1,780 million) provided by associates and joint ventures of WHL group to the banks in favour of their customers.
- c) The Group has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries, associates and joint ventures as their fair value cannot be reliably measured and their transaction price was HK\$Nil.

28. COMMITMENTS

The Group's outstanding commitments as at 31 December 2019 are detailed below:

Planned expenditure

	2019			2018		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
(I) Properties						
Investment properties						
Hong Kong	799	871	1,670	1,005	891	1,896
Mainland China	241	300	541	196	545	741
Singapore	2	-	2	1	-	1
	1,042	1,171	2,213	1,202	1,436	2,638
Development properties						
Hong Kong	8,639	8,879	17,518	8,415	7,528	15,943
Mainland China	9,755	12,212	21,967	10,565	18,120	28,685
	18,394	21,091	39,485	18,980	25,648	44,628
Properties total						
Hong Kong	9,438	9,750	19,188	9,420	8,419	17,839
Mainland China	9,996	12,512	22,508	10,761	18,665	29,426
Singapore	2	-	2	1	-	1
	19,436	22,262	41,698	20,182	27,084	47,266
(II) Non-properties and others						
Hotels	11	109	120	5	119	124
Modern Terminals	127	57	184	93	70	163
Others	3,013	-	3,013	3,519	-	3,519
	3,151	166	3,317	3,617	189	3,806
Total	22,587	22,428	45,015	23,799	27,273	51,072

- (i) Properties commitments are mainly for construction costs to be incurred in the forthcoming years, including attributable land costs of HK\$0.1 billion (2018: HK\$1.3 billion).
- (ii) The planned expenditure for development properties includes attributable amounts for developments undertaken by associates and joint ventures of HK\$5.2 billion (2018: HK\$0.9 billion) in Hong Kong and HK\$8.6 billion (2018: HK\$12.6 billion) in Mainland China, respectively.

29. MATERIAL RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the year ended 31 December 2019 are as follows:

- a) In respect of the year ended 31 December 2019, the Group earned rental income totalling HK\$1,048 million (2018: HK\$1,122 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of, the chairman of the Company. These transactions are considered to be related party transactions, of which HK\$903 million (2018: HK\$973 million) also constitute continuing connected transactions as defined under the Listing Rules.
- b) Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company and the five highest paid employees are disclosed in notes 2(b) and 2(c).

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

30. CHANGES IN ACCOUNTING POLICIES

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

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

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

HKFRS 16, Leases

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

a) **New definition of a lease**

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

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

b) **Leasehold investment property**

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

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

The "Principal accounting policies" set out on pages 128 to 151 summarise the accounting policies of the Group after the adoption of these policies to the extent that they are relevant to the Group.

31. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8, Definition of material	1 January 2020
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined by HKICPA

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

32. EVENTS AFTER THE REPORTING PERIOD

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 11 March 2020.

PRINCIPAL ACCOUNTING POLICIES

A. STATEMENT OF COMPLIANCE

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 30 to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

B. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

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

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

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

C. BASIS OF CONSOLIDATION

(i) Subsidiaries and Non-controlling Interests

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note (F) depending on the nature of the liability.

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note (J)(ii)).

(ii) Associates and Joint Ventures

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

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any) (see note (C)(iii)). 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 (J)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income. Adjustments are made on consolidation to the financial information of associates and joint ventures where necessary to ensure consistency with the accounting policies adopted by the Group.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(iii) Goodwill

Goodwill represents the excess of

- (a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

(iv) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement in accordance with contractual arrangements.

Investments in joint operations are accounted for such that the Group (as a joint operator) recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). The Group accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

D. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

(i) Investment Properties

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

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Investment properties under development are stated at cost less impairment (see note (J)(ii)) if the fair value cannot be measured reliably. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated income statement. Rental income from investment properties is accounted for as described in note (R)(i).

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 was held under a finance lease (see note (I)) and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note (I).

(ii) Hotel and Club Properties

Hotel and club properties are stated at cost less accumulated depreciation and impairment losses (see note (J)(ii)). Hotel properties under development are stated at cost less impairment losses (see note (J)(ii)).

(iii) Other Property, Plant and Equipment Held for Own Use

Other property, plant and equipment held for own use is stated at cost less accumulated depreciation and impairment losses (see note (J)(ii)).

- (iv) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

E. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

(i) Investment Properties

No depreciation is provided on investment properties.

(ii) Hotel and Club Properties

Depreciation is provided on the cost of the leasehold land of hotel and club properties over the unexpired period of the lease. Costs of buildings thereon are depreciated on a straight line basis over their estimated useful lives of not more than 50 years.

Depreciation of hotel properties under development commences when they are available for use.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(iii) Other Property, Plant and Equipment Held for Own Use

Depreciation is provided on the cost of the leasehold land of all other properties held for own use over the unexpired period of the lease. Costs of the buildings thereon are depreciated on a straight line basis over their unexpired period of leases or estimated useful lives whichever is shorter.

Depreciation is provided on a straight line basis over their estimated useful lives of these assets of 3 to 25 years.

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

F. FINANCIAL INSTRUMENTS

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are recognised in the consolidated statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling the debt investment; and
- the contractual terms of the debt investment give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in debt and equity securities

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

The "other long term investments" caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt investment securities measured at FVOCI;
- equity investment securities elected to measure at FVOCI; and
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss.

Investments in debt and equity securities (other than investments in subsidiaries, associates and joint ventures) are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

For debt investment securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- expected credit losses and reversals; and
- foreign exchange gains and losses.

When debt investment securities measured at FVOCI is derecognised, the cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Group elects to present in OCI changes in fair value of investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments measured at FVOCI are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to revenue reserves on disposal of the equity investment.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income using effective interest method, excepted credit losses and reversals and foreign exchange gains and losses are recognised in profit or loss. Other net fair value gains and losses are recognised in OCI.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

The Group has designated all investments in equity instruments (listed or unlisted) that are not held for trading as at FVOCI since the application of HKFRS 9.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ii) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

(iii) Classification and measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iv) Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) with modified terms is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under HKFRSs, or for gains and losses arising from a group of similar transactions.

G. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a operation outside Hong Kong, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (note (H)).

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

H. HEDGING

(i) Fair Value Hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the consolidated income statement. The gain or loss from remeasuring the hedging instrument at fair value together with the gain or loss on the hedged item attributable to the hedged risk are recorded in the consolidated income statement.

(ii) Cash Flow Hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in other comprehensive income and accumulated separately in equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated income statement.

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

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

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

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

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(iii) Hedge of Net Investment in a Operation Outside Hong Kong

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a operation outside Hong Kong that is determined to be an effective hedge is recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve until the disposal of the operation outside Hong Kong, at which time the cumulative gain or loss is reclassified from equity to the consolidated income statement. The ineffective portion is recognised immediately in the consolidated income statement. The amount recognised in other comprehensive income is classified to profit or loss as a reclassification adjustment on disposal of the operation outside Hong Kong.

I. LEASED ASSETS

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

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation (see note (E) for each type of underlying asset) and impairment losses (see note (J)(ii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note (D)(i); and

- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note (K).

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

The Group includes right-of-use assets that do not meet the definition of investment property and properties for sale in 'property, plant and equipment in the consolidated statement of financial position.

(B) Policy applicable prior to 1 January 2019

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

- property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note (D)(i)); 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 that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note (E). Impairment losses were accounted for in accordance with the accounting policy as set out in note (J) (ii). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to consolidated income statement 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 consolidated income statement 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.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note (R)(i).

J. IMPAIRMENT OF ASSETS

(i) Impairment of Financial Assets

The Group recognises loss allowances for expected credit loss (“ECL”) on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk of financial instruments since initial recognition, in which the ECLs are measured at an amount equal to lifetime ECLs. For trade receivables (including lease receivables), the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Life ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

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

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Impairment of Non-Financial Assets (including right-of-use assets)

The carrying amounts of non-financial assets, other than properties carried at revalued amounts (including investments in subsidiaries in the Company's statement of financial position and investments in associates and joint ventures accounted for under the equity method (see note (C)(ii)) and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of Recoverable Amount

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

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

– Reversals of Impairment Losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed (including those provided during the interim financial reporting).

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

– Interim Financial Reporting and Impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

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

K. PROPERTIES FOR SALE

(i) Completed Properties for Sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised (see note (S)), attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions which represents the estimated selling price less costs to be incurred in selling the property. Cost of completed properties for sale comprises all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location and condition.

The amount of any write down of or provision for completed properties for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

(ii) Properties under Development for Sale

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes identified costs including the acquisition cost of interest in freehold and leasehold land, aggregate cost of development, borrowing costs capitalised (see note (S)), material and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is estimated by management, taking into account the expected price that can ultimately be achieved, based on prevailing market conditions and the anticipated costs of completion and costs to be incurred in selling the property.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the consolidated income statement in the period in which the reversal occurs.

L. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is estimated by the management, based on the expected selling price in the ordinary course of business less the anticipated costs of completion and the estimated costs necessary to make the sale.

M. CASH AND CASH EQUIVALENTS

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

N. ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if they are highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell, except that financial assets, deferred tax assets and investment properties continue to be measured in accordance with the Group's accounting policies.

O. OTHER CONTRACT COSTS

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as properties for sale (see note (K)), inventories (see note (L)), property, plant and equipment (see note (D)) or intangible assets.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventories, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note (R).

P. CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is recognised when the Group recognises revenue (see note (R)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note (J)(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 (R)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note (R)).

