IMPORTANT NOTICE

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The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, The Hongkong and Shanghai Banking Corporation Limited (the "Arranger"), Bank of China (Hong Kong) Limited, BOCI Asia Limited, BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Daiwa Capital Markets Hong Kong Limited, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, Morgan Stanley & Co International plc., MUFG Securities EMEA plc, SMBC Nikko Capital Markets Limited and Standard Chartered Bank (the "Dealers"), any person who controls the Arranger or the Dealers, any director, officer, employee nor agent of the Issuer or the Guarantor or the Arranger or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

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Offering Circular dated 30 January 2020

HENDERSON LAND MTN LIMITED

(incorporated in the British Virgin Islands with limited liability)
(as Issuer)

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

(incorporated in Hong Kong with limited liability)
(Stock code: 12)
(as Guarantor)

U.S.$5,000,000,000
Medium Term Note Programme

Under the U.S.$5,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "Programme"), Henderson Land MTN Limited ("HLMTN" (in such capacity, the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue guaranteed medium term notes (the "Notes") unconditionally and irrevocably guaranteed (the "Guarantee") by Henderson Land Development Company Limited (the "Guarantor" or the "Company"). Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$5,000,000,000 (or its equivalent in other currencies). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (together, "Professional Investors")) only during the 12-month period from the date of this document on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer and the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes and each term therein, a "Condition") of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Tranche.

The Notes of each Series issued in bearer form ("Bearer Notes") will be represented on issue by a temporary global note in bearer form (each a "Temporary Global Note") or a permanent global note in bearer form (each a "Permanent Global Note") (collectively, the "Global Note"). Notes in registered form ("Registered Notes") will be represented by registered certificates (each an "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, S.A. ("Clearstream, Luxembourg"), or with a sub-custodian for the Central Moneymarkets Unit Service ("CMU") operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale".

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under Risk Factors below.

Arranger

HSBC

Dealers

Bank of China (Hong Kong) Limited	**BOC International**	**BNP PARIBAS**	**Citigroup**
Credit Agricole CIB	**Daiwa Capital Markets Hong Kong**	**DBS Bank Ltd.**	**HSBC**
Mizuho Securities	**Morgan Stanley**	**MUFG**	**SMBC Nikko**
Standard Chartered Bank			

The date of this Offering Circular is 30 January 2020.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person offering, selling or recommending the Notes (a "distributor") should take into consideration such target market; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

PRIIPs/IMPORTANT – EEA AND UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – Unless otherwise notified by the Issuer or the Guarantor to the Dealers, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

The Issuer and the Guarantor, having made all reasonable enquiries, confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (the "Group") and the Notes, which is material in the context of the issue and offering of the Notes; (ii) the statements contained herein relating to the Issuer, the Guarantor, the Group and the Notes are in every material respect true and accurate and not misleading; (iii) the statements of intentions, opinions, belief or expectation contained in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE Rules") for the purpose of giving information with regard to the Issuer, the Guarantor, the Notes and the Guarantee of the Notes. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the "Conditions") as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Arranger or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arranger or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the United Kingdom, the European Economic Area, Japan, Singapore, the British Virgin Islands, the Netherlands, the PRC and Hong Kong, and to persons connected therewith. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of bearer notes, delivered within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see "Subscription and Sale".

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Group, or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised by the Issuer and the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, any Dealer, or the Arranger.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Arranger, the Dealers, or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed U.S.$5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S.$ at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale".

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "Stabilisation Manager") (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

The Arranger and the Dealers have not separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, neither the Arranger nor any of the Dealers, or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, neither the Arranger nor the Dealers, or any director, officer, employee, agent or affiliate of any such person accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arranger, a Dealer, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Group or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger or the Dealers, or any director, officer, employee, agent or affiliate of any such person that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Arranger nor the Dealers or agent or affiliate of any such person undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arranger or the Dealers or any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "U.S.$" and to "U.S. dollars" are to United States dollars; all references to "HK$" and "Hong Kong dollars" are to Hong Kong dollars; all references to "pounds sterling" and "£" are to the currency of the United Kingdom; all references to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended; all references to "yen" are to Japanese yen; all references to "Renminbi" and "RMB" are to the currency of the PRC; all references to "United States" or "U.S." are to the United States of America; references to "China", "Mainland China" and the "PRC" in this Offering Circular mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; references to "PRC Government" mean the government of the PRC; references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "Macau" are to the Macao Special Administrative Region of the People's Republic of China; references to "Australia" are to the Commonwealth of Australia; references to the "Philippines" are references to the Republic of the Philippines; and all references to "United Kingdom" are to the United Kingdom of Great Britain and Northern Ireland.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer has given an undertaking in connection with the listing of the Notes on the Hong Kong Stock Exchange to the effect that, so long as any Notes remain outstanding and listed on the Hong Kong Stock Exchange, the Issuer will prepare a supplement to this Offering Circular or a new Offering Circular upon becoming aware that:

(a) there has been a significant (as defined in the HKSE Rules) change affecting any matter contained in this Offering Circular; or

(b) a significant (as defined in the HKSE Rules) new matter has arisen, the inclusion of information in respect of which would have been required to be in this Offering Circular if it had arisen before this Offering Circular was issued.

FORWARD LOOKING STATEMENTS

Certain statements under "Risk Factors", "Description of the Group" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "elieve", "expect", "plan", "anticipate", "schedule", "estimate" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Issuer and the Guarantor from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents and the principal office in Hong Kong of the Fiscal Agent (as defined under "Summary of the Programme") (or such other Paying Agent for the time being in Hong Kong) set out at the end of this Offering Circular.

At the date of this Offering Circular the Issuer has not published, and the Issuer does not propose to publish, any financial statements. The Guarantor has prepared the audited consolidated financial statements at and for the years ended 31 December 2017 and 2018 and the unaudited condensed consolidated interim financial statements at and for the six-month period ended 30 June 2019. See "Index to Financial Statements". These financial statements of the Guarantor were prepared in conformity with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. See "General Information" for a description of the financial statements currently published by the Guarantor.

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SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	Henderson Land MTN Limited.
Guarantor	Henderson Land Development Company Limited.
Programme Size	Up to U.S.$5,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer and Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under the section "Risk Factors" below.
Arranger	The Hongkong and Shanghai Banking Corporation Limited.
Dealers	Bank of China (Hong Kong) Limited, BOCI Asia Limited, BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Daiwa Capital Markets Hong Kong Limited, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, Morgan Stanley & Co International plc., MUFG Securities EMEA plc, SMBC Nikko Capital Markets Limited and Standard Chartered Bank and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent, Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch (in respect of Notes other than CMU Notes) and The Bank of New York Mellon, Hong Kong Branch (in respect of CMU Notes).
CMU Lodging and Paying Agent	The Bank of New York Mellon, Hong Kong Branch.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.

Clearing Systems	Clearstream, Luxembourg, Euroclear and/or the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Fiscal Agent (or, the CMU Lodging and Paying Agent, as the case may be), and the relevant Dealer.
Form of Notes	Notes may be issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the e date with a common depositary or sub-custodian for Clearstream, Luxembourg, Euroclear and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Registered Global Notes. Registered Global Notes representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear, Clearstream, Luxembourg and the CMU.
Currencies	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes	The Notes constitute direct, unsubordinated, unconditional, and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations as described in "Terms and Conditions of the Notes – Status and Guarantee".
Status of the Guarantee	The Guarantee of the Notes constitutes a direct, unsubordinated, unconditional and (subject to the provisions of Condition 5 (*Negative Pledge*)) unsecured obligation of the Guarantor. The payment obligations of the Guarantor under the Guarantee of the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5 at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations as described in "Terms and Conditions of the Notes – Status and Guarantee".
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
Tax Redemption	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 5 (*Negative Pledge*).
Cross Default	The Notes will contain a cross default provision as further described in Condition 14 (*Events of Default*).
Withholding Tax	All payments in respect of Notes and the Guarantee will be made free and clear of withholding taxes of the British Virgin Islands and Hong Kong, as the case may be, unless the withholding is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (subject to certain customary exceptions as described in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes or, as the case may be, the Guarantee of the Notes, had no such withholding been required.
Listing and Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme for the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.

	However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, exchange or quotation system). Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Governing Law	The Notes, the Guarantee of the Notes and any non-contractual obligations arising out of or in connection with the Notes and the Guarantee of the Notes will be governed by, and construed in accordance with, English law.
Enforcement of Notes in Global Form	In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 30 August 2011, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore, the British Virgin Islands and the Netherlands, see "Subscription and Sale" below.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.
Legal Entity Identifier	25490062URZHNZQBTW39

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

The summary financial information set forth below has been extracted from the Guarantor's audited consolidated financial statements at and for the year ended 31 December 2018 and the Guarantor's unaudited condensed consolidated interim financial statements at and for the six-month period ended 30 June 2019 and should be read in conjunction with the information incorporated into this Offering Circular.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December		For the six months ended 30 June	
	2018	2017(1)	2019	2018
	(audited)	(audited and restated)	(unaudited)	
	(in HK$ million)		(in HK$ million)	
Revenue	21,982	27,960	8,129	13,142
Direct costs	(9,987)	(15,344)	(3,979)	(6,364)
	11,995	12,616	4,150	6,778
Other net income	1,520	5,017	909	924
Selling and marketing expenses	(666)	(1,322)	(408)	(375)
Administrative expenses	(1,881)	(1,969)	(876)	(853)
Profit from operations before changes in fair value of investment properties and investment properties under development	10,968	14,342	3,775	6,474
Increase in fair value of investment properties and investment properties under development	10,465	9,911	1,097	3,937
Profit from operations after changes in fair value of investment properties and investment properties under development	21,433	24,253	4,872	10,411
Finance costs	(810)	(837)	(262)	(479)
Bank interest income	660	633	378	252
Net interest income/(net finance costs)	(150)	(204)	116	(227)
Share of profits less losses of associates	5,265	4,955	2,030	2,777
Share of profits less losses of joint ventures	6,947	4,378	1,479	2,863
Profit before taxation	33,495	33,382	8,497	15,824
Income tax	(2,123)	(2,217)	(971)	(632)
Profit for the year/period	31,372	31,165	7,526	15,192
Attributable to:				
Equity shareholders of the Company	31,157	30,809	7,515	15,030
Non-controlling interests	215	356	11	162
Profit for the year/period	31,372	31,165	7,526	15,192
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)				
Basic and diluted	HK $7.08	HK $7.00(2)	HK $1.55	HK$3.10(3)
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)				
Basic and diluted	HK $4.49	HK $4.43(2)	HK $1.38	HK$2.86(3)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		For the six months ended 30 June	
	2018	2017(1)	2019	2018
	(audited)	(audited and restated)	(unaudited)	
	(in HK$ million)		(in HK$ million)	
Profit for the year/period	31,372	31,165	7,526	15,192
Other comprehensive income for the year/period (after tax and reclassification adjustments):				
Items that will not be reclassified to profit or loss:				
– Investments in equity securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve (non-recycling)	36	–	(16)	(29)
– Share of other comprehensive income of associates and joint ventures	(67)	53	23	–
Items that may be reclassified subsequently to profit or loss:				
– Exchange differences: net movement in the exchange reserve	(2,484)	3,221	(167)	(577)
– Cash flow hedges: net movement in the hedging reserve	422	156	12	435
– Available-for-sale securities: net movement in the fair value reserve (recycling)	–	245	–	–
– Share of other comprehensive income of associates and joint ventures	(1,542)	1,524	(102)	(403)
Other comprehensive income for the year/period	(3,635)	5,199	(250)	(574)
Total comprehensive income for the year/period	27,737	36,364	7,276	14,618
Attributable to:				
Equity shareholders of the Company	27,533	36,003	7,265	14,458
Non-controlling interests	204	361	11	160
Total comprehensive income for the year/period	27,737	36,364	7,276	14,618

Notes:

(1) As the comparative figures for the Guarantor's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, the Guarantor's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 has been restated in accordance with the retrospective adjustments under the full retrospective method upon the adoption of HKFRS15, *Revenue from contracts with customers,* which was issued by the Hong Kong Institute of Certified Public Accountants and which became effective on 1 January 2018.

(2) Adjusted for the bonus issue effected in 2018.

(3) Adjusted for the bonus issue effected in 2019.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June	At 31 December[(1)]	
	2019	2018	2017
	(unaudited)	(audited)	(audited and restated)
		(in HK$ million)	
Non-current assets			
Investment properties	179,909	176,717	173,494
Other property, plant and equipment	348	370	350
Right-of-use assets	411	–	–
Goodwill	262	262	–
Interest in associates	62,364	62,059	59,491
Interest in joint ventures	58,519	53,011	44,865
Derivative financial instruments	365	42	111
Other financial assets	13,544	13,825	11,937
Deferred tax assets	548	641	424
	316,270	306,927	290,672
Current assets			
Deposits for acquisition of properties	1,763	1,310	1,666
Inventories	99,583	97,177	74,219
Trade and other receivables	14,827	15,239	17,435
Cash held by stakeholders	2,267	2,158	2,333
Cash and bank balances	14,428	16,507	24,673
	132,868	132,391	120,326
Assets of the disposal group classified as held for sale	–	1,788	–
	132,868	134,179	120,326
Current liabilities			
Trade and other payables	29,250	27,113	23,525
Lease liabilities	291	–	–
Bank loans	27,039	27,834	23,506
Guaranteed notes	5,855	5,187	1,169
Tax payable	1,960	2,180	1,862
	64,395	62,314	50,062
Net current assets	68,473	71,865	70,264
Total assets less current liabilities	384,743	378,792	360,936
Non-current liabilities			
Bank loans	46,012	44,621	45,671
Guaranteed notes	10,553	7,888	8,204
Amount due to a fellow subsidiary	1,205	1,100	1,754
Derivative financial instruments	482	376	746
Lease liabilities	143	–	–
Provisions for reinstatement costs	12	13	–
Deferred tax liabilities	6,915	6,802	6,618
	65,322	60,800	62,993
Net Assets	319,421	317,992	297,943
Capital and Reserves			
Share capital	52,345	52,345	52,345
Other reserves	262,341	260,808	240,229
Total equity attributable to equity shareholders of the Company	314,686	313,153	292,574
Non-controlling interests	4,735	4,839	5,369
Total Equity	319,421	317,992	297,943

Note:

(1) As the comparative figures for the Guarantor's consolidated statement of financial position at 31 December 2018, the Guarantor's consolidated statement of financial position at 31 December 2017 has been restated in accordance with the retrospective adjustments under the full retrospective method upon the adoption of HKFRS15, *Revenue from contracts with customers*, which was issued by the Hong Kong Institute of Certified Public Accountants and which became effective on 1 January 2018.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or the Guarantor or which the Issuer or the Guarantor currently deems to be immaterial, may affect the Guarantor's business, financial condition or results of operations or its ability to fulfil its obligations under the Notes.

Risk relating to the Issuer

The Issuer is a finance vehicle for the Group

The Issuer was established specifically for the purpose of raising finance for the purposes of the Programme and will use the net proceeds from the issue of any Notes to on-lend to the Guarantor and/or its subsidiaries for general corporate purposes. The Issuer does not and will not have any business activities other than the issue of debt securities, and its ability to make payments under the Notes will depend on its receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group.

Risks relating to the Group and its Business

Measures adopted from time to time by the PRC and Hong Kong governments to restrict the real estate market could slow the industry's rate of growth or cause the real estate market to decline

The real estate market in the PRC is highly regulated, and the Hong Kong real estate market is also subject to significant regulations.

The supply of substantially all of the land in the PRC is controlled and regulated by the PRC Government. The land supply policies adopted by the PRC Government directly impact the Group's ability to acquire land use rights for development and the costs of such acquisitions. Property developers must comply with various national and local regulatory requirements promulgated by different tiers of regulators. From time to time, the PRC Government adjusts its macroeconomic policies to encourage or restrict property development which may have a direct impact on the Group's business. During 2017, the PRC Government maintained its regulatory stance towards the mainland property sector. In the implementation of differentiated policies, each city was obligated to initiate appropriate modifications to its housing policies according to local property market conditions. To prevent a further surge in home prices in the major cities and certain popular second-tier cities, four tightening measures, namely restrictions on pricing, purchasing, lending and re-selling, were implemented so as to curb demand from both investors and speculators.

In addition to strictly regulating the lending criteria and loan purpose, more residential sites were released to the market. As a result, residential markets in the major cities experienced steady performance in sales volume and prices, whilst "destocking" policies continued for the other cities. At the 19th National Congress of the Communist Party, the PRC Government set an important directive that "housing was for living in, not for speculation. They would speed up to put in place a housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages both housing purchase and renting".

In the first half of 2018, a number of PRC cities continued to implement the four tightening measures. In addition, credit towards the real estate sector was tightened, causing interest rates for housing loans to rise continuously. Starting from the third quarter of 2018, price corrections appeared in certain cities. In the last quarter of 2018, some cities relaxed price restrictions and lowered mortgage interest rates. These had a negative impact on housing prices across a number of cities in the PRC.

In Hong Kong, the Hong Kong Monetary Authority has implemented regulatory measures in recent years to control the rate of growth of the real estate market. On 12 May 2017, it issued the Circular on Risk Management for Lending to Property Developers, requiring licensed banks to lower their land loan lending ratio from 50 per cent. to 40 per cent. of the value of the property site and lower their construction loan ratio from 100 per cent. to 80 per cent. of construction cost, with the overall cap lowered from 60 per cent. to 50 per cent. of the expected value of the completed property. In respect of property mortgage lending, the Hong Kong

Monetary Authority has tightened counter cyclical measures to strengthen banks' risk management and resilience, including lowering loan-to-value ratio caps for mortgages on both high-end and low-end properties and mortgages involving borrowers and/or guarantors with pre-existing mortgages, raising the risk-weight for new residential mortgage loans and lowering the debt servicing ratio limit for mortgage loans to certain types of borrowers. These measures have had or may have a negative impact on property values and market demand in Hong Kong.

In addition, the Hong Kong government may introduce cooling measures on the Hong Kong property market from time to time, which may have a significant impact on the supply and demand in the property market. For example, on 26 October 2012 the Financial Secretary of the Hong Kong government announced amendments to the Stamp Duty Ordinance to adjust the rates and to extend the holding period in respect of the Special Stamp Duty ("SSD") imposed by the Stamp Duty (Amendment) Ordinance 2011. Under the adjusted regime, any residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of where it is incorporated) and resold within 36 months, is subject to the revised SSD rates. The Financial Secretary also introduced a Buyer's Stamp Duty ("BSD"), effective from 27 October 2012, on residential properties acquired by any person (including a company incorporated) except a Hong Kong permanent resident. BSD is charged at a flat rate of 15 per cent. on all residential properties, on top of the existing stamp duty and the SSD, if applicable. On 4 November 2016, the Hong Kong government announced further cooling measures in the form of an increase to stamp duty payable on property transactions to 15 per cent., effective from 5 November 2016 and applying to all residential property acquisitions by individuals or companies with the exception of first-time home buyers with Hong Kong permanent resident status. On 12 April 2017, this increased stamp duty was extended to apply to first-time Hong Kong permanent resident property buyers acquiring multiple properties under a single contract.

On 16 October 2019, the Hong Kong government announced plans to expand eligibility under the Mortgage Insurance Programme of the Hong Kong Mortgage Corporation Limited. For a first-time home buyer, the cap on the value of property eligible for a mortgage loan with a maximum cover of 90 per cent loan-to-value ratio will be raised from HK$4 million to HK$8 million. The cap on the value of property eligible for a mortgage loan with a maximum cover of 80 per cent. loan-to-value ratio will also be raised from HK$6 million to HK$10 million.

The PRC and Hong Kong governments' restrictive measures to control the property development industry's rate of growth could limit the Group's access to capital resources, reduce market demand and increase the Group's operating costs. The PRC and/or Hong Kong governments may adopt additional and more stringent measures in the future, which may further slow the development of the industry and materially and adversely affect the Group's business and result of operations. In particular, any additional or more stringent measures imposed by the PRC or Hong Kong government in the future to curb high-end residential real estate projects may materially and adversely affect the Group's business and results of operations.

Further, in relation to the PRC the Group may, under certain land clearance agreements with relevant land authorities, be required to assist local governments with clearing land and relocating original residents with respect to some of its property developments in accordance with the relevant PRC laws and regulations. The complicated administrative process and possibility of unfavourable settlement regarding the amount of compensation may increase the cost of the development and materially and adversely affect the Group's cash flow, the progress of PRC development projects, business operations and financial condition. Under PRC law, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, land use or the time for commencement and completion of the development of the land), the relevant local government authority may give a warning to or impose a penalty on the developer or forfeit the land granted to the developer. There can be no assurance that circumstances leading to possible forfeiture of land or delays in the completion of a project may not arise in the future. The Group must obtain various permits, certificates, relevant approvals from the relevant administrative authorities at various stages of development, including land use rights document, planning permits, construction permits and confirmation of completion and acceptance. Each approval is dependent on the satisfactory compliance with certain requirements or conditions. There can be no assurance that the Group will not encounter material delays or other impediments in fulfilling the conditions precedent to obtain these approvals.

The Group is dependent on the performance of the Hong Kong and PRC property markets

The Group currently has interests in a number of properties including investment properties and development properties which are situated in Hong Kong and the PRC. The Group's financial condition and results of operations are largely dependent on these properties. See "Description of the Group – Business". The property interests of the Group are subject to certain risks inherent generally in the ownership of, investment in and development of property. These risks include the cyclical nature of property markets, changes in general economic, business and credit conditions, the illiquidity of land and other real property, changes in governmental policies or regulations, building material shortages and increases in the costs of labour and materials. The Group's property interests are also affected by the strength of the local economy.

Approximately 43.7% and 38.2% of the Group's revenue was derived from its property development and property investment business segments, respectively, for the six months ended 30 June 2019. Accordingly, the Group continues to be dependent, to a significant extent, on the overall state of the property sector and a decline in the performance of these business segments could adversely affect the Group's revenue.

Historically, the Hong Kong and PRC property markets have been cyclical. For example, Hong Kong residential property prices, after reaching record highs in the mid-1990s, fell significantly as a result of the Asian economic downturn but have generally followed an upward trend since 2003. In the PRC, the rapid expansion of the property market in certain major cities, including Shanghai and Beijing, in the early 1990s culminated in oversupply by the mid-1990s and a corresponding decrease in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities in the PRC as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC cities such as Beijing, Shanghai, Guangzhou and Shenzhen have experienced rapid and significant growth. In recent years however, certain major cities have seen cyclical changes in their property markets. Since 2010, the PRC government at both the central and local levels have implemented austerity measures such as home purchase restrictions, which have dampened market sentiment and lowered transaction volume in the property market in the PRC. In the event of actual or perceived real estate over-supply in the PRC, together with the effect of government policies to dampen the real estate market, real estate prices may fall significantly which would adversely affect the Group's revenue and results of operations.

In the event of economic decline, the Group may also experience market pressures that affect Hong Kong and PRC property companies, such as pressures from tenants or prospective tenants to provide rent reductions or reduced market prices for sale properties. Rental values are also affected by factors such as political developments, governmental regulations and changes in planning or tax laws, interest rate levels and inflation. Additional supply of new residential and office properties is also scheduled for completion over the next few years and such additional supply may also adversely affect residential and office rents and occupancy rates as well as sale prices for new residential units. In addition, from time to time during economic downturns, the Group has experienced pressure from existing and prospective commercial tenants to provide rent reductions or longer rent-free periods than usually given. This has had an impact on the Group's rental income from its commercial property investments in the past and the recurrence of such market conditions in the future may have an adverse effect on the Group's business, operating results and financial condition.

There is no assurance that the problems of oversupply, falling property prices and tightening of credit provided by lenders will not recur or that the recurrence of such problems with respect to the Hong Kong or PRC property markets will not adversely affect the business, financial condition and results of operations of the Group. Any slowdown in the economies of the United States, the European Union and certain Asian countries may adversely affect economic growth in Hong Kong, the PRC and elsewhere.

The inherent volatility of the property market impacts on the best timing for both the acquisition of sites and the sale of completed development properties. This volatility, combined with the lead time required for completion of projects as well as the sale of existing properties, means that the Group's results from its property development activities may be susceptible to significant fluctuations from year to year. Furthermore, fluctuations in the Hong Kong and PRC property market will impact on the Group's statement of financial position since the Group revalues its investment properties on a semi-annual basis. See also "Risk Factors-Property revaluations may have a material impact on the Group's accounts" below.

Civil unrest could have an adverse impact on the Group's business, financial condition or operating results.

Civil unrest occurring in close proximity to the Group's shopping malls and hotels in various districts in Hong Kong may disrupt the Group's business. Protests, demonstrations or rioting causing mass disruption to businesses and transportation may result in a decrease in consumer spending. Consumers may avoid areas affected by social upheaval or may be unable to reach these areas due to a disruption in transportation or an outbreak of violence, and local businesses may be affected. There is no assurance that there will not be any unforeseeable interruptions to the business and operations of the Group's shopping malls, department stores and hotels, and affect the potential access to the Group's property sales activities therein, including, without limitation, any protests occurring in close proximity to the Group's properties similar to the recent anti-extradition bill protests or the Occupy Central Movement that took place during the latter half of 2014. Moreover, inbound tourism may be affected, with less tourists travelling to Hong Kong which in turn may negatively affect the Hong Kong retail market and hospitality industry. Furthermore, there is no assurance that prolonged civil unrest will not have an adverse impact on residential and commercial property prices. Civil unrest is outside the control of the Group and any such demonstrations, protests or riots occurring in close proximity to the Group's properties or over a prolonged period could adversely impact the Group's business, financial condition and results of operations.

Measures proposed by the Hong Kong government to expedite the supply of first-hand private residential units may have a negative impact on the Group

On 29 June 2018, the Hong Kong government proposed introducing a tax on vacant first-hand private residential units at two times the annual rateable value of the units (the "Vacancy Tax") to encourage developers to release residential units more quickly into the market. Under the proposal, developers of first-hand private residential units with an occupation permit issued for 12 months or more will be required to make annual returns disclosing the occupancy status of their units. Units that have not been occupied or rented out for more than six of the past 12 months will be considered vacant and subject to the Vacancy Tax, which will be collected annually. On 13 September 2019, the Hong Kong government gazetted an amendment bill to implement the proposed Vacancy Tax at the Legislative Council. The amendment bill to implement the proposed Vacancy Tax passed the first reading at the Legislative Council in October 2019. If implemented, the Vacancy Tax may present a financial burden to the Group that may have an adverse effect on its business, operating results and financial condition.

The Group's business may be affected by global economic factors

Economic developments outside Hong Kong and the PRC could also adversely affect the property markets in Hong Kong and the PRC. Volatility in the global credit markets in recent years has affected, and may continue to affect, the availability of credit and the confidence of the financial markets, globally as well as in Hong Kong and the PRC. There remains a concern that a return of the debt crisis in Europe, the political unrest in the Middle East and Eastern Europe as well as rumours or threats or actual terrorist attacks or conflicts in the Middle East, Southeast Asia, Eastern Europe or other regions will have a detrimental effect on the global financial system. The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries. The global economic downturn has in the past led to an increased level of consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. Significant uncertainty remains surrounding the impact of a referendum held in the United Kingdom in June 2016 where it voted to leave the European Union ("Brexit") on the general economic conditions in the United Kingdom and the European Union and any consequential impact on global financial markets. A lack of clarity over the process for managing the exit and uncertainties surrounding the economic impact could lead to a further slowdown and instability in financial markets worldwide.

In addition, trade tensions between the United States, China and other major nations create uncertainties in the world economy and global financial market. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and the PRC responded with similarly sized tariffs on United States' products. The amicable resolution of such trade tensions remains elusive, and the lasting impacts that any trade war may have on the Hong Kong and China economies and the industries in which the Group operates in remain uncertain.

A global economic slowdown or turmoil in the global financial markets would have a negative impact in Hong Kong and the PRC, which would in turn adversely affect the real estate market. The Group's business is highly dependent on economic conditions in Hong Kong and the PRC. Any slowdown or perceived slowdown in the economy of Hong Kong and the PRC could materially and adversely affect the Group's business, financial condition, results of operations and prospects, especially if such a slowdown were to be continued and prolonged. One of the effects of a slowdown in economic growth could be higher interest rates in the future, which could negatively impact access to financing for property developers and potential customers and result in higher financing costs and increased counterparty risk. A slowdown in economic growth, along with reduced availability of credit could adversely impact potential customers, which could, in turn, lead to lower demand for commercial and residential properties as well as declining property prices and rents, as consumers and businesses will generally be more cautious when making decisions to purchase property or enter into or renew leases. In addition, an economic slowdown can cause insolvency of contractors resulting in construction delays.

No assurance can be given that any slowdown in the economies of the United States, the European Union and elsewhere in Asia, will not adversely affect the businesses of the Group or that the effects of global economic events may not otherwise adversely affect the Group.

The property investment business of the Group is affected by local, regional and international economic conditions and changes in market conditions

The Group's property investment business is affected by local, regional and international economic conditions including changes to monetary policy, fiscal policy, interest rates, stock market indices, exchange rates, taxation rates and inflation. It may also be affected by changes in market conditions and is exposed to economic cycles and market volatility.

Changes to these economic and financial market conditions may have an effect on the level of activity and demand for the leasing of office and retail properties of the Group. This may result in the Group not being able to negotiate rental lease extensions with some existing tenants as lease terms expire or replace expiring leases with leases on equivalent terms. The occurrence of such events may have a material adverse effect on the income of the Group, the value of its property portfolio, its financial performance and condition.

The Group's lease renewals will be affected by timing and the condition of the rental market

The leases of the Group are typically entered into for three years for office and two to three years for retail tenants occupying relatively small floor space and up to five or six years for tenants occupying relatively large floor space generally. These long-term leases are usually subject to pre-determined rental escalation or rent review every two to three years. As a result, some of the Group's leases are up for renewal each year and the rents charged are typically adjusted based upon prevailing market rates. Accordingly, it is possible to have a concentration of renewal of leases or rent adjustments in a given year, and that a slowdown in the rental market in a given year could adversely affect the rental income of the Group.

The Group faces contractual risks relating to the pre-sale of properties, including the risk that property developments cannot be completed, or cannot be completed on time

The Group faces contractual risks relating to the pre-sales of properties. Failure to timely complete and/or deliver a pre-sold property may cause the Group to be liable to the relevant purchasers for losses suffered by them. The Group's failure to complete property developments in the time required by pre-sale contracts may entitle purchasers to claim damages under the pre-sale contracts, and in the event that such failure causes a delay that extends beyond any grace period stipulated in the pre-sale contracts, purchasers may be entitled to terminate the pre-sale contracts, claim damages and request a refund of their purchase amount together with interest. The Group may experience delays in completion or delivery of its properties which could have an adverse effect on the income of the Group.

The Group is subject to risks incidental to the ownership and development of real estate properties

Investment in property is generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash at short notice or requiring a substantial reduction in the price that might otherwise be sought for such assets to ensure a quick sale, especially if there is weak sentiment in the property market.

The Group is subject to risks incidental to the ownership and operation of residential, industrial, office and retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs.

The Group's property development business involves significant risks distinct from those involved in the ownership and operation of established properties, among other things, the risks that financing for development may not be available on favourable terms, that construction may not be completed on schedule or within budget (for reasons including shortages of equipment, material and labour, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems, labour industrial action and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), and that developed properties may not be leased or sold on profitable terms and the risk that purchasers and/or tenants may default.

The Group's core property businesses require substantial capital investment

The Group has historically required and expects that it will require in the future additional financing to fund its capital expenditures, to support future growth of its business, particularly with respect to its property development and investment activities, and/or to refinance its existing debt obligations. The Group's ability to arrange for external financing and the cost of such financing is dependent on numerous factors, including, but not limited to, general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of the Group's businesses, provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital, and the political and economic conditions in the PRC and Hong Kong. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

The Group may face risks associated with debt financing

The Group uses a combination of debt and equity financing to support its operational and investment strategies. The Group may, from time to time, require renewal or additional debt financing to achieve its operational and investment objectives.

The Group will be subject to risks normally associated with debt financing including, but not limited to, the ability and the willingness of commercial banks to continue with their lending operations. It may also be subject to risks normally associated with changes in the conditions of the financial markets at different points in time and at different parts of economic cycles. The presence of adverse conditions in financial markets may result in the inability of the Group to obtain renewal or additional debt arrangement on attractive terms or delays in obtaining finance.

Property revaluations may have a material impact on the Group's financial statements

The Group values its investment properties and investment properties under development semi-annually in its statement of financial position at their open market value on the basis of an external professional valuation. Any fair value gain or loss on an investment property or an investment property under development attributable to the Group is credited or charged, as the case may be, to the Group's statement of profit and loss. A major or extended decline in property values could therefore result in an accounting loss for the Group and would increase the Group's leverage due to a decrease in the Group's total equity, and which in turn may limit its ability to obtain additional financing in the future.

The Group relies on independent contractors and sub-contractors for the provision of certain services

The Group engages independent third-party contractors and sub-contractors to provide various services including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air conditioning units and elevators, involving transportation of materials by air, sea and road. There is no assurance that the services rendered by any independent third-party contractor or sub-contractor engaged by the Group will be satisfactory. The Group is also exposed to the risk that its contractors and sub-contractors may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result. Furthermore, there is a risk that the Group's major contractors and sub-contractors may experience financial or other difficulties which may affect their ability to discharge their obligations, thus delaying the completion of the Group's development projects or resulting in additional costs for the Group. The timely performance by these contractors and sub-contractors may also be affected by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorisms, restraints of government, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption of delays in transportation, all of which are beyond the control of the Group. Any of these factors could adversely affect the business, financial condition and results of operations of the Group.

The Group's profit margin is sensitive to fluctuations in the cost of construction materials

Construction costs comprise one of the predominant components of the Group's cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of the Group's property development projects, with the cost of third-party contractors remaining relatively stable. A general trend in the economy of increased inflationary risk may also have an impact on the construction costs and a wider impact on other costs as well.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. The Group manages the cost of outsourced construction work through a process of tenders which, among other things, takes into account procurement of supplies of principal construction materials such as steel and cement of the Group's property development projects at fixed prices. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), the Group will be required to re-negotiate, top up or refund, depending on the price movement, existing construction contracts. Additionally, should existing contractors fail to perform under their contracts, the Group may be required to pay more to contractors under replacement contracts. Therefore, the Group's profit margin is sensitive to changes in the market prices for construction materials and these profit margins will be adversely affected if the Group cannot pass all of the increased costs onto its customers.

The Group is subject to risks relating to accidents or other hazards which may not be covered by insurance

The Group maintains insurance coverage on all of its properties under construction, third-party liabilities and employer's liabilities in accordance with what it believes to be industry standards. However, the Group may become subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. In particular, the Group's insurance policies generally do not cover certain types of losses incurred due to hazards such as war, civil disorder, acts of terrorism, and other natural disasters. Any losses may significantly affect the Group's business operation and the Group may not have sufficient funds to replace any property destroyed as a result of such hazards. In addition, any payments the Group makes to cover any losses, damages or liabilities could have a material adverse effect on its business, financial condition and results of operations. Further, notwithstanding the Group's insurance coverage, any damage to the Group's buildings, facilities, equipment, or other properties as a result of occurrences such as fires, floods, water damage, explosions, power losses, typhoons and other natural disasters may have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, whilst every care is taken by the Group and its employees in the selection and supervision of its independent contractors, accidents and other incidents, such as theft, may occur from time to time. Such accidents or incidents may expose the Group to liability or other claims by its customers and other third parties. Although the Group believes that it has adequate insurance arrangements in place to cover such eventualities, it is possible that accidents or incidents could occur which are not covered by these arrangements. The occurrence of any such accidents or incidents which are not covered by insurance could adversely affect the business, financial condition and results of operations of the Group. It is also possible that litigants may seek to hold the Group responsible for the actions of its independent contractors.

The Group's business is subject to various laws and regulations

The operations of the Group are subject to various laws and regulations of Hong Kong and the PRC. The Group's activities on its investment and development properties are limited by zoning ordinances and other regulations enacted by the authorities in Hong Kong and the PRC. Developing properties, refurbishment and other re-development projects require government permits, some of which may take longer to obtain than others. From time to time, the authorities in Hong Kong and the PRC may impose new regulations on landlords such as mandatory retrofitting of upgraded safety and fire systems in all buildings. The Group's properties are subject to routine inspections by the authorities in Hong Kong and the PRC with regard to various safety and environmental issues.

From time to time, changes in laws and regulations or the implementation thereof may require the Group to obtain additional approvals and licences from the relevant authorities for the conduct of its operations in Hong Kong or the PRC. In such event, the Group may incur additional expenses to comply with such requirements. This will in turn affect the Group's financial performance as its business costs will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to the Group promptly or at all. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals or licences, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

The occurrence of a contagious disease in Asia could affect the Group's business, financial condition or results of operations

The outbreak of an infectious disease such as the Influenza A (H1N1-2009), human avian influenza, Severe Acute Respiratory Syndrome, Ebola or Middle East Respiratory Syndrome, Wuhan coronavirus and other events beyond the control of the Group, in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy and business activities in Asia and elsewhere and could thereby adversely impact the revenues and results of the Group. There can be no assurance that any precautionary measures taken against infectious diseases would be effective.

There can be no assurance that there will not be a significant outbreak of a highly contagious disease in Hong Kong or the PRC in the future. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

The Group's operations are subject to external risks

A natural disaster, catastrophe or other event could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The Group's operations are based in Hong Kong and the PRC, which are exposed to potential natural disasters including, but not limited to, typhoons, storms, floods and earthquakes. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted. The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses at their intended capacities, thereby reducing revenues. Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons.

Risks relating to the PRC

A certain portion of the Group's development projects and assets are located in the PRC and a certain portion of its revenue is derived from its operations in the PRC. Accordingly, the Group's results of operations and prospects are subject to the economic, political and legal developments in the PRC.

The economic, political and social conditions in the PRC may adversely affect the Group's business

The PRC economy differs from the economies of most developed countries in many respects, including:

- extent of government involvement;
- level of development;

- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC Government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. However, since early 2004, the PRC Government has implemented certain measures in order to prevent the PRC economy from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the demand for the Group's properties may also slow down and hence the Group's business, financial condition and results of operations may be adversely affected.

In addition, demand for the Group's properties and its business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of PRC laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad. The Group is exposed to foreign exchange risks.

Part of the Group's revenue is denominated in Renminbi and must be converted to pay dividends or make other payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, foreign exchange controls continue for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. In the past, there have been shortages of U.S. dollars or other foreign currency available for conversion of Renminbi in the PRC, and it is possible such shortages could recur, or that restrictions on conversion could be re-imposed. A portion of the Group's revenue and associated operating costs are denominated in Renminbi. Any volatility of the Renminbi exchange rate in the future may materially affect the Group's financial condition and results of operations and any devaluation of the Renminbi against foreign currencies will increase the amount of Renminbi the Group needs to service its obligations denominated in foreign currencies.

The Group may experience delays or difficulties in obtaining PRC Government approvals

Development projects in the PRC are dependent on obtaining the approvals of a variety of government authorities at different levels, receipt of which cannot be assured. These development projects have been and may in the future be subject to certain risks, including the cyclical nature of property markets, changes in governmental regulations and economic policies, including, among other things, regulations and policies restricting construction of properties and buildings and related limitations on extensions of credit, building material shortages, increases in labour and material costs, changes in general economic and credit conditions and the illiquidity of land and other property. There can be no assurance that required approvals will be obtained or that the actual costs of the Group's developments will not exceed projected costs.

Certain of the Group's business activities are conducted through joint ventures

The Group has investments in several joint venture companies formed to develop, own and/or operate property in the PRC. Although the Group generally seeks to maintain a sufficient level of control over the projects through ownership of a controlling interest and/or management in order to impose established financial control, management and supervisory techniques, property investment and development in the PRC may often involve the participation of local partners in the PRC, and joint ventures in the PRC may involve special risks or problems associated with joint venture partners, including, among other things, dissimilar business interests or one or more of the partners experiencing financial difficulties. Although the Group has not to date experienced any significant problems with respect to its joint venture partners, should such problems occur in the future they could have a material adverse effect on the business and prospects of the Group.

The real estate market and related infrastructure and mechanisms in the PRC are not fully developed

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict by how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond the Group's control, may affect the development of the market. The level of uncertainty is increased by the limited availability of up-to-date financial and market information as well as delays and inaccuracies in the publishing of such materials in the PRC.

The lack of a liquid secondary market for residential real estate may discourage investors from acquiring new properties. The limited availability of property mortgage financing to PRC property investors may further inhibit demand for residential developments.

The PRC is a competitive market for property development and it may be difficult to acquire suitable sites for development in the future

In recent years, a large number of property developers based in the PRC have begun to undertake property development and investment projects in the PRC. In addition, a number of international developers have expanded their operations into the PRC, including a number of leading Hong Kong real estate development and investment groups. Many of these developers, both private and state-owned, have significant financial, managerial, marketing and other resources, as well as experience in property and land development. Competition between property developers is intense and may result in, among other things, increased costs for the acquisition of land for development, oversupply of properties in certain parts of the PRC, a decrease in property prices, a slowdown in the rate at which new property development projects will be approved and/or reviewed by the relevant government authorities, an increase in construction costs, and difficulty in obtaining high quality contractors and qualified employees. The consequences of any such risks eventuating may adversely affect the Group's business, results of operations and financial condition. In addition, the real estate market in the PRC is rapidly changing. If the Group cannot respond to changes in market conditions more swiftly or effectively than the Group's competitors do, the ability of the Group to generate revenue, financial condition and results of operations of the Group will be adversely affected.

The PRC legal system is still developing and differs from other jurisdictions and its laws may not be implemented or enforced in a consistent manner

The Group's business and operations in the PRC and the business and operations of its customers and suppliers in the PRC are subject to the laws and regulations promulgated by the PRC Government. The PRC Government is still in the process of developing a comprehensive set of laws and regulations in the course of the PRC's transformation from a centrally planned economy to a freer market-oriented economy. As the legal system in the PRC is still in a state of flux, laws and regulations or the interpretation of the same may be subject to change. Furthermore, any change in the political and economic policy of the PRC Government may also lead to similar changes in the laws and regulations or the interpretation thereof. Such changes may adversely affect the Group's operations and business in the PRC.

The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines as well as judicial interpretations. Unlike common law jurisdictions such as Hong Kong, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. As such, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the PRC authorities. This has resulted in the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems. Due to such inconsistency and unpredictability, if the Group should be involved in any legal dispute in the PRC, it may experience difficulties in obtaining legal redress or in enforcing its legal rights.

From time to time, changes in law and regulations or the implementation thereof may also require the Group to obtain additional approvals and licences from the PRC authorities for the conduct of its operations in the PRC. In such event, the Group may incur additional expenses to comply with such requirements. This will in turn affect the Group's financial performance as its business costs will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to the Group promptly or at all. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals or licences, its operations and business in the PRC, and hence its overall financial performance, may be adversely affected.

Further expansion into second-tier cities in the PRC may affect the Group's operational and financial resources

As part of its growth strategy in the PRC, the Group is continuing to expand its development projects outside prime cities such as Beijing, Shanghai, Guangzhou and Shenzhen into new second-tier city geographical locations, including Changsha, Chengdu, Hefei, Nanjing, Shenyang, Suzhou, Xian, Xuzhou and Yixing. These expansions mainly take the form of joint ventures with certain local PRC developers. The Group expects to continue to expand its operations to other second-tier cities in the PRC, a substantial number of which are provincial-capital cities and which the Group that it has identified as having high growth potential, good infrastructure development and a balance of property demand and land supply. The Group's plans for second-tier city geographical locations and the need to integrate operations arising from its expansion particularly into other fast-growing cities in the PRC may place a significant strain on the Group's managerial, operational and financial resources and contribute to an increase in the Group's financing requirements.

PRC inflationary pressure may result in increased construction and funding costs

Inflation in the PRC may result in increased construction and funding costs for the Group. In addition, as commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the People's Bank of China (the "PBoC"), any increase in such benchmark lending rates will also increase the funding costs for the Group. The PRC Government is expected to continue to manage liquidity, cool down the real estate market and use price controls when needed. The Group's business, financial condition and results of operations in the PRC may be adversely affected by increased construction and funding costs.

Risks relating to the Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the parties to the Agency Agreement dated 15 October 2018 (the "Agency Agreement") may agree to modify any provision of the Agency Agreement, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions of the Notes are governed by English law in effect at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, or lodged with CMU (each of Euroclear, Clearstream, Luxembourg, and CMU, a "Clearing System").

Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing Systems for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer and the Guarantor (including rights to receive principal or interest or to vote) in respect of such Notes.

Risks relating to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands or Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate ("LIBOR"). The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Risks relating to Notes linked to benchmarks

The LIBOR, the Euro Interbank Offered Rate ("EURIBOR") and other interest rates, types of rates and indices deemed to be benchmarks ("Benchmarks") are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others will be implemented in future. Regulation (EU) 2016/1011 (the "Benchmark Regulation") was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of Article 59 (mainly on critical benchmarks) which has applied from 30 June 2016). The Benchmark Regulation may have a material impact on any Notes linked to LIBOR, EURIBOR or other Benchmarks. In particular, if the methodology or other terms of the Benchmark are changed in order to comply with the terms of the Benchmark Regulation, such changes could (amongst other things) reduce or increase the rate or level or affect the volatility of the published rate or level of the Benchmark. In addition, the Benchmark Regulation stipulates that each administrator of a Benchmark regulated thereunder must be licensed by the competent authority of the European

Union member state where the relevant administrator is located. There is a risk that administrators of certain Benchmarks will fail to obtain a necessary licence and be unable to provide such Benchmarks in future. Other administrators may cease to administer certain Benchmarks because of the additional costs of compliance and risks associated with the Benchmark Regulation and other applicable regulations. There is also a risk that certain Benchmarks may continue to be administered but may in time become obsolete. As an example of Benchmark reforms, the UK Financial Conduct Authority announced on 27 July 2017 that it would no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021 and that planning a transition to alternative reference rates that are based firmly on transactions, such as the reformed Sterling Over Night Index Average, must begin.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which may serve as an alternative to current benchmarks for financial instruments and contracts in the eurozone. The implementation of any such potential reforms may affect the administration of Benchmarks. Such Benchmarks may perform differently, be eliminated entirely or be affected in unpredictable ways. The elimination of LIBOR or any Benchmark, or any change in the administration of LIBOR or any Benchmark, could adversely affect holders of securities linked to such Benchmarks (including but not limited to Floating Rate Notes with interest rates that are linked to LIBOR or any Benchmark subject to reform). Further, prior to the implementation of any changes to LIBOR or any Benchmark, uncertainty regarding the use of alternative reference rates and potential changes may adversely affect such Benchmarks during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based the relevant Benchmark.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making investment decisions with respect to the relevant Floating Rate Notes.

Risks relating to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances, investors may not be able to sell their Notes at all or at their fair market value. Although applications have been made to the Hong Kong Stock Exchange for the Notes issued under the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "Specified Currency"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Risks relating to Renminbi-denominated Notes

Notes denominated in Renminbi ("Renminbi Notes") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being developed.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the PBoC in 2018, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations will not be promulgated in the PRC in future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer or the Guarantor to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has entered into agreements (the "Settlement Arrangements") on the clearing of Renminbi business with financial institutions (the "Renminbi Clearing Banks") in a number of financial centres and cities, including but not limited to Hong Kong and has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi[1]. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBoC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

1 Following the implementation of the circular (中國人民銀行國家外匯管理局公告[2015]第40號) issued jointly by PBoC and SAFE in December 2015, which permits eligible overseas participating banks to enter into inter-bank foreign exchange market, in January and July 2016, China Foreign Exchange Trading System ("CFETS") issued another two circulars on access of overseas participating banks conducting Renminbi purchase and sale business to the inter-bank foreign exchange market (中國外匯交易中心關於人民幣購售業務境外參加行進入銀行間外匯市場有關事項的公告 and 中國外匯交易中心關於加強境外金融機構進入銀行間外匯市場開展人民幣購售業務宏觀審慎管理有關事項的通知), which, among other things, list the eligibility conditions, application materials and procedures. Multiple Renminbi participating banks have already entered in this market.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Clearstream Banking S.A. and Euroclear Bank SA/NV or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

USE OF PROCEEDS

The net proceeds from each issue of Notes will be on-lent by the Issuer to the Guarantor and/or its subsidiaries for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

FORMS OF THE NOTES

BEARER NOTES

The Issuer may make applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream, Luxembourg. Each Global Note will have an International Securities Identification Number ("ISIN") and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note only through Euroclear or Clearstream, Luxembourg or the CMU, as the case may be.

REGISTERED NOTES

The Issuer may make applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes represented by a Global Certificate accepted for clearance through the CMU. Each Global Registered Note will have an ISIN and a Common Code or a CMU Instrument Number. Investors in Notes of such Series may hold their interests in a Global Registered Note only through Euroclear or Clearstream, Luxembourg or the CMU, as the case may be.

INDIVIDUAL CERTIFICATES

Registration of title to Registered Notes in a name other than a depositary or its nominee for Euroclear and Clearstream, Luxembourg or the CMU will be permitted only in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form – Exchange – Permanent Global Notes". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg, the CMU (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Guarantor and the Issuer believe to be reliable, but neither the Issuer nor the Guarantor nor the Arranger nor any Agent nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

THE CLEARING SYSTEMS

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and Dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, Dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "HKMA") for the safe custody and electronic trading between the members of this service ("CMU Members") of capital markets instruments ("CMU Notes") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorized institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Notes. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Notes are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1 INTRODUCTION

(a) *Programme*: Henderson Land MTN Limited (the "Issuer") has established a Medium Term Note Programme (the "Programme") for the issuance of up to U.S.$5,000,000,000 in aggregate principal amount of notes (the "Notes") unconditionally and irrevocably guaranteed by Henderson Land Development Company Limited (the "Guarantor").

(b) *Pricing Supplement*: Notes issued under the Programme are issued in series (each a "Series") and each Series may comprise one or more tranches (each a "Tranche") of Notes. Each Tranche is the subject of a pricing supplement (the "Pricing Supplement") which supplements these terms and conditions (the "Conditions"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) *Agency Agreement*: The Notes are the subject of an amended and restated issue and paying agency agreement dated 15 October 2018 (as amended and/or supplemented from time to time, the "Agency Agreement") between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), The Bank of New York Mellon, Hong Kong Branch as CMU lodging and paying agent (the "CMU Lodging and Paying Agent", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon SA/NV, Luxembourg Branch and The Bank of New York Mellon, Hong Kong Branch as registrars (each a "Registrar" and together the "Registrars") which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent and the CMU Lodging and Paying Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrars, the "Transfer Agents", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "Agents" are to the Paying Agents and the Transfer Agents and any reference to an "Agent" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

(d) *Deed of Guarantee*: The Notes are the subject of an amended and restated deed of guarantee dated 15 October 2018 (as amended and/or supplemented from time to time, the "Deed of Guarantee") executed by the Guarantor.

(e) *Deed of Covenant*: The Notes may be issued in bearer form ("Bearer Notes"), or in registered form ("Registered Notes"). Registered Notes issued by Henderson Land MTN Limited are constituted by a deed of covenant dated 30 August 2011 (the "Deed of Covenant").

(f) *The Notes*: All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Pricing Supplement issued by the Issuer. Copies of the relevant Pricing Supplement are available for viewing by prior written notice, upon satisfactory proof of holding and may be obtained from the Specified Office of the Paying Agents.

(g) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "Couponholders" and the "Coupons", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the relevant Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the relevant Deed of Covenant are available for inspection by Noteholders during normal business hours (being between 9.00 a.m. and 3.00 p.m.) at the Specified Offices of the Paying Agents as set out below.

2 INTERPRETATION

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"Accrual Yield" has the meaning given in the relevant Pricing Supplement;

"Additional Business Centre(s)" means the city or cities specified as such in the relevant Pricing Supplement;

"Additional Financial Centre(s)" means the city or cities specified as such in the relevant Pricing Supplement;

"Business Day" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and

(c) for the purposes of Notes denominated in Renminbi only, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed.

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "Modified Following Business Day Convention" or "Modified Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "Preceding Business Day Convention" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "FRN Convention", "Floating Rate Convention" or "Eurodollar Convention" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "No Adjustment" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"Calculation Amount" has the meaning given in the relevant Pricing Supplement;

"CMU Service" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"Coupon Sheet" means, in respect of a Note, a coupon sheet relating to the Note;

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "Actual/Actual (ICMA)" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:
(A)

the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
(B)

the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(iii) if "Actual/Actual (ISDA)" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iv) if "Actual/365 (Fixed)" is so specified, means the actual number of days in the Calculation Period divided by 365;

(v) if "Actual/360" is so specified, means the actual number of days in the Calculation Period divided by 360;

(vi) if "30/360" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30";

(vii) if "30E/360" or "Eurobond Basis" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(viii) if "30E/360 (ISDA)" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Determination Agent" means an independent bank of international repute selected by and acting as an agent of the Issuer for the purposes of Condition 7(c)(iii) and notified to the Principal Paying Agent in writing. The Principal Paying Agent shall not be responsible for the calculations made by, or the actions or omissions of, the Determination Agent and shall not be liable for any losses caused thereby.

"Early Redemption Amount (Tax)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Early Termination Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"Extraordinary Resolution" has the meaning given in the Agency Agreement;

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Fixed Coupon Amount" has the meaning given in the relevant Pricing Supplement;

"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"Guarantee of the Notes" means the guarantee of the Notes given by the Guarantor in the Deed of Guarantee;

"Holder", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"Interest Determination Date" has the meaning given in the relevant Pricing Supplement;

"Interest Payment Date" means any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the relevant Pricing Supplement;

"Issue Date" has the meaning given in the relevant Pricing Supplement;

"Listed Material Subsidiary" means any Material Subsidiary, the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited, or any other stock exchange;

"Margin" has the meaning given in the relevant Pricing Supplement;

"Material Subsidiary" means any Subsidiary of the Guarantor:

(a) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than 10 per cent. of the consolidated gross revenue, or, as the case may be, the consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the Guarantor, provided that:

   (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the Guarantor's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Guarantor;

   (ii) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, its gross revenue and gross assets (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

   (iii) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Guarantor; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

A report by two of the directors of the Guarantor that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor and the Noteholders;

"Maturity Date" has the meaning given in the relevant Pricing Supplement;

"Maximum Redemption Amount" has the meaning given in the relevant Pricing Supplement;

"Minimum Redemption Amount" has the meaning given in the relevant Pricing Supplement;

"Noteholder", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Optional Redemption Date (Call)" has the meaning given in the relevant Pricing Supplement; "Optional Redemption Date (Put)" has the meaning given in the relevant Pricing Supplement;

"Participating Member State" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

(a) if the currency of payment is euro, any day which is:

  (i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (b) a day on which commercial banks are open for general business (including dealing in foreign currencies) in the city where the Fiscal Agent, or as the case may be, the CMU Lodging Agent has its Specified Office; and

  (ii) in the case of payment by transfer to an account, a (a) TARGET Settlement Day, and (b) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

  (i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (b) a day on which commercial banks are open for general business (including dealing in foreign currencies) in the city where the Fiscal Agent, or as the case may be, the CMU Lodging Agent has its Specified Office; and

  (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"Permitted Security Interest" means (i) any Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Material Subsidiary as security for all or part of the purchase price of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets; and (ii) any Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Material Subsidiary subject to such Security Interest and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets.

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(b) in relation to Australian dollars, it means Sydney or Melbourne and in relation to New Zealand dollars, it means either Wellington or Auckland, in each case, as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(c) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"Reference Banks" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Determination Agent in the market that is most closely connected with the Reference Rate;

"Reference Price" has the meaning given in the relevant Pricing Supplement; "Reference Rate" has the meaning given in the relevant Pricing Supplement;

"Register" has the meaning set out in Clause 5 (Transfer of Registered Notes) of the Agency Agreement;

"Regular Period" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Pricing Supplement;

"Relevant Indebtedness" means any indebtedness in the form of and represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement) having an original maturity of more than one year from its date of issue but shall not include indebtedness under any secured transferable loan facility (which term shall, for the avoidance of doubt, mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may be assigned and/or transferred);

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Pricing Supplement;

"Reserved Matter" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Specified Currency" has the meaning given in the relevant Pricing Supplement; "Specified Denomination(s)" has the meaning given in the relevant Pricing Supplement; "Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Pricing Supplement;

"Subsidiary" in relation to any person, means any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the Hong Kong from time to time, should have its accounts consolidated with those of that person;

"Talon" means a talon for further Coupons;

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"TARGET Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro;

"Treaty" means the Treaty establishing the European Communities, as amended;

"Zero Coupon Note" means a Note specified as such in the relevant Pricing Supplement;

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement or the Deed of Guarantee shall be construed as a reference to the Agency Agreement or the Deed of Guarantee, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3 FORM, DENOMINATION, TITLE AND TRANSFER

(a) *Bearer Notes*: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes*: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "Holder" means the holder of such Bearer Note and "Noteholder" and "Couponholder" shall be construed accordingly.

(c) *Registered Notes*: Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) *Title to Registered Notes*: The Registrar will maintain a register outside the United Kingdom in accordance with the provisions of the Agency Agreement. A certificate (each, a "Note Certificate") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "Holder" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "Noteholder" shall be construed accordingly.

(e) *Ownership*: The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes*: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods*: Noteholders may not require transfers to be registered:

(i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes;

(ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 10(b) (*Redemption for tax reasons*) or Condition 10(c) (*Redemption at the option of the Issuer*);

(iii) after a Put Option Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(e) (*Redemption at the option of Noteholders*);

(iv) after a Change of Control Put Exercise Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(f) (*Redemption for Change of Control*); and

(v) during the period of seven days ending on (and including) any Record Date (as defined in Condition 12(f) (*Record Date*).

(j) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4 STATUS AND GUARANTEE

(a) *Status of the Notes*: The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Notes*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably *guaranteed* the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5 NEGATIVE PLEDGE

So long as any Note remains outstanding (as defined in the Agency Agreement), none of the Issuer or the Guarantor shall, and the Issuer and the Guarantor shall procure that none of the Guarantor's Material Subsidiaries (other than Listed Material Subsidiaries) will, create or permit to subsist any Security Interest, other than Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

6 FIXED RATE NOTE PROVISIONS

(a) *Application*: This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7 FLOATING RATE NOTE AND INDEX-LINKED INTEREST NOTE PROVISIONS

(a) *Application*: This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Determination Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested to the Determination Agent, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Determination Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Determination Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination*: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (x) the London inter-bank offered rate (LIBOR), (y) the Eurozone inter-bank offered rate (EURIBOR) or (z) the Hong Kong inter-bank offered rate (HIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.

(e) *Index-Linked Interest*: If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.

(f) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) *Calculation of other amounts*: If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

(i) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer and the Paying Agents as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(j) *Notifications etc*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8 ZERO COUPON NOTE PROVISIONS

(a) *Application*: This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9 DUAL CURRENCY NOTE PROVISIONS

(a) *Application*: This Condition 9 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Rate of Interest*: If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10 REDEMPTION AND PURCHASE

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments – Bearer Notes*) and Condition 12 (*Payments – Registered Notes*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (in the case of Henderson Land MTN Limited) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) or the Guarantee of the Notes or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 13 (*Taxation*) or the Guarantee of the Notes from any amount paid by it to the Issuer in order to enable that Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of that Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the *relevant* Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige that Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Issuer determines and in such manner as the Issuer considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

So long as the Notes are in global form and the certificate representing or evidencing such Notes is held on behalf of Euroclear, Clearstream, the CMU Service and/or any alternative clearing system on behalf of which the Notes in global form may be held, the selection of Notes for redemption under Condition 10(d) (Partial redemption) shall be effected in accordance with the rules of the relevant clearing system.

(e) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) *Redemption for Change of Control*: If the Change of Control Put Option is specified in the relevant Pricing Supplement as being applicable, then at any time following the occurrence of a Change of Control, the holder of each Note will have the right, at such holder's option, to require the Issuer to redeem all, but not in part, of such holder's Notes on the Change of Control Put Date (as defined below) at 100 per cent. of their principal amount, together with accrued interest up to, but excluding the Change of Control Put Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "Change of Control Put Exercise Notice"), together with the Note Certificate evidencing the Notes to be redeemed by not later than 60 days following a Change of Control, or, if later, 60 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 20 (*Notices*). The "Change of Control Put Date" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid on the Put Date. The Issuer shall give notice to Noteholders and the Fiscal Agent in accordance with Condition 20 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 10(f).

For the purposes of this Condition 10(f):

a "Change of Control" occurs when:

(i) other than the Lee Family or any of its affiliates, any Person or Persons, acting together, acquires Control of the Guarantor; or

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in any Person or Persons (other than the Lee Family or any of its affiliates) acquiring Control over the Guarantor or the successor entity;

"Control" means the ownership or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"Lee Family" means Dr. Lee Shau Kee and/or his family and/or companies which are controlled by any of them and/or any trust in which Dr. Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries and/or interests associated with any or some of them; and

a "Person", as used in this Condition 10(f), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of state (in each case whether or not being a separate legal entity) but does not include the Guarantor's wholly owned direct or indirect Subsidiaries.