Q. FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the statements of financial position of operations outside Hong Kong are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations outside Hong Kong are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Statement of financial position items, including goodwill arising on consolidation of operations outside Hong Kong acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Differences arising from the translation of the financial statements of operations outside Hong Kong are recognised in other comprehensive income and accumulated separately in equity in the exchange reserves and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated income statement.

On disposal of a operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that operation outside Hong Kong is reclassified from equity to the consolidated income statement and is included in the calculation of the profit or loss on disposal.

R. RECOGNITION OF REVENUE

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

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

- (i) Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised in the accounting period in which they are earned.
- (ii) Income arising from the sale of properties held for sale which do not meet the criteria to recognise over time is recognised when legal assignment is completed or the property is accepted by the customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Income arising from sale of properties which have no alternative use to the Group and the Group has an enforceable right to payment from customer for performance completed to date, is recognised over time based on the progress of the construction.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Deposits and instalments received on properties sold prior to the date of revenue recognition are presented in the statement of financial position as deposits from sale of properties which are regarded as contract liabilities (see note (P)).

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

- (iii) Income from logistics operations and hotels operations is recognised at the time when the services are provided.
- (iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (v) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- (vi) Interest income is recognised as it accrues using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note (J)(i)).
- (vii) Income received in advance attributable to long term service contracts is deferred and recognised over the contract period on a straight line basis.

S. BORROWING COSTS

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

T. INCOME TAX

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may be capable to support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

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

The carrying amount of a deferred tax asset is reviewed at 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 will probably arise from the distribution of dividends are recognised when the related dividends are likely to be payable in the foreseeable future.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

U. RELATED PARTIES

- (i) A person, or a close member of that person's family, is related to the Group if that person:
- (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group.
- (ii) An entity is related to the Group if any of the following conditions applies:
- (a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or a joint venture of a member of a Group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

V. FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

(i) Financial Guarantees Issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note (V)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other Provisions and Contingent Liabilities

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

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

W. SEGMENT REPORTING

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

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

X. EMPLOYEE BENEFITS

(i) Share Based Payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option-pricing Model or Binomial Model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the respective company's shares. The equity amount is recognised in the capital reserve until either the share option is exercised (when it is transferred to other statutory capital reserves) or the share option expires (when it is released directly to revenue reserves).

(ii) Employee Benefits and Contributions to Defined Contribution Retirement Plans

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

(iii) Central Provident Fund in Singapore

Contributions to the Central Provident Fund in Singapore as required under the Central Provident Fund Act are charged to the consolidated income statement when incurred.

Y. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 24 contains information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Valuation of Investment Properties

Investment properties are included in the statement of financial position at their market value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential and redevelopment potential of the properties.

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

(ii) Assessment of the Useful Economic Lives for Depreciation of Property Plant and Equipment

In assessing the estimated useful lives of property, plant and equipment, management takes into account factors such as the expected usage of the asset by the Group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the Group.

Management reviews the useful lives of property, plant and equipment annually and if expectations are significantly different from previous estimates of useful economic lives, the useful lives and, therefore, the depreciation rate for the future periods will be adjusted accordingly.

(iii) Assessment of Impairment of Non-current Assets

Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

(iv) Assessment of Provision for Properties for Sale

Management determines the net realisable value of properties for sale by using (i) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (ii) internal estimates of costs based on quotes by suppliers.

Management's assessment of the net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate and estimates may need to be adjusted in later periods.

(v) Recognition of Deferred Tax Assets

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance, changes in technology and operational and financing cash flows.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
A) Wharf				
* The Wharf (Holdings) Limited	Hong Kong	HK\$30,221,452,473 divided into 3,049,227,327 shares	70%	Holding company
Properties				
Wharf Development Limited	Hong Kong	HK\$7,000,000,000 divided into 7,000,000,000 shares	70%	Holding company
Wharf Peak Properties Limited	Hong Kong	HK\$30,000,000 divided into 3,000,000 shares	70%	Property
New Tech Centre Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	70%	Property
Alpha Pioneer Limited	Hong Kong	HK\$1 divided into 1 share	70%	Property
Horizon Moon Limited	Hong Kong	HK\$1 divided into 1 share	70%	Property
Vision Charm Limited	Hong Kong	HK\$1 divided into 1 share	70%	Property
Wealthy Bay Limited	Hong Kong	HK\$1 divided into 1 share	70%	Property
Wharf China Holdings (0004) Limited	British Virgin Islands	5,129,000,000 US\$1 shares	70%	Holding company
Wharf China Estates (0004) Limited	British Virgin Islands	1,000,000 US\$1 shares	70%	Holding company
Broader Link Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Bucksfull Company Limited	Hong Kong	HK\$158 divided into 158 shares	70%	Holding company
Cardell Company Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Cheerwill Properties Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Chengdu IFC Development Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Genius View International Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Harriman China Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Holmwood Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Ownership of trade marks
Malaga Company Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Merry Bond (0004) Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Radiant Lead Global Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Rising Chain International Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Sharp Hero Holdings Limited	British Virgin Islands	1 US\$1 share	70%	Holding company
Singford International Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Strong Field International Limited	Hong Kong	HK\$1 divided into 1 share	70%	Ownership of trade marks
Topusko Limited	Hong Kong	HK\$20 divided into 2 shares	70%	Holding company
Treasure Board (0004) Limited	British Virgin Islands	1 US\$1 share	70%	Holding company
Wharf Beijing Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Wharf China Estates Limited	Hong Kong	HK\$1 divided into 1 share	70%	Management services
Wharf Chongqing Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Wharf Dalian Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Wharf Estates China Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Wharf Shanghai Estates Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Wise Noble Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
ii Shanghai Long Xing Property Development Company Limited	The People's Republic of China	US\$45,000,000	70%	Property
ii Dalian Times Square Development Company Limited	The People's Republic of China	RMB200,000,000	70%	Property
ii Long Qing Property Development (Chongqing) Company Limited	The People's Republic of China	RMB223,533,440	70%	Property

Subsidiaries	Place of incorporation/operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities	
i	Shanghai Wheelock Square Development Limited	The People's Republic of China	US\$144,000,000	68%	Property
ii	上海夏利物業管理有限公司	The People's Republic of China	US\$500,000	70%	Property management
ii	大連時代豪庭物業管理有限公司	The People's Republic of China	HK\$1,040,000	70%	Property management
ii	重慶時代廣場物業管理有限公司	The People's Republic of China	US\$70,000	70%	Property management
ii	龍昌綜合開發(成都)有限公司	The People's Republic of China	HK\$221,000,000	70%	Property
ii	龍錦綜合開發(成都)有限公司	The People's Republic of China	US\$1,930,400,000	70%	Property
ii	成都時代奧特萊斯商業有限公司	The People's Republic of China	HK\$170,000,000	70%	Property
ii	長沙時代奧特萊斯商業有限公司	The People's Republic of China	US\$40,000,000	70%	Property
ii	九龍倉(長沙)置業有限公司	The People's Republic of China	US\$2,050,890,079	70%	Property
iv	龍潤房地產開發(成都)有限公司	The People's Republic of China	RMB20,000,000	70%	Property
ii	九龍倉(北京)企業管理有限公司	The People's Republic of China	US\$2,000,000	70%	Holding company
iv	致昌(北京)企業管理有限公司	The People's Republic of China	RMB10,000,000	70%	Holding company
iv	大連德高企業管理有限公司	The People's Republic of China	RMB5,000,000	70%	Holding company
iv	大連盈致企業管理有限公司	The People's Republic of China	RMB10,000,000	70%	Holding company
	Wharf China Development (0004) Limited	British Virgin Islands	1,000,000 US\$1 shares	70%	Holding company
	Advance Trend Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	All Delight Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	All Genius Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Amicable Creation Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Apex Mind Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Bright Wave Group Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Booming Era Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Concept Plus Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Corning Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Creative City Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Dragon Legacy Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Eventful Decade Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Fantastic Gain Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Fame Treasure International (0004) Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
	Famous Master International Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Favour Year Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Fine Noble Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Fine Super Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Flying Will Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Gold Unicorn Holdings Limited	Hong Kong	HK\$1,459,380,000 divided into 1,459,380,000 shares	70%	Holding company
	Greatworth Investments Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
	Global Bloom Investments Limited	Hong Kong	HK\$100,000,000 dividend into 100,000,000 shares	70%	Holding company
	Go Triumph Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Great Venturer Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Harvest Moment Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Idea Treasure Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
	Joyful Honour Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Subsidiaries	Place of incorporation/operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Key Advance Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Lion Voice Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Main Light Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Master Joy Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Max Speed International Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Mega Full Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Merit Joy Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Merit Perfection Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Noble Key Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
One Victory Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Onyee Properties Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Perfect Joy Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Pilot Focus International Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Power Shine Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Power Unicorn Holdings Limited	British Virgin Islands	1 US\$1 share	70%	Holding company
Promise Well Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Radiant South (0004) Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Real Sky Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Rumba Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	57%	Holding company
Show All Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Silver Zone International Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Simply Thrive Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Sino Season Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Sky Join Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Sky Step (0004) Limited	British Virgin Islands	1 US\$1 share	70%	Holding company
Smart Bloom Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Smartworth Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Smooth Flow Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
South Honest (0004) Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Star Apex International Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Star Colour (0004) Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Star Rank Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Step Line Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Sunny Point Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Total Up International Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Trade Right Investments Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Trendy Win Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Utmost Success Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Walsham Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Wharf China Development Limited	Hong Kong	HK\$1 divided into 1 share	70%	Management services
Wharf China Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Management services
Wharf China Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Wharf CIM Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Wharf Chengdu Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Wharf (Jingan) Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company

Subsidiaries	Place of incorporation/operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Wharf Ningbo Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Wharf Shanghai Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	70%	Holding company
Wharf Wuhan Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Holding company
Wharf Properties China (0004) Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Wharf Properties China Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Wiser Global Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
ii 漢龍實業綜合開發(武漢)有限公司	The People's Republic of China	US\$33,100,000	70%	Property
ii 九龍倉(武漢)置業有限公司	The People's Republic of China	US\$46,000,000	70%	Property
ii 武漢時代廣場物業管理有限公司	The People's Republic of China	US\$550,000	70%	Property Management
i 上海龍申房地產發展有限公司	The People's Republic of China	US\$22,330,000	38%	Property
ii 上海莉源房地產開發有限公司	The People's Republic of China	US\$195,000,000	70%	Property
ii 上海萊源房地產開發有限公司	The People's Republic of China	US\$35,000,000	70%	Property
ii 上海清源房地產開發有限公司	The People's Republic of China	US\$70,000,000	70%	Property
ii 九龍倉(上海)企業管理有限公司	The People's Republic of China	US\$2,000,000	70%	Management services
ii 大上海時代廣場物業管理(上海)有限公司	The People's Republic of China	US\$500,000	70%	Property Management
ii 龍茂房地產開發(成都)有限公司	The People's Republic of China	HK\$26,000,000	70%	Property
ii 龍悅房地產開發(成都)有限公司	The People's Republic of China	US\$3,000,000	70%	Property
ii 龍嘉房地產開發(成都)有限公司	The People's Republic of China	HK\$275,500,000	70%	Property
ii 蘇州蘇龍地產發展有限公司	The People's Republic of China	US\$6,800,000	70%	Property
ii 蘇州瑞龍地產發展有限公司	The People's Republic of China	US\$63,000,000	70%	Property
ii 蘇州銀龍地產發展有限公司	The People's Republic of China	US\$200,000,000	70%	Property
iv 蘇州耀龍投資管理有限公司	The People's Republic of China	RMB5,000,000	70%	Holding company
i 蘇州祥龍地產發展有限公司	The People's Republic of China	RMB817,150,000	70%	Property
i 蘇州兆龍地產發展有限公司	The People's Republic of China	RMB2,289,110,000	70%	Property
iv 杭州堡華房地產開發有限公司	The People's Republic of China	RMB500,000,000	70%	Property
ii 蘇州昌龍地產發展有限公司	The People's Republic of China	RMB2,181,500,000	70%	Property
ii 蘇州昇龍地產發展有限公司	The People's Republic of China	RMB2,855,000,000	70%	Property
ii 九龍倉(無錫)置業有限公司	The People's Republic of China	US\$257,580,000	70%	Property
ii 無錫九龍倉物業管理有限公司	The People's Republic of China	US\$1,000,000	70%	Property Management
ii 無錫港龍置業有限公司	The People's Republic of China	US\$42,900,000	70%	Property
ii 無錫河畔置業有限公司	The People's Republic of China	US\$20,400,000	70%	Property
ii 無錫都會置業有限公司	The People's Republic of China	US\$50,600,000	70%	Property
ii 港盈房地產(杭州)有限公司	The People's Republic of China	US\$16,990,000	70%	Property
ii 九龍倉(杭州)置業有限公司	The People's Republic of China	US\$20,000,000	70%	Property
ii 堡盈房地產(杭州)有限公司	The People's Republic of China	US\$20,000,000	70%	Property
ii 錦興房地產開發(杭州)有限公司	The People's Republic of China	US\$126,000,000	70%	Property
ii 洋立房地產(杭州)有限公司	The People's Republic of China	HK\$25,000,000	70%	Property
ii 望華房地產(杭州)有限公司	The People's Republic of China	HK\$30,000,000	70%	Property
ii 富匯房地產開發(富陽)有限公司	The People's Republic of China	US\$187,000,000	70%	Property
ii 會盈房地產(杭州)有限公司	The People's Republic of China	US\$4,930,000	70%	Holding company
ii 杭州杭龍置業管理有限公司	The People's Republic of China	US\$5,160,000	70%	Holding company
ii 富景房地產開發(富陽)有限公司	The People's Republic of China	US\$16,000,000	70%	Property
龍鼎房地產(杭州)有限公司	The People's Republic of China	HK\$1,996,959,479	70%	Property
寰華房地產(杭州)有限公司	The People's Republic of China	HK\$3,442,577,644	70%	Property

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
ii 寧波立成置業有限公司	The People's Republic of China	US\$42,000,000	70%	Property
ii 九龍倉置業(廣州)有限公司	The People's Republic of China	HK\$1,000,000	70%	Holding company
ii 九龍倉置業(重慶)有限公司	The People's Republic of China	US\$300,000	70%	Property
ii 九龍倉(中國)物業管理有限公司	The People's Republic of China	HK\$60,000,000	70%	Property Management
ii 九龍倉(中國)投資有限公司	The People's Republic of China	US\$30,000,007	70%	Holding company
ii 大連時代廣場商業有限公司	The People's Republic of China	US\$4,500,000	70%	Property
ii 杭州堡龍投資管理有限公司	The People's Republic of China	US\$15,000,000	70%	Property Management
Logistics				
Modern Terminals Limited	Hong Kong	HK\$82,049,200 divided into 70,116 shares	48%	Container terminal
i Shenzhen Dachan Bay Modern Port Development Company, Limited	The People's Republic of China	RMB5,775,550,000	31%	Container terminal
Hotels				
Wharf Hotels Limited	British Virgin Islands	500 US\$1 shares	70%	Holding company
Chengdu Niccolo Holdings (Hong Kong) Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Extra Talent Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Primal Talent Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Wharf China Hotels Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Wharf Hotels Management Limited	Hong Kong	HK\$20 divided into 2 shares	70%	Hotel
ii 武漢馬哥孛羅酒店有限公司	The People's Republic of China	US\$3,850,000	70%	Hotel
ii 成都馬哥孛羅酒店有限公司	The People's Republic of China	US\$8,000,000	70%	Hotel
ii 長沙尼依格羅酒店有限公司	The People's Republic of China	US\$8,000,000	70%	Hotel
Investment and others				
Wharf CME2 Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	70%	Investment
Wharf Limited	Hong Kong	HK\$20 divided into 2 shares	70%	Management services
Wharf Finance Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Finance
Wharf Finance (BVI) Limited	British Virgin Islands/Hong Kong	500 US\$1 shares	70%	Finance
Wharf Hong Kong Limited	Cayman Islands	500,000,000 US\$1 shares	70%	Holding company
Wharf China Finance Limited	Hong Kong	HK\$5,000,000 divided into 5,000,000 shares	70%	Finance
Wharf Finance (No.1) Limited	Hong Kong	HK\$2 divided into 2 shares	70%	Finance
Every Success Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Finance
Proper Run Limited	Hong Kong	HK\$1 divided into 1 share	70%	Finance
Wobble Company Limited	Hong Kong	HK\$1 divided into 1 share	70%	Finance
Classic Partner Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company
Spring Day Holdings Limited	Hong Kong	HK\$1 divided into 1 share	70%	Holding company

Subsidiaries	Place of incorporation/operation	Issued ordinary share capital/registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
B) Wharf REIC				
* Wharf Real Estate Investment Company Limited	Cayman Islands	HK\$303,622,733 divided 3,036,227,327 shares	66%	Holding company
Properties				
Wharf Estates Limited	Hong Kong	HK\$1,000,000 divided into 1,000,000 shares	66%	Holding company
Bright Smart Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	66%	Property Investment
Excellent Base Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	66%	Property Investment
Harbour City Estates Limited	Hong Kong	HK\$330,100,000 divided into 20,000 shares	66%	Property Investment
Mullein Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	66%	Property Investment
Oripuma Investments Limited	Hong Kong	HK\$2 divided into 2 shares	66%	Property Investment
Plaza Hollywood Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	66%	Property Investment
Ridge Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	66%	Property Investment
Times Square Limited	Hong Kong	HK\$20 divided into 2 shares	66%	Property Investment
Wavatach Company Limited	Hong Kong	HK\$1,000 divided into 1,000 shares	66%	Property Investment
Wettersley Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	66%	Property Investment
Wharf Realty Limited	Hong Kong	HK\$2 divided into 2 shares	66%	Property investment
Wharf REIC Holdings Limited	British Virgin Islands	500 US\$1 shares	66%	Holding company
Wheelock Properties (Singapore) Pte. Ltd.	Singapore	1,183,562,814 S\$0.87 shares	66%	Holding company/Property
Everbilt Developers Pte. Ltd.	Singapore	160,000,000 S\$1 shares	66%	Property
* Harbour Centre Development Limited	Hong Kong	HK\$3,641,350,047 divided into 708,750,000 shares	47%	Holding company
Cheer Sky Investment Limited	Hong Kong	HK\$1 divided into 1 share	47%	Holding company
Free Boost Investments Limited	Hong Kong	HK\$1 divided into 1 share	47%	Holding company
HCDL Investments Limited	Hong Kong	HK\$1 divided into 1 share	47%	Holding company
High Sea Investments Limited	Hong Kong	HK\$2 divided into 2 shares	47%	Holding company
Harbour Centre (Hong Kong) Limited	British Virgin Islands	500 US\$1 shares	47%	Holding company
HCDL China Development Limited	British Virgin Islands	500 US\$1 shares	47%	Holding company
Joinhill Investments Limited	Hong Kong	HK\$1 divided into 1 share	47%	Holding company
Manniworth Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	47%	Property investment
Market Favour Investments Limited	Hong Kong	HK\$1 divided into 1 share	47%	Holding company
Victor Horizon (0051) Limited	British Virgin Islands	500 US\$1 shares	47%	Investment