(g) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.

(h) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(j) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11 PAYMENTS – BEARER NOTES

This Condition 11 is only applicable to Bearer Notes.

(a) *Principal*: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

Payments of principal and interest in respect of Bearer Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.

(c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws*: All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons*: If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "Relevant Coupons") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(f) (*Redemption for Change of Control*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12 PAYMENTS – REGISTERED NOTES

This Condition 12 is only applicable to Registered Notes.

(a) *Principal*: Payments of principal shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest*: Payments of interest shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

Payments of principal and interest in respect of Registered Notes held in the CMU Service will be made to the person(s) for whose account(s)interests in the relevant Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.

(c) *Payments subject to fiscal laws*: All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed or enfaced, as the case may be, on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date").

13 TAXATION

(a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands (in the case of payments by Henderson Land MTN Limited) or Hong Kong (in the case of payments by the Guarantor) or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

(b) *Taxing jurisdiction*: If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands (in respect of Henderson Land MTN Limited) or Hong Kong (in respect of the Guarantor) respectively, references in these Conditions to the British Virgin Islands or Hong Kong shall be construed as references to the British Virgin Islands or (as the case may be) Hong Kong and/or such other jurisdiction.

14 EVENTS OF DEFAULT

If any of the following events occurs:

(a) *Non payment*: the Issuer fails to pay any amount of principal in respect of the Notes within seven days after the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) *Breach of other obligations*: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the relevant Deed of Covenant or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by Noteholders holding five per cent. or more of the principal amount of the Notes outstanding, has been delivered to that Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or

(c) *Cross default of Issuer, Guarantor or Subsidiary*:

(i) any indebtedness of either Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or

(iii) either Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee of any indebtedness;

provided that the amount of indebtedness referred to in sub paragraph (i) and/or sub paragraph (ii) above and/or the amount payable under any guarantee referred to in sub paragraph (iii) above, individually or in the aggregate, exceeds US$30,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which a calculation is made under this Condition 14(c)); or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Issuer, the Guarantor or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of either Issuer, the Guarantor or any Material Subsidiary and such possession or appointment continues for a period of 30 days after the date thereof; or

(f) *Insolvency, etc.*: (i) either Issuer, the Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of either Issuer, the Guarantor or any Material Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of either Issuer, the Guarantor or any Material Subsidiaries is appointed (or application for any such appointment is made) or (iii) either Issuer, the Guarantor or any Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its indebtedness or any guarantee of any indebtedness given by it; or

(g) *Winding up, etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of either Issuer, the Guarantor or any Material Subsidiary (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) or either Issuer, the Guarantor or any of the Material Subsidiaries ceases to carry on all or the substantial part of its business (otherwise than, in the case of a Subsidiary of either Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or as a result of disposal on arm's length terms or as approved by an Extraordinary Resolution of the Noteholders); or

(h) *Analogous event*: any event occurs which under the laws of the British Virgin Islands or Hong Kong has an analogous effect to any of the events referred to in Conditions 14(d) (*Unsatisfied judgment*) to 14(g) (*Winding up, etc.*); or

(i) *Failure to take action* etc.: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the relevant Deed of Covenant and the Deed of Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the relevant Deed of Covenant or the Deed of Guarantee admissible in evidence in the courts of the British Virgin Islands and Hong Kong is not taken, fulfilled or done; or

(j) *Unlawfulness*: it is or will become unlawful for either Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the relevant Deed of Covenant or the Deed of Guarantee; or

(k) *Guarantee not in force*: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect, then Noteholders holding not less than 5 per cent. of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and the Guarantor and delivered to that Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare their Notes to be immediately due and payable, whereupon such Notes shall become immediately due and payable at their Early Termination Amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

The Agents need not do anything to ascertain whether any Event of Default has occurred and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so, and, unless and until the Agent otherwise has notice in writing to the contrary, the Agent may assume that (i) no such event has occurred and (ii) that the Issuer is performing all of its obligations under the Agency Agreement and the Conditions.

15 PRESCRIPTION

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16 REPLACEMENT OF NOTES AND COUPONS

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17 AGENTS

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that**:

(a) the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar; and

(b) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

18 MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders of not less than nine-tenths of the aggregate principal amount of the outstanding Notes, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification*: The Notes, these Conditions, the Deed of Guarantee and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders. Any determination as to whether an amendment may be materially prejudicial to the interests of the Noteholders pursuant to this Condition shall be made by the Issuer and the Guarantor and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination. Any modification shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 20.

19 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20 NOTICES

(a) *Bearer Notes*: Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes*: Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or CMU or an Alternative Clearing System, notices to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the CMU or the Alternative Clearing System, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions.

21 CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to that Issuer and delivered to that Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22 ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23 GOVERNING LAW AND JURISDICTION

(a) *Governing law*: The Notes, the Guarantee of the Notes and any non-contractual obligations arising out of or in connection with the Notes and the Guarantee of the Notes are governed by English law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising out of or in connection with the Notes and the Guarantee of the Notes (including any non-contractual obligation arising out of or in connection with the Notes and the Guarantee of the Notes).

(c) *Appropriate forum*: The Issuer and the Guarantor agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Condition 23(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 prevents any Noteholder from taking proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process agent*: Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of each Issuer or the Guarantor, the Issuer or, as the case may be, the Guarantor shall, on the written demand of any Noteholder addressed and delivered to the Issuer or, as the case may be, the Guarantor or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer or, as the case may be, the Guarantor and delivered to the Issuer or, as the case may be, the Guarantor or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(f) *Consent to enforcement etc.*: Each of the Issuer and the Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

(g) *Waiver of immunity*: To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, the Guarantor or their respective assets or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction

FORM OF PRICING SUPPLEMENT

[*The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.*]

Pricing Supplement dated [●]

[**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]

MiFID II product governance/target market – [*appropriate target market legend to be included*]

Legend for issuances involving one or more MiFID Firm manufacturers.

[**MiFID II product governance/Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "MiFID II")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Legend for issuances where there are no MiFID Firm manufacturers.

[**MiFID II product governance/Professional investors and ECPs only target market** – For the purposes of Directive EU 2014/65/EU (as amended, "MiFID II"), the target market in respect of the Notes is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person offering, selling or recommending the Notes (a "distributor") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.]

Legend for issuances where there is a sole manager that is a MiFID Firm manufacturer (i.e. no syndicate) and none of the Issuer, the Guarantor or other credit provider is a MiFID regulated entity.

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "MiFID II")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[*(Include when the Notes are to be listed on the Hong Kong Stock Exchange)*

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "Professional Investors") only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer and the Guarantor (as defined below) or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document together with the Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018.]

Henderson Land MTN Limited
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by
Henderson Land Development Company Limited
under the U.S.$5,000,000,000 Medium Term Note Programme

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Offering Circular dated 30 January 2020. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]], save in respect of the Conditions which are extracted from the Offering Circular dated 30 January 2020 and are attached hereto.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.*]

1	(i)	Issuer:	Henderson Land MTN Limited
	(ii)	Guarantor:	Henderson Land Development Company Limited
2	[(i)	Series Number:]	[●]
	[(ii)	Tranche Number:	[●]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]		
3	Specified Currency or Currencies:		[●]
4	Aggregate Nominal Amount:		[●]
	[(i)]	[Series]:	[●]
	[(ii)	Tranche:	[●]]
5	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
	[(ii)	Net Proceeds:	[●] (Required only for listed issues)]
	[(iii)	Private Bank Rebate/Commission:	[Applicable/Not Applicable]]
6	(i)	Specified Denominations:[2, 3]	[●]
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][4]
9	Interest Basis:		[[●] per cent. Fixed Rate] [[*Specify* reference rate] +/-[●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*Specify*)] (further particulars specified below)

2 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

3 If the specified denomination is expressed to be 100,000 or its equivalent and multiples of a lower principal amount (for example 1,000), insert the additional wording as follows: 100,000 and integral multiples of [1,000] in excess thereof up to and including [199,000]. No notes indefinitive form will be issued with a denomination above [199,000].

4 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

10	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*Specify*)]
11	Change of Interest or Redemption/Payment Basis:		[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13	Listing:		[Hong Kong/Other (*specify*)/None] (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)
14	Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly/other (specify)] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[5]
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
	(vi)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*Give details*]
16	**Floating Rate Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Period(s):	[●]

5 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

(ii)	Specified Period:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
(iii)	Specified Interest Payment Dates:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(v)	Additional Business Centre(s):	[Not Applicable/*give details*]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
(viii)	Screen Rate Determination:	
	• Reference Rate:	[*For example, LIBOR or EURIBOR*]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]
	• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]
(ix)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(x)	Margin(s):	[+/-][●] per cent. per annum
(xi)	Minimum Rate of Interest:	[●] per cent. per annum
(xii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction:	[●]
(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]

17	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Accrual Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]
	(iii) Any other formula/basis of determining amount payable:	[*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(h)*]
18	**Index-Linked Interest Note/other variable-linked interest Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Index/Formula/other variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the interest due:	[●]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv) Interest Determination Date(s):	[●]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi) Interest or calculation period(s):	[●]
	(vii) Specified Period:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
	(viii) Specified Interest Payment Dates:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
	(ix) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(x) Additional Business Centre(s):	[●]
	(xi) Minimum Rate/Amount of Interest:	[●] per cent. per annum
	(xii) Maximum Rate/Amount of Interest:	[●] per cent. per annum
	(xiii) Day Count Fraction:	[●]

19	**Dual Currency Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20	**Call Option**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount	[●] per Calculation Amount
	(iv) Notice period:	[●]
21	**Put Option**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
22	**Final Redemption Amount of each Note**	[●] per Calculation Amount
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
	(i) Index/Formula/variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[●]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]

	(vi) [Payment Date]:	[●]
	(vii) Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii) Maximum Final Redemption Amount:	[●] per Calculation Amount
23	**Early Redemption Amount**	[Not Applicable
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	*(If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)*]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	**Form of Notes:**	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][6] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] **Registered Notes:** [Global Registered Note exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Registered Note]
25	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16(vi) and 18(x) relate*]
26	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]
28	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]

6 if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]", the Temporary Global Note shall not be exchangeable on [●] days' notice.

29	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
30	Consolidation provisions:	The provisions in Condition 19 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
31	Any applicable currency disruption/fallback provisions:	[Not Applicable/*give details*]
32	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

33	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
34		If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
35		U.S. Selling Restrictions:	Reg. S Category [1/2]; (*In the case of Bearer Notes*) – [TEFRA C/TEFRA D/TEFRA not applicable] (*In the case of Registered Notes*) – Not Applicable
36		Additional selling restrictions:	[Not Applicable/*give details*]
37		Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] *If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*

OPERATIONAL INFORMATION

ISIN Code:	[●]
Common Code:	[●]
Legal Entity Identifier:	25490062URZHNZQBTW39
CMU Instrument Number:	[●]
Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the CMU Service and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
Delivery:	Delivery [against/free of] payment
Additional Paying Agent(s) (if any):	[●]

GENERAL

The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in [US dollars]):	[Not Applicable/US$]
[Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]] [[Other: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)]

[**USE OF PROCEEDS**

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

STABILISING

In connection with this issue, [insert name of Stabilisation Manager] (the "Stabilisation Manager") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.$5,000,000,000 Guaranteed Medium Term Note Programme.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Henderson Land MTN Limited:

By: ______________________
Duly authorised

Signed on behalf of Henderson Land Development Company Limited:

By: ______________________
Duly authorised

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

INITIAL ISSUE OF NOTES

Global Notes may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary") or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg or (ii) the CMU and delivery of the relevant Global Registered Note to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("Alternative Clearing System") as the holder of a Note represented by a Global Note or a Global Registered Note must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Registered Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Registered Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Registered Note is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Registered Note are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Registered Note and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Registered Note must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Registered Note.

EXCHANGE

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme – Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Bearer Global Note or for Definitive Notes is improperly withheld or refused.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or if any of the circumstances described in Condition 14 (*Events of Default*) occurs.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Registered Notes

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Registered Note pursuant to Condition 3(f) may only be made (in whole but not in part):

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if any of the circumstances described in Condition 14 (*Events of Default*) occurs,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"Exchange Date" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Registered Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for enfacement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which enfacement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 13(a)(iii) and Condition 17(c) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "Payment Business Day" set out in Condition 2(a) for the purposes of Condition 11(g).

All payments in respect of Notes represented by a Global Registered Note (other than a Global Registered Note held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Registered Note held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Registered Note shall be required for such purpose.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 2).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Registered Note shall (unless such permanent Global Note or Global Registered Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Registered Note.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Fiscal Agent for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Registered Note, by reduction in the aggregate principal amount of the Notes in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation.

Notices

So long as any Notes are represented by a Global Note or a Global Registered Note and such Global Note or Global Registered Note is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Registered Note.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

CAPITALISATION

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

At 30 June 2019, the issued share capital of the Guarantor was HK$52,345 million consisting of 4,841,387,003 ordinary shares in issue. In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the shares of the Guarantor do not have a par value.

The following table sets out the consolidated capitalisation and indebtedness of the Guarantor at 30 June 2019 which has been extracted from the unaudited consolidated statement of financial position of the Guarantor at the same date. The table should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Guarantor for the six months ended 30 June 2019 and the notes thereto.

	At 30 June 2019
	HK$ million
Bank loans:	
Short-term bank loans (including current portion of long-term bank loans)	27,039
Long-term bank loans (net of current portion)	46,012
	73,051
Guaranteed notes:	
Guaranteed notes (due within 1 year and included in current liabilities)	5,855
Guaranteed notes (due after 1 year and included in non-current liabilities)	10,553
	16,408
Shareholders' equity:	
Share capital	52,345
Reserves	262,341
Shareholders' equity	314,686
Total Capitalisation and Indebtedness	404,145

There has been no material change in the capitalisation and indebtedness of the Guarantor since 30 June 2019.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

At 30 June 2019, the Issuer was authorised to issue a maximum of 50,000 no par value shares of a single class and series, of which 1 share is held by a wholly-owned subsidiary of the Guarantor.

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. While the Issuer has not published, and does not propose to publish, any financial statements in the future, the Issuer has prepared audited financial statements for each financial year ended 31 December up to the year ended 31 December 2018.

On 1 March 2019, the Issuer issued US$300,000,000 in aggregate principal amount 3.875 per cent. guaranteed notes due 2029 (the "**March 2019 Notes**") guaranteed by the Guarantor under the US$5,000,000,000 Medium Term Note Programme of the Issuer and the Guarantor. As of the date of the Offering Circular, the March 2019 Notes remained outstanding.

DESCRIPTION OF THE ISSUER

HISTORY

The Issuer was incorporated with limited liability under the laws of the British Virgin Islands on 4 August 2011 with company number 1664503. The registered office of the Issuer is Morgan & Morgan Building, Pasea Estate, Road Town, Tortola, British Virgin Islands. The Issuer is an indirect wholly-owned subsidiary of the Guarantor and has no subsidiaries.

BUSINESS ACTIVITY

The Issuer was established for the sole purpose of issuing Notes under the Programme and on-lending the proceeds to the Guarantor and/or its subsidiaries. The Issuer has not engaged, since its incorporation, in any material activities other than those relating to the issue of Notes under the Programme and the on-lending of the proceeds thereof to the Guarantor and/or its subsidiaries, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

DIRECTORS AND OFFICERS

The directors of the Issuer at the date of this Offering Circular are Fung Lee Woon King, Lee King Yue, Lee Ka Shing and Kwok Ping Ho, each of whom (with the exception of Lee King Yue) is also a director of the Guarantor. The business address of the directors is "c/o Henderson Land Development Company Limited at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong". The Issuer has no employees.

DESCRIPTION OF THE GROUP

INTRODUCTION

Henderson Land Development Company Limited is a company incorporated in Hong Kong (company number: 45654) under the Hong Kong Companies Ordinance. It was incorporated on 16 January 1976 and is one of the largest property development and investment companies in Hong Kong by turnover and market capitalisation. At 30 June 2019, the market capitalisation of the Company was approximately HK$208 billion. Its registered office is at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The Company's core business comprises "three pillars" in property development, property investment and strategic investments which include an interest in The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas"). Rental income and property sales revenue have been, and are expected to continue to be, the most significant source of the Company's income. The Company is also involved in construction business, property management and department store operations.

The Company holds one listed subsidiary, Henderson Investment Limited ("Henderson Investment"), and has three listed associates, Hong Kong and China Gas, Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry") and Miramar Hotel and Investment Company, Limited ("Miramar"). The Company also has one listed associate through its shareholding in Hong Kong and China Gas, Towngas China Company Limited ("Towngas China"). Each of these companies is listed on the Hong Kong Stock Exchange. The current value of these investments is substantial and the total market capitalisation of the Company, its listed subsidiary and its four listed associates amounted to approximately HK$534 billion at 30 June 2019.

At 30 June 2019, the issued share capital of the Guarantor was HK$52,345 million consisting of 4,841,387,003 ordinary shares. The Company is listed on the Hong Kong Stock Exchange (stock code: 12). The shares of each of the Company and Hong Kong and China Gas are currently constituent stocks of the Hang Seng Index. Shares of the Company represented by depositary receipts are also traded in the United States through an American Depositary Receipt Level 1 Programme.

The Company is controlled by family interests of Dr the Hon. Lee Shau Kee, the founder of the Company, through approximately 72.82% direct and indirect aggregate interests. At the date of this Offering Circular, no other shareholder holds an interest of above 10% of the issued share capital of the Company.

HISTORY

The Company was incorporated on 16 January 1976 under its present name as the property manager and sales agent for various property developments undertaken by its holding company, Henderson Development Limited ("Henderson Development"), which was founded by Dr the Hon. Lee Shau Kee. The Company was first listed on the then Hong Kong stock exchange in July 1981. In connection with the listing the Company acquired from Dr the Hon. Lee Shau Kee and Henderson Development various property developments and interests in Hong Kong and China Gas and Hong Kong Ferry (formerly known as The Hongkong and Yaumati Ferry Company, Limited).

In 1985, the Company acquired a 70.8% interest in a publicly listed property company, Wing Tai Development Company, Limited, which had its name changed in 1988 to the present name of Henderson Investment. The Company also underwent a group reorganisation in 1988 and sold HK$776 million worth of properties to Henderson Investment to strengthen the investment property portfolio of the latter. After the reorganisation, the Company became a major local property developer specialising in developing projects of small to medium size residential units as well as merging and redeveloping older properties. Henderson Investment concentrated on property investment and investment holding, with an initial 19.7% interest in Hong Kong Ferry and an initial 25.9% stake in Hong Kong and China Gas and an initial 34.78% of the shares and 34.39% of the warrants in the publicly listed Miramar.

Through its subsidiaries and associates, the Company began to engage actively in various property development and investment projects in the PRC in 1990.

In 1996, the Company spun-off its PRC property business by launching an initial public offering of the shares of, and obtaining a separate public listing for, Henderson China Holdings Limited ("Henderson China"), raising new equity funds of approximately HK$1,500 million and in July 2000, the Company spun off its e-business by launching an initial public offering of the shares of, and obtaining a separate listing for Henderson Cyber Limited ("Henderson Cyber"), raising HK$900 million. Henderson China was subsequently privatised in August 2005 and Henderson Cyber was privatised in December 2005. The Company now directly focuses on expanding its property development and investment business in the PRC.

In 2005, the Company completed the International Financial Centre ("IFC") project above the Hong Kong MTR Station and Airport Express Station in Central, Hong Kong. At 30 June 2019, both the tenancy rate of the shopping mall and office towers of the IFC complex and the occupancy rate of the project's hotel complex (comprising The Four Seasons Hotel and serviced apartments) remained high. The IFC complex, which is owned by a joint venture of the Group, provides an attributable gross floor area of approximately 1.25 million square feet ("sq.ft.") and the Group's share of profit after tax from the IFC complex (excluding change in fair value on investment properties) for the six months ended 30 June 2019 represents 9.2% of the Group's underlying profit after taxation attributable to equity shareholders of the Company for the same period.

In 2007, the Company and Henderson Investment entered into an agreement pursuant to which the Company acquired from Henderson Investment and its subsidiaries (the "Henderson Investment Group") their entire interests in Hong Kong Ferry, Miramar, all the subsidiaries of Henderson Investment (other than those companies which directly or indirectly held shares in Hong Kong and China Gas and engaged in the infrastructure business) and effectively their entire property portfolio. In the same year, the Company also acquired Henderson Investment's entire stake in Hong Kong and China Gas. The Company subsequently increased its effective interest from 21.31% to 33.41% in Hong Kong Ferry, from 30.04% to 48.82% in Miramar and from 26.54% to 41.53% in Hong Kong and China Gas (each such increased effective interest presented as of 30 June 2019).

In July 2013, the Government announced the result of the "North East New Territories New Development Areas Planning and Engineering Study", of which Kwu Tung North and Fanling North would be treated as the extension of Fanling/Sheung Shui New Town. The Government has also decided to adopt an enhanced Conventional New Town Approach and, subject to specified criteria, private land owners are allowed to apply for in-situ land exchange for private developments. Outline Zoning Plans for both Kwu Tung North and Fanling North were already approved by the Chief Executive-in-Council. Of the Group's land holding of 2.4 million sq.ft. in Fanling North New Development Area, a total land area of roughly over 800,000 sq.ft. is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use by payment of cash compensation. The Group applied for in-situ land exchange for three separate land lots in Fanling North and Kwu Tung North. All have been accepted by the Government for further review. These three land lots in Fanling North are expected to provide an aggregate commercial gross floor area of 440,000 sq.ft. and residential gross floor area of 3.0 million sq.ft. approximately, against their respective site areas of 228,000 sq.ft., 240,000 sq.ft. and 241,000 sq.ft.. Developable areas for these sites are subject to finalisation of land premium.

In 2016, the 156,000-square-foot office building "Golden Centre" in Sheung Wan was sold en-bloc at a consideration of HK$4,368 million. Together with the disposal of other non-residential properties such as the industrial units at "Global Gateway Tower" in Cheung Sha Wan, as well as the shop units at "The Zutten" in Ma Tau Kok and "PARKER33" in Shau Kei Wan, attributable proceeds arising from these disposals totalled HK$4,811 million (as measured by contract value). Including the residential sales revenue, the Group sold HK$14,893 million (as measured by contract value) worth of Hong Kong properties in attributable terms during the year ended 31 December 2016, an increase of 30% as compared with HK$11,472 million (as measured by contract value) for the year ended 31 December 2015.

In the beginning of 2017, the Group transferred the equity interests in the companies holding two hotel properties, namely, "Newton Place Hotel" in Kwun Tong and "Newton Inn" in North Point, for the respective consideration of HK$2,248 million and HK$1,000 million. An agreement was entered into to transfer equity interest in the company holding a residential development project at Kwun Chui Road, Tuen Mun, which was planned for a total developable gross floor area of about 785,000 sq.ft., for a consideration of HK$6,600 million. Together with the disposal of certain shop units at "Fairview Height" in Mid-Levels, "The Zutten" in Ma Tau Kok and "PARKER33" in Shau Kei Wan, as well as some other industrial and commercial properties and carparks, attributable proceeds arising from these disposals totalled HK$11,572 million (as measured by contract value). Including the residential and office sales revenue, the Group sold HK$24,172 million (as measured by contract value) worth of Hong Kong properties in attributable terms during the year ended 31 December 2017, a record high and an increase of 62% as compared with HK$14,893 million (as measured by contract value) for the year ended 31 December 2016.

In May 2017, a prestigious commercial site at Murray Road, Central was acquired through public tender for a consideration of HK$23,280 million. The site has easy access to MTR stations and sprawling open views of the adjacent Chater Garden, The Court of Final Appeal and Statue Square. It is expected to be developed into a 35-storey Grade-A office development, providing a total gross floor area of about 465,000 sq.ft..

The Group released two residential developments for sales during the first six months of 2018, namely, "South Walk • Aura" in Aberdeen and "Cetus • Square Mile" in Mongkok, both of which sold well. Current projects such as "Eden Manor" adjacent to the Hong Kong Golf Club in Fanling, "Double Cove" (Phases 1-5) in Ma On Shan as well as the urban redevelopment boutique residences, "The H Collection", were also well received. In addition, the Group transferred the equity interest in the company indirectly holding a waterfront Grade-A office tower at 18 King Wah Road, North Point, which has a total gross floor area of about 330,000 sq.ft., in January 2018 for a consideration of approximately HK$9,950 million. This represents an average selling price of over HK$30,000 per sq.ft. of gross floor area, a record high in that area. Together with the disposal of some other industrial and commercial units such as "Mega Cube" in Kowloon Bay, "Global Gateway Tower" and "The Globe" in Cheung Sha Wan, as well as certain shop units and carparks, the Group sold HK$18,994 million (as measured by contract value) worth of Hong Kong properties in attributable terms during the six months ended 30 June 2018, an increase of 43% as compared with HK$13,268 million (as measured by contract value) for the same period in 2017.The Group and its joint venture partner together entered into a conditional agreement in July 2018 to transfer their collective equity interests in the company directly and indirectly holding the 160,000-square-foot commercial development at 8 Observatory Road, Tsim Sha Tsui, for a consideration of HK$4,100 million (subject to adjustment). The equity transfer was completed in March 2019. Proceeds in the aggregate amount of HK$2,033 million were received by the Group. The Group's underlying profit arising from such transfer of interest in joint ventures amounted to HK$1,305 million and was recognised in the Group's consolidated financial statements for the six months ended 30 June 2019.

Based upon its closing price on 30 June 2019, the Company had a market capitalisation of approximately HK$208 billion.

STRATEGY

The Group's business objective is to build on its leading position in developing large-scale mixed-use projects in Hong Kong and the PRC. In addition, the Group aims to increase its recurrent income through the diversification of its business. The Group is dedicated to maximising value for shareholders over the long term by executing the following strategies:

Building for a sustainable future with low land costs

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

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

Locating prime sites for property investment with a stable income stream

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

Expanding the mainland China market

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

Holding of strategic investment for constant return

The investments in the three listed associates, Hong Kong and China Gas, Miramar and Hong Kong Ferry, provide stable and consistent returns for the Group. The distinctive business nature of Hong Kong and China Gas, in particular, is a supplement to the Group's core businesses of property development and property investment and allows the Group to smooth out the cyclicality of its property development business.

Conservative financial strategy

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

COMPETITIVE STRENGTHS

Diversified business mix supported by "three pillars"

The Company has a well-diversified business operation. The Company's core business comprises "three pillars" in property development, property investment and strategic investments in both Hong Kong and mainland China. The property investment business and strategic investments provide a reliable and growing income source to the Group, while the property development business is a dynamic profit driver. Rental income and property sales revenue have been, and are expected to continue to be, the most significant source of the Company's income. Stable and growing contribution with value appreciation from property investments and significant stable dividend cash flows provide the Company with a solid foundation in addition to the profitable property development sector. The Company's property development business has a track record of generating profits in each of the 22 years leading up to 2018 (with the exception of 2003 and 2010, when it recorded a loss). For the year ended 31 December 2018 and six months ended 30 June 2019, the Company's property development segment recorded a profit contribution from operations (before taking into account the attributable contribution from associates and joint ventures, and before deduction of non-controlling interests' attributable share) of HK$5,273 million and HK$646 million, respectively (before finance costs and tax).

Stable and recurrent income base from property rentals and consistent dividends

The Company has maintained strong cash flows despite economic events such as the Asian financial crisis, SARS outbreak, the global credit and financial crisis which commenced in 2008 and the on-going socio-political events in Hong Kong. The Group usually has approximately one-third of its tenancy agreements up for renewal each year and this has helped the Group to avoid the concentration of rent renewal dates during any one particular period of a financial year whilst also providing the Group with opportunities to adjust rentals to reflect prevailing market rates. As a result, property rentals have shown resilience through downturns and the contribution from Hong Kong and China Gas has been consistent and stable. Recurring cash flow streams from net rental income and dividends from listed associates show stable growth.

The Company's shareholding in Hong Kong and China Gas provides a further quality recurrent income base and strengthens the Company's firm commitment to the utilities business in Hong Kong and the PRC. Hong Kong and China Gas's leading marketing positioning and strong reputation in the utilities sector in Hong Kong, high and stable project returns and consistent business strategy will further enhance the Company's financial performance. The availability of a consistent and diversified cashflow stream allows the Company to weather the cyclicality of the property development business.

Conservative capital structure and diversified sources of funding

The Company adopts a balanced approach to financing with a view to optimising the mix of equity and debt. The Company has prudent leverage with net debt to shareholders' funds of approximately 24.2% at 30 June 2019. The Company maintains a prudent dividend payout policy throughout the economic cycles (40.1% and 36.2% of underlying earnings per share for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively), and commits to a high profit retention strategy. In addition, the Company has access to diversified sources of funds for its operations. The Company has access to both domestic and international capital markets in addition to local loan markets. In addition, the Company's strong financial and credit profile allows it to achieve pricing on loan financing in-line with peers which are "A" rated. The Company's ability to obtain funding from a variety of sources allows it to maintain a competitive advantage over its competitors, which may have funding difficulties in the current volatile markets. These factors enable the Company to maintain a strong balance sheet with a high and increasing level of liquidity.

Experienced management team

The Company has dedicated and experienced senior management who have achieved a strong track record of success in the real estate sector in Hong Kong and the PRC. The management team has a detailed understanding of the real estate markets in both Hong Kong and the PRC. Their in-depth knowledge of the markets means that the Company is able to identify market trends and formulate strategies which are in the interests of the Company. In addition, the Company's vertically integrated approach to property development allows it to appropriately manage costs, quality and risks. Dr the Hon. Lee Shau Kee, the founder of the Company, and his family are an active part of the management team and they have important roles in various listed Hong Kong-based companies.

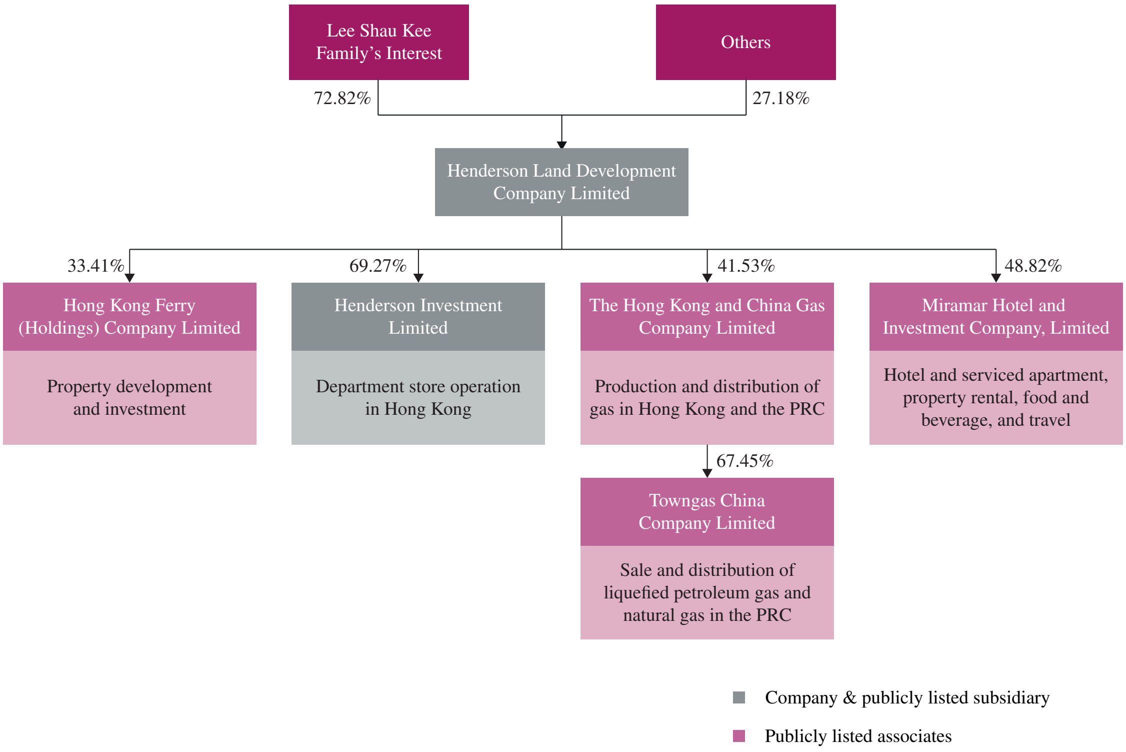
Conservative and strategic approach to the PRC business

The Company has a successful and well-proven approach to investing in the property market in the PRC. In the early 1990s, the Company adopted a "Prime City Prime Site" strategy under which it maintains a number of landmark retail and office investment properties in key locations in Beijing, Shanghai and Guangzhou. Quality developments in the prime cities, where the infrastructure and supplementary facilities are well developed, have attracted strong interest from both foreign tenants and investors. Since 2006, this strategy has been complemented by the Company's "Second Tier and/or Provincial-Capital City Site" focus. The Group currently focuses on the development of Grade-A office buildings in the PRC. In addition to seeking sites with high development potential, the Group is developing two office/commercial riverside sites in Xuhui District, Shanghai, as well as the large-scale integrated project at Haizhu Square station in Guangzhou.

In addition, the Company was among one of the first Hong Kong developers to enter into the property market in the PRC. Its first investment in the PRC was in the 1980s through investment in the China Hotel in Guangzhou. Over the years, the Company has accumulated valuable expertise and local knowledge in different stages of economic cycles in the PRC which the Company believes will allow it to better manage its projects.

CORPORATE STRUCTURE

The following sets forth an overview of the Group's organisation, showing principal functions and shareholding interests in its publicly listed subsidiary and associates at 30 June 2019:



BUSINESS OVERVIEW

The Company is one of the largest property developers in Hong Kong. The Company is an investment holding company and the principal activities of its subsidiaries and associates are property development, property investment, strategic investment, construction business, property management, department store operations, investment holding and the provision of finance, cleaning and security guard services. For the year ended 31 December 2018 and the six months ended 30 June 2019, 75.4% and 78.7%, respectively, of the Group's revenue from external customers was generated in Hong Kong, with the remaining amount generated from the PRC. The property development business is vertically integrated and incorporates project planning, construction and management of the completed properties.

The principal activity of its listed associate, Hong Kong and China Gas, is the production and distribution of gas in Hong Kong and the PRC and the principal activity of Hong Kong and China Gas' listed associate, Towngas China, is the sale and distribution of liquefied petroleum gas and natural gas in the PRC.

The Group and its associates currently have six entities that are listed on the Main Board of the Hong Kong Stock Exchange: the Company, Henderson Investment, Hong Kong and China Gas, Hong Kong Ferry, Miramar and Towngas China. Two out of these six companies, namely the Company and Hong Kong and China Gas, are constituent stocks in the Hang Seng Index.

At 30 June 2019, the Company had equity stakes of 41.53% in Hong Kong and China Gas (the sole supplier of piped gas in Hong Kong), 33.41% in Hong Kong Ferry (which is now engaged in property development and investment, having divested most of its ferry business), 48.82% in Miramar (which manages The Mira Hong Kong and Mira Moon, and investment properties of approximately 1.2 million sq.ft. in Tsim Sha Tsui) and 69.27% in Henderson Investment. Apart from the above equity holdings, the Group also has diversified interests in property development and investment in Hong Kong and the PRC as well as retail trade businesses in Hong Kong.

The revenue and profit contribution from operations of the principal activities of the Group for the years ended 31 December 2017 and 2018, and the six months ended 30 June 2018 and 2019, are set out below:

	Revenue			
	Year ended 31 December		Six months ended 30 June	
	2018	2017 (restated)	2019	2018
	(HK$ million)			
Property development	13,335	20,029	3,551	9,049
Property leasing	6,020	5,678	3,103	2,995
Department store operation	1,496	834	926	524
Other businesses	1,131	1,419	549	574
Total	21,982	27,960	8,129	13,142

	Profit contribution from operations (before taking into account the attributable contribution from associates and joint ventures, the deduction of non-controlling interests' attributable share and interest expenses)			
	Year ended 31 December		Six months ended 30 June	
	2018	2017 (restated)	2019	2018
	(HK$ million)			
Property development	5,273	5,459	646	3,346
Property leasing	4,520	4,287	2,320	2,293
Department store operation	296	265	116	148
Other businesses	705	1,004	657	358
Total	10,794	11,015	3,739	6,145

PROPERTY BUSINESSES IN HONG KONG

Property Development in Hong Kong

Development of the Group's properties in Hong Kong usually entails four phases: land acquisition, land development (which may include land use conversion), project construction and marketing. The typical development cycle for vacant land in the New Territories, after land use conversion, is approximately three to four years, whereas the development cycle for urban property projects can be longer, particularly for such project sites that are not vacant at the time of acquisition or involving multiple sites or separate units within a site which must be combined before development can begin.

The Group is vertically integrated, incorporating all the four phases of the development process in order to control the costs, schedule and quality of its projects. Through its subsidiaries and associates, the Company oversees and largely performs all aspects of its development operations, including the selection and purchase of sites, the preparation of feasibility studies, the obtaining of government approvals for zoning and modifications, the design and construction of development projects, and the marketing, leasing and management of completed projects.

Property development is the largest source of revenue for the Group. For the year ended 31 December 2018 and the six months ended 30 June 2019, the Group sold an attributable total amount of HK$25,949 million (as measured by contract value) and HK$7,881 million (as measured by contract value) of Hong Kong properties, respectively.

In addition, during the year ended 31 December 2018, the Group transferred the equity interests in the companies holding two investment properties, namely, “18 King Wah Road” in North Point and “8 Observatory Road” in Tsim Sha Tsui, for the respective consideration of about HK$9,950 million and HK$4,100 million. The transaction relating to the 330,000-square-foot Grade-A office development at 18 King Wah Road was completed during the year ended 31 December 2018. Meanwhile, the transaction relating to the 160,000-square-foot commercial property at 8 Observatory Road, which was 50% owned by the Group, was completed in March 2019. Together with the disposal of certain shop units such as those located at “NOVUM WEST” at Sai Ying Pun, as well as some other industrial and commercial properties and car parks, attributable proceeds arising from these disposals totalled HK$13,083 million. Including the residential sales revenue of HK$12,866 million (as measured by contract value) in attributable terms, the Group sold HK$25,949 million (as measured by contract value) worth of Hong Kong properties in attributable terms for the year ended 31 December 2018, an increase of 7% as compared with HK$24,172 million (as measured by contract value) for the year ended 31 December 2017.

During the year ended 31 December 2018, the Group acquired interests in two residential land lots adjacent to each other in the Kai Tak Development Area at the total consideration of approximately HK$15,958 million. The two sites will in aggregate provide a gross floor area of about 1.1 million sq.ft.. A joint venture formed by the Group and various developers also won the tender for a residential land lot at New Kowloon Inland Lot No. 6574 in Kai Tak Development Area at a consideration of HK$8,333 million, of which 29.3% or about 168,000 sq.ft. in gross floor area is attributable to the Group. Meanwhile, the Group won the tender from the Urban Renewal Authority for the development of Castle Peak Road/Un Chau Street development project in Sham Shui Po at the consideration of about HK$1,368 million. It will provide attributable residential gross floor area of about 120,000 sq.ft..

As regards urban redevelopment projects, other than a total of approximately 0.2 million sq.ft. in attributable gross floor areas that has been earmarked for sales launch in 2019, at 31 December 2018, projects with 80% to 100% ownerships acquired still increased from 4.0 million sq.ft. at the end of 2017 to about 4.4 million sq.ft. in total attributable gross floor area.

During the six months ended 30 June 2019, the Group launched various residential projects, namely “The Vantage” in Hung Hom, “The Addition” in Cheung Sha Wan and “Timber House” in Ho Man Tin, all of which sold well and were not affected by the then prevailing social unrest in Hong Kong. Existing projects such as “Reach Summit – Sereno Verde Phase 5” in Yuen Long, “Eden Manor” adjacent to the Hong Kong Golf Club in Fanling, as well as a number of urban redevelopment boutique residences, “The H Collection”, were also released at opportune moments achieving encouraging responses. Together with the disposal of some other commercial properties and car parks, the Group sold HK$7,881 million worth of Hong Kong properties in attributable terms for the six months ended 30 June 2019.

In July 2019, the Group entered into an agreement to sell its equity interest in the company holding interests in certain land lots in Wo Shang Wai, New Territories, which cover a total site area of about 2,420,000 sq.ft., for an aggregate consideration of HK$4,705 million (subject to adjustments) to an independent third party. The transaction is scheduled for completion in February 2020.

The following table shows development projects in Hong Kong that were completed by the Group in the six months ended 30 June 2019:

Project name and location	Site area	Gross floor area	Type of development	Group's interest	Attributable gross floor area
	(sq.ft.)	(sq.ft.)		(%)	(sq.ft.)
1. Eden Manor 88 Castle Peak Road Kwu Tung	154,280	555,399	Residential	100.00	555,399
2. NOVUM EAST 856 King's Road Quarry Bay	17,720	177,814	Commercial/ Residential	100.00	177,814
3. Extension to Citygate Outlets Tung Chung Town Lot No. 11	107,919	473,119	Commercial/ Hotel	20.00	94,624
4. Park One 1,3 Nam Cheong Street and 180 Tung Chau Street Cheung Sha Wan	8,559	77,029	Commercial/ Residential	100.00	77,029

Project name and location	Site area	Gross floor area	Type of development	Group's interest	Attributable gross floor area
	(sq.ft.)	(sq.ft.)		(%)	(sq.ft.)
5. South Walk • Aura 12 Tin Wan Street Aberdeen	4,060	37,550	Commercial/ Residential	100.00	37,550
6. Lot No. 1752 in DD No. 122 Tong Yan San Tsuen Yuen Long	27,868	27,868	Residential	100.00	27,868
7. Park Reach 33 Shap Pat Heung Road Yuen Long	6,131	21,453	Commercial/ Residential	79.03	16,954
Total					987,238

The following table shows major development projects in Hong Kong for which the Group had commenced selling activities at 30 June 2019:

			At 30 June 2019			
Project name and location	**Gross floor area**	**Type of development**	**No. of residential units remaining unsold**	**Saleable area remaining unsold**	**Group's interest**	**Attributable saleable area remained unsold**
	(sq.ft.)			(sq.ft.)	(%)	(sq.ft.)
1. Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	283	332,432	100.00	332,432
2. Double Cove – Phases 1-5 8 Wu Kai Sha Road Ma On Shan	2,950,640	Commercial/ Residential	80	150,312	59.00	88,684
3. Cetus • Square Mile 18 Ka Shin Street Mong Kok	176,251	Commercial/ Residential	97	27,338	100.00	27,338
4. Wellesley 23 Robinson Road Mid-Levels	156,900[(1)]	Residential	28	47,203	50.00[(1)]	23,602
5. NOVUM EAST 856 King's Road Quarry Bay	177,814	Commercial/ Residential	81	22,494	100.00	22,494
6. The Vantage 63 Ma Tau Wai Road Hung Hom	207,257	Commercial/ Residential	83	22,898	100.00	22,898
7. The Addition 342-356 Un Chau Street Cheung Sha Wan	79,895	Commercial/ Residential	73	22,133	100.00	22,133
8. Hill Paramount 18 Hin Tai Street Shatin	358,048	Residential	4	11,742	100.00	11,742
9. Reach Summit – Sereno Verde Phase 5 99A Tai Tong Road Yuen Long	171,266	Residential	30	10,038	79.03	7,933
10. Green Lodge 23 Ma Fung Ling Road Yuen Long	78,781	Residential	2	6,617	100.00	6,617
11. South Walk • Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	29	6,870	100.00	6,870
12. NOVUM WEST 460 Queen's Road West Sai Ying Pun	272,526	Commercial/ Residential	15	6,574	100.00	6,574
13. Seven Victory Avenue 7 Victory Avenue Ho Man Tin	83,245	Commercial/ Residential	14	5,447	100.00	5,447
14. The Reach 11 Shap Pat Heung Road Yuen Long	1,299,744	Residential	3	4,125	79.03	3,260
15. H • Bonaire 68 Main Street Ap Lei Chau	65,761	Commercial/ Residential	4	2,553	100.00	2,553
16. PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134

Project name and location	Gross floor area	Type of development	At 30 June 2019 No. of residential units remaining unsold	Saleable area remaining unsold	Group's interest	Attributable saleable area remained unsold
	(sq.ft.)			(sq.ft.)	(%)	(sq.ft.)
17. Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	336,052	Industrial	Not applicable	77,777(2)	100.00	77,777(2)
18. The Globe 79 Wing Hong Street Cheung Sha Wan	172,113	Office	Not applicable	62,134(2)	100.00	62,134(2)
19. E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	60,359(2)	100.00	60,359(2)
20. Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622(2)	100.00	48,622(2)
Total			828(3)	928,802		840,603

Notes:

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

(2) Representing the office, industrial or shop area.

(3) Out of the above 828 unsold residential units, 530 residential units were completed with occupation permits.

Land Bank in Hong Kong

At 30 June 2019, the development land bank of the Group in Hong Kong amounted to approximately 24.7 million sq.ft. in total attributable gross floor area, which includes the Group's interests in development sites, investment properties, hotel properties, as well as the property interests held by its associates. At 30 June 2019, the Group's land bank was made up of 14.5 million sq.ft. of properties held for or under development, 0.8 million sq.ft. of stock of unsold property units, 9.4 million sq.ft. of completed properties (including hotels). In addition, the Group's attributable land area in the New Territories amounted to 45.9 million sq.ft. as at 30 June 2019.

Hong Kong and Kowloon

The Group remains active in the acquisition of old buildings in urban areas.

At 30 June 2019, the Group had a total of 3 existing projects under planning for redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. They are expected to provide about 1.1 million sq.ft. in attributable gross floor area in the urban areas based on the Buildings Department's approved plans or the Government's latest town planning.

At 30 June 2019, the Group had a total of 27 newly-acquired urban redevelopment projects with 80% to 100% ownership secured. For projects with over 80% but less than 100% ownership secured, their ownership will be consolidated by court proceedings for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development.

In addition to those already in the sales pipeline as mentioned above, the Group has urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 4.3 million sq.ft., which are expected to be available for sale or lease in 2020 or beyond. The total land cost of such projects is estimated to be about HK$36,993 million (including the pricey street shops and the project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$8,600 per square foot of gross floor area.

The Group's strategy for urban redevelopment draws on the mutually beneficial outcomes for all stakeholders in the process. By acquiring old tenement buildings for urban redevelopment, owners of the dilapidated properties can upgrade to homes with much better living conditions, whilst the old districts will be revitalised. The redevelopment in West Kowloon adjacent to the Olympic MTR station is a manifest example. The Group's various projects spanning Ka Shin Street, Li Tak Street, Kok Cheung Street, Fuk Chak Street, Pok Man Street, Man On Street and Tai Kok Tsui Road are now being jointly developed under the "Square Mile" brand, providing an aggregate gross floor area of over 1.0 million sq.ft.. With a diverse flat mix of housing units and a chic shopping mall, "Square Mile" is complemented by an open-air piazza for cultural and leisure activities. The previously rundown district has been revitalised into a vibrant neighbourhood. The first two phases of its development (namely, "Eltanin • Square Mile" and "Cetus • Square Mile"), which boast a total gross floor area of about 350,000 sq.ft., have been launched and about 90% of their total residential units were sold. By making reference to the approach of "Square Mile", the Group is now conducting comprehensive planning in Hung Hom. Various projects spanning Gillies Avenue South, Baker Street, Whampoa Street and Bulkeley Street will be jointly developed into another 1,000,000-square-foot revitalised community, improving the vibrancy and living convenience for its residents. In addition, the Group's 22.80%-owned residential-cum-commercial project at Yau Tong Bay is in the process of application for land exchange. This large-scale development, with residences that enjoy stunning views of Victoria Harbour, is poised to feature as another iconic landmark upon its completion.

As at 30 June 2019, the Group has other acquisitions in progress, involving 30 projects located in various urban districts. Currently, ownership ranging from more than 20% to less than 80% of each project has been achieved. The attributable land areas of these projects total about 210,000 sq.ft.. If and when their ownerships are successfully consolidated, based on the Government's latest town planning, the total estimated attributable gross floor area would be about 1,910,000 sq.ft. upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 770,000 sq.ft..

New Territories

At 30 June 2019, the Group held New Territories land reserves amounting to approximately 45.9 million sq.ft. in land area, which was the largest holding among all property developers in Hong Kong.

Of the Group's land holding of 2.4 million sq.ft. in Fanling North New Development Area, a total land area of roughly over 800,000 sq.ft. is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use by payment of cash compensation. The Group applied for in-situ land exchange for three separate land lots in Fanling North and Kwu Tung North. All have been accepted by the Government for further review. These three land lots in Fanling North are expected to provide an aggregate commercial gross floor area of approximately 440,000 sq.ft. and residential gross floor area of approximately 3.0 million sq.ft., against their respective site areas of 228,000 sq.ft., 240,000 sq.ft. and 241,000 sq.ft.. Developable areas for these sites are subject to finalisation of land premium.

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

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

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

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

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

The Group expects to continue to purchase development land and agricultural land with the aim of maintaining a large land bank offering long term development potential. In addition, in order to satisfy evolving market demand and ensure efficient use of land resources, the Group's development sites are evaluated for conversion into other purposes. The Group believes that, by utilising a combination of methods comprising the replenishment of the existing land bank, the use of property brokers to acquire and assemble land plots and conversion of existing land uses, the Group's land bank will continue to be large enough to satisfy its development plans.

Property Investment in Hong Kong

The investment property portfolio of the Group in Hong Kong amounted to approximately 8.9 million sq.ft. in total attributable gross floor area at 30 June 2019. In recent years, this business segment of the Group has been increasing in importance as a recurrent revenue contributor to the Group in aggregate terms. Property investment is the second largest source of revenue for the Group.

The Group's attributable gross rental income in Hong Kong increased by 6% year-on-year from 2017 to 2018 to HK$7,141 million and increased by 4% period-on-period for the six months ended 30 June 2019 to HK$3,666 million. The attributable pre-tax net rental income was HK$5,587 million for the year ended 31 December 2018, representing a growth of 5% over the previous year, and HK$2,853 million for the six months ended 30 June 2019, representing a growth of 2% over the same period in 2018.

Most of the investment property portfolio is managed by the property management arm of the Group. The Group's investment property portfolio consists mainly of retail shopping centres and office buildings across Hong Kong Island, Kowloon and the New Territories, which collectively accounted for approximately 90% of the Group's investment properties in Hong Kong in terms of gross floor area at 30 June 2019. In addition, the Group owns a number of industrial buildings, luxury residential apartments and carparks in both urban and suburban locations.

The Group's current policy is to retain most of the sizeable retail podiums of its major development projects for long-term investment purposes. The usual lease terms for the Group's investment properties are typically a two to three-year initial fixed period that may or may not carry an option for renewal for a further term of two to three years. Leases with a fixed term of five or six years are usually subject to pre-determined rental escalation or rent review every two to three years generally. The Group's core investment properties are varied with rental income contributions from shopping malls such as the IFC Mall to residential and hotel-serviced suites and offices. The rental income from the investment portfolio is expected to continue to provide a stable and recurrent income base to the Group.

In accordance with HKFRS, the Group values its investment properties and investment properties under development semi-annually at each of 30 June and 31 December at their open market value on the basis of an independent professional valuation. Any fair value gain or loss on an investment property or an investment property under development attributable to the Group is credited or charged, as the case may be, to the Group's statement of profit and loss. A major or extended decline in property values could therefore result in an accounting loss for the Group.

The Group's rents are generally quoted in sq.ft. per lettable area. In most cases, the rents quoted by the Group do not include property management charges, air conditioning charges and rates payable by its tenants. At 30 June 2019, the leasing rate for the Group's core rental properties (including the portfolio of premium office and industrial premises in Kowloon East) remained high at 98%.

In Hong Kong, office and commercial leases are typically entered into for two to three year terms with some having the options to renew, and lease terms are generally longer for food and beverage tenants. In connection with longer term leases, the tenancy agreements usually contain rent review clauses or rent escalating provisions. As a result, the Group usually has approximately one-third of its tenancy agreements up for renewal each year and this has helped the Group to avoid the concentration of rent renewal dates during any one particular period of a financial year, whilst also providing the Group with opportunities to adjust rentals to reflect prevailing market rates.

Newly completed in July 2019, "H Zentre" at 15 Middle Road, Tsim Sha Tsui, will soon commence operations. Situated above Tsim Sha Tsui East MTR station, which is just one stop from the Express Rail Link West Kowloon Station, "H Zentre" is a 340,000-square-foot commercial development comprising medical, dining, retail and car parking facilities. Its pre-leasing responses have been satisfactory, with renowned medical service providers, fitness centres and restaurants being secured as its tenants.

Another upcoming addition will be the extension to the Group's 20%-owned "Citygate Outlets" in Tung Chung, which was completed in March 2019. The entire extension, which comprises a retail area of about 340,000 sq.ft. in seven storeys and a 130,000-square-foot hotel seamlessly connected to the existing "Citygate Outlets", is planned to open in August 2019. The combined 800,000-square-foot shopping mall will cement its position as Hong Kong's leading outlet mall given its close proximity to both the airport and Hong Kong-Zhuhai-Macao Bridge.

The Group's office leasing business continued to advance despite recent slowdown in the economic growth in Hong Kong. During the six months ended 30 June 2019, the Group's premium office buildings in Hong Kong Island, such as "ifc" in Central – the core business area, "AIA Tower" in North Point and "FWD Financial Centre" in Sheung Wan, recorded consistently high occupancy with positive rental reversions. Whereas, the office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "52 Hung To Road", also performed well with steady rental growth.

The 144,000-square-foot redevelopment project at Electric Road, North Point, was completed in November 2019. With the commissioning of the Central-Wanchai Bypass in early 2019, it only takes about five minutes to travel from Central to Island Eastern Corridor at North Point. Hence, the pre-leasing responses for this Grade-A office building have been encouraging with keen interest from many co-working space operators and renowned corporations. There are other office developments in the pipeline, including the landmark project at Murray Road, Central, as well as the redevelopment project at Johnston Road, Wanchai, which will in aggregate provide an additional gross floor area of about 530,000 sq.ft.. The Group's office portfolio is poised to grow further.

The following table shows the Group's attributable holdings of investment properties by use in Hong Kong at 30 June 2019:

	Attributable Gross Floor Area	**Percentage**
	(million sq.ft.)	**(%)**
By type:		
Shopping arcade or retail	4.8	53
Office	3.3	37
Industrial	0.4	5
Residential and hotel apartment	0.4	5
Total:	8.9	100
By geographical area:		
Hong Kong Island	2.2	24
Kowloon	2.8	32
New Territories	3.9	44
Total:	8.9	100

The following table shows the Group's attributable holdings of major investment properties in Hong Kong at 31 December 2018:

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

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq.ft.) Residential Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
New Territories									
KOLOUR • Tsuen Wan I	68 Chung On Street, Tsuen Wan	2047	74.96	–	138,555	156,981	–	295,536	100
KOLOUR • Tsuen Wan II	145-165 Castle Peak Road, Tsuen Wan	2047	100.00	–	155,022	–	–	155,022	85
Skyline Plaza	88 Tai Ho Road, Tsuen Wan	2047	100.00	–	154,259	–	–	154,259	104
Shatin Plaza	21-27 Shatin Centre Street, Sha Tin	2047	77.55	–	114,730	–	–	114,730	67
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	–	100,029	–	–	100,029	408
MOSTown (formerly known as Sunshine City Plaza)	18 On Luk Street, Ma On Shan	2047	100.00	–	532,637	–	–	532,637	829
MOSTown (formerly known as Sunshine Bazaar)	628 Sai Sha Road, Ma On Shan	2047	100.00	–	79,642	–	–	79,642	224
MOSTown Street (formerly known as Blocks A & B, Sunshine City)	18 On Shing Street, Ma On Shan	2047	100.00	–	9,305	–	–	9,305	–
MOSTown Street (formerly known as Blocks C & D, Sunshine City)	22 On Shing Street, Ma On Shan	2047	100.00	–	10,236	–	–	10,236	–
MOSTown Street (formerly known as Blocks N, P, Q & R, Sunshine City)	8 On Shing Street, Ma On Shan	2047	100.00	–	58,881	–	–	58,881	186
Double Cove Place	8 Wu Kai Sha Road, Ma On Shan	2060	59.00	–	58,131	–	–	58,131	205
MCP Central	8 Yan King Road, Tseung Kwan O	2047	100.00	–	956,849	–	–	956,849	669
MCP Discovery	8 Mau Yip Road, Tseung Kwan O	2047	100.00	–	266,954	–	–	266,954	233
La Cité Noble Shopping Arcade	1 Ngan O Road, Tseung Kwan O	2047	100.00	–	35,186	–	–	35,186	–
KOLOUR • Yuen Long	1 Kau Yuk Road, Yuen Long	2047	100.00	–	140,341	–	–	140,341	51
Fanling Centre	33 San Wan Road, Fanling	2047	100.00	–	151,513	–	–	151,513	302
Flora Plaza	88 Pak Wo Road, Fanling	2047	60.00	–	94,657	–	–	94,657	130
Dawning Views Plaza	23 Yat Ming Road, Fanling	2047	100.00	–	87,766	–	–	87,766	–
Citygate	20 Tat Tung Road, Tung Chung, Lantau Island	2047	20.00	–	92,536	32,280	–	124,816	233
The Trend Plaza	Tuen Mun Heung Sze Wui Road	2047	100.00	–	195,280	–	–	195,280	78
The Sherwood	8 Fuk Hang Tsuen Road, Tuen Mun	2052	100.00	–	30,139	–	–	30,139	250
Marina Cove	Lot No. 526 in D.D. No. 210, Sai Kung	2047	40.00	–	9,566[(1)]	–	–	9,566	151
Total				390,445	4,075,935	2,995,413	395,321	7,857,114	5,349

Note:

(1) In addition there are 121 pontoons and 30 hardstand spaces attributable to the Group.

PROPERTY RELATED BUSINESSES IN HONG KONG

Construction

The Group generally relies on its own architectural, engineering and construction efforts for the design and construction of its projects. However, most of the actual construction work is out-sourced to non-affiliated sub-contractors, with the Group acting as the main contractor. These operations are conducted through four wholly owned subsidiaries, namely E Man Construction Company Limited, Heng Tat Construction Company Limited, Heng Shung Construction Company Limited and Heng Lai Construction Company Limited. The Group generally has been able to obtain a sufficient supply of labour and building materials for its construction activities. The Group believes that its position as one of the largest property developers in Hong Kong enables it to develop good relationships with and obtain reliable services from its sub-contractors. The Group seldom provides construction services to unrelated third parties except for its joint venture developments held by the Group's associates and joint ventures.

The following development projects in Hong Kong were completed in the 18 months ended 30 June 2019:

Project name and location	Site area	Gross floor area	Type of development	Group's interest	Attributable gross floor area
	(sq.ft.)	(sq.ft.)		(%)	(sq.ft.)
1. Seven Victory Avenue 7 Victory Avenue Ho Man Tin	9,865	83,245	Commercial/ Residential	100.00	83,245
2. Wellesley 23 Robinson Road Mid-Levels	31,380	156,900	Residential	25.07	39,335
3. H Code 45 Pottinger Street Central . .	9,067	135,995	Commercial	19.10	25,975
4. Harbour Park 208 Tung Chau Street Cheung Sha Wan	6,527	55,077	Commercial/ Residential	33.41	18,401
5. Eden Manor 88 Castle Peak Road Kwu Tung	154,280	555,399	Residential	100.00	555,399
6. NOVUM EAST 856 King's Road Quarry Bay	17,720	177,814	Commercial/ Residential	100.00	177,814
7. Extension to Citygate Outlets Tung Chung Town Lot No. 11	107,919	473,119	Commercial/ Hotel	20.00	94,624
8. Park One 1,3 Nam Cheong Street and 180 Tung Chau Street Cheung Sha Wan	8,559	77,029	Commercial/ Residential	100.00	77,029
9. South Walk • Aura 12 Tin Wan Street Aberdeen	4,060	37,550	Commercial/ Residential	100.00	37,550
10. Lot No. 1752 in DD No. 122 Tong Yan San Tsuen Yuen Long	27,868	27,868	Residential	100.00	27,868
11. Park Reach 33 Shap Pat Heung Road Yuen Long	6,131	21,453	Commercial/ Residential	79.03	16,954
Total					1,154,194

Property Management

The Group has established and operated a property management company in Hong Kong known as Hang Yick Properties Management Limited ("Hang Yick") since 1974. Through Hang Yick, the Group manages all properties which it develops, usually for a minimum of two years after which the projects' owner associations are free to continue using the Group's management services or to select alternative services. Goodwill Management Limited ("Goodwill"), a company which specialises in managing the office buildings owned by the Group for leasing purposes, was also established in January 1992 by the Group. Goodwill manages the Group's investment portfolio which includes large scale shopping arcades, office towers, serviced apartments and industrial buildings. In November 1996, another wholly-owned property management company named Well Born Real Estate Management Limited ("Well Born") was set up by the Group to provide real estate management services for projects developed by the Group in urban areas and the New Territories since 1997.