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
Wealthy Flow Company Limited	Hong Kong	HK\$1 divided into 1 share	47%	Bank deposit
ii 廣州秀達企業管理有限公司	The People's Republic of China	HK\$2,000,000	47%	Holding company
iii 廣州譽港企業管理有限公司	The People's Republic of China	RMB5,000,000	47%	Holding company
iii 廣州港捷企業管理有限公司	The People's Republic of China	RMB10,000,000	47%	Holding company
ii 九龍倉(常州)置業有限公司	The People's Republic of China	US\$144,950,000	47%	Property
ii 南京聚龍房地產開發有限公司	The People's Republic of China	US\$1,000,000	47%	Holding company
i 蘇州高龍房產發展有限公司	The People's Republic of China	RMB1,500,000,000	37%	Property
Hotels				
The Murray Limited	Hong Kong	HK\$1 divided into 1 share	47%	Hotel
The Hongkong Hotel Limited	Hong Kong	HK\$100,000 divided into 100,000 shares	47%	Hotel and property investment
The Marco Polo Hotel (Hong Kong) Limited	Hong Kong	HK\$1,000 divided into 1,000 shares	66%	Hotel
The Prince Hotel Limited	Hong Kong	HK\$2 divided into 2 shares	66%	Hotel
ii 常州馬哥孛羅酒店有限公司	The People's Republic of China	US\$7,000,000	47%	Hotel
Investment and others				
Algebra Assets Limited	British Virgin Islands	500 US\$1 shares	47%	Investment
HCDL Investments Finance Limited	Hong Kong	HK\$1 divided into 1 share	47%	Finance
HCDL China Finance Limited	Hong Kong	HK\$1 divided into 1 share	47%	Finance
HCDL Finance Limited	Hong Kong	HK\$5,000,000 divided into 5,000,000 shares	47%	Finance
Harriman Leasing Limited	Hong Kong	HK\$2,000,990 divided into 10,100,099 shares	66%	Leasing services
Marvel Initial Limited	British Virgin Islands	500 US\$1 shares	66%	Investment
Star Attraction Limited	British Virgin Islands	1,500 US\$1 shares	66%	Holding Company
The "Star" Ferry Company, Limited	Hong Kong	HK\$7,200,000 divided into 1,440,000 shares	66%	Public transport
Wharf REIC Corporate Management Limited	Hong Kong	HK\$1 divided into 1 share	66%	Management services
Wharf REIC Finance Limited	Hong Kong	HK\$1 divided into 1 share	66%	Finance
# Wharf REIC Finance (BV) Limited	British Virgin Islands	500 US\$1 shares	66%	Finance
Wharf REIC Treasury Limited	Hong Kong	HK\$1 divided into 1 share	66%	Bank deposit
Wharf Transport Investments Limited	Hong Kong	HK\$2 divided into 2 shares	66%	Holding company
Lotus Tycoon Limited	British Virgin Islands	500 US\$1 shares	66%	Investment

Subsidiaries	Place of incorporation/ operation	Issued ordinary share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
C) Wheelock (other than Wharf and Wharf REIC)				
Others				
Active Talent Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Amblegreen Company Limited	Hong Kong	HK\$100 divided into 100 shares	100%	Property
Easy Merit Holdings Limited	Hong Kong	HK\$1,000 divided into 1,000 shares	100%	Property
Ever Merits Investments Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Fortune Precision Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Property
Golden Centurion Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Great Horwood Limited	Hong Kong	HK\$100 divided into 100 shares	100%	Property
Handy Solution Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Harriman Property Management Limited	Hong Kong	HK\$19,800 divided into 198 shares	100%	Property management
Leading Elite Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Max Bloom International Development Limited	Hong Kong	HK\$1 divided into 1 share	100%	Investment
Meritgold Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Milway Development Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Precise Treasure Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Top Genius Holdings Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Titano Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Property
Tristar Capital Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Universal Sight Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Ventures Smart Limited	Hong Kong	HK\$1 divided into 1 share	100%	Property
Wascott Property Limited	Hong Kong	HK\$1,000 divided into 1,000 shares	100%	Property
Wheelock Corporate Services Limited	Hong Kong	HK\$10,000,000 divided into 10,000,000 shares	100%	Management services
Wheelock Finance Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Finance
Wheelock Properties Limited	Hong Kong	HK\$8,004,905,000 divided into 40,000,000,000 shares	100%	Holding company
Wheelock Properties (Hong Kong) Limited	Hong Kong	HK\$1,000 divided into 10 shares	100%	Property services and management
Wheelock Travel Limited	Hong Kong	HK\$500,000 divided into 50,000 shares	100%	Travel agency
Wheelock MTN (BVI) Limited	British Virgin Islands	500 US\$1 shares	100%	Finance

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

Associates	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
Wharf – Properties				
Start Treasure Limited	Hong Kong	Ordinary	10%	Property
Harpen Company Limited	Hong Kong	Ordinary	35%	Holding company
Magic Delight Limited	Hong Kong	Ordinary	35%	Holding company
Cheerful Age Company Limited	Hong Kong	Ordinary	35%	Holding company
Victor Choice Investments Limited	Hong Kong	Ordinary	34%	Holding company
蘇州茂龍地產發展有限公司	The People's Republic of China	Registered	34%	Property
蘇州雙湖房地產有限公司	The People's Republic of China	Registered	35%	Property
天津港威房地產開發有限公司	The People's Republic of China	Registered	35%	Property
天津雍景灣房地產開發有限公司	The People's Republic of China	Registered	35%	Property
佛山招商九龍倉房地產有限公司	The People's Republic of China	Registered	35%	Property
佛山依雲房地產有限公司	The People's Republic of China	Registered	35%	Property
佛山依雲上園房地產有限公司	The People's Republic of China	Registered	35%	Property
佛山依雲觀園房地產有限公司	The People's Republic of China	Registered	28%	Property
佛山招商果嶺房地產有限公司	The People's Republic of China	Registered	28%	Property
佛山信捷房地產有限公司	The People's Republic of China	Registered	35%	Property
佛山依雲孝德房地產有限公司	The People's Republic of China	Registered	35%	Property
佛山招商光華房地產有限公司	The People's Republic of China	Registered	35%	Property
佛山招商中環房地產有限公司	The People's Republic of China	Registered	35%	Property
廣州市萬尚房地產有限公司	The People's Republic of China	Registered	23%	Property
北京廣盈房地產開發有限公司	The People's Republic of China	Registered	23%	Property
北京亞林東房地產開發有限公司	The People's Republic of China	Registered	17%	Property
北京亞林西房地產開發有限公司	The People's Republic of China	Registered	17%	Property
北京亮馬置業有限公司	The People's Republic of China	Registered	21%	Property
杭州築家房地產開發有限公司	The People's Republic of China	Registered	35%	Property
蘇州孚元置業有限公司	The People's Republic of China	Registered	23%	Property
杭州龍孜投資管理有限公司	The People's Republic of China	Registered	18%	Property
蘇州工業園區圓嶼捷建設發展有限公司	The People's Republic of China	Registered	21%	Property
蘇州新高智建建設發展有限公司	The People's Republic of China	Registered	21%	Property
杭州綠城九龍倉置業有限公司	The People's Republic of China	Registered	35%	Property
浙江綠九置業有限公司	The People's Republic of China	Registered	35%	Property
杭州綠九濱聞置業有限公司	The People's Republic of China	Registered	35%	Property
杭州龍吳房地產開發有限公司	The People's Republic of China	Registered	16%	Property
杭州綠九啟奧置業有限公司	The People's Republic of China	Registered	24%	Property
杭州致謙投資有限公司	The People's Republic of China	Registered	35%	Holding company
杭州綠城朝陽置業有限公司	The People's Republic of China	Registered	35%	Property
杭州臻祿投資有限公司	The People's Republic of China	Registered	5%	Holding company
杭州綠城桂溪房地產開發有限公司	The People's Republic of China	Registered	5%	Property
龍景房地產(杭州)有限公司	The People's Republic of China	Registered	35%	Property
Wharf – Logistics				
Hong Kong Air Cargo Terminals Limited	Hong Kong	Ordinary	15%	Air cargo terminal
Mega Shekou Container Terminals Limited	British Virgin Islands	Ordinary	10%	Holding company
Wharf REIC – Properties				
上海萬九綠合置業有限公司	The People's Republic of China	Registered	13%	Property