The Group is servicing a total of more than 80,000 apartments and industrial/commercial units, 10 million sq.ft. of shopping and office space, as well as 20,000 car parking spaces in Hong Kong and the PRC.

Hotel Operations

The Group has interests in The Four Seasons Hotel and serviced apartments located in the IFC complex and in hotel operations in Hong Kong (The Mira Hong Kong and Mira Moon) through its listed associate, Miramar Hotel and Investment Company, Limited. In order to improve the yield of the Group's assets, the transfer of the equity interests in the companies holding the Group's remaining two Newton hotels, namely, "Newton Place Hotel" in Kwun Tong and "Newton Inn" in North Point, were completed for the respective considerations of about HK$2,248 million and HK$1,000 million during the year ended 31 December 2017. During the six months ended 30 June 2019, the Group's attributable share of profit after tax contributed from hotel operation and management from the Group's associates and joint ventures amounted to HK$103 million, representing a decrease of HK$21 million or 16.9% compared with the previous period of six months ended 30 June 2018.

Department Store Operations

Department store operations are carried out by (i) Citistore (Hong Kong) Limited ("Citistore"), which is a wholly-owned subsidiary of Henderson Investment; and (ii) UNY (HK) Co., Limited ("UNY HK") (renamed as Unicorn Stores (HK) Limited on 27 July 2018), which was acquired by Henderson Investment on 31 May 2018 and hence became a wholly-owned subsidiary of Henderson Investment during the six months ended 30 June 2018.

For the six months ended 30 June 2019, revenue contribution from the department store operation amounted to HK$926 million (2018: HK$524 million) which represents a period-on-period increase of HK$402 million or 76.7% over that for the corresponding six months ended 30 June 2018. The increase in revenue is mainly attributable to an increase in revenue contribution of HK$424 million from UNY HK for the full six months ended 30 June 2019, compared with the revenue contribution from UNY HK only for the month of June 2018 for the corresponding six months ended 30 June 2018.

Mortgage Financing

The Group extends mortgage financing to purchasers of residential flats from projects developed by the Group. These mortgages typically take the form of monthly instalment loans by way of mortgage co-financing facilities. The Group's mortgage financing activity relates to the advancement of an additional loan to the purchaser of the property, typically of up to 20% or 25% of the property value, with a second legal mortgage in favour of the Group, at the same time when the first mortgage loan of up to 70% of the property value has been extended by a commercial bank. In addition to the second mortgage loans, the Group also extends first mortgage loans to the purchasers. As of 30 June 2019, the aggregate amount of mortgage loans receivable attributable to the Group was HK$6,962 million. Interest rates on the mortgage financing provided by the Group are generally quoted at an interest margin based on the Hong Kong Prime Lending Rate and are higher than those offered by commercial banks in Hong Kong.

PROPERTY BUSINESSES IN THE PRC

Property Development in the PRC

The Group was one of the earliest entrants to the real estate market in the PRC with its participation in the development of and investment in China Hotel in Guangzhou in the early 1980s, which was its first investment project in the PRC market.

During the late 1980s and early 1990s, the Group adopted a "Prime-City, Prime-Site" strategy under which it maintained a number of retail and office properties in key locations in Beijing, Shanghai and Guangzhou. This involved investing in quality developments in prime cities which have developed supplementary facilities, good infrastructure and have attracted foreign investment and foreign tenants.

Since 2006, the Group has adopted a two-pronged strategy in the PRC covering both "Prime Cities" and "Second-Tier Cities". Second-Tier Cities comprise mostly provincial capitals or municipalities and the Group has focused on developing large-scale residential developments with community facilities so as to achieve an efficient use of land as well as long-term appreciation in property value.

In 2018, the PRC Government reiterated that "housing should be for living in, not for speculation", and vigorously supervised the financial credits of the real estate sector. Meanwhile, the local governments continued to implement differentiated regulatory policies to curb the rise in property prices. As a result, an upsurge in housing prices was reined in and homebuyers became more cautious. Starting from the third quarter of 2018, price corrections appeared in certain cities. In the last quarter of 2018, some cities relaxed price restrictions and lowered mortgage interest rates.

The Group will keep monitoring investment opportunities in the Greater Bay Area, and continue to strengthen its co-operation with mainland property developers in the joint development of residential projects. The Group's reputation, management expertise and financial strength, coupled with local developers' market intelligence, construction efficiency and cost advantages, have enhanced the returns of its development projects. Additionally, during the six months ended 30 June 2019, the Group achieved contracted sales of development properties of approximately HK$4,338 million (as measured by contract value) in value and 2.7 million sq.ft. in attributable gross floor area. Main sales projects included "La Botanica" in Xian, "Grand Lakeview" in Yixing, "The Landscape" in Changsha, "Lakeside Mansion" in Beijing, as well as "Xuguan Project" and "Luzhi Project" in Suzhou.

The following table shows development projects in the PRC that were completed by the Group in the 18 months ended 30 June 2019:

Project name and location	Land-use purpose	Group's interest	Approximate attributable gross floor area
		(%)	(million sq.ft.)
1. Phases 2 and 3, Henderson • CIFI City, Suzhou	Residential	50	1.01
2. Towers 5 and 6, Site B, The Arch, Chengdu ICC, Chengdu	Residential and Commercial	30	0.28
3. Phase 2, Henderson • Country Garden Jin Shi Tan Project, Dalian	Residential and clubhouse	50	0.20
4. Phase 3B, The Arch of Triumph, Changsha	Residential	70	1.44
5. Phase 3, Palatial Crest, Xian	School	100	0.02
6. Phases 2R5-9A, 3R2, 2P1 and 4M1 La Botanica, Xian	Residential and Commercial	50	1.64
7. Phase 3, Emerald Valley, Nanjing	Community Facilities	100	0.05
8. Phase 3, F1 and F2, Riverside Park Suzhou	Residential and Commercial	70	0.76
9. Phases 3R2-C1, 3K1, 3R2-C2 and 3P1 La Botanica, Xian	Residential, commercial and school	50	0.47
10. Phase 3B, Palatial Crest, Xian	Residential and commercial	100	0.26
11. Phase 3, Henderson • Country Garden Jin Shi Tan Project, Dalian	Residential	50	0.06
Total:			6.57

Land Bank in the PRC

At 30 June 2019, the development land bank of the Group in the PRC amounted to approximately 32.58 million sq.ft. in total attributable developable gross floor area, of which 72% was to be developed for residential use, 15% for offices, 11% for commercial and 2% for other uses (including clubhouses, schools and community facilities).

During the year ended 31 December 2018 and the six months ended 30 June 2019, the Group's commercial developments in the prime locations of major cities, as well as residential development projects in certain major and leading second-tier cities, were expanded:

(1) The Group partnered with the subsidiaries of C&D International Investment Group Limited (a property developer listed in Hong Kong) and The Wharf (Holdings) Limited (a property developer listed in Hong Kong) to jointly develop a residential site in Baiyun District, Guangzhou. The Group has an 18% equity interest in this project. The land lot with a site area of approximately 390,000 sq.ft., which was purchased at a consideration of about RMB4,022 million, will provide a total gross floor area of over 1,440,000 sq.ft..

(2) The Group acquired a 50% stake in an urban redevelopment project in Nanshan District, Shenzhen, from Beijing Hongkun Group at a consideration of about RMB425 million. This project will provide a developable gross floor area of over 420,000 sq.ft. on a site of about 70,000 sq.ft..

(3) The Group co-operated with the subsidiaries of Jiangsu Zhongnan Construction Group Company Limited (a property developer listed in the mainland) and CIFI Holdings (Group) Co. Limited ("CIFI", a property developer listed in Hong Kong) to jointly develop a residential site in Gaoxin District, Suzhou. The Group has an approximately 35% equity interest in this project. The land lot with a site area of approximately 870,000 sq.ft., which was acquired at a consideration of about RMB2,311 million, will provide a total gross floor area of over 1,820,000 sq.ft..

(4) The Group joined forces with the subsidiaries of COFCO Property (Group) Co. Limited (a property developer listed in the mainland), Beijing Tian Heng Real Estate Group Company Limited and CIFI to jointly develop a commercial-cum-residential site in Shunyi District, Beijing. The Group has an approximately 24.5% equity interest in this project. The land lot with a site area of approximately 710,000 sq.ft., which was acquired at a consideration of about RMB4,950 million, will provide a total gross floor area of over 1,290,000 sq.ft..

(5) The Group teamed up with the subsidiaries of China Resources Land Limited (a property developer listed in Hong Kong), Beijing Capital Land Limited (a property developer listed in Hong Kong), China Overseas Land & Investment Limited (a property developer listed in Hong Kong), Poly Developments and Holdings Group Co., Ltd. (a property developer listed on the mainland) and CIFI to jointly develop a residential site in Zengcheng District, Guangzhou. The Group has a 10% equity interest in this project. The land lot with a site area of approximately 920,000 sq.ft., which was acquired at a consideration of about RMB3,218 million, will provide a total gross floor area of over 2,760,000 sq.ft..

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

(7) The Group co-operated with the subsidiaries of CIFI to jointly develop a residential site in Binhu District, Hefei. The Group has a 50% equity interest in this project. The land lot with a site area of approximately 540,000 sq.ft., and was acquired at a consideration of about RMB1,731 million, will provide a total gross floor area of over 1,280,000 sq.ft..

The following table shows the Group's attributable holdings of properties under development or held for future development in the PRC at 30 June 2019:

	Attributable developable gross floor area[(1)] (million sq.ft.)
Prime cities	
Beijing	0.79
Shanghai	3.57
Guangzhou	2.31
Shenzhen	0.21
Sub-total:	6.88
Second-tier cities	
Changsha	5.07
Chengdu	3.28
Hefei	0.64
Nanjing	0.19
Shenyang	4.45
Suzhou	2.30
Xian	6.91
Xuzhou	0.62
Yixing	2.24
Sub-total:	25.70
Total:	32.58

Note:

(1) Excluding basement areas and car parks.

The following table shows the Group's attributable holdings of development land bank in the PRC by use at 30 June 2019:

	Attributable developable gross floor area (million sq.ft.)	Percentage (%)
Residential	23.32	72
Office	5.05	15
Commercial	3.59	11
Others (including clubhouses, schools and community facilities)	0.62	2
Total:	32.58	100

The following are the major projects of the Group which were under development in the PRC at 31 December 2018:

Beijing

1. *Lakeside Mansion (24.5% owned by the Group)*

Located in the central villa area of Houshayu town, Shunyi district, "Lakeside Mansion" is adjacent to the Luoma Lake wetland park and various educational and medical institutions. The site of about 700,000 square feet will be developed into low-rise country-yard townhouses and high-rise apartments, complemented by commercial and community facilities. Construction works have commenced and it is scheduled for completion in the third quarter of 2020, providing a total gross floor area of about 1,290,000 square feet for 979 households. The first batch was launched for sale in the third quarter of 2018.

Changsha

2. *The Arch of Triumph (100% owned* by the Group)*

In Xingsha Town, Changsha, the Arch of Triumph is a community development with around 6,700,000 sq.ft. of premium residential units to be built in three phases. Its 33-storey Arc de Triomphe-style building is a landmark development in Xingsha. Phases 1, 2A, 2B, 3A and 3B were completed and delivered to buyers already. The remaining phases will provide approximately 380,000 sq.ft. of residential area, in addition to 40,000 sq.ft. of commercial facilities upon completion in 2019.

(*CIFI Holdings (Group) Co. Ltd. ("CIFI") will participate in the development of Phases 3B and 3C and will share 30% of the costs and economic interests.)

3. *The Landscape (50% owned by the Group)*

Located in Kaifu District with convenient access, the 5,490,000-square-foot land lot will be built in five phases, offering luxury villas, high-rise apartments and commercial facilities with a total gross floor area of around 9,500,000 sq.ft. for 6,280 households. Phase 1 with a total gross floor area of 1,080,000 sq.ft. is under construction. The first batch of Phase 2 is also under construction and it will provide a total gross floor area of 1,040,000 sq.ft. upon its scheduled completion in 2020. These two batches were launched for pre-sale at the end of 2018 with satisfactory market responses. A prestigious school, namely, Changsha Lushan Gaoling Experimental School, is also being built.

Chengdu

4. *Chengdu ICC (30% owned by the Group)*

The 14-million-square-foot Chengdu ICC in a future business hub of Chengdu is an extensive integrated development above an interchange station of two subway lines. The project also provides convenient inter-city transport with its close proximity to the Chengdu East Rail Station, while the nearby Tazishan Park and Shahe River bring a refreshing and verdant touch to the project. Consisting of seven million sq.ft. of premium residences, four million sq.ft. of prime office space, 1.8 million sq.ft. of quality retail space and a five-star hotel, the project is being developed into a complex equipped with resourceful education and entertainment facilities.

The 1,600,000-square-foot Phase 1, namely Sirius, was virtually sold out and handed over to buyers by 2016. The 700,000-squarefoot Phase 2A, namely The Arch • Chengdu, was also virtually sold out, with buyers starting to take possession of their units beginning in May 2018. The quality of the residential units has been well received.

The two approximately 150-metre-tall residential towers of Phase 2B, namely The Arch Suites, will provide over 1,100 quality units totalling about one million sq.ft. of gross floor area. Superstructure work for Phase 2B is progressing smoothly. Superstructure work for the 1.2-million-square-foot shopping mall in Phase 3 is progressing as planned. Scheduled to open by the end of 2020, the premium shopping mall will offer customers a unique and relaxing lifestyle experience.

Superstructure works for two high-rise office towers commenced at the end of 2018 and they will provide prime office space of approximately 2.3 million sq.ft. upon their scheduled completion in 2021.

Dalian

5. *Henderson • Country Garden Jin Shi Tan Project (50% owned by the Group)*

Located in the scenic area of Jin Shi Tan, in proximity to a light-rail station and Maple Leaf International School, a site of about 3,200,000 sq.ft. will be developed in phases into a low-density luxury residential project. Complemented by a resident clubhouse and commercial facilities, it will provide an aggregate gross floor area of about 1,400,000 sq.ft. for about 1,600 households. The final phase of the development comprises a total residential gross floor area of about 130,000 sq.ft..

Guangzhou

6. *Lumina Guangzhou (formerly known as "Haizhu Square Station Project") (100% owned by the Group)*

In the Yuexiu District, "Lumina Guangzhou" sits on the banks of Pearl River with direct connection to two subway lines and will include an experience-based shopping mall and two Grade-A office towers, providing a total gross floor area of about 1,800,000 sq.ft.. Besides, an additional underground space of about 400,000 sq.ft. will be available for commercial use. Commercial space will then extend from the shopping mall to the underground piazza, providing a multifarious experience of shopping, leisure and entertainment.

7. *Central Manor (18% owned by the Group)*

Located in Shijing Town, Baiyun District, with Shijing River and the impending Shitan subway station in its proximity, a residential land lot of about 390,000 sq.ft. will be developed in two phases into high-rise residences. Construction work for Phase 1 is in progress and it is scheduled for completion in mid-2020. Phase 2 is also under construction and is planned for completion at the end of 2020. They will provide an aggregate gross floor area of over 1,440,000 sq.ft..

8. *Zengcheng Project (10% owned by the Group)*

Located in Sanlian village, Zengcheng District, in the proximity of Guangshan highway and Zhonggang station of the planned subway line 21, a land lot of 920,000 sq.ft. will be developed into high-rise apartments, complemented by commercial and community facilities. It will provide a total gross floor area of around 2,750,000 sq.ft. upon its scheduled completion in 2021.

Nanjing

9. *Emerald Valley (100% owned by the Group)*

Located in Xianlin New District, this land lot of approximately 1,600,000 sq.ft. will be developed in three phases into a high-end residential project, complemented by a nursery, amenities and a community centre and other facilities, providing an aggregate gross floor area of about 1,100,000 sq.ft.. With the relocation of universities and colleges to this district and the opening of Xianlin Centre subway station, this university town's community facilities and transportation network are being further enhanced. Phases 1 and 2 were completed already. The first block of Phase 3 development, comprising mainly the commercial and community facilities with an aggregate gross floor area of about 50,000 sq.ft., was also completed at the end of 2018. The remaining residential portion of phase 3 is under development.

Shanghai

10. *Lumina Shanghai (formerly known as "Xu Hui Riverside Commercial Project") (100% owned by the Group)*

Located in the bustling Xuhui Riverside District, "Lumina Shanghai" commands breathtaking views of Huangpu River. The entire project will be completed in two phases. Phase 1, which consists of a 280-metre-tall Grade-A office tower and a commercial podium with seamless connection to Longyao Road station of subway line No. 11, will provide about 1,800,000 sq.ft. of office space and about 210,000 sq.ft. of retail space upon its scheduled completion in 2020. Phase 2, which consists of 4 office towers, 5 commercial towers and a multi-functional event venue, will provide about 870,000 sq.ft. of office space and about 100,000 sq.ft. of retail space upon its scheduled completion in 2021.

11. *Huaihai Middle Road Project (50% owned by the Group)*

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

12. *Lin Gang Nanhui New Town Project (Lot NNW-C4A-02) (32% owned by the Group)*

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

13. *Lin Gang Nanhui New Town Project (Lot NNW-C4D-08, NNW-C4D-09) (25% owned by the Group)*

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

Shenzhen

14. *Nanshan Project (50% owned by the Group)*

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

Suzhou

15. *Riverside Park (100% owned* by the Group)*

Riverside Park, a community development project in Xiangcheng District, is supported by increasingly improved facilities. Benefitting from Suzhou's picturesque beauty and reputation as the "Venice of the East", the development nestles among scenic water themed surroundings. The entire project will comprise over 6,360,000 sq.ft. of gross floor area to be completed in six phases. Phases 1 to 5, with a total gross floor area of about 5,150,000 sq.ft. for 4,191 residences, have been completed already, whilst the remaining 1,090,000 sq.ft. for 892 luxury residences under Phase 6 was also completed and delivered at the end of 2018. Adjacent to the residential community of Riverside Park, there is an integrated commercial project. Phase 1, which boasts a total gross floor area of about 990,000 sq.ft., was completed and delivered in 2017. Phase 2 with a total gross floor area of about 1,100,000 sq.ft. is under planning.

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

16. *Luzhi Project (50% owned by the Group)*

Located in Luzhi, Wuzhong District, this low-density residential development spans over a site area of about 310,000 sq.ft., offering 340 apartment units with a total gross floor area of about 460,000 sq.ft.. This project also boasts a sizeable central landscaped garden so as to offer a healthy and comfortable living environment.

17. *Xukou Project (50% owned by the Group)*

Located in Wuzhong District of Western Suzhou, the 520,000-square-foot land lot in Xukou is being developed into 1,149 residential units with a total gross floor area of over 1,300,000 sq.ft.. The transportation convenience will be further enhanced by its strategic location, which is right above a station linking the currently under-construction subway line No. 5. Superstructure work is underway.

18. *Xuguan Project (35.037% owned by the Group)*

Located in Xushuguan Development Zone of Gaoxin District, an 870,000-square-foot land lot will be built as a community development with a total gross floor area of over 1,820,000 sq.ft. for above 1,400 households, complemented by supporting facilities. The entire project will be completed in two phases. The construction works for Phase 1 with a total gross floor area of around 800,000 sq.ft. have commenced with scheduled completion in the first quarter of 2020. The first batch of residential units was launched for pre-sale in the fourth quarter of 2018.

Xian

19. *La Botanica, Chan River (50% owned by the Group)*

Jointly developed by the Group and CapitaLand Limited, La Botanica is located within the scenic Chan Ba Ecological District with a subway line connecting it to the city centre. This community development will have a total gross floor area of about 32,850,000 sq.ft., providing homes for over 28,000 households upon full completion. Phases 1A, 1B, 2A, 3A, 2R6, 4R1, 2R2, 2R4 and 2R5 (first section), with a total gross floor area of 15,950,000 sq.ft., were completed and delivered to buyers. Phases 3R2 and 2R5 (second/third sections) comprise about 2,160,000 and 1,900,000 sq.ft. of gross floor areas respectively. Phases 3R4 and 2R3, which were newly commenced in 2018, have total gross floor areas of 1,470,000 and 840,000 sq.ft. respectively. By the end of 2018, 18,083 residential flats had been sold for the whole project. At site 4M1, the first phase development of an integrated shopping mall was completed in the fourth quarter of 2018.

20. *Palatial Crest (100% owned by the Group)*

Adjacent to the Hujia Temple subway station, Palatial Crest is conveniently located at Jinhua North Road on the main artery of Second Ring Road East. The entire project has been completed in three phases, offering a total residential gross floor area of over 3,470,000 sq.ft. for 2,744 households. Phases 1-3A, comprising an aggregate residential area of about 3,250,000 sq.ft., were completed. Phase 3B, comprising approximately 220,000 sq.ft. of residential apartments, was also completed.

Xuzhou

21. *Grand Paradise (100% owned by the Group)*

Catering to mid to high-end home buyers, Grand Paradise benefits from the beautiful natural landscape of Dalong Lake, convenient transportation and a comprehensive range of facilities. Premium residences with a total gross floor area of about 4,500,000 sq.ft. were handed over to buyers. The project also boasts a commercial area of about 610,000 sq.ft..

Yixing

22. *Grand Lakeview (100% owned* by the Group)*

Set amongst lush, tranquil surroundings in Dongjiu District, Grand Lakeview is just a five-minute drive away from the city centre. To be completed in six phases, this lakefront development offers luxury living in a mix of semi-detached and duplex houses, multi-storey and low-rise apartments, providing an aggregate gross floor area of about 9,000,000 sq.ft. for over 6,800 households. Phases 1A/1B/1C/1D at Site F, as well as Phases 1A/1B/1C at Site B1, have both been completed providing a residential/commercial area of about 3,550,000 sq.ft. in aggregate. Phases 2 and 3 at Site F, as well as Phases 2 and 3 at Site B1, will in aggregate provide a residential/commercial area of about 5,200,000 sq.ft. for over 4,000 households. Construction has commenced on all of these phases except Phase 2B at Site F. Phase 3 at Site B1 is planned for completion in the fourth quarter of 2020. Phase 3 at Site F is scheduled for completion in the second quarter of 2021.

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

Property Investment in the PRC

The Group's investment property portfolio in the PRC consists mainly of projects in the "Prime City" locations of Beijing, Shanghai and Guangzhou. The Group's investment property portfolio in the PRC was approximately 6.4 million sq.ft. at 30 June 2019. For the year ended 31 December 2018, the Group's attributable gross rental income increased by 7.0% year-on-year to HK$1,833 million. For the same year, the Group's attributable pre-tax net rental income in the PRC increased by 7.0% year-on-year to HK$1,438 million. For the six months ended 30 June 2019, the Group's attributable gross rental income and attributable pre-tax net rental income in the PRC decreased by 2% period-on-period to HK$923 million and by 2% period-on-period to HK$732 million, respectively, mainly attributable to the 6% period-on-period depreciation of Renminbi against the Hong Kong Dollar during the six months ended 30 June 2019 compared with the previous period of six months ended 30 June 2018.

The following table shows the Group's attributable holdings of major completed investment properties in the PRC at 31 December 2018:

				Attributable gross floor area (sq.ft.)			
Name	**Location**	**Lease expiry**	**Group's interest**	**Commercial**	**Office**	**Total**	**Attributable no. of carpark**
			(%)				
Beijing							
World Financial Centre	No. 1 East Third Ring Middle Road, Chaoyang District	2044	100.00	212,644	1,999,947	2,212,591	1,163
Shanghai							
Henderson Metropolitan	No. 300 Nanjing Road East, Huangpu District	2053	100.00	406,618	427,980	834,598	272
Henderson 688	No. 688 Nanjing Road West, Jingan District	2044	100.00	49,807	660,829	710,636	404
2 Grand Gateway	No. 3 Hong Qiao Road, Xuhui District	2043	100.00	–	687,981	687,981	–
Centro	No. 568 Heng Feng Road, Jingan District	2042	100.00	65,467	368,658	434,125	186

Name	Location	Lease expiry	Group's interest	Attributable gross floor area (sq.ft.) Commercial	Office	Total	Attributable no. of carpark
			(%)				
Greentech Tower	No. 436 Heng Feng Road, Jingan District	2042	100.00	52,922	355,882	408,804	163
Skycity	No. 547 Tian Mu Road West, Jingan District	2042	100.00	293,448	142,353	435,801	272
Guangzhou							
Heng Bao Plaza	No. 133 Bao Hua Road, Liwan District	2040	100.00	653,557	–	653,557	326
Total				1,734,463	4,643,630	6,378,093	2,786

In addition, the Group has two sizeable wholly-owned developments, named Lumina, in the pipeline and pre-leasing is currently under way for their first phases.

"Lumina Shanghai" is located at Xu Hui Riverside Development, Shanghai. The 1,800,000-square-foot Grade A office premises at its Phase 1 Development drew keen leasing interest from many multinational corporations and leading domestic enterprises, which were mainly engaged in professional services, information technology and media industries. The leasing response for its 220,000-square-foot shopping mall was also encouraging, with many eateries and lifestyle brands enquiring. "Lumina Shanghai" Phase 1 is scheduled for completion and opening in mid-2020. Construction of the remaining phase 2 is progressing smoothly. Upon its scheduled completion in 2021, additional office and retail space with a total gross floor area of over 1,000,000 sq.ft. will be provided.

"Lumina Guangzhou" is located in the Yuexiu District of Guangzhou, sitting on the banks of Pearl River with direct connection to two subway lines. The twin Grade-A office towers at its Phase 1 development have been topped out, with internal mechanical and electrical systems being installed. They will provide a total gross floor area nearly 1,000,000 sq.ft.. Many multinational corporations and financial groups have already committed their tenancies, whilst numerous professional firms and renowned trading companies also expressed their interest to become tenants. Meanwhile, a cinema, many renowned eateries and retail brands have been secured as the tenants of its 800,000-squarefoot shopping and entertainment mall. More international retail brands, specialty restaurants and a children's amusement park will be introduced so as to provide customers a multifarious experience of shopping, leisure and entertainment.

LISTED SUBSIDIARY AND ASSOCIATES

Henderson Investment Limited

At 30 June 2018, the Company owned 69.27% of Henderson Investment. Henderson Investment is listed on the Hong Kong Stock Exchange (stock code: 97). Henderson Investment is solely engaged in department store operations in Hong Kong. For the year ended 31 December 2018, Henderson Investment recorded revenue of HK$1,496 million and profit attributable to shareholders of HK$97 million. For the six months ended 30 June 2019, Henderson Investment recorded revenue of HK$926 million and profit attributable to shareholders of HK$21 million. The profit attributable to shareholders for the six months ended 30 June 2019 represented a decrease of HK$27 million or 56.3% from HK$48 million for the corresponding period in 2018.

In order to strengthen Henderson Investment's position in the local retail industry and to expand its store coverage, Henderson Investment acquired UNY HK in May 2018 at the consideration of HK$300 million (subject to adjustment). UNY HK is recognised as a popular brand in Hong Kong, through its approximately 30 years of retail experience, particularly with regard to the sales of Japanese fresh produce and food products. Completion of the acquisition took place on 31 May 2018.

Citistore

There are six department stores under the name "Citistore" in Hong Kong, of which five are located in the New Territories (in Tsuen Wan, Yuen Long, Ma On Shan, Tuen Mun and Tseung Kwan O) and the remaining one is located in Tai Kok Tsui, Kowloon.

Sales during the high season before Chinese New Year were affected by the exceptionally warm weather in early 2019, whilst consumer sentiment was subsequently dampened by Sino-US trade disputes and social unrest in Hong Kong. As such, Citistore recorded a period-on-period decrease of 6% in total sales proceeds derived from the sales of own goods, as well as concessionaire and consignment goods, for the six months ended 30 June 2019.

During the six months ended 30 June 2019, Citistore's sales of own goods increased by 4% to HK$209 million with a lower gross margin of 33%. The Household & Toys category made up approximately 57% of the sales, the Apparels category contributed approximately 28% and the balance of approximately 15% came from the categories of Foods and Cosmetics.

Citistore's concessionaire sales are conducted by licensing portions of shop spaces to its concessionaires for setting up their own concession counters to sell their products, whilst consignment sales comprise the sales of consignors' own products on or in designated shelves, areas or spaces. Citistore charges these concessionaire and consignment counters on the basis of revenue sharing or basic commission (if any), whichever is higher, as its commission income. During the six months ended 30 June 2019, the total commission income derived from these concessionaire and consignment counters decreased by 6% period-on-period to HK$206 million, reflecting the decrease in the sales proceeds generated from both counters.

With the decrease in gross profit of HK$6 million from the sale of own goods, as well as the decrease in commission income from concessionaire and consignment counters in the aggregate amount of HK$13 million, Citistore's profit after taxation for the six months ended 30 June 2019 decreased by HK$14 million or 30% period-on-period to HK$33 million, despite its relentless efforts in controlling operating costs.

UNY HK

The acquisition of UNY HK was completed on 31 May 2018. PIAGO at Telford Plaza, a loss-making store included in the acquisition, was closed at the end of March 2019, as originally planned in the course of the acquisition and the post-acquisition integration assessment. Currently, UNY HK operates two department stores-cum supermarkets in the densely-populated residential districts.

During the six months ended 30 June 2019, UNY HK generated gross profit (after netting the cost of inventories sold) of HK$133 million against a total sales of own goods of HK$464 million, resulting in a gross margin of 29%. Meanwhile, UNY HK's sales proceeds from consignment counters, and the commission income arose, amounted to HK$181 million and HK$40 million respectively. After deducting the operating expenses, a loss after taxation of HK$17 million was recorded, mainly due to the rental expenditure in the aggregate amount of HK$22 million incurred on the PIAGO premises after its closure on 31 March 2019.

The Hong Kong and China Gas Company Limited

Hong Kong and China Gas is a leading clean energy supplier in Hong Kong and the PRC. Hong Kong and China Gas and its subsidiaries are engaged in diverse businesses whose principal activities include the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the PRC.

Hong Kong and China Gas's non-core business activities include property investment, water sales, alternative and environmentally friendly initiatives, jet fuel storage, telecommunications and engineering. Hong Kong and China Gas, founded in 1862 and listed in Hong Kong since 1960, had a market capitalisation of approximately HK$293 billion at 30 June 2019. Hong Kong and China Gas's city gas distribution business in Hong Kong served 1,920,595 customers at 30 June 2019. In addition, Hong Kong and China Gas has a penetration rate of approximately 73% to Hong Kong households (based on the ratio of the number of Hong Kong and China Gas's total residential customers to the number of domestic households). Hong Kong and China Gas's piped city-gas, referred to as "town gas", is distributed in Hong Kong through an underground pipeline network of over 3,600 km that is owned and operated by Hong Kong and China Gas and which Hong Kong and China Gas believes is within easy connection-reach of approximately 90% of all households in Hong Kong.

Gas business in Hong Kong

The gas industry can be broadly categorised into three segments: upstream production, midstream transportation and downstream piped city-gas distribution. Hong Kong and China Gas's core businesses in Hong Kong comprise gas production and distribution, the marketing and sale of gas appliances and the provision of after-sales services, with a growing downstream piped city-gas business in the PRC. The PRC also presents midstream and upstream growth opportunities.

Hong Kong and China Gas continues to expand its supply network with new pipeline projects throughout Hong Kong. The Eastern Transmission Pipeline Project, which consists of a high-pressure pipeline from Ma On Shan via Sai Kung to eastern Kowloon, was completed in 2008. This pipeline provides an additional supply point and brings better supply capacities and service reliability to the area. The pipeline to carry natural gas from Tai Po to the Ma Tau Kok gas processing plant was completed in 2014. The pipeline has aided to partially replace naphtha as feedstock for the production of town gas. Satisfactory progress was made in linking up the supply network between Tuen Mun and Tsuen Wan and reinforcing the supply to major commercial and industrial customers in Tai Po and Yuen Long Industrial Estates, as well as the two theme parks in Hong Kong.

Hong Kong and China Gas produces its town gas at two production plants located at Tai Po and Ma Tau Kok in Hong Kong. More than 97% of Hong Kong and China Gas's gas is currently processed at the Tai Po plant. The Tai Po plant has stringent requirements on quality, environmental protection and occupational safety and health management. The management systems in quality, environmental protection and occupational safety and health are accredited with the ISO 9001, ISO 14001 and OHSAS 18001 international standards, respectively. Hong Kong and China Gas also conducts annual internal and external audits on both of its plants.

Hong Kong and China Gas has provided downstream piped city-gas services to Hong Kong customers. Hong Kong and China Gas's services, which are provided in Hong Kong under the Towngas brand, include gas for cooking and water heating. For the six months ended 30 June 2019, the total volume of gas sales in Hong Kong decreased by 2.4% and appliance sales revenue increased by 7.1%, both as compared to the same period in 2018. At 30 June 2019, the number of customers was 1,920,595, an increase of 12,084 since the end of December 2018.

In the commercial and industrial sector, Hong Kong and China Gas continues to seek to improve its market position by developing the commercial and industrial use of gas and gas-related products in the competitive energy market.

Mainland utility business

Hong Kong and China Gas's PRC business began in 1994 and Hong Kong and China Gas's strategy is to expand in the PRC, which is an important aspect of its growth and diversification strategy.

As at the end of June 2019, Hong Kong and China Gas held approximately 67.45% of the total issued shares of Towngas China Company Limited ("Towngas China"; stock code: 1083). Towngas China recorded good business growth during the first half of 2019, with profit after taxation attributable to its shareholders amounting to HK$756 million, an increase of approximately 14% compared to the same period last year. Project development has progressed well so far this year with Towngas China adding five new projects to its portfolio, comprising U-Tech (Guang Dong) Engineering Construction Co., Ltd. and four distributed energy projects located in Maanshan Economic and Technological Development Zone South District, Anhui province; in the Chemical Industrial Park, Luanzhou Economic Development Zone, Tangshan city, Hebei province; in the Xinmi Yinji International Tourism Resort, Zhengzhou city, Henan province; and in Shenzhen city, Guangdong province.

Inclusive of Towngas China, Hong Kong and China Gas has a total of 131 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects for the first half of 2019 was approximately 12,940 million cubic metres, an increase of 13% over the same period last year. As at the end of June 2019, its mainland gas customers stood at approximately 28.52 million, an increase of 8% over the same period last year.

Construction of its natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province, is progressing in phases. This project is the first of its kind built by a city-gas enterprise on the mainland. Phase one involves the construction of 10 wells, with a storage capacity of approximately 460 million standard cubic metres; the first three wells were commissioned at the end of October 2018. During the second quarter of 2019, as initiated by Hong Kong and China Gas, Shanghai Gas (Group) Co., Ltd., a company possessing LNG receiving stations, joined phase one of the project to help facilitate the import of LNG resources from overseas. Phase two, wholly-owned by Hong Kong and China Gas, involves the construction of 12 wells with a storage capacity of 560 million standard cubic metres. Upon completion, total storage capacity of the whole facility will be over 1 billion standard cubic metres.

Hong Kong and China Gas has been in the mainland water market, under the brand name "Hua Yan Water", for over 13 years and currently invests in, and operates, seven water projects. These include water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province; and a new water services joint venture project in Foshan city, Guangdong province added in the fourth quarter of 2018 through investment in Foshan Water Environmental Protection Co., Ltd. The major businesses of this latter company encompass tap water supply, wastewater treatment and municipal environmental and sanitary engineering. This is Hong Kong and China Gas's first water services project located in the Guangdong-Hong Kong-Macao Greater Bay Area. In addition, Hong Kong and China Gas has constructed a plant in Suzhou Industrial Park to handle 500 tonnes daily of food waste, green waste and landfill leachate for conversion into natural gas, oil products, solid fuel and fertilisers under the "Hua Yan Water" brand; trial production formally commenced in mid-February 2019 and is Hong Kong and China Gas's first project converting municipal environmental and sanitary waste into value-added products.

Overall, inclusive of projects of Towngas China, Hong Kong and China Gas currently has 260 projects on the mainland, six more than at the end of 2018, spread across 26 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, efficient energy applications and exploration and utilisation of emerging environmentally-friendly energy, as well as telecommunications.

Environmentally-friendly energy businesses

Hong Kong and China Gas's development of emerging environmentally-friendly energy businesses in mainland China through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively known as "ECO"), is progressing steadily.

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating well. ECO's aviation fuel facility recorded a total turnover of approximately 3.3 million tonnes of aviation fuel during the first half of 2019, a similar level to the same period last year. ECO's landfill gas utilisation projects in the North East New Territories and the South East New Territories generate noticeable environmental benefits by avoiding in-situ burning and emission of landfill gas and enabling partial replacement of fossil fuels.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly, seeing an increase in the upstream supply of coalbed methane for this facility.

The overall operating environment of ECO's clean coal chemical project in Ordos city, Inner Mongolia Autonomous Region, worsened noticeably during the first half of 2019 compared to the same period last year due to a significant fall in the selling prices of methanol and ethylene glycol caused by a reversal of the external economic environment.

ECO's integrated processing project, located in Zhangjiagang city, Jiangsu province, using its self-developed technology to process inedible bio-grease feedstock into hydro-treated vegetable oil (HVO), has produced a total of nearly 20,000 tonnes of HVO, which has gained "International Sustainability and Carbon Certification" (ISCC). On this basis, ECO has commenced phase two of the project to enhance production capacity to 180,000 tonnes per annum.

ECO has commenced construction work relating to a pilot project in Tangshan city, Hebei province, to apply self-developed hydrolysis technology to break down agricultural straw into hemicellulose, cellulose and lignin and to yield furfural and paper pulp. This pilot project is expected to be commissioned by the end of 2019.

ECO's in-house scientific research, focusing on the extraction of high-quality carbon materials from the pitch portion of high-temperature coal tar oil, has achieved promising results, successfully producing high-quality activated carbon and mesophase pitch. High-quality activated carbon can be used for making super capacitors, whereas mesophase pitch can be used as a raw material for carbon fibre or as an anode material for batteries. ECO's first pilot project of this kind is now at the preparatory stage; construction work is expected to commence in the second half of 2019.

Hong Kong and China Gas has established research and development centres in Shanghai city and Suzhou city to develop new technologies for agricultural and industrial waste application, including utilisation of inedible grease, straw and coal tar oil. ECO is now establishing production bases in eastern and northern China; gradual commissioning of related projects is expected to start from the end of 2019.

ECO has commenced construction of a pilot project in Tangshan city, Hebei province, to apply self-developed hydrolysis technology to break down agricultural straw into hemicellulose, cellulose and lignin to yield furfural and paper pulp.

Telecommunications Businesses

The group's development of telecommunications businesses in Hong Kong and mainland China, including provision of connectivity, data centres and cloud computing services for international and local internet service providers, telecommunications operators as well as large corporations, through its wholly-owned subsidiary Towngas Telecommunications Company Limited and the latter's subsidiaries (collectively known as "TGT"), is progressing steadily. TGT is strengthening its foundations to cater for data transmission, processing and storage needs as well as swifter market development in the future.

In order to facilitate business development on the mainland, TGT and Beijing Ying Tong Technology Co., Ltd. have formed a joint venture, named Ying Tong TGT Network Services (Shenzhen) Co., Ltd., to develop connectivity, data centre and fog computing (small-scale data centre) businesses on the mainland. The synergy effect of this cooperation will help TGT to further expand its business scope on the mainland. In addition, Shenzhen Internet Exchange Co., Ltd., an associated company of TGT, having been granted several value-added telecommunications service licences, has built, and is now operating, a fibre cable network of more than 400 km to provide quality broadband and leased-line services in Shenzhen city. To open up even more new markets, TGT is also actively extending its business into Taiwan, and is planning to further expand into other Asian regions in the future.

Financing Programmes

Hong Kong and China Gas established a medium term note programme in 2009 and the nominal amount of medium term notes issued so far has reached HK$13,900 million with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 3.4% per annum and an average tenor of 15 years. Hong Kong and China Gas updated the programme during the year and increased the issue size by US$1,000 million to US$3,000 million. In January 2014, Hong Kong and China Gas issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Securities"), amounting to US$300 million. These Perpetual Securities were redeemed in January 2019. Hong Kong and China Gas issued new Perpetual Securities again in February 2019 and the proceeds are mainly used to refinance the redeemed US$300 million Perpetual Securities. The newly issued US$300 million Perpetual Securities keep the coupon interest rate at 4.75% per annum for the first five years. The Perpetual Securities are redeemable, at the option of Hong Kong and China Gas, in February 2024 or thereafter every six months on the coupon payment date. This issuance of the Perpetual Securities was rated A3 and BBB+ by international rating agencies Moody's Investors Service and Standard and Poor's Rating Services respectively.

HONG KONG FERRY (HOLDINGS) COMPANY LIMITED

After running a passenger ferry operation for 80 years, Hong Kong Ferry terminated its passenger ferry services as a result of the expiry of its ferry franchise on 31 March 1999 and changed its principal business emphasis to property development and investment. To date, Hong Kong Ferry still maintains vessels to provide harbour cruise services and dangerous goods carrier charter services.

Hong Kong Ferry's revenue from continuing operations for the year ended 31 December 2017 amounted to approximately HK$494 million, representing a decrease of 2% when compared to the previous year. This was mainly attributed to the decrease in the sale of residential units of Shining Heights. Its consolidated profit after taxation for the year ended 31 December 2017 amounted to approximately HK$346 million, an increase of 46% as compared with the profit after taxation of HK$237 million in 2016. For the year ended 31 December 2017, profit for Hong Kong Ferry was mainly derived from the sale of the residential units of Green Code and The Spectacle and the car parking spaces of Shining Heights. For the six months ended 30 June 2018, the profit of Hong Kong Ferry was mainly derived from the sale of the residential units of Harbour Park.

During the six months ended 30 June 2019, Hong Kong Ferry's revenue amounted to HK$170 million, representing a decrease of 82% as compared with the same period in 2018. Its unaudited consolidated net profit after taxation for the six months ended 30 June 2019 amounted to HK$86 million, representing an decrease of 68% as compared with a profit of HK$273 million for the same period in 2018. During the period, the profit of Hong Kong Ferry was mainly derived from the rental income of the commercial arcades and the profit from the sale of car parking spaces.

The gross rental income from the commercial arcades of Hong Kong Ferry amounted to approximately HK$99 million for the year ended 31 December 2018, and HK$52 million for the six months ended 30 June 2019. At 30 June 2019, the commercial arcades of Shining Heights, The Spectacle and Metro6 were fully let. The occupancy rate of commercial arcades of Green Code Plaza were 92%.

In June 2018, Hong Kong Ferry was awarded the contract of Tung Chau Street/Kweilin Street redevelopment project in Sham Shui Po by the Urban Renewal Authority for a consideration of HK$1,029.2 million. Hong Kong Ferry will be responsible for the construction of the project. The project has a gross floor area of about 144,345 sq.ft.. Upon redevelopment, Hong Kong Ferry will be entitled to the residential gross floor area of about 97,845 sq.ft.. The project is expected to be completed in late 2022.

The construction of Hong Kong Ferry's 50%/50% joint venture project with Empire Group Hong Kong (BVI) Limited located at Castle Peak Road, Castle Peak Bay, Area 48, Tuen Mun, New Territories (Tuen Mun Town Lot No. 547) has been in good progress. The project under construction consists of six residential towers providing about 1,636 units with sea view or landscape view. The gross floor area of the project is about 663,000 sq.ft. which is expected to be completed in early 2022. Merits of the project include sizeable outdoor gardens and integrated clubhouse facilities, proximity to the yacht club and the renowned international school, convenient transportation to Shenzhen via Western Corridor, between Kowloon via the highways, between Central of Hong Kong Island via Western Harbour Tunnel, and between Chek Lap Kok Airport via the future Tuen Mun Tunnel.

For the year ended 31 December 2018, the ferry, shipyard and related operations recorded a profit of HK$8.4 million, showing a 72% decrease as compared with 2017. For the six months ended 30 June 2019 the ferry, shipyard and related operations recorded a profit of HK$3.7 million, a decrease of 49% as compared with the same period in the previous year.

For the year ended 31 December 2018, a profit of HK$17 million in securities investment was recorded mainly due to the disposal of available-for-sale securities. For the six months ended 30 June 2019, a profit of HK$12 million was recorded in securities investment.

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

The main business activities of Miramar include hotel ownership and management, property investment, travel and food and beverage.

In 1986 Miramar embarked upon the first stage of its local property investment business by redeveloping a portion of the then 1,200-room Hotel Miramar located at the junction of Nathan Road and Kimberley Road in Tsim Sha Tsui into a commercial complex and down-sizing its hotel accommodation capacity to the current 482-room flagship hotel, The Mira Hong Kong ("The Mira"). The scale of the hotel business of Miramar has gradually reduced, with its core business shifted more to local property investment. Miramar currently owns and/or provides management services for hotels and serviced apartment complexes in Hong Kong and the PRC. Miramar is the sole owner of The Mira, and Miramar Apartments in Shanghai, a block of serviced apartments. In addition, it provides management services for a serviced apartment complex and a hotel in Hong Kong.

Miramar's revenue for the year ended 31 December 2018 amounted to HK$3,199 million, representing an increase of 0.4% compared to 2017 (HK$3,186 million). Miramar's revenue for the six months ended 30 June 2019 amounted to approximately HK$1,586 million, representing a decrease of 0.9% compared to the corresponding period in 2018.

Profit attributable to shareholders for the year ended 31 December 2018 increased by 6.9% to HK$1,624 million (as compared to HK$1,519 million in 2017). This growth is mainly attributable to the satisfactory performance of both the property rental segment and hotels and serviced apartments segment, with additional contribution from revaluation gain of investment properties. Excluding the net increase of HK$783 million in the fair value of its investment properties and net gain from the non-core businesses, the basic underlying profit increased by 8.4% to approximately HK$828 million (as compared to HK$764 million in 2017). Profit for the six months ended 30 June 2019 decreased by 10.1% to HK$770 million compared to the corresponding period in 2018 and the underlying profit attributable to shareholders for the six months ended 30 June 2019 amounted to HK$420 million, an increase of 3.4% as compared to the corresponding period in 2018.

For the year ended 31 December 2018, Miramar's hotels and serviced apartments benefited from visitor arrivals and overnight visitor arrivals to Hong Kong returning to growth. Revenue increased by 7.3% to HK$710 million compared to the prior year. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") amounted to HK$265 million, representing an increase of approximately 6.9%. Revenue from hotels and serviced apartments decreased by 3.5% to HK$330 million for the first six months of 2019 as compared to the first six months of 2018, while EBITDA also declined by approximately 8.6% to HK$119 million against the same period in 2018.

For the year ended 31 December 2018, the occupancy rate and average room rate of both The Mira Hong Kong and Mira Moon registered satisfactory growth. For the six months ended 30 June 2019, occupancy rates remained stable at over 90%, whilst the average room rate for available rooms maintained at similar levels as in the last corresponding period.

In 2018, Miramar's property rental business recorded revenue of HK$914 million and EBITDA of HK$807 million, rising by 6.5% and 7.1% respectively compared to 2017. For the six months ended 30 June 2019, revenue from property rental business was HK$462 million, with EBITDA amounting to HK$409 million, representing steady rises of 1.0% and 0.6%, respectively, comparing with the corresponding period in 2018.

In 2018, Miramar's food and beverage business recorded revenue of HK$319 million and EBITDA of HK$13 million, respectively, which represented a drop of 19.2% and 44.1% compared to 2017, respectively, due to the strategic revamp of certain brands (including its number and location of outlets). During the first six months of 2019, Miramar's food and beverage business recorded revenue of approximately HK$137 million and EBITDA of approximately HK$15 million. Cuisine Cuisine and Tsui Hang Village have achieved good performance. Average check per head and profitability both recorded steady growth. Besides maintaining good product quality and brand reputation, it also featured seasonal promotions, which were highly commended by diners. The business of the Western restaurants (The French Window, and Assaggio) was stable.

Revenue from Miramar's travel segment in 2018 decreased by 1.3% to HK$1,256 million compared to 2017. EBITDA improved substantially to HK$60 million in 2018. Revenue for the first six months of 2019 amounted to approximately HK$657 million, and EBITDA for the six months ended 30 June 2019 amounted to approximately HK$44 million which represented an increase of 3.2% and 48.1%, respectively, compared to same period in 2018.

COMPETITION

The Group competes with other property developers in Hong Kong and in the PRC for the acquisition of suitable development sites and available investment properties. The Company believes that the extensive cumulative experience of its senior management in property investment, development, leasing and management enable it to compete effectively. Furthermore, the Company believes that its strategy of site acquisition at reasonably low cost, its continuous focus on the development of quality properties and the provision of premium customer service will continue to enable it to maintain its reputation as a developer and landlord of quality properties.

INSURANCE

The Group is covered by insurance policies arranged with reputable insurance agents which cover loss of rental, fire, flood, riot, strike, malicious damage, other material damage to property and development sites, business interruption and public liability.

GOVERNMENT REGULATIONS IN HONG KONG AND THE PRC

The Company believes that the Group is in compliance in all material respects with Hong Kong and PRC safety regulations currently in effect. The Group has not experienced significant problems with Hong Kong and PRC regulations with regard to these issues and is not aware of any pending Hong Kong and PRC legislation that might have a material adverse effect on its properties.

ENVIRONMENTAL MATTERS

The Company believes that the Group is in compliance in all material respects with applicable environmental regulations in Hong Kong and the PRC. The Company is not aware of any environmental proceedings or investigations to which it is or might become a party.

LEGAL PROCEEDINGS

Neither the Group nor any of its subsidiaries are involved in any litigation which would have a material adverse effect on the business or financial position of the Group.

EMPLOYEES

At 31 December 2018, the Group had 8,954 full-time employees. At 30 June 2019, the Group had 8,614 full-time employees. The decrease in the Group's fulltime employees headcount of 340 during the six months ended 30 June 2019 is mainly due to (i) the transitional and seasonal factor in the human resources market relating to the property management sector in Hong Kong during the six months ended 30 June 2019; (ii) the change in client portfolio of the Group's security operation during the six months ended 30 June 2019; (iii) the expiry of cleaning services contracts for certain office and commercial properties in Hong Kong during the six months ended 30 June 2019; and (iv) the cessation of Henderson Investment's "PIAGO" department store operation at Kowloon Bay on 31 March 2019.

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

Total staff costs for the six months ended 30 June 2019 amounted to HK$1,173 million (2018: HK$1,055 million), representing a period-on-period increase of HK$118 million, or 11%, which is mainly attributable to (i) the increase in the staff costs of Henderson Investment due to its acquisition of UNY HK on 31 May 2018; (ii) the increase in the management staff costs of the Group's mainland China operation due to the increase in managerial headcounts during the six months ended 30 June 2019; and (iii) the increase in the Group's general staff costs due to general salary increment and certain bonus payments during the six months ended 30 June 2019.

FINANCIAL RESOURCES AND LIQUIDITY

Finance Costs

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the year ended 31 December 2018 amounted to HK$2,178 million (2017: HK$1,534 million). Finance costs after interest capitalisation for the year ended 31 December 2018 amounted to HK$810 million (2017: HK$837 million), and after set-off against the Group's bank interest income of HK$660 million for the year ended 31 December 2018 (2017: HK$633 million), net finance costs recognised as expenses in the Group's consolidated statement of profit or loss for the year ended 31 December 2018 amounted to HK$150 million (2017: HK$204 million).

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the six months ended 30 June 2019 amounted to HK$1,275 million (HK$944 million for the same period in 2018). Finance costs after interest capitalisation for the six months ended 30 June 2019 amounted to HK$262 million (HK$479 million for the same period in 2018), and after set-off against the Group's bank interest income of HK$378 million for the six months ended 30 June 2019 (HK$252 million for the same period in 2018), the Group recognised net interest income of HK$116 million in the Group's consolidated statement of profit or loss for the six months ended 30 June 2019 (the Group recognised net finance costs of HK$227 million in the Group's consolidated statement of profit or loss for the same period in 2018).

Overall, based on the Group's total debt of HK$86,630 million at 31 December 2018 (2017: HK$80,304 million) as referred to in the paragraph headed "Maturity profile and interest cover" below and the entire amount of which was represented by the Group's bank and other borrowings in Hong Kong, the Group's effective borrowing rate for the year ended 31 December 2018 was approximately 2.33% per annum (2017: approximately 2.19% per annum).

Overall, based on the Group's total debt of HK$90,664 million as at 30 June 2019 (HK$87,837 million as at 30 June 2018) as referred to in the paragraph headed "Maturity profile and interest cover" below and the entire amount of which was represented by the Group's bank and other borrowings in Hong Kong, the Group's effective borrowing rate for the period of six months ended 30 June 2019 was approximately 2.62% per annum (2018: approximately 2.12% per annum).

Revaluation of Investment Properties and Investment Properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$10,465 million in the consolidated statement of profit or loss for the year ended 31 December 2018 (2017: HK$9,911 million). For the six months ended 30 June 2019, the Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$1,097 million, as compared to HK$3,937 million for the same period in 2018.

Medium Term Note Programme

At 30 June 2019, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 ("MTN Programme") and under which the Company had on 15 October 2018 increased the maximum aggregate principal amount of notes outstanding at any one time from US$3,000 million to US$5,000 million, was HK$11,080 million (31 December 2018: HK$7,732 million) with tenures of between two years and twenty years (31 December 2018: between two years and twenty years). During the six months ended 30 June 2019, the Group issued guaranteed notes under the MTN Programme denominated in United States dollars, RMB and Hong Kong dollars in the aggregate equivalent amount of HK$3,386 million with tenures of between two years and ten years. Such increase in the amount of guaranteed notes issued by the Group serves to finance the Group's capital expenditure requirements. These notes are included in the Group's bank and other borrowings at 30 June 2019 and 31 December 2018 as referred to in the paragraph headed "Maturity profile and interest cover" below.

Maturity Profile and Interest Cover

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

	At 30 June 2019	At 31 December 2018	At 31 December 2017
		(HK$ million)	
Bank and other borrowings repayable:			
Within one year	32,894	33,021	24,675
After one year but within two years	10,913	15,924	20,841
After two years but within five years	22,793	20,064	27,150
After five years	22,859	16,521	5,884
Amount due to a fellow subsidiary	1,205	1,100	1,754
Total debt	90,664	86,630	80,304
Less: Cash and bank balances	(14,428)	(16,507)	(24,673)
Net debt	76,236	70,123	55,631
Shareholders' funds (2017 – restated)	314,686	313,153	292,574
Gearing ratio (%)	24.2	22.4	19.0

The total debt of HK$90,664 million at 30 June 2019 (31 December 2018: HK$86,630 million) was unsecured and comprised the Group's bank and other borrowings in Hong Kong. At 30 June 2019, after taking into account the effect of swap contracts, 25% (31 December 2018: 22%) of the Group's total debt carried fixed interest rates.

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

DIRECTORS AND MANAGEMENT

The officers and members of the board of directors of the Company at the date of this Offering Circular are as follows:

Executive Directors
Dr Lee Ka Kit *(Chairman and Managing Director)*
Lee Ka Shing *(Chairman and Managing Director)*
Dr Lam Ko Yin, Colin *(Vice Chairman)*
Dr the Hon. Lee Shau Kee
Yip Ying Chee, John
Suen Kwok Lam
Fung Lee Woon King
Lau Yum Chuen, Eddie
Kwok Ping Ho
Wong Ho Ming, Augustine

Non-executive Directors
Lee Pui Ling, Angelina
Lee Tat Man

Independent Non-executive Directors
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Woo Ka Biu, Jackson
Professor Poon Chung Kwong
Au Siu Kee, Alexander

The biographies of the Executive Directors, Non-executive Directors, Independent Non-executive Directors and senior management as at 30 June 2019 were as follows:

EXECUTIVE DIRECTORS

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

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

Dr LAM Ko Yin, Colin, SBS, FCILT, FHKIoD, DB (Hon), aged 68, joined the Company in 1982 and has been an Executive Director since 1985 and the Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. Dr Lam holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 45 years' experience in banking and property development. He is the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. Dr Lam was awarded the Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region in 2017. He is the deputy chairman of The University of Hong Kong Foundation for Educational Development and Research and a director of Fudan University Education Development Foundation. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

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

YIP Ying Chee, John, LLB, FCIS, aged 70, has been an Executive Director of the Company since 1997. He graduated from The University of Hong Kong and the London School of Economics and is a solicitor, a certified public accountant and a chartered surveyor. He has over 40 years' experience in corporate finance, and corporate and investment management.

SUEN Kwok Lam, BBS, JP, MH, FHIREA, aged 72, joined the Company in 1997 and has been an Executive Director of the Company since 2002. Mr Suen is an individual Member of The Real Estate Developers Association of Hong Kong. He was the president of Hong Kong Association of Property Management Companies from 2003 to 2007 and the vice president of Hong Kong Institute of Real Estate Administrators from 2006 to 2018. He has over 45 years' experience in property management. He was awarded the Medal of Honour in 2005 and the Bronze Bauhinia Star (BBS) in 2015 and appointed as a Justice of the Peace in 2011 by the Government of the Hong Kong Special Administrative Region respectively. Mr Suen previously served as an independent non-executive director of China Overseas Property Holdings Limited until 9 October 2018.

FUNG LEE Woon King, aged 80, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited, the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development Limited since 1979. She is also the Chief Treasurer of Henderson Development Group, the Group and Henderson Investment Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc., South Base Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr Lee Shau Kee and Mr Lee Tat Man and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing, Ms Lee Pui Man, Margaret and Mr Li Ning.

LAU Yum Chuen, Eddie, aged 72, has been an Executive Director of the Company since 1987. He has over 45 years' experience in banking, finance and investment. Mr Lau is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, both of which are listed companies.

KWOK Ping Ho, BSc, MSc, Post-Graduate Diploma in Surveying, FRICS, *ACIB*, aged 66, joined the Company in 1987 and has been an Executive Director since 1993. Mr Kwok holds a Bachelor of Science (Engineering) (Civil Engineering Group) Honours degree from the University of London and a Master of Science degree in Administrative Sciences from Cass Business School, City, University of London. He is also the holder of a Post-Graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong. Mr Kwok is a Fellow of the Royal Institution of Chartered Surveyors and he is also an Associate member of The Chartered Institute of Bankers (A.C.I.B.) of the United Kingdom. Mr Kwok had previously been a Part-time Lecturer for the MBA programme of The University of Hong Kong and he is also currently an Honorary Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong. He had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company and has over 35 years of experience in the finance and business management areas which include responsibilities in the corporate investment, finance and treasury and project management activities of Henderson Land Group since 1987, including group re-organisation, privatisation proposals and corporate acquisitions. He is also a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. Mr Kwok is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

WONG Ho Ming, Augustine, JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP), aged 58, joined the Company in 1996 and has been an Executive Director of the Company since 2010. He is presently the General Manager of Property Development Department as well. He is a registered professional surveyor and has over 34 years' experience in property appraisal, dealing and development. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2008.

NON-EXECUTIVE DIRECTORS

LEE Pui Ling, Angelina, SBS, JP, LLB, FCA, aged 70, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs Lee is a Partner of the firm of solicitors, Woo Kwan Lee & Lo, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs Lee was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, a non-executive director of the Securities and Futures Commission and a non-executive director of the Mandatory Provident Fund Schemes Authority. Mrs Lee is also a non-executive director of CK Infrastructure Holdings Limited and TOM Group Limited as well as an independent non-executive director of Great Eagle Holdings Limited, all of which are listed companies.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWONG Che Keung, Gordon, FCA, aged 69, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and the Corporate Governance Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Investment Limited, Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, FSE Services Group Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited, OP Financial Limited and Piraeus Port Authority S.A. (listed in Greece), all of which are listed companies. Mr Kwong previously served as an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. until 25 May 2017 and CITIC Telecom International Holdings Limited until 1 June 2017.

Professor KO Ping Keung, PhD, FIEEE, JP, aged 68, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the vice chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 – 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 – 1984. Professor Ko is an independent non-executive director of Henderson Investment Limited, Q Technology (Group) Company Limited and VTech Holdings Limited, all of which are listed companies.

WU King Cheong, BBS, JP, aged 67, has been an Independent Non-executive Director of the Company since 2005. He is also the chairman of the Remuneration Committee and the Nomination Committee of the Company, and a member of the Audit Committee of the Company. Mr Wu is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an independent non-executive director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited, Miramar Hotel and Investment Company, Limited and Yau Lee Holdings Limited, all of which are listed companies.

WOO Ka Biu, Jackson, MA (Oxon), aged 56, has been an Independent Non-executive Director of the Company since 2012. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. He is an honorary director of Tsinghua University, a China-Appointed Attesting Officer appointed by the Ministry of Justice, People's Republic of China and a Practising Solicitor Member on the panel of the Solicitors' Disciplinary

Tribunal in The Hong Kong Special Administrative Region. He is a member of the Public Shareholders Group, the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission, and is also a member of the Listing Review Committee of The Stock Exchange of Hong Kong Limited. Mr Woo was a partner of Ashurst Hong Kong and a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). Prior to joining Rothschild, Mr Woo was a partner in the corporate finance department of Woo Kwan Lee & Lo. Mr Woo was an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of the Company. He is a director of Kailey Group of Companies, the Chief Executive Officer of Challenge Capital Management Limited and a consultant of Guantao & Chow Solicitors and Notaries. He is also an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of Sun Hung Kai Properties Limited, a listed company. He previously served as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. until during the month of August 2017. He is the son of Sir Po-shing Woo.