Joint ventures	Place of incorporation/ operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
Wharf – Properties				
Market Prospect Limited	Hong Kong	Ordinary	35%	Property
Clear Elegant Limited	Hong Kong	Ordinary	21%	Property
Elite Mind International Limited	Hong Kong	Ordinary	28%	Holding company
Empire Land Investments Limited	Hong Kong	Ordinary	35%	Holding company
Green Magic Investments Limited	Hong Kong	Ordinary	42%	Holding company
Tower Beyond Limited	Hong Kong	Ordinary	35%	Holding company
Vanguard Insight Limited	Hong Kong	Ordinary	35%	Holding company
Long Global Investment Limited	Hong Kong	Ordinary	21%	Holding company
Tartar Investments Limited	British Virgin Islands	Ordinary	21%	Holding company
重慶嘉江房地產開發有限公司	The People's Republic of China	Registered	28%	Property
重慶嘉益房地產開發有限公司	The People's Republic of China	Registered	35%	Property
重慶尼依格羅酒店有限公司	The People's Republic of China	Registered	35%	Hotel
祥寶投資(成都)有限公司	The People's Republic of China	Registered	21%	Property
天津贏超房地產開發有限公司	The People's Republic of China	Registered	35%	Property
寧波姚景房地產開發有限公司	The People's Republic of China	Registered	35%	Property
寧波瑞峰置業有限公司	The People's Republic of China	Registered	35%	Property
蘇州皓龍地產發展有限公司	The People's Republic of China	Registered	42%	Property
大連九龍倉綠城置業有限公司	The People's Republic of China	Registered	42%	Property
上海龍驤房地產開發有限公司	The People's Republic of China	Registered	35%	Property
深圳前晉置業有限公司	The People's Republic of China	Registered	35%	Property
北京西局置業有限公司	The People's Republic of China	Registered	56%	Property
廣州建融房地產開發有限公司	The People's Republic of China	Registered	13%	Holding company
廣州建德房地產開發有限公司	The People's Republic of China	Registered	13%	Property
廣州安合房地產開發有限公司	The People's Republic of China	Registered	7%	Property
Wharf REIC – Properties				
Speedy Champ Investments Limited	Hong Kong	Ordinary	27%	Holding company
重慶豐盈房地產開發有限公司	The People's Republic of China	Registered	27%	Property
Wheelock (other than WHL and Wharf REIC) – Properties				
Dragon Star H.K. Investments Limited	Hong Kong	Ordinary	40%	Property
Infinite Sun Limited	Hong Kong	Ordinary	30%	Property
Marble Edge Investments Limited	Hong Kong	Ordinary	18%	Property
Sky Asia Properties Limited	Hong Kong	Ordinary	23%	Property
Voyage Mile Limited	Hong Kong	Ordinary	29%	Property

* Listed companies

Registered in Hong Kong under part 16 of the Companies Ordinance (Cap 622 of the laws of Hong Kong) as a registered non-Hong Kong company.

i This entity is registered as a sino-foreign joint venture company under PRC law.

ii This entity is registered as a wholly foreign owned enterprise under PRC law.

iii This entity is registered as a foreign owned enterprise under PRC law.

iv This entity is registered as a wholly domestic owned enterprise under PRC law.

Notes:

(a) The subsidiaries, associates and joint ventures were held indirectly by the Company.

(b) The above list gives the principal subsidiaries, associates and joint ventures of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.

PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

(c) Set out below are details of debt securities issued by subsidiaries of the Group:

Name of subsidiary/borrower	Description of debt securities	Outstanding principal amount
A) Wharf (guaranteed by Wharf)		
Wharf Finance (BVI) Limited	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$250 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$370 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$480 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$500 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$280 Million
	RMB Guaranteed Fixed Rate Notes due 2021	RMB215 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$200 Million
Wharf Finance Limited	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$300 Million
	US\$ Guaranteed Floating Rate Notes due 2020	US\$20 Million
	US\$ Guaranteed Fixed Rate Notes due 2021	US\$50 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$345 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$424 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$60 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$312 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$382 Million
	US\$ Guaranteed Fixed Rate Notes due 2022	US\$60 Million
	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2023	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$500 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$195 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$185 Million
	HK\$ Guaranteed Fixed Rate Notes due 2024	HK\$177 Million
HK\$ Guaranteed Fixed Rate Notes due 2025	HK\$800 Million	
HK\$ Guaranteed Fixed Rate Notes due 2027	HK\$230 Million	
HK\$ Guaranteed Fixed Rate Notes due 2040	HK\$250 Million	
Wharf Finance (No. 1) Limited	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$550 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$180 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2020	HK\$100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB100 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB200 Million
	RMB Guaranteed Fixed Rate Notes due 2020	RMB300 Million
	SG\$ Guaranteed Fixed Rate Notes due 2021	SG\$260 Million
	RMB Guaranteed Fixed Rate Notes due 2023	RMB200 Million
	JPY Guaranteed Fixed Rate Notes due 2026	JPY10,000 Million
The Wharf (Holdings) Limited	RMB Fixed Rate Notes due 2020	RMB2,000 Million

Name of subsidiary/borrower	Description of debt securities	Outstanding principal amount
B) Wharf REIC (guaranteed by Wharf REIC)		
Wharf REIC Finance (BVI) Limited	US\$ Guaranteed Fixed Rate Notes due 2024	US\$300 Million
	HK\$ Guaranteed Fixed Rate Notes due 2025	HK\$1,000 Million
	HK\$ Guaranteed Fixed Rate Notes due 2026	HK\$514 Million
	HK\$ Guaranteed Fixed Rate Notes due 2028	HK\$1,400 Million
	US\$ Guaranteed Fixed Rate Notes due 2028	US\$600 Million
	HK\$ Guaranteed Fixed Rate Notes due 2030	HK\$190 Million
C) Wheelock (other than Wharf and Wharf		
REIC) (guaranteed by the Company)		
Wheelock Finance Limited	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2021	HK\$200 Million
	SG\$ Guaranteed Fixed Rate Notes due 2021	SG\$350 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$445 Million
	HK\$ Guaranteed Fixed Rate Notes due 2022	HK\$450 Million

SCHEDULE OF PRINCIPAL PROPERTIES

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
HONG KONG						
Properties – Investment						
Harbour City, Tsimshatsui						
Ocean Terminal	725,000	–	580,000	–	145,000	
Ocean Centre	987,000	631,000	356,000	–	–	
Wharf T & T Centre	257,000	244,000	13,000	–	–	
World Commerce Centre	254,000	240,000	14,000	–	–	
World Finance Centre	513,000	476,000	37,000	–	–	
Ocean Galleries	348,000	–	348,000	–	–	
Gateway I	1,241,000	1,127,000	114,000	–	–	
Gateway II	2,641,000	1,879,000	434,000	–	328,000	
Marco Polo Hongkong Hotel	737,000	18,000	172,000	–	547,000	(A 655-room hotel)
Gateway	289,000	–	–	–	289,000	(A 400-room hotel)
Prince	279,000	–	–	–	279,000	(A 394-room hotel)
Pacific Club Kowloon	138,000	–	–	–	138,000	(Club House)
	8,409,000	4,615,000	2,068,000	–	1,726,000	
Times Square						
Sharp Street East, Causeway Bay	1,976,000	1,033,000	943,000	–	–	
Plaza Hollywood						
3 Lung Poon Street, Diamond Hill	562,000	–	562,000	–	–	
Crawford House						
64-70A Queen's Road Central, Central	189,000	104,000	85,000	–	–	
Wheelock House						
3/F-24/F., & Shop C, Wheelock House, 20 Pedder Street, Central	215,000	211,000	4,000	–	–	
Others						
Units at Cable TV Tower, Hoi Shing Road, Tsuen Wan	566,000	–	–	–	566,000	(Industrial)
Units at Strawberry Hill, 8 Plunkett's Road & 32 Plantation Road, The Peak	13,000	–	–	13,000	–	
Chelsea Court, 63 Mount Kellett Road, The Peak	43,000	–	–	43,000	–	
Mountain Court, 11 Plantation Road, The Peak	46,300	–	–	46,300	–	
1 Plantation Road, The Peak	91,000	–	–	91,000	–	
77 Peak Road, The Peak	42,200	–	–	42,200	–	
Kowloon Godown, 1-5 Kai Hing Road, Kowloon Bay	1,032,000	–	–	–	1,032,000	(Industrial)
One Island South, 2 Heung Yip Road, Wong Chuk Hang	90,500	–	90,500	–	–	
ISLAND WALK, ISLAND RESIDENCE, 163 Shau Kei Wan Road, Shau Kei Wan	13,300	–	13,300	–	–	
OASIS PLACE, OASIS KAI TAK, 10 Muk Ning Street, Kai Tak	8,300	–	8,300	–	–	
	4,943,600	1,353,000	1,757,100	235,500	1,598,000	
The Murray						
Cotton Tree Drive, Central	336,000	–	–	–	336,000	(A 336-room hotel)
Total Hong Kong Property – Investment	13,688,600	5,968,000	3,825,100	235,500	3,660,000	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
346,719	KIL11178	2033	1966	N/A	66%
126,488	KML 11 S.A.	2880	1977	N/A	66%
	(a) KML 11 S.B.	2880	1981	N/A	66%
	(a) KML 11 S.B.	2880	1981	N/A	66%
	(a) KML 11 S.D.	2880	1983	N/A	66%
	(a) KML 11 S.B. & D.	2880	1981/83	N/A	66%
	(a) KML 11 R.P.	2880	1994	N/A	66%
	(a) KML 11 S.B. & D.	2880	1998/99	N/A	66%
58,814	KML 91 S.A. & KML 10 S.B.	2863	1969	N/A	47%
	(a) KML 11 S.B.	2880	1981	N/A	66%
	(a) KML 11 S.D.	2880	1983	N/A	66%
48,309	KIL 11179	2021	1990	N/A	66%
112,441	IL 731, IL 728, IL 727, IL 725 S.A. & R.P., IL 724 S.A.	2850/60/80	1993	N/A	66%
280,510	NKIL 6160	2047	1997	N/A	66%
12,286	IL 7 R.P. & IL 45 S.A.R.P.	2842	1977	N/A	66%
N/A	ML 99 S.A., S.C. & R.P. & ML 100 S.A., S.B. & R.P.	2854	1984	N/A	66%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	TWTL 218	2047	1992	N/A	70%
N/A	RBL 512 & 1004	2027/28	1974/77	N/A	70%
29,640	RBL 556 S.A.R.P. & S.B.	2035	2001	N/A	70%
32,145	RBL 522, 639, 661	2027	2017	Fitout works in progress	70%
97,670	RBL 534 S.E., S.F. & R.P.	2028	2022/23/24	Superstructure in progress	70%
76,726	RBL 836	2029	2017	Fitout works in progress	70%
165,809	NKIL 5805, 5806 & 5982	2047	1984	Planning for redevelopment	70%
N/A	AIL 374	2121	2011	N/A	100%
N/A	SIL 547 R.P. & various lots of SIL 481 S.B.	2071	2017	N/A	100%
N/A	NKIL 6541	2064	2019	N/A	100%
68,136	IL 9036	2063	2017	N/A	47%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Property – Development						
Lung Cheung Road, Kowloon	436,400	–	–	436,400	–	
One Midtown, 11 Hoi Shing Road, Tsuen Wan	1,900	–	–	–	1,900	
Peninsula East, 5 Tung Yuen Street, Yau Tong	42,600	–	42,600	–	–	
CAPRI, 33 Tong Yin Street, Tseung Kwan O	2,922	–	–	2,922	–	
SAVANNAH, 3 Chi Shin Street, Tseung Kwan O	–	–	–	–	–	
NAPA, 88 So Kwun Wat Road, Tuen Mun	61,528	–	–	61,528	–	
ISLAND RESIDENCE, 163 Shau Kei Wan Road, Shau Kei Wan	4,566	–	–	4,566	–	
ONE HOMANTIN, 1 Sheung Foo Street, Ho Man Tin	10,149	–	–	10,149	–	
MONTEREY, 23 Tong Chun Street, Tseung Kwan O	27,507	–	–	27,507	–	
OASIS KAI TAK, 10 Muk Ning Street, Kai Tak	26,498	–	–	26,498	–	
MALIBU, 1 Lohas Park Road, Tseung Kwan O	39,215	–	–	39,215	–	
MARINI, GRAND MARINI and OCEAN MARINI, 1 Lohas Park Road, Tseung Kwan O	598,205	–	–	598,205	–	
Off Sin Fat Road, Kwun Tong site	826,500	–	–	826,500	–	
Kai Tak NKIL 6564	425,361	–	–	425,361	–	
Kai Tak NKIL 6563	551,138	–	–	551,138	–	
	3,054,489	–	42,600	3,009,989	1,900	
Associates/joint ventures						
(Attributable – Note h)						
Various Lots at Yau Tong Bay, Yau Tong	611,400	–	13,700	597,700	–	
8 Mount Nicholson Road, The Peak	42,000	–	–	42,000	–	
Kai Tak NKIL 6554	361,500	–	11,900	324,500	25,100	
Off Hing Wah Street West, Cheung Sha Wan site	222,300	–	–	222,300	–	
Kai Tak NKIL 6574	168,362	–	–	168,362	–	
Kai Tak NKIL 6576	216,618	–	–	216,618	–	
Kai Tak NKIL 6552	115,410	–	–	115,410	–	
Kai Tak NKIL 6577	410,737	–	–	410,737	–	
	2,148,327	–	25,600	2,097,627	25,100	
Total Hong Kong Property – Development	5,202,816	–	68,200	5,107,616	27,000	
HONG KONG TOTAL	18,891,416	5,968,000	3,893,300	5,343,116	3,687,000	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
121,224	NKIL 6579	2068	2023	Foundation under preparation	70%
66,000	TWIL 36	2047	2012	N/A	70%
42,625	YTIL 40 RP	2062	2016	N/A	70%
171,890	TKOTL 125	2063	2017	N/A	100%
149,856	TKOTL 112	2063	2018	N/A	100%
289,918	TMTL 427	2063	2017	N/A	100%
N/A	SIL 547 R.P. & various lots of SIL 481 S.B.	2071	2017	N/A	100%
83,034	KIL 11228	2063	2018	N/A	100%
295,159	TKOTL 126	2063	2018	N/A	100%
82,603	NKIL 6541	2064	2019	N/A	100%
200,199	Site G of TKOTL 70 R.P.	2052	2020	Superstructure in progress	100%
138,479	Site J of TKOTL 70 R.P.	2052	2021	Superstructure in progress	100%
196,532	NKIL 6584	2066	2023	Superstructure in progress	100%
78,771	NKIL 6564	2067	2022	Superstructure in progress	100%
102,064	NKIL 6563	2067	2023	Foundation in progress	100%
816,872	R.P. of YTML 22 & ext., YTML 28 & ext., YTML 29 & ext., and YTML 12, 32 and 33 together with adjoining lots at Yau Tong Bay	2047	N/A	Planning stage	11%
250,930	IL 9007	2060	2016	N/A	35%
197,552	NKIL 6554	2069	2024	Planning stage	21%
208,262	NKIL 6549	2068	2023	Foundation in progress	23%
104,475	NKIL 6574	2068	2023	Foundation in progress	29%
103,151	NKIL 6576	2069	2024	Foundation in progress	30%
105,110	NKIL 6552	2069	2024	Planning Stage	18%
176,368	NKIL 6577	2069	2024	Planning Stage	40%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
MAINLAND CHINA						
Property – Investment						
Completed Investment Properties						
Shanghai Times Square 93-111 Huai Hai Zhong Road, Shanghai	973,000	331,000	447,000	195,000	–	
Chongqing Times Square 100 Zou Rong Road, Yuzhong District, Chongqing	591,800	13,800	578,000	–	–	
Wuhan Times Square 160 Yan Jiang Da Dao, Jiangnan District, Wuhan	8,000	–	8,000	–	–	
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	188,000	–	188,000	–	–	
Chengdu Times Outlets No. 633 Shuangnan Avenue (Middle Section) Shuangliu County, Chengdu	680,000	–	680,000	–	–	
Chengdu International Finance Square Junction of Hongxing Road and Da Ci Si Road, Jinjiang District	6,042,000	3,092,000	2,195,000	755,000	–	
Wuxi International Finance Square Taihu Plaza, Nanchang District, Wuxi	2,036,000	2,036,000	–	–	–	
Chongqing International Finance Square Zones A of Jiangbei City, Jiang Bei District, Chongqing (Attributable – Note h)	1,320,000	747,000	573,000	–	–	
Shanghai Wheelock Square 1717 Nan Jing Xi Road, Jingan District, Shanghai	1,199,000	1,149,000	50,000	–	–	
Changsha International Finance Square Furong District, Changsha	2,644,000	–	2,644,000	–	–	
Changsha Times Outlets 168 Ou Zhou Bei Lu, Jinzhou New District Industrial Concentration Zone Changsha, Hunan China	772,000	–	772,000	–	–	
Suzhou International Finance Square Xing Hu Jie, Suzhou Industrial Park, Suzhou	598,000	–	–	–	598,000	(A 230-room hotel)
Marco Polo Changzhou 88 Hehai East Road, Xinbei District, Changzhou	474,000	–	–	–	474,000	(A 271-room hotel and The Mansion)
	17,525,800	7,368,800	8,135,000	950,000	1,072,000	
Investment Properties Under Development						
Suzhou International Finance Square Xing Hu Jie, Suzhou Industrial Park, Suzhou	2,614,000	1,632,000	14,000	–	968,000	
Shenzhen Qianhai Apartment Project Site no. T102-0262, Qianhai, Nanshan District, Shenzhen (Attributable – Note h)	274,000	–	43,000	226,000	5,000	
	2,888,000	1,632,000	57,000	226,000	973,000	
Marco Polo Wuhan 160 Yan Jiang Da Dao, Jiangnan District, Wuhan	405,000	–	–	–	405,000	(A 356-room hotel)
Niccolo Chengdu Tower 3, IFS, No.1, Section 3, Hongxing Road Jinjiang District, Chengdu, Sichuan 610021, China	448,000	–	–	–	448,000	(A 230-room hotel)
Niccolo Changsha Tower 1, Changsha IFS, 188 Jiefang West Road, Furong District, Changsha, Hunan 410005, China	442,000	–	–	–	442,000	(A 243-room hotel)
Niccolo Chongqing Tower 1, Chongqing IFS, 38 North Avenue Jiangbeicheng, Jiangbei District, Chongqing 400023, China	219,000	–	–	–	219,000	(A 252-room hotel on 100% ownership)
	1,514,000	–	–	–	1,514,000	
Total Mainland China Property – Investment	21,927,800	9,000,800	8,192,000	1,176,000	3,559,000	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
148,703	N/A	2043	1999	N/A	70%
95,799	N/A	2050	2004	N/A	70%
(b)	N/A	2053	2008	N/A	70%
(c)	N/A	2039	2008	N/A	70%
(d)	N/A	2047	2009	N/A	70%