Professor POON Chung Kwong, GBS, JP, PhD, DSc, aged 79, has been an Independent Non-executive Director and a member of the Corporate Governance Committee of the Company since 2012. Professor Poon obtained a Bachelor of Science (honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Higher Doctor of Science degree from the University of London. He was a postdoctoral fellow at the California Institute of Technology, University of Southern California and University of Toronto. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009. Professor Poon is currently the chairman of Virya Foundation Limited (a registered non-profit charitable organisation) and he is the President Emeritus and Emeritus Professor of The Hong Kong Polytechnic University and had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon was appointed a non-official Justice of the Peace (JP) in 1989 and received the OBE award in 1991, the Gold Bauhinia Star (GBS) award in 2002 by the Government of the Hong Kong Special Administrative Region, and the "Leader of the Year Awards 2008 (Education)". In addition, Professor Poon was appointed a member of the Legislative Council (1985 – 1991) and a member of the National Committee of the Chinese People's Political Consultative Conference (1998 – 2013). Professor Poon is the Honorary Professor of a number of top-rated universities in mainland China. Professor Poon is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of The Hong Kong and China Gas Company Limited and Chevalier International Holdings Limited, all of which are listed companies. He previously served as an independent non-executive director of Hopewell Highway Infrastructure Limited (now known as Shenzhen Investment Holdings Bay Area Development Company Limited) until 2 May 2018.

AU Siu Kee, Alexander, OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB, aged 72, rejoined the Company as an Independent Non-executive Director in December 2018. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company. Mr Au was an Executive Director and the Chief Financial Officer of the Company from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a Non-executive Director of the Company on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an Independent Non-executive Director of the Company until his retirement on 2 June 2015. A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Mr Au previously served as an independent non-executive director of The Wharf (Holdings) Limited until 23 November 2017. Currently, Mr Au is an independent non-executive director of Henderson Investment Limited and Wharf Real Estate Investment Company Limited, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is also the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, a wholly-owned subsidiary of the Company, which is the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

YU Wai Wai, JP, BA (AS), B Arch, FHKIA, HonFHKIPM, Registered Architect (HK), Authorized Person (Architect), aged 59, joined the Company in 2013 and is presently the General Manager of Project Management (1) Department. He is a Fellow member of the Hong Kong Institute of Architects, an Honorary Fellow of the Hong Kong Institute of Project Management and an Authorized Person (Architect). He has over 33 years of experience in property planning and design, project management, quality management, cost management, land acquisition and customer services. He also has experience in art and cultures, green building innovations, heritage and conservation developments. Mr Yu was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

KWOK Man Cheung, Victor, BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorized Person (Architect), Registered Architect (HK), PRC Class 1 Registered Architect Qualification, aged 65, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from The University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 40 years of professional experience in the property and construction industry of Hong Kong and mainland China.

LEUNG Kam Leung, MSc, PGDMS, FHKIS, RPS (GP), aged 66, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He has over 42 years' experience in land and property development. He joined the former Public Works Department in 1976 and qualified as a Chartered Surveyor in 1980. He was assigned to an international property consultancy firm in London in 1982 receiving professional training in valuation, town planning and property development. He was promoted to Senior Estate Surveyor and Chief Estate Surveyor of the Lands Department in 1986 and 1994 respectively. He holds an Associateship in General Practice Surveying, a Postgraduate Diploma in Management Studies and a Master of Science degree in International Real Estate. He was sponsored by the Hong Kong Government in 1992 to complete a one-year programme of studies at the Graduate School of Public Policy of the University of California, Berkeley. Mr Leung is a Fellow Member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor. He was a non-official member of the Business Facilitation Advisory Committee, the convenor of the Former Pre-construction Task Force, a member of the Review Panel under the Land (Miscellaneous Provisions) Ordinance, a member of the Real Estate Services Training Board of Vocational Training Council and an external examiner of Master of Science in Real Estate Programme of the Faculty of Architecture of The University of Hong Kong. He is now a member of the Land Sub-committee of the Land and Development Advisory Committee and the convenor of the Planning, Environment and Lands Sub-committee of The Real Estate Developers Association of Hong Kong.

WONG Wing Hoo, Billy, BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE, aged 61, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. Mr Wong was appointed as a Justice of the Peace in 2005 and was awarded Bronze Bauhinia Star (BBS) in 2014 by the Government of the Hong Kong Special Administrative Region respectively. He previously served as president of Hong Kong Construction Association, chairman of Construction Industry Training Authority, chairman of Construction Industry Training Board and director of Hong Kong Science and Technology Parks Corporation. Mr Wong is currently director of Hong Kong-Shenzhen Innovation and Technology Park Ltd., board member of the Airport Authority Hong Kong and permanent supervisor of Hong Kong Construction Association.

CHENG Yuk Lun, Stephen, BSc (Eng), C Eng, MICE, MIStructE, MHKIE, RPE, Registered Structural Engineer, Registered Geotechnical Engineer, Authorized Person (List II), PRC Class 1 Registered Structural Engineer Qualification, aged 70, joined the Company in 1994 and is presently the Senior General Manager of the Engineering Department. He is a member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, and the Institution of Structural Engineers. He has over 40 years of professional experience in structural, civil, and geotechnical engineering.

WONG Man Wa, Raymond, LLB, PCLL, Solicitor, aged 53, joined the Company in 2012 and is presently the Senior General Manager of Sales Department. He possesses professional qualification as a solicitor in Hong Kong and is presently sitting on a number of professional, government consultative and advisory committees. He is also an individual member of The Real Estate Developers Association of Hong Kong. He holds a Bachelor of Laws (LL.B) degree and a Postgraduate Certificate in Laws (PCLL) from The University of Hong Kong. Prior to joining the Company, he had over 22 years' practical experience as a lawyer specializing in land and property development related works and was a partner of one of the largest international law firms in Hong Kong.

LAM Tat Man, Thomas, MEM (UTS), DMS, EHKIM, MHIREA, China GBL Manager, aged 59, joined the Company in 1983 and is presently the General Manager of Sales (1) Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney, Australia and a Diploma in Management Studies from The Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administrators and an Executive Member of Hong Kong Institute of Marketing and a China Green Building Label Manager. He has over 35 years' experience in property sales and marketing.

HAHN Ka Fai, Mark, BSc, MRICS, MHKIS, RPS (GP), aged 55, joined the company in 2013 and is presently the General Manager of Sales (2) Department. He is a member of both the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He has over 32 years' experience in property acquisitions, developments, sales and marketing as well as fund raising involving projects in Hong Kong, mainland China, Taiwan and Japan. Prior to joining the Company, he held various senior posts with several leading international property consultancies, associate director at Sino Land and executive director, Asia/managing director, development at Grosvenor.

CHOI Ngai Min, Michael, BBS, JP, MBA, aged 61, joined the Company in 2013 and is presently the in charge of China sales and land acquisition. He graduated from the Business Management Department of the Hong Kong Baptist College and holds a Master Degree in Business Administration from the University of East Asia, Macau. He has been in the real estate industry for 38 years and has extensive knowledge and experience in the real estate markets in Hong Kong and mainland China. Mr Choi was appointed as a Justice of the Peace in 2005 and was awarded Bronze Bauhinia Star (BBS) in 2015 by the Government of the Hong Kong Special Administrative Region respectively. Currently, he is the vice president of The Hong Kong Real Property Federation Limited.

LEE Pui Man, Margaret, BHum (Hons), aged 58, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B Hum (Honours) degree from the University of London and has over 34 years' experience in marketing development. She is the eldest daughter of Dr Lee Shau Kee, the spouse of Mr Li Ning, the sister of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

SIT Pak Wing, ACIS, FHIREA, FRICS, aged 71, joined the Company in 1991 and is presently the General Manager of Portfolio Leasing Department. He is a Member of The Institute of Chartered Secretaries and Administrators, a Fellow Member of the Hong Kong Institute of Real Estate Administrators, an individual Member of The Real Estate Developers Association of Hong Kong and a Fellow of the Royal Institution of Chartered Surveyors. He has over 40 years' experience in marketing development, leasing and property management.

LI Ning, BSc, MBA, aged 62, Mr Li, has been appointed an executive director of Henderson Investment Limited since 2014 and is also an executive director of Hong Kong Ferry (Holdings) Company Limited. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li set up the business of Citistore Stores in 1989 and has been managing the business since then in the capacity as a director, being a veteran with 25 years' experience in the department store business. Mr Li is the son-in-law of Dr Lee Shau Kee, the spouse of Ms Lee Pui Man, Margaret, the brother-in-law of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

Dr WONG Kim Wing, Ball, BA (AS), B. Arch, PhD (Finance), FHKIA, Registered Architect (HK), Authorized Person (List 1, HK), aged 57, joined the Company in 2011 as the group consultant and serves to advise Henderson Land Group in his expert areas of sales and marketing, leasing, and project management. He is also presently acting as the General Manager of Asset Development Department and Comm. & Ind. Properties Department and advises Henderson Land Group on its asset development and asset branding of investment portfolio. Dr Wong is a Registered Architect and Authorized Person in Hong Kong and holds a PhD Degree in Finance from the Shanghai University of Finance and Economics. Prior to joining Henderson Land Group, he was an executive director of CC Land Holdings Ltd., and was the director (Project and Planning) of The Link Management Limited (as Manager of The Link Real Estate Investment Trust). He had also served Sun Hung Kai Properties Group for over 10 years.

FUNG Hau Chung, Andrew, BBS, JP, BA, aged 61, was appointed as the Chief Financial Officer of the Company on 1 August 2017. He holds the Bachelor of Arts Degree from The University of Hong Kong and the Honorary Fellowship awarded by Lingnan University. Mr Fung served as an executive director and the Head of Global Banking and Markets of Hang Seng Bank Limited before he stepped down such positions in July 2017. He is the Professor of Practice (Finance) in the School of Accounting and Finance of The Hong Kong Polytechnic University and the Adjunct Professor of The Hang Seng University of Hong Kong. He has about 37 years of experience in banking, capital markets and asset management. Mr Fung is currently a board member of the Hospital Authority, the chairman of the Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital, a member of the Court of The University of Hong Kong and a client representative director of OTC Clearing Hong Kong Limited.

LEE King Yue, aged 92, joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged in property development for over 60 years. Mr Lee was an Executive Director of the Company for about 40 years until his stepping down from the board on 2 June 2016. He is an executive director of Henderson Real Estate Agency Limited and also a director of various members of the Group. He performs a senior executive role in the Finance Department of the Group and is responsible for the Group's property mortgage loans business.

LIU Cheung Yuen, Timon, BEc, FCPA, CA (Aust), FCS, FCIS, aged 61, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, BSc (Econ), FCA, aged 56, joined the Company in 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of The Institute of Chartered Accountants in England & Wales. He has over 30 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr Wong was the chief financial officer of Kerry Properties Limited between December 2004 and May 2007.

NGAN Suet Fong, Bonnie, BBA, aged 61, joined the Company in 2005 and is presently the General Manager of Corporate Communications Department. Ms Ngan graduated from the University of Wisconsin, USA. She has over 35 years of experience in both banking and real estate industries, and has held senior positions in corporate communications, marketing, retail banking and e-business. Prior to joining the Company, Ms Ngan was the general manager, corporate communications and public relations of Hong Kong Tourism Board.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS

As at 30 June 2019, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance ("SFO") were as follows:

Long Positions

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

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2019, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	15,548,667	–	3,509,782,778	–	3,525,331,445	72.82
	Lee Ka Kit	1	–	–	–	3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	1	–	–	–	3,509,782,778	3,509,782,778	72.50
	Lee Tat Man	2	200,299	–	–	–	200,299	0.00
	Lee Pui Ling, Angelina	3	64,554	–	–	–	64,554	0.00
	Fung Lee Woon King	4	2,493,138	–	–	–	2,493,138	0.05
	Woo Ka Biu, Jackson	5	–	3,896	–	–	3,896	0.00
Henderson Investment Limited	Lee Shau Kee	6	–	–	2,110,868,943	–	2,110,868,943	69.27
	Lee Ka Kit	6	–	–	–	2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	6	–	–	–	2,110,868,943	2,110,868,943	69.27
	Lee Tat Man	7	6,666	–	–	–	6,666	0.00

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
The Hong Kong and China Gas Company Limited	Lee Shau Kee	8	–	–	7,028,292,718	–	7,028,292,718	41.53
	Lee Ka Kit	8	–	–	–	7,028,292,718	7,028,292,718	41.53
	Lee Ka Shing	8	–	–	–	7,028,292,718	7,028,292,718	41.53
	Poon Chung Kwong	9	–	–	–	220,486	220,486	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	10	799,220	–	119,017,090	–	119,816,310	33.63
	Lee Ka Kit	10	–	–	–	119,017,090	119,017,090	33.41
	Lee Ka Shing	10	–	–	–	119,017,090	119,017,090	33.41
	Lam Ko Yin, Colin	11	150,000	–	–	–	150,000	0.04
	Fung Lee Woon King	12	465,100	–	–	–	465,100	0.13
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	13	–	–	337,296,980	–	337,296,980	48.82
	Lee Ka Kit	13	–	–	–	337,296,980	337,296,980	48.82
	Lee Ka Shing	13	–	–	–	337,296,980	337,296,980	48.82
Towngas China Company Limited	Lee Shau Kee	14	–	–	1,945,034,864	–	1,945,034,864	69.22
	Lee Ka Kit	14	–	–	–	1,945,034,864	1,945,034,864	69.22
	Lee Ka Shing	14	–	–	–	1,945,034,864	1,945,034,864	69.22
Henderson Development Limited	Lee Shau Kee	15	–	–	8,190 (Ordinary A Shares)	–	8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	16	–	–	3,510 (Non-voting B Shares)	–	3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	17	35,000,000 (Non-voting Deferred Shares)	–	15,000,000 (Non-voting Deferred Shares)	–	50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	15	–	–	–	8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	16	–	–	–	3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	17	–	–	–	15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	15	–	–	–	8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	16	–	–	–	3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	17	–	–	–	15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Best Homes Limited	Lee Shau Kee	18	–	–	26,000	–	26,000	100.00
	Lee Ka Kit	18	–	–	–	26,000	26,000	100.00
	Lee Ka Shing	18	–	–	–	26,000	26,000	100.00
Feswin Investment Limited	Lee Ka Kit	19	–	–	5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	20	2,000	–	–	–	2,000	20.00
Furnline Limited	Lee Shau Kee	21	–	–	100 (A Shares)	–	100 (A Shares)	100.00
	Lee Shau Kee	22	–	–	1 (B Share)	–	1 (B Share)	100.00
	Lee Ka Kit	21	–	–	–	100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	22	–	–	–	1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	21	–	–	–	100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	22	–	–	–	1 (B Share)	1 (B Share)	100.00
Gain Base Development Limited	Fung Lee Woon King	23	50	–	–	–	50	5.00
Perfect Bright Properties Inc	Lee Shau Kee	24	–	–	100 (A Shares)	–	100 (A Shares)	100.00
	Lee Shau Kee	25	–	–	1 (B Share)	–	1 (B Share)	100.00
	Lee Ka Kit	24	–	–	–	100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	25	–	–	–	1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	24	–	–	–	100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	25	–	–	–	1 (B Share)	1 (B Share)	100.00

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Notes:

(1) Of these shares, Dr Lee Shau Kee was the beneficial owner of 15,548,667 shares, and for the remaining 3,509,782,778 shares, (i) 1,450,788,868 shares were owned by Henderson Development Limited (“HD”); (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and

World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; and (iv) 2,922,045 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

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

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

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

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

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

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

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

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

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

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

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

(13) Of these shares, 120,735,300 shares, 119,955,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

(14) These 1,945,034,864 shares representing 69.22% of the total issued shares in Towngas China Company Limited ("Towngas China") were taken to be interested by Hong Kong & China Gas (China) Limited ("HK&CG (China)") (as to 1,777,488,912 shares), Planwise Properties Limited ("Planwise") (as to 164,742,704 shares) and Superfun Enterprises Limited ("Superfun") (as to 2,803,248 shares), all being wholly-owned subsidiaries of China Gas, among which included the entitlement to new shares upon their submission of election forms with Towngas China electing to receive new shares in Towngas China in lieu of cash dividend pursuant to Towngas China's scrip dividend scheme on 21 June 2019. Subsequent to the allotment of a total of 49,770,594 new shares to HK&CG (China), Planwise and Superfun by Towngas China on 4 July 2019, the said percentage figure of interest in Towngas China's shares was adjusted to 67.76% as at 4 July 2019.

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

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

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

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

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

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

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

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

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

(24) These shares were owned by Jetwin International Limited.

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

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretation thereof in effect at the date of this Offering Circular all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer, the Guarantor nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

BRITISH VIRGIN ISLANDS

Payment of principal and interest in respect of the Notes will not be subject to income tax in the British Virgin Islands ("BVI") and the Notes will not be liable to stamp duty in the British Virgin Islands. Gains derived from the sale or exchange of Notes issued by the Issuer by persons who are not otherwise liable to BVI income tax will not be subject to BVI income tax. The BVI currently has no capital gains tax, estate duty, inheritance tax or gift tax.

However, the BVI has implemented the EC Council Directive 2003/48/EC on the taxation of saving income. For a transitional period, paying agents established in the BVI are required to withhold tax in applicable cases, unless the payee authorises the paying agent to report tax information instead to the relevant BVI authority. No information will be exchanged unless requested by the payee. The transitional period will come to an end on the conclusion of certain information exchange agreements with and among other states. During the transitional period, the BVI paying agent is required to withhold tax on interest payments being made to individuals or residual entities resident in EU Member States (unless the payee elects to exchange information instead). Withholding tax does not apply to individuals or residual entities resident in non-EU Member States or to individuals or residual entities resident in the BVI. The BVI can, during the transitional period, opt for information exchange, but the BVI Government has indicated that it will not do so without extensive consultation with all stakeholders.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be subject to profits tax in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112 of the Laws of Hong Kong) (the "IRO")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes may be subject to profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. Similarly, such sums in respect of Registered Notes received by or accrued to either the aforementioned person and/or a financial institution will be subject to Hong Kong profits tax if such sums have a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

(i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by each of the seller and the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued before the date that is two years after the date on which final regulations defining "foreign passthru payments" are published. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

The Dealers have, in an amended and restated dealer agreement (the "Dealer Agreement") dated 30 January 2020, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. The Issuer (failing which, the Guarantor) will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer (failing which, the Guarantor) has agreed to reimburse the Arranger for certain of its expenses incurred in connection with any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer (failing which, the Guarantor) has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilising activities may only be carried on by the Stabilisation Manager(s) named in the applicable Pricing Supplement (or persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

SELLING RESTRICTIONS

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Each Dealer has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Prohibition of Sales to EEA and UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area and the United Kingdom (each, a "Relevant State"), each Dealer represents and agrees that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of Notes to the public in that Relevant State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

People's Republic of China

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes may not be offered or sold directly or indirectly in the PRC (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Region or Taiwan). Neither this Offering Circular nor any material or information contained or incorporated by reference herein relating to the Notes, which have not been and will not be submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("CSRC") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations, may be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. The material or information contained or incorporated by reference in this Offering Circular relating to the Notes does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The Notes may only be offered or sold to PRC investors that are authorised to engage in the purchase of the Notes of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licences, verification and/or registrations themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange, CSRC, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the SFO (Cap. 571) of Hong Kong (the "SFO") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that SFO."

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Dealer has represented, warranted and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

British Virgin Islands

Each Dealer has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to subscribe for the Notes.

The Netherlands

Each Dealer will have represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in The Netherlands unless such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Regulation (EU) No 2017/1129, the "Prospectus Regulation").

GENERAL

None of the Issuer, the Guarantor or the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

1. LISTING

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only, and for the permission to deal in, and for the listing of, Notes issued under the Programme. The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes.

2. AUTHORISATION

The update of the Programme and the issue of the Notes thereunder were authorised by a resolution of the board of directors of the Issuer passed on 12 October 2018 and by a resolution of the board of directors of the Guarantor passed on 12 October 2018. The Issuer and the Guarantor have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the Guarantee relating to them.

3. LEGAL AND ARBITRATION PROCEEDINGS

None of the Issuer, the Guarantor and any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

4. SIGNIFICANT/MATERIAL CHANGE

Since 31 December 2018, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position of the Issuer, the Guarantor and the Group.

5. AUDITOR

KPMG (Certified Public Accountants), the Guarantor's independent auditor has audited, and rendered unqualified audit reports on, the consolidated financial statements of the Guarantor at and for the years ended 31 December 2017 and 2018, respectively, and reviewed the unaudited condensed consolidated interim financial statements at and for the six months ended 30 June 2019.

KPMG has given and not withdrawn its written consent to the issue of this document with the inclusion of the following reports on the Guarantor in the form and context in which they are so incorporated or included: (i) the review report dated 21 August 2019 on the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 and (ii) the audit report dated 20 March 2019 on the audited consolidated financial statements for the year ended 31 December 2018.

6. DOCUMENTS ON DISPLAY

Copies of the following documents may be inspected during normal business hours on any weekday (Saturday's and public holidays excepted) at the registered office of the Guarantor at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong and the specified office of the CMU Lodging and Paying Agent at Level 24, Three Pacific Place, 1 Queen's Road East, Hong Kong for so long as the Notes are capable of being issued under the Programme:

(i) the memorandum and articles of association of the Issuer and the Guarantor;

(ii) the audited consolidated financial statements of the Guarantor for the financial years ended 31 December 2017 and 2018, and the unaudited consolidated interim financial statements of the Guarantor for the six months ended 30 June 2019;

(iii) copies of the latest annual report of the Guarantor;

(iv) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity);

(v) a copy of this Offering Circular together with any Supplement to this Offering Circular;

(vi) the Agency Agreement;

(vii) the Dealer Agreement;

(viii) the Deed of Guarantee;

(ix) the Deed of Covenant given by the Issuer; and

(x) the Programme Manual (which contains the forms of the Notes in global and definitive form).

7. CLEARING OF THE NOTES

The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg and CMU. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The Legal Entity Identifier of the Issuer is 25490062URZHNZQBTW39.

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Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss – unaudited

	Note	For the six months ended 30 June **2019** **HK$ million**	 2018 HK$ million
Revenue	4, 10	**8,129**	13,142
Direct costs		**(3,979)**	(6,364)
		4,150	6,778
Other net income	5	**909**	924
Selling and marketing expenses		**(408)**	(375)
Administrative expenses		**(876)**	(853)
Profit from operations before changes in fair value of investment properties and investment properties under development		**3,775**	6,474
Increase in fair value of investment properties and investment properties under development	11(c)	**1,097**	3,937
Profit from operations after changes in fair value of investment properties and investment properties under development		**4,872**	10,411
Finance costs	6(a)	**(262)**	(479)
Bank interest income		**378**	252
Net interest income/(net finance costs)		**116**	(227)
Share of profits less losses of associates		**2,030**	2,777
Share of profits less losses of joint ventures		**1,479**	2,863
Profit before taxation	6	**8,497**	15,824
Income tax	7	**(971)**	(632)
Profit for the period		**7,526**	15,192
Attributable to:			
Equity shareholders of the Company		**7,515**	15,030
Non-controlling interests		**11**	162
Profit for the period		**7,526**	15,192
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*8(a)*	***HK$1.55***	*HK$3.10**
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*8(b)*	***HK$1.38***	*HK$2.86**

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

The notes on pages 39 to 74 form part of these condensed interim financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 9.

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income – unaudited

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Profit for the period	**7,526**	15,192
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
– Investments in equity securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve (non-recycling)	**(16)**	(29)
– Share of other comprehensive income of associates and joint ventures	**23**	–
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences: net movement in the exchange reserve	**(167)**	(577)
– Cash flow hedges: net movement in the hedging reserve	**12**	435
– Share of other comprehensive income of associates and joint ventures	**(102)**	(403)
Other comprehensive income for the period	**(250)**	(574)
Total comprehensive income for the period	**7,276**	14,618
Attributable to:		
Equity shareholders of the Company	**7,265**	14,458
Non-controlling interests	**11**	160
Total comprehensive income for the period	**7,276**	14,618

The notes on pages 39 to 74 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Financial Position – unaudited

	Note	**At 30 June 2019 HK$ million**	At 31 December 2018 HK$ million
Non-current assets			
Investment properties	11	**179,909**	176,717
Other property, plant and equipment		**348**	370
Right-of-use assets	12	**411**	–
Goodwill	13	**262**	262
Interest in associates		**62,364**	62,059
Interest in joint ventures		**58,519**	53,011
Derivative financial instruments	14	**365**	42
Other financial assets	15	**13,544**	13,825
Deferred tax assets		**548**	641
		316,270	306,927
Current assets			
Deposits for acquisition of properties	16	**1,763**	1,310
Inventories	17	**99,583**	97,177
Trade and other receivables	18	**14,827**	15,239
Cash held by stakeholders		**2,267**	2,158
Cash and bank balances	19	**14,428**	16,507
		132,868	132,391
Assets of the disposal group classified as held for sale	20	**–**	1,788
		132,868	134,179
Current liabilities			
Trade and other payables	21	**29,250**	27,113
Lease liabilities	22	**291**	–
Bank loans	23	**27,039**	27,834
Guaranteed notes		**5,855**	5,187
Tax payable		**1,960**	2,180
		64,395	62,314
Net current assets		**68,473**	71,865
Total assets less current liabilities		**384,743**	378,792

Condensed Interim Financial Statements

Consolidated Statement of Financial Position – unaudited (continued)

	Note	**At 30 June 2019 HK$ million**	At 31 December 2018 HK$ million
Non-current liabilities			
Bank loans	23	**46,012**	44,621
Guaranteed notes		**10,553**	7,888
Amount due to a fellow subsidiary		**1,205**	1,100
Derivative financial instruments	14	**482**	376
Lease liabilities	22	**143**	–
Provisions for reinstatement costs		**12**	13
Deferred tax liabilities		**6,915**	6,802
		65,322	60,800
NET ASSETS		**319,421**	317,992
CAPITAL AND RESERVES			
Share capital		**52,345**	52,345
Other reserves		**262,341**	260,808
Total equity attributable to equity shareholders of the Company		**314,686**	313,153
Non-controlling interests		**4,735**	4,839
TOTAL EQUITY		**319,421**	317,992

The notes on pages 39 to 74 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2018		52,345	16	3,475	(1)	135	(449)	116	237,120	292,757	5,371	298,128
Changes in equity for the six months ended 30 June 2018:												
Profit for the period		–	–	–	–	–	–	–	15,030	15,030	162	15,192
Other comprehensive income for the period		–	–	(984)	(1)	(27)	440	–	–	(572)	(2)	(574)
Total comprehensive income for the period		–	–	(984)	(1)	(27)	440	–	15,030	14,458	160	14,618
Transfer to other reserves		–	–	–	–	–	–	24	(24)	–	–	–
Transfer to retained profits upon disposal of equity investments		–	–	–	–	(3)	–	–	3	–	–	–
Bonus shares issued	24	–	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	9(b)	–	–	–	–	–	–	–	(4,921)	(4,921)	–	(4,921)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(19)	(19)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	(501)	(501)
Share of associate's reserves		–	–	–	–	–	–	–	(10)	(10)	–	(10)
Balance at 30 June 2018		52,345	16	2,491	(2)	105	(9)	140	247,198	302,284	5,011	307,295

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited (continued)

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balances at 31 December 2018 and 1 January 2019, as previously reported		52,345	16	(514)	(3)	47	(54)	151	261,165	313,153	4,839	317,992
Impact of a change in accounting policy upon adoption of HKFRS 16, net of tax	2	–	–	–	–	–	–	–	(10)	(10)	(15)	(25)
Balance at 1 January 2019 (restated)		52,345	16	(514)	(3)	47	(54)	151	261,155	313,143	4,824	317,967
Changes in equity for the six months ended 30 June 2019:												
Profit for the period		–	–	–	–	–	–	–	7,515	7,515	11	7,526
Other comprehensive income for the period		–	–	(264)	2	7	5	–	–	(250)	–	(250)
Total comprehensive income for the period		–	–	(264)	2	7	5	–	7,515	7,265	11	7,276
Transfer to other reserves		–	–	–	–	–	–	3	(3)	–	–	–
Bonus shares issued	24	–	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	9(b)	–	–	–	–	–	–	–	(5,722)	(5,722)	–	(5,722)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(27)	(27)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	(73)	(73)
Balance at 30 June 2019		52,345	16	(778)	(1)	54	(49)	154	262,945	314,686	4,735	319,421

The notes on pages 39 to 74 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement – unaudited

	Note	For the six months ended 30 June 2019 HK$ million	2018 HK$ million
Operating activities			
Increase in forward sales deposits received		**1,264**	1,061
Increase in inventories		**(2,230)**	(6,013)
Net cash outflow in respect of acquisition of subsidiaries		**–**	(15,958)
Other cash flows generated from operations		**4,229**	3,792
Tax paid		**(950)**	(778)
Net cash generated from/(used in) operating activities		**2,313**	(17,896)
Investing activities			
Proceeds from sale of investments in equity securities designated as financial assets at fair value through other comprehensive income		**–**	195
Proceeds from disposals of investment properties and other property, plant and equipment		**80**	2,035
Dividends received from associates		**1,649**	1,514
Dividends received from joint ventures		**867**	263
Net cash inflow in respect of transfers of subsidiaries		**–**	7,954
Net cash inflow in respect of transfers of interest in joint ventures		**1,725**	–
Decrease/(increase) in deposits with banks and other financial institutions over three months of maturity at acquisition		**297**	(2,480)
Decrease/(increase) in structured bank deposits		**1,573**	(1,672)
Payment for additions to/acquisitions of investment properties and other property, plant and equipment		**(1,510)**	(879)
Advance to associates, net		**(54)**	(1,944)
(Advance to)/repayment from joint ventures, net		**(4,016)**	560
Other cash flows generated from/(used in) investing activities		**84**	(51)
Net cash generated from investing activities		**695**	5,495
Financing activities			
Proceeds from new bank loans	23	**23,830**	31,739
Repayment of existing bank loans	23	**(23,305)**	(29,963)
Proceeds from issuance of guaranteed notes		**3,359**	3,995
Advance from a fellow subsidiary		**105**	1,759
Repayment to non-controlling interests, net		**(73)**	(501)
Dividends paid to equity shareholders of the Company	9(b)	**(5,722)**	(4,921)
Dividends paid to non-controlling interests		**(27)**	(19)
Other cash flows used in financing activities		**(1,235)**	(889)
Net cash (used in)/generated from financing activities		**(3,068)**	1,200
Net decrease in cash and cash equivalents		**(60)**	(11,201)
Cash and cash equivalents at 1 January	19	**12,899**	20,828
Effect of foreign exchange rate changes		**(181)**	(140)
Cash and cash equivalents at 30 June	19	**12,658**	9,487

The notes on pages 39 to 74 form part of these condensed interim financial statements.