(e)	N/A	2047/79	2013/14/16	N/A	70%
313,867	N/A	2047/57	2014	N/A	70%
(f)	N/A	2051	2017	N/A	35%
136,432	N/A	2049	2010	N/A	68%
(g)	N/A	2051	2018	N/A	70%
1,299,000	N/A	2055	2016	N/A	70%
229,069	N/A	2077	2021	Superstructure in progress	37%
842,531	N/A	2048	2014	N/A	47%
229,069	N/A	2047/77	2021	Superstructure in progress	37%
80,000	N/A	2057	2021	Foundation in progress	35%
(b)	N/A	2053	2008	N/A	70%
(e)	N/A	2049	2015	N/A	70%
(g)	N/A	2051	2018	N/A	70%
(f)	N/A	2051	2017	N/A	35%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
Property – Development						
Hangzhou Royal Seal Lot#FG05 of Wenhui Road, Hangzhou	14,000	–	–	14,000	–	
Hangzhou Imperial Park Lot#XC0502-R21-40, Santang Unit, Xiacheng District, Hangzhou	324,000	–	–	324,000	–	
Shi Ji Hua Fu Yingbin North Road/Fenshou Road, Fuchun District, Fuyang, Hangzhou	1,000	–	–	1,000	–	
Junting Hangzhou Qianjiang Economic Development Area 09 Provincial Road/Kangxin Road, Yuhang District, Hangzhou	734,000	–	–	734,000	–	
Longxi Site GS05-R21-14, Shenhua Unit, Gongshu District, Hangzhou	5,000	–	–	5,000	–	
Parc Royale – Phase 2 Site FG01-R21-07, Qinglong Unit, Gongshu District, Hangzhou	748,000	–	–	748,000	–	
Parc Royale – Phase 1 Site FG01-R21-05, Qinglong Unit, Gongshu District, Hangzhou	452,000	–	–	452,000	–	
Shanghai Pudong Huangpujiang Site #E18 of Pudong Huangpujiang Riverside, Shanghai	34,000	–	–	34,000	–	
Jingan Garden 398 Wanhangu Road, Jingan District, Shanghai	607,000	–	–	607,000	–	
Shanghai Pudong Zhoupu Site #08, lot 06-05 of Zhoupu Town, Pudong District, Shanghai	59,000	–	–	59,000	–	
Suzhou Yin Shan Lake Project Wang Wu Lu, Guo Sin Lu, Wu Chong New District, Suzhou	315,000	–	–	315,000	–	
Suzhou Wuzhong Lot #24 East of Ying Chun Lu, Guo Xin Qu, Wu Zhong District, Suzhou	320,000	–	–	320,000	–	
Suzhou Yangcheng Lake Lot #27 South of Yang Cheng Hu Zhen Xiang Zhou Road, East of Shun Xian Road, Xiangcheng District, Suzhou	2,185,000	–	12,000	2,173,000	–	
Suzhou Xiangcheng Yuan He Street Lot #77 South of Yuan He Street An Yuan Road, East of Wen Ling Road, Xiangcheng District, Suzhou	1,329,000	–	–	1,329,000	–	
Villa One (formerly as Huayuan Road Lot #78 Project) North of HuangQiao Street HuaYuan Road, East of TongHu Road, Xiangcheng District, Suzhou	1,781,000	–	–	1,781,000	–	
Wuxi Glory of Time Nanchang District and abutting on Jinhang Canal, Wuxi	71,000	–	60,000	11,000	–	
Wuxi Times City Taihu Plaza, Nanchang District, Wuxi	12,000	–	–	12,000	–	
Wuxi Xiyuan Nanchang District and abutting on Jinhang Canal, Wuxi	94,000	–	–	94,000	–	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
258,358	N/A	2080	2017	N/A	70%
115,648	N/A	2087	2021	Superstructure in progress	70%
553,442	N/A	2051/81	2015	N/A	70%
1,315,296	N/A	2081	2020	Superstructure in progress	70%
211,685	N/A	2086	2019	N/A	70%
356,321	N/A	2088	2022	Foundation in progress	70%
180,824	N/A	2088	2021	Superstructure in progress	70%
585,723	N/A	2081	2017	N/A	70%
170,825	N/A	2043/63	2020	Superstructure in progress	70%
526,905	N/A	2083	2016	N/A	38%
2,501,747	N/A	2081	2021	Superstructure in progress	70%
181,643	N/A	2087	2021	Superstructure in progress	70%
1,112,825	N/A	2057/87	2020	Superstructure in progress	70%
533,173	N/A	2058/88	2021	Superstructure in progress	70%
1,013,022	N/A	2088	2021	Superstructure in progress	70%
1,276,142	N/A	2078	2018	N/A	70%
3,314,418	N/A	2078	2018	N/A	70%
1,416,822	N/A	2078	2020	Superstructure in progress	70%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
River Pitti Nanchang District and abutting on Jinhang Canal, Wuxi	55,000	–	–	55,000	–	
The Orion Bounded by Dongdajie south, Jinhua Nan Lu east and Datiankan Jie north, Jinjiang District, Chengdu	17,000	–	–	17,000	–	
Tian Fu Times Square Junction of Dong Da Jie & Fu He, Jinjiang District, Chengdu	28,000	–	28,000	–	–	
Times Town, Shuangliu Development Zone Junction of Shuang Nan Avenue and Guang Hua Avenue, Shuangliu County, Chengdu	4,088,000	2,348,000	962,000	778,000	–	
Chengdu Times City Shuangliu Huayang Street, Qinghe Community Group 8 and Gongxing Street Outang Village Group 5, Chengdu	1,230,000	–	65,000	1,165,000	–	
Le Palais Lot No. 8 along Section 3 of the 2nd Ring Road East, Chenghua District, Chengdu	42,000	–	40,000	2,000	–	
Changsha International Finance Square Furong District, Changsha	4,425,000	3,242,000	–	753,000	430,000	(A 200-room hotel)
Dalian Times Square 50 Ren Min Road, Zhongshan District, Dalian	10,000	–	–	10,000	–	
Luxurious Mountain View Xianzhu Road/Xiangyang Road, Shouxiang Shijiayuan Village, Fuyang	1,623,000	–	–	1,623,000	–	
	20,603,000	5,590,000	1,167,000	13,416,000	430,000	
Associates/joint ventures						
(Attributable – Note h)						
Sunrise Coast South of Jinchang South Lu, Chencunzhen, Shunde District, Foshan	645,000	–	35,000	610,000	–	
Rosy Mansion West of Shalong Lu, Jiujiangzhen, Nanhai District, Foshan	1,079,000	–	27,000	1,052,000	–	
Glory Garden West of Jiansheyi Lu, Southwest Street, Sanshui District, Foshan	1,192,000	–	10,000	1,182,000	–	
Guangzhou Central Manor Guangzhou Baiyun District Shijing Town Shitan Road No.444	235,000	–	4,000	231,000	–	
Guangzhou Baiyun Shucai Yanjiu Suo Guangzhou Baiyun District Guanghuayi Road East	82,000	–	–	82,000	–	
Unique Garden Laiguangying Central Street, Chaoyang District, Beijing	11,000	–	11,000	–	–	
The Pearl on the Crown South 2nd Ring, Fengtai District, Beijing	8,000	–	–	8,000	–	
Crown Land South 2nd Ring, Fengtai District, Beijing	18,000	–	–	18,000	–	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
2,121,662	N/A	2048/78	2019	N/A	70%
160,000	N/A	2079	2013	N/A	70%
761,520	N/A	2045/75	2013	N/A	70%
(d)	N/A	2047/77	2023	Superstructure in progress	70%
800,882	N/A	2053/83	2020	Superstructure in progress	70%
1,130,000	N/A	2050/80	2016	N/A	70%
(g)	N/A	2051	2021	Superstructure in progress	70%
(c)	N/A	2069	2009	N/A	70%
3,210,772	N/A	2082	2023	Superstructure in progress	70%
740,000	N/A	2056/86	2020	Superstructure in progress	28%
876,000	N/A	2057/87	2023	Superstructure in progress	35%
759,000	N/A	2057/87	2023	Superstructure in progress	35%
395,000	N/A	2087	2021	Superstructure in progress	13%
308,000	N/A	2087	2021	Superstructure in progress	7%
783,000	N/A	2082	2017	N/A	23%
582,000	N/A	2085	2018	N/A	17%
680,000	N/A	2085	2019	N/A	17%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
One LiangMa North to Jiu Xianqiao South Street, East to Jiangtai East Road, South to Liangmahe North Road, West to planning road, Chaoyang District, Beijing, China	413,000	–	45,000	289,000	79,000	
West Manor Near to Lize Bridge NW corner	1,070,000	–	–	856,000	214,000	
Scenery Bay Intersection of Hedong Road and Kuntun Road, Hedong District, Tianjin	3,000	–	3,000	–	–	
Hangzhou Osmanthus Grace Hangzhou Xiaoshan Xingyi Road #18 Site	269,000	–	1,000	268,000	–	
Tian Ju Mansion Hangzhou Xiaoshan Boxue Road #16 Site	3,000	–	–	–	3,000	
Hangzhou Guiyu Chaoyang Hangzhou Xiaoshan Shixin Road (next to Chaoyang MTR Station)	1,037,000	–	28,000	1,009,000	–	
Longfor Jade Mansion Hangzhou Jianggan Yao Xiang Road/Kai Chuang Jie Junction	317,000	–	–	317,000	–	
Parc Grande Site FG01-R21-06, Qinglong Unit, Gongshu District, Hangzhou	563,000	–	9,000	554,000	–	
Poetic Palace Suzhou Xiang Cheng District Yuanhe Road	976,000	–	–	976,000	–	
Villa One (formerly as Huayuan Road Lot #25 Project) The Junction between Hua Yuan Road and Tong Hu Road, Hu Qiu Wetland Park, Xiang Cheng District, Suzhou	642,000	–	–	642,000	–	
Suzhou Huangpu Street No. #82 Project East & West of ShiShan Street, South of ZhuYuan Road, Suzhou New District, Suzhou	576,000	–	–	576,000	–	
Bravura Suzhou Xingtang Street East & Chaoyang Road South	404,000	–	–	404,000	–	
Suzhou Shanshui Yuelanting Junction of Jinshan Road and Zhujiang Road, New District, Suzhou	240,000	–	–	240,000	–	
Garden Valley Taoyuan Area, Jiefang Road, Zhongshan District, Dalian	160,000	–	23,000	137,000	–	
Chengdu ICC South of Shuanggui Road, North of Niusha Road East of Erhuan Road, West of Shahe, Jinjiang District, Chengdu	4,102,100	1,129,300	478,900	2,394,200	99,700	
The Throne Zones C of Jiangbei City, Jiang Bei District, Chongqing	954,000	–	137,000	817,000	–	
International Community Tiedonglu, Hebei District, Tianjin	1,870,000	–	308,000	1,562,000	–	
	16,869,100	1,129,300	1,119,900	14,224,200	395,700	
Total Mainland China Property – Development	37,472,100	6,719,300	2,286,900	27,640,200	825,700	
MAINLAND CHINA TOTAL	59,399,900	15,720,100	10,478,900	28,816,200	4,384,700	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
605,000	N/A	2086	2020	Superstructure in progress	21%
395,000	N/A	2087	2021	Superstructure in progress	56%
902,000	N/A	2083	2018	N/A	35%
289,476	N/A	2057/87	2020	Superstructure in progress	24%
1,506,379	N/A	2057/87	2019	N/A	16%
754,869	N/A	2058/88	2021	Superstructure in progress	35%
562,451	N/A	2058/88	2021	Superstructure in progress	18%
606,185	N/A	2088	2022	Superstructure in progress	35%
1,206,849	N/A	2087	2021	Superstructure in progress	23%
724,116	N/A	2087	2020	Superstructure in progress	42%
582,332	N/A	2088	2021	Superstructure in progress	34%
770,261	N/A	2088	2020	Superstructure in progress	21%
809,797	N/A	2088	2020	Superstructure in progress	21%
922,475	N/A	2083	2019	N/A	42%
2,212,128	N/A	2048/78	2014 and beyond	Superstructure in progress	21%
2,335,535	N/A	2050/60	2020	Superstructure in progress	35%
6,080,656	N/A	2047/57	2021	Superstructure in progress	28%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2019

Address	APPROXIMATE GROSS FLOOR AREAS (sq.ft.)					(Remarks)
	Total	Office	Retail	Residential	Others	
SINGAPORE						
Property – Investment						
Wheelock Place, 501 Orchard Road	465,700	221,800	243,900	–	–	
Scotts Square (Retail Podium), 6 & 8 Scotts Road	130,900	–	130,900	–	–	
Total Singapore Property – Investment	596,600	221,800	374,800	–	–	
SINGAPORE TOTAL	596,600	221,800	374,800	–	–	
GROUP PROPERTY – INVESTMENT	36,213,000	15,190,600	12,391,900	1,411,500	7,219,000	
GROUP PROPERTY – DEVELOPMENT	42,674,916	6,719,300	2,355,100	32,747,816	852,700	
GROUP TOTAL (Note j)	78,887,916	21,909,900	14,747,000	34,159,316	8,071,700	

Site Area (Sq.ft.)	Lot Number	Lease Expiry	Year of Completion/ Expected Completion	Stage of Completion	Effective Equity Interest to the Company
N/A	N/A	2089	1993	N/A	66%
	N/A	Freehold	2011	N/A	66%

SCHEDULE OF PRINCIPAL PROPERTIES (CONTINUED)

As at 31 December 2019

Notes:

- (a) These properties with total site area of 428,719 sq. ft. form part of Harbour City.*
- (b) This property forms part of Wuhan Times Square which has a total site area of 188,090 sq. ft.*
- (c) This property forms part of Dalian Times Square which has a total site area of 171,356 sq. ft.*
- (d) This property forms part of Chengdu Shuangliu Development Zone which has a total site area of 3,900,589 sq. ft.*
- (e) This property forms part of Chengdu International Finance Square which has a total site area of 590,481 sq. ft.*
- (f) This property forms part of Chongqing International Finance Square which has a total site area of 516,021 sq. ft.*
- (g) This property forms part of Changsha International Finance Square which has a total site area of 800,452 sq. ft.*
- (h) The floor areas of properties held through joint ventures and associates are shown on an attributable basis.*
- (i) Total Mainland development properties area included 9,485,000 sq. ft. pre-sold areas which have not yet been recognised in the financial statements.*
- (j) In addition to the above floor areas, the Group has total attributable carpark areas of approximately 20 million sq. ft. mainly in Mainland China.*

TEN-YEAR FINANCIAL SUMMARY

HK\$ Million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Consolidated Income Statement										
Revenue	48,519	48,490	70,953	60,579	57,431	40,953	35,071	33,124	34,558	24,186
Operating profit	27,243	24,934	23,857	21,135	20,053	15,729	14,938	15,570	17,730	11,384
Underlying net profit (Note a)	12,362	13,208	12,117	11,811	10,598	8,103	7,822	7,267	9,038	4,582
Profit attributable to equity shareholders	9,173	17,239	20,570	16,294	14,232	22,009	16,954	26,935	22,866	20,194
Dividends attributable to shareholders	3,230	3,174	2,909	2,644	2,337	2,169	2,032	2,235	1,016	254
Consolidated Statement of Financial Position										
Investment properties	336,819	341,466	346,442	329,057	325,044	316,860	282,015	250,729	200,497	161,953
Property, plant and equipment	20,945	21,970	21,772	20,756	22,804	25,052	24,180	19,888	19,002	18,410
Interest in associates/joint ventures	57,711	50,551	41,923	35,117	39,338	45,559	40,606	37,265	27,628	24,210
Other long term investments	46,749	42,645	29,001	9,530	12,475	11,390	13,246	14,843	7,065	10,676
Properties for sale	92,231	91,433	58,518	70,050	76,184	88,148	87,178	65,007	60,909	37,233
Bank deposits and cash	37,665	28,824	56,474	43,964	27,266	21,279	29,345	30,016	42,668	27,540
Other assets	17,293	15,735	15,542	11,961	9,647	9,279	10,244	12,018	6,343	6,214
Total assets	609,413	592,624	569,672	520,435	512,758	517,567	486,814	429,766	364,112	286,236
Bank loans and other borrowings	(125,883)	(121,831)	(114,191)	(94,941)	(106,193)	(117,878)	(123,640)	(103,257)	(95,682)	(65,682)
Other liabilities	(89,817)	(81,315)	(67,658)	(75,974)	(65,706)	(59,773)	(51,602)	(40,629)	(33,236)	(27,478)
Net assets	393,713	389,478	387,823	349,520	340,859	339,916	311,572	285,880	235,194	193,076
Share capital	3,764	3,724	3,418	3,075	2,949	2,949	2,949	2,949	2,949	2,949
Reserves	264,240	247,353	238,266	212,290	198,718	188,257	163,633	149,092	119,613	97,423
Shareholders' equity	268,004	251,077	241,684	215,365	201,667	191,206	166,582	152,041	122,562	100,372
Non-controlling interests	125,709	138,401	146,139	134,155	139,192	148,710	144,990	133,839	112,632	92,704
Total equity	393,713	389,478	387,823	349,520	340,859	339,916	311,572	285,880	235,194	193,076
Net debt	88,218	93,007	57,717	50,977	78,927	96,599	94,295	73,241	53,014	38,142
Financial Data										
<i>Per share data</i>										
Earnings per share (HK\$)										
– Underlying net profit	6.03	6.46	5.94	5.81	5.22	3.99	3.85	3.58	4.45	2.26
– Attributable to equity shareholders	4.48	8.43	10.09	8.02	7.00	10.83	8.34	13.26	11.25	9.94
Net assets value per share (HK\$)	130.81	122.60	118.37	105.85	99.26	94.11	81.99	74.83	60.32	49.40
Dividends per share (¢) (Note b)	157.50	155.00	142.50	130.00	115.00	106.75	100.00	110.00	50.00	12.50
<i>Financial ratios</i>										
Net debt to total equity (%)	22.4%	23.9%	14.9%	14.6%	23.2%	28.4%	30.3%	25.6%	22.5%	19.8%
Interest cover (Times) (Note c)	7.1	8.2	9.8	6.9	6.4	4.6	4.6	6.2	10.2	13.5
Return on shareholders' equity (%) (Note d)	3.5%	7.0%	9.0%	7.8%	7.2%	12.3%	10.6%	19.6%	20.5%	22.8%
Dividend payout (%)										
– Underlying net profit	26.1%	24.0%	24.0%	22.4%	22.1%	26.8%	26.0%	30.8%	11.2%	5.5%
– Attributable to equity shareholders	35.2%	18.4%	14.1%	16.2%	16.4%	9.9%	12.0%	8.3%	4.4%	1.3%

TEN-YEAR FINANCIAL SUMMARY (CONTINUED)

Notes:

- (a) Underlying net profit primarily excludes attributable net investment property revaluation (loss)/gain and exceptional items comprise mark-to-market and exchange gain/(loss) on certain financial instruments, impairment provision for properties/assets and other non-recurring items mainly including the deficit on the reclassification of Hotel Properties Limited in 2018, the gain arising from the disposal of 8 Bay East in 2017, the gain arising from the disposal of Wharf T&T in 2016, the gain arising from the disposal of 50% interest in the Taicang container port businesses and the loss arising from the deemed disposal of Greentown interest on reclassification as an available-for-sale investment in 2015, the negative goodwill arising on the acquisition of Hotel Properties Limited in 2014, the accounting gain arising on the acquisition of the interest in Greentown in 2012 and revaluation of Hactl interest/tax write back in 2010.*
- (b) 2012 and 2011 dividends per share included a special dividend of 25.0¢ per share each year.*
- (c) Interest cover is based on EBITDA over finance costs (before capitalisation and fair value gain/loss).*
- (d) Return on shareholders' equity is based on profit attributable to shareholders over average shareholders' equity during the year.*
- (e) Certain figures have been reclassified or restated to comply with the prevailing HKFRSs.*

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