Notes to the Unaudited Condensed Interim Financial Statements

1 Basis of preparation

The condensed interim financial statements comprise those of Henderson Land Development Company Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") and have equity accounted for the Group's interests in associates and joint ventures.

These condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They were authorised for issuance on 21 August 2019.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2018 ("the 2018 financial statements"), except for the accounting policy changes that are expected to be reflected in the Company's consolidated financial statements for the year ending 31 December 2019. Details of these changes in accounting policies are set out in note 2.

These condensed interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 100. In addition, the condensed interim financial statements have been reviewed by the Company's Audit Committee with no disagreement.

The financial information relating to the financial year ended 31 December 2018 that is included in these condensed interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to such statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

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

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters (including those matters described in the Key Audit Matters section) to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies

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

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. The lease liability is measured at amortised cost using the effective interest method, and is re-measured when there is a change in future lease payments arising from a change in an index or rate. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies (continued)

The Group applies the modified retrospective approach under HKFRS 16, and therefore no restatement is made to the comparative amounts for the corresponding six months ended 30 June 2018 prior to the first adoption of HKFRS 16. A retrospective adjustment to the Group's retained profits (after tax) at 1 January 2019, for a cumulative decrease in the amount of HK$10 million, was recognised only as referred to in the Group's consolidated statement of changes in equity for the six months ended 30 June 2019.

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

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

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

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

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

Notes to the Unaudited Condensed Interim Financial Statements

3 Accounting estimates and judgements

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the 2018 financial statements.

4 Revenue

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

The major items are analysed as follows:

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Sale of properties	**3,551**	9,049
Rental income	**3,103**	2,995
Department store operation (note)	**926**	524
Other businesses	**549**	574
Total (note 10(b))	**8,129**	13,142

Note: Including commission income earned from consignment and concessionary counters of the department store operation in the aggregate amount of HK$246 million for the period (2018: HK$226 million).

At 30 June 2019, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's properties under development and completed properties for sale pending assignment in Hong Kong and mainland China amounted to HK$22,716 million (31 December 2018: HK$18,984 million), which will be recognised when the pre-sold properties are assigned to the customers.

Notes to the Unaudited Condensed Interim Financial Statements

5 Other net income

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Net gain on transfer of subsidiaries regarding (note (i))		
– Investment properties	**–**	848
Net gain on transfer of interest in joint ventures regarding (note (ii))		
– Investment properties	**345**	–
Net gain on disposal of investment properties (note 11(b))	**17**	206
	362	1,054
(Provision)/reversal of provision on inventories, net	**(2)**	5
Net fair value gain on investments measured as financial assets at fair value through profit or loss	**271**	16
Net fair value gain on derivative financial instruments		
– Interest rate swap contracts and cross currency swap contracts (for which no hedge accounting was applied during the period)	**218**	187
– Other derivatives	**–**	13
(Impairment loss)/reversal of impairment loss on trade debtors (note 10(c))	**(2)**	4
Net foreign exchange (loss)/gain	**(44)**	83
Cash flow hedges: reclassified from hedging reserve to profit or loss (note (iii))	**–**	(519)
Others	**106**	81
	909	924

Notes:

(i) The net gain on transfer of subsidiaries for the corresponding six months ended 30 June 2018 in the amount of HK$848 million related to the transfer of the Group's interest in subsidiaries which own an investment property at No. 18 King Wah Road, North Point, Hong Kong.

(ii) The net gain on transfer of interest in joint ventures for the six months ended 30 June 2019 in the amount of HK$345 million related to the transfer of the Group's interest in a joint venture which, together with its wholly-owned subsidiaries, collectively own an investment property at No. 8 Observatory Road, Kowloon, Hong Kong (2018: Nil).

(iii) The amount comprised the net cumulative loss (before tax) reclassified from equity to profit or loss upon the revocation of the hedge relationship between certain bank loans of the Company's wholly-owned subsidiaries (as hedged items) and their underlying interest rate swap contracts (as hedging instruments) during the six months ended 30 June 2018.

Notes to the Unaudited Condensed Interim Financial Statements

6 Profit before taxation

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

	For the six months ended 30 June 2019 HK$ million	2018 HK$ million
(a) Finance costs:		
Bank loans interest	**794**	539
Interest on loans wholly repayable within five years	**309**	287
Interest on loans repayable after five years	**77**	38
Finance cost on lease liabilities (note 22)	**15**	–
Other borrowing costs	**80**	80
	1,275	944
Less: Amount capitalised (note)	**(1,013)**	(465)
	262	479

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans, guaranteed notes and amount due to a fellow subsidiary during the period under which interest capitalisation is applicable) ranging from 2.26% to 3.88% (2018: 2.08% to 4.03%) per annum.

	For the six months ended 30 June 2019 HK$ million	2018 HK$ million
(b) Staff costs:		
Salaries, wages and other benefits	**1,124**	1,010
Contributions to defined contribution retirement plans	**49**	45
	1,173	1,055

Notes to the Unaudited Condensed Interim Financial Statements

6 Profit before taxation (continued)

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

	For the six months ended 30 June 2019 HK$ million	2018 HK$ million
(c) Other items:		
Depreciation	**179**	32
Less: Amount capitalised (note)	**(12)**	–
	167	32
	(note 10(c))	(note 10(c))
Cost of sales		
– properties for sale	**2,254**	5,114
– trading stocks	**480**	207
Dividend income from investments designated as financial assets at fair value through other comprehensive income ("FVOCI") (non-recycling) and investments measured as financial assets at fair value through profit or loss ("FVPL")		
– listed	**(40)**	(57)
– unlisted	**–**	(2)

Note: The capitalised amount of depreciation for the six months ended 30 June 2019 represents the depreciation on the right-of-use assets relating to those tenancy agreements entered into by the Group for its use of the rented premises as sales offices of the Group's property projects.

Notes to the Unaudited Condensed Interim Financial Statements

7 Income tax

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Current tax		
Provision for Hong Kong Profits Tax	**252**	397
Provision for taxation outside Hong Kong	**400**	203
Provision for Land Appreciation Tax	**94**	22
	746	622
Deferred tax		
Origination and reversal of temporary differences	**225**	10
	971	632

Provision for Hong Kong Profits Tax has been made at 16.5% (2018: 16.5%) on the estimated assessable profits for the period.

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

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% (2018: 30% to 60%) on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and property development expenditure.

Notes to the Unaudited Condensed Interim Financial Statements

8 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$7,515 million (2018: HK$15,030 million) and the weighted average number of 4,841 million ordinary shares in issue during the period (2018: 4,841 million ordinary shares*), calculated as follows:

	For the six months ended 30 June	
	2019	2018
	million	million
Number of issued ordinary shares at 1 January	**4,401**	4,001
Weighted average number of ordinary shares issued in respect of the bonus issue in 2018	**–**	400
Weighted average number of ordinary shares issued in respect of the bonus issue in 2019	**440**	440
Weighted average number of ordinary shares for the period (2018: as adjusted)	**4,841**	4,841

Diluted earnings per share were the same as the basic earnings per share for the period and the corresponding six months ended 30 June 2018 as there were no dilutive potential ordinary shares in existence during both periods.

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

Notes to the Unaudited Condensed Interim Financial Statements

8 Earnings per share (continued)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the profit attributable to equity shareholders of the Company after excluding the effects of changes in fair value of investment properties and investment properties under development ("Underlying Profit") of HK$6,702 million (2018: HK$13,859 million). A reconciliation of profit is as follows:

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company	**7,515**	15,030
Changes in fair value of investment properties and investment properties under development during the period (note 11(c))	**(1,097)**	(3,937)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development during the period (note 11(c))	**42**	38
Share of changes in fair value of investment properties (net of deferred tax) during the period:		
– associates (note 11(c))	**(233)**	(571)
– joint ventures (note 11(c))	**(534)**	(2,077)
Cumulative fair value change of investment properties and investment properties under development disposed of during the period, net of tax (note):		
– subsidiaries	**49**	5,646
– associates and joint ventures	**960**	–
Effect of share of non-controlling interests	**–**	(270)
Underlying Profit	**6,702**	13,859
Underlying earnings per share, based on the weighted average number of ordinary shares for the period (note 8(a))	**HK$1.38**	HK$2.86*

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

Note: In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value change (net of tax) of investment properties and investment properties under development disposed of during the period (which has been included in calculating the net gain on disposal of investment properties and investment properties under development and hence the profit attributable to equity shareholders of the Company during the period) of HK$1,006 million (2018: HK$5,369 million) was added back in arriving at the Underlying Profit.

Notes to the Unaudited Condensed Interim Financial Statements

9 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Interim dividend declared after the interim period of HK$0.50 (2018: HK$0.50) per share	**2,421**	2,201

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

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

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK$1.30 (2018: HK$1.23) per share	**5,722**	4,921

10 Segment reporting

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

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

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

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

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below:

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the six months ended 30 June 2019										
Property development										
Hong Kong	2,737	478	245	70	2,982	548	(14)	(4)	2,968	544
Mainland China	814	168	1,103	396	1,917	564	-	(1)	1,917	563
	3,551	646	1,348	466	4,899	1,112	(14)	(5)	4,885	1,107
Property leasing										
Hong Kong	2,186	1,594	1,483	1,260	3,669	2,854	(3)	(1)	3,666	2,853
Mainland China	917	726	6	6	923	732	-	-	923	732
	(note (ii)) 3,103	2,320	1,489	1,266	4,592	3,586	(3)	(1)	4,589	3,585
Department store operation	926	116		-		116		(13)		103
Other businesses	549	657		80		737		(6)		731
	8,129	3,739		1,812		5,551		(25)		5,526
Utility and energy	-	-		2,377		2,377		-		2,377
	8,129	3,739		4,189		7,928		(25)		7,903
(Provision)/reversal of provision on inventories, net		(2)		1		(1)		-		(1)
Sales of property interests		(note 5) 362		-		362		(2)		360
Unallocated head office and corporate expenses, net		(324)		(189)		(513)		-		(513)
Profit from operations		3,775		4,001		7,776		(27)		7,749
Increase in fair value of investment properties and investment properties under development		1,097		814		1,911		(3)		1,908
Finance costs		(262)		(412)		(674)		19		(655)
Bank interest income		378		91		469		(3)		466
Net interest income/(net finance costs)		116		(321)		(205)		16		(189)
Profit before taxation		4,988		4,494		9,482		(14)		9,468
Income tax		(971)		(985)		(1,956)		3		(1,953)
Profit for the period		4,017		3,509		7,526		(11)		7,515

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

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

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the six months ended 30 June 2019						
Share of profits less losses of associates (note (iii))						
– Listed associates						
The Hong Kong and China Gas Company Limited	–	174	(65)	109	1,507	1,616
Miramar Hotel and Investment Company, Limited	–	336	51	387	–	387
Hong Kong Ferry (Holdings) Company Limited	5	15	9	29	–	29
– Unlisted associates	(39)	37	–	(2)	–	(2)
	(34)	562	(5)	523	1,507	2,030
Share of profits less losses of joint ventures (note (iv))	248	1,147	84	1,479	–	1,479
	214	1,709	79	2,002	1,507	3,509

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the six months ended 30 June 2018										
Property development										
Hong Kong	8,508	3,289	259	80	8,767	3,369	(281)	(110)	8,486	3,259
Mainland China	541	57	1,296	680	1,837	737	–	(2)	1,837	735
	9,049	3,346	1,555	760	10,604	4,106	(281)	(112)	10,323	3,994
Property leasing										
Hong Kong	2,059	1,550	1,455	1,236	3,514	2,786	(3)	(1)	3,511	2,785
Mainland China	936	743	7	6	943	749	–	–	943	749
	(note (ii)) 2,995	2,293	1,462	1,242	4,457	3,535	(3)	(1)	4,454	3,534
Department store operation	524	148		–		148		(17)		131
Other businesses	574	358		28		386		(5)		381
	13,142	6,145		2,030		8,175		(135)		8,040
Utility and energy	–	–		2,499		2,499		–		2,499
	13,142	6,145		4,529		10,674		(135)		10,539
Reversal of provision/(provision) on inventories, net		5		(1)		4		–		4
Sales of property interests		(note 5) 1,054		–		1,054		(44)		1,010
Unallocated head office and corporate expenses, net		(730)		(176)		(906)		2		(904)
Profit from operations		6,474		4,352		10,826		(177)		10,649
Increase in fair value of investment properties and investment properties under development		3,937		2,673		6,610		(7)		6,603
Finance costs		(479)		(414)		(893)		3		(890)
Bank interest income		252		88		340		(3)		337
Net finance costs		(227)		(326)		(553)		–		(553)
Profit before taxation		10,184		6,699		16,883		(184)		16,699
Income tax		(632)		(1,059)		(1,691)		22		(1,669)
Profit for the period		9,552		5,640		15,192		(162)		15,030

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

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

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the six months ended 30 June 2018						
Share of profits less losses of associates (note (iii))						
– Listed associates						
The Hong Kong and China Gas Company Limited	–	458	(90)	368	1,622	1,990
Miramar Hotel and Investment Company, Limited	–	379	8	387	–	387
Hong Kong Ferry (Holdings) Company Limited	66	16	8	90	–	90
– Unlisted associates	263	44	3	310	–	310
	329	897	(71)	1,155	1,622	2,777
Share of profits less losses of joint ventures (note (iv))	101	2,690	72	2,863	–	2,863
	430	3,587	1	4,018	1,622	5,640

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes:

(i) The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$160 million (2018: HK$161 million) and HK$1,905 million (2018: HK$1,639 million) in relation to the reportable segments under property leasing and others, respectively.

(ii) Revenue for the property leasing segment comprises rental income of HK$2,797 million (2018: HK$2,704 million) and rental-related income of HK$306 million (2018: HK$291 million), which in aggregate amounted to HK$3,103 million for the six months ended 30 June 2019 (2018: HK$2,995 million).

(iii) The Group's share of profits less losses of associates contributed from the property leasing segment during the period of HK$562 million (2018: HK$897 million) includes the increase in fair value of investment properties (net of deferred tax) during the period of HK$233 million (2018: HK$571 million) (see note 11(c)).

The Group's share of losses less profits of associates contributed from the other businesses segment during the period of HK$5 million (2018: HK$71 million) includes the Group's share of profit after tax contributed from hotel operation and management during the period of HK$44 million (2018: HK$52 million).

(iv) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the period of HK$1,147 million (2018: HK$2,690 million) includes the increase in fair value of investment properties (net of deferred tax) during the period of HK$534 million (2018: HK$2,077 million) (see note 11(c)).

The Group's share of profits less losses of joint ventures contributed from the other businesses segment during the period of HK$84 million (2018: HK$72 million) includes the Group's share of profit after tax contributed from hotel operation and management during the period of HK$59 million (2018: HK$72 million).

Notes to the Unaudited Condensed Interim Financial Statements

10 Segment reporting (continued)

(b) Geographical information

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

	Revenue from external customers		**Specified non-current assets**	
	For the six months ended 30 June		**At 30 June**	At 31 December
	2019	2018	**2019**	2018
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**6,395**	11,651	**247,088**	239,009
Mainland China	**1,734**	1,491	**54,725**	53,410
	8,129	13,142	**301,813**	292,419
	(note 4)	(note 4)		

(c) Other segment information

	Depreciation		**Impairment loss/ (reversal of impairment loss) on trade debtors**	
	For the six months ended 30 June		**For the six months ended 30 June**	
	2019	2018	**2019**	2018
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development (note)	**32**	4	**–**	–
Property leasing (note)	**15**	2	**2**	1
Department store operation (note)	**53**	16	**–**	–
Other businesses (note)	**67**	10	**–**	(5)
	167	32	**2**	(4)
	(note 6(c))	(note 6(c))	**(note 5)**	(note 5)

Note: After capitalisation of depreciation of HK$12 million (2018: Nil) (see note 6(c)).

Notes to the Unaudited Condensed Interim Financial Statements

11 Investment properties

(a) Acquisition

The Group did not acquire any investment properties during the six months ended 30 June 2019 (2018: None).

(b) Disposals

Items of investment properties with an aggregate carrying value of HK$58 million were disposed of during the six months ended 30 June 2019 (2018: HK$909 million), resulting in a net gain on disposal of HK$17 million for the period (2018: HK$206 million) (see note 5). During the corresponding six months ended 30 June 2018, an investment property at No. 18 King Wah Road, North Point, Hong Kong with carrying value of HK$9,000 million was disposed of through the Group's transfer of subsidiaries (see note 5).

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

Valuation process

The Group's investment properties and investment properties under development were revalued at 30 June 2019 by Cushman & Wakefield Limited, an independent firm of professional surveyors who have among their staff members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

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

Notes to the Unaudited Condensed Interim Financial Statements

11 Investment properties (continued)

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

Valuation methodologies

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

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

Valuation

As a result, a net fair value gain on the investment properties and investment properties under development in Hong Kong and mainland China in the aggregate amount of HK$1,097 million (2018: HK$3,937 million) and deferred tax charge in respect of the fair value change on investment properties in mainland China of HK$42 million (2018: HK$38 million) have been recognised in the consolidated statement of profit or loss for the period (see note 8(b)).

In aggregate, the Group's attributable share of the net fair value gains on investment properties and investment properties under development held by subsidiaries, associates and joint ventures for the six months ended 30 June 2019 amounted to HK$1,819 million (2018: HK$6,540 million) (net of deferred tax).

Notes to the Unaudited Condensed Interim Financial Statements

11 Investment properties (continued)

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

Valuation (continued)

A reconciliation of the abovementioned figures is as follows:

For the six months ended 30 June 2019

	Hong Kong HK$ million	Mainland China HK$ million	Total HK$ million
Fair value gain on investment properties and investment properties under development held by			
– subsidiaries			
(before deducting non-controlling interests' attributable share and deferred tax) (note 8(b))	**982**	**115**	**1,097**
Less :			
Deferred tax (note 8(b))	**–**	**(42)**	**(42)**
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	**(3)**	**–**	**(3)**
(after deducting non-controlling interests' attributable share and deferred tax)	**979**	**73**	**1,052**
– associates			
(Group's attributable share) (notes 8(b) and 10(a)(iii))	**233**	**–**	**233**
– joint ventures			
(Group's attributable share) (notes 8(b) and 10(a)(iv))	**393**	**141**	**534**
	1,605	**214**	**1,819**

Notes to the Unaudited Condensed Interim Financial Statements

11 Investment properties (continued)

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

Valuation (continued)

A reconciliation of the abovementioned figures is as follows: (continued)

For the six months ended 30 June 2018

	Hong Kong HK$ million	Mainland China HK$ million	Total HK$ million
Fair value gain on investment properties and investment properties under development held by			
– subsidiaries			
(before deducting non-controlling interests' attributable share and deferred tax) (note 8(b))	3,824	113	3,937
Less:			
Deferred tax (note 8(b))	–	(38)	(38)
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	(7)	–	(7)
(after deducting non-controlling interests' attributable share and deferred tax)	3,817	75	3,892
– associates			
(Group's attributable share) (notes 8(b) and 10(a)(iii))	571	–	571
– joint ventures			
(Group's attributable share) (notes 8(b) and 10(a)(iv))	2,004	73	2,077
	6,392	148	6,540

Notes to the Unaudited Condensed Interim Financial Statements

12 Right-of-use assets

At transition, the Group recognises for each of the Remaining Leases a right-of-use asset, which is measured at its carrying amount as if HKFRS 16 had been applied since the commencement dates of the Remaining Leases, discounted at the Group's incremental borrowing rate at 1 January 2019, and the aggregate effect of which is as follows:

	HK$ million
Cost:	
At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*)	**899**
Additions	**12**
At 30 June 2019	**911**
Accumulated depreciation:	
At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*)	**(354)**
Charge for the period	
– Property development	**(41)**
– Property leasing	**(14)**
– Department store operation	**(34)**
– Other businesses	**(57)**
Sub-total	**(146)**
At 30 June 2019	**(500)**
Net book value:	
At 30 June 2019	**411**

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

13 Goodwill

On 31 May 2018, Henderson Investment Limited, a listed subsidiary of the Company, completed its acquisition of the entire issued share capital of UNY (HK) Co., Limited ("UNY HK") (renamed as Unicorn Stores (HK) Limited on 27 July 2018) for a cash consideration of HK$300 million (the "Acquisition") (subject to adjustment). Based on (i) the fair value of the assets acquired less the liabilities assumed of UNY HK in the amount of HK$29 million at the completion date of the Acquisition of 31 May 2018; and (ii) the adjusted amount of the consideration of HK$291 million in accordance with the terms of the agreement in relation to the Acquisition, a goodwill of HK$262 million has arisen from the Acquisition and was recognised in the Group's consolidated statement of financial position at 31 December 2018 and 30 June 2019.

The Directors have assessed that there was no impairment on the goodwill at 30 June 2019.

Notes to the Unaudited Condensed Interim Financial Statements

14 Derivative financial instruments

	At 30 June 2019		At 31 December 2018	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts (note 25(a)(i))	**56**	**297**	66	303
Total cash flow hedges	**56**	**297**	66	303
Fair value through profit or loss:				
Cross currency interest rate swap contracts (note 25(a)(i))	**175**	**59**	–	95
Interest rate swap contracts (note 25(a)(i))	**169**	**413**	23	273
	344	**472**	23	368
	400	**769**	89	671
Representing:				
Non-current portion	**365**	**482**	42	376
Current portion (notes 18 and 21)	**35**	**287**	47	295
	400	**769**	89	671

(a) Derivatives under cash flow hedges

Swap contracts which have been entered into with certain counterparty banks comprise cross currency interest rate swap contracts to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes denominated in United States dollars ("US$") and Pound Sterling ("£") in the aggregate principal amounts of US$629 million (31 December 2018: US$629 million) and £50 million (31 December 2018: £50 million) respectively at 30 June 2019.

The abovementioned cross currency interest rate swap contracts will mature between 25 July 2019 and 20 October 2026 (31 December 2018: between 25 July 2019 and 20 October 2026).

(b) Derivatives to hedge against interest rate risk but not under cash flow hedges

At 30 June 2019, interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk in respect of certain bank loans and guaranteed notes denominated in Hong Kong dollars in the aggregate principal amounts of HK$14,300 million (31 December 2018: HK$11,450 million) and HK$5,599 million (31 December 2018: HK$5,599 million) respectively at 30 June 2019.

(c) Derivatives to hedge against foreign currency risk but not under cash flow hedges

At 30 June 2019, cross currency swap contracts have been entered into with certain counterparty banks to hedge against the foreign currency risk in respect of the guaranteed note and bank loans denominated in Japanese Yen ("¥") in the aggregate principal amount of ¥32,000 million (31 December 2018: ¥32,000 million), certain bank loans denominated in Australian dollars ("AUD") in the aggregate principal amount of AUD173 million (31 December 2018: AUD173 million), a guaranteed note denominated in US$ in the principal amount of US$300 million (31 December 2018: Nil) and a guaranteed note denominated in Renminbi ("RMB") in the principal amount of RMB200 million (31 December 2018: Nil) at 30 June 2019.

Notes to the Unaudited Condensed Interim Financial Statements

15 Other financial assets

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Investments designated as financial assets at FVOCI (non-recycling)		
Investments in equity securities		
Unlisted (note 25(a)(i))	**102**	118
Listed (note 25(a)(i)):		
– in Hong Kong	**109**	109
	211	227
Investments measured as financial assets at FVPL		
Investments in other securities		
Listed (note 25(a)(i)):		
– in Hong Kong	**1,684**	1,384
Financial assets measured at amortised cost		
Instalments receivable	**8,250**	8,660
Loans receivable	**3,399**	3,554
	11,649	12,214
	13,544	13,825

(a) Instalments receivable

Instalments receivable represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included in “Other financial assets” is neither past due nor impaired. Instalments receivable due within one year from the end of the reporting period are included in “Trade and other receivables” under current assets (see note 18).

Instalments receivable, which are due within one year (see note 18) and after more than one year from the end of the reporting period, included an amount of HK$6,962 million (31 December 2018: HK$7,304 million) representing the aggregate attributable amounts of the outstanding mortgage loans advanced from the Group to the property buyers and which were already drawdown by the property buyers at the end of the reporting period.

Notes to the Unaudited Condensed Interim Financial Statements

15 Other financial assets (continued)

(b) Loans receivable

At 30 June 2019, the Group's loans receivable comprised the following amounts:

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Secured loans	**902**	883
Unsecured loans	**2,497**	2,671
	3,399	3,554

Except for an amount of HK$380 million (31 December 2018: HK$380 million) which is interest-bearing at Hong Kong Interbank Offered Rate plus 2.25% (31 December 2018: Hong Kong Interbank Offered Rate plus 2.25%) per annum, the remaining balance of the abovementioned secured loans in the aggregate amount of HK$522 million (31 December 2018: HK$503 million) is interest-bearing at fixed interest rates ranging from 5.225% to 7% (31 December 2018: 3% to 7.125%) per annum.

Except for an amount of HK$23 million (31 December 2018: HK$23 million) which is interest-free, the remaining balance of the abovementioned unsecured loans in the aggregate amount of HK$2,474 million (31 December 2018: HK$2,648 million) is interest-bearing at fixed interest rates ranging from 3.8% to 9% (31 December 2018: 3.8% to 9%) per annum.

The balances are due after more than one year from the end of the reporting period and are neither past due nor impaired.

The balances of loans receivable which are expected to be recovered within one year from the end of the reporting period have been classified as "Trade and other receivables" under current assets (see note 18). The balances are neither past due nor impaired.

16 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$872 million (31 December 2018: HK$317 million) and HK$561 million (31 December 2018: HK$561 million) paid relating to the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

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

Notes to the Unaudited Condensed Interim Financial Statements

17 Inventories

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Property development		
Leasehold land held for development for sale	**11,473**	11,193
Properties held for/under development for sale	**75,655**	80,781
Completed properties for sale	**12,336**	5,065
	99,464	97,039
Other operations		
Trading stocks	**119**	138
	99,583	97,177

18 Trade and other receivables

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Instalments receivable (note 15(a))	**283**	358
Loans receivable (note 15(b))	**596**	501
Debtors, prepayments and deposits	**13,444**	14,045
Gross amount due from customers for contract work [^]	**86**	52
Financial assets measured at FVPL (note 25(a)(i))	**194**	190
Derivative financial instruments (note 14)	**35**	47
Amounts due from associates	**167**	32
Amounts due from joint ventures	**22**	14
	14,827	15,239

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

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

The amounts due from associates and joint ventures at 30 June 2019 and 31 December 2018 are unsecured, interest-free and have no fixed terms of repayment and are neither past due nor impaired.

Notes to the Unaudited Condensed Interim Financial Statements

18 Trade and other receivables (continued)

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

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Current or up to 1 month overdue	**902**	483
More than 1 month overdue and up to 3 months overdue	**38**	21
More than 3 months overdue and up to 6 months overdue	**10**	14
More than 6 months overdue	**18**	35
	968	553

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and loans receivable which enable management to assess their recoverability and to minimise exposure to credit risk. In relation to property sales for which the buyers have entered into mortgage loans advanced from the Group, management mitigates the credit risk by holding collateral in the form of properties. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk.

For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowances for impairment losses have been made for estimated irrecoverable amounts.

19 Cash and bank balances

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Deposits with banks and other financial institutions	**8,465**	12,361
Structured bank deposits	**283**	1,856
Cash at bank and in hand	**5,680**	2,290
Cash and bank balances in the consolidated statement of financial position	**14,428**	16,507
Less:		
Deposits with banks and other financial institutions over three months of maturity at acquisition	**(1,351)**	(1,648)
Structured bank deposits	**(283)**	(1,856)
Cash restricted for use	**(136)**	(104)
Cash and cash equivalents in the condensed consolidated cash flow statement	**12,658**	12,899

At 30 June 2019, cash and bank balances in the consolidated statement of financial position included (i) balances of bank deposits in mainland China which were subject to exchange controls, and of which an amount of HK$136 million (31 December 2018: HK$104 million) was restricted for use and primarily comprised the guarantee

Notes to the Unaudited Condensed Interim Financial Statements

19 Cash and bank balances (continued)

deposits for the construction of certain property development projects under pre-sales in mainland China; and (ii) structured bank deposits denominated in RMB in the equivalent amount of HK$283 million (31 December 2018: HK$1,856 million) which were capital-protected.

20 Assets of the disposal group classified as held for sale

On 11 March 2019, the Group completed its transfer of interest in a joint venture (which, together with its wholly-owned subsidiaries, collectively own an investment property at No. 8 Observatory Road in Hong Kong) with carrying value of HK$1,688 million at the date of the said transfer.

21 Trade and other payables

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Creditors and accrued expenses	**6,874**	6,217
Gross amount due to customers for contract work[#]	**2**	5
Rental and other deposits	**1,639**	1,630
Forward sales deposits received[#]	**17,220**	16,290
Derivative financial instruments (note 14)	**287**	295
Amounts due to associates	**221**	154
Amounts due to joint ventures	**3,007**	2,522
	29,250	27,113

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

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

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
Due within 1 month or on demand	**1,700**	2,187
Due after 1 month but within 3 months	**420**	288
Due after 3 months but within 6 months	**380**	152
Due after 6 months	**1,842**	1,281
	4,342	3,908

The amounts due to associates and joint ventures at 30 June 2019 and 31 December 2018 are unsecured, interest-free and have no fixed terms of repayment, except for amounts due to joint ventures of HK$1,230 million (31 December 2018: HK$521 million) which are unsecured, interest-bearing at interest rates ranging from 3.48% to 4% (31 December 2018: 3.48% to 4%) per annum and wholly repayable between 6 September 2019 to 12 May 2020 (31 December 2018: between 6 September 2019 to 31 October 2019).

Notes to the Unaudited Condensed Interim Financial Statements

22 Lease liabilities

At transition, lease liabilities were measured at the present value of the Remaining Leases payments, discounted at the Group's incremental borrowing rate at 1 January 2019, and the aggregate effect is as follows:

	HK$ million
At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*)(note 2)	565
Additions	9
Lease payments according to the terms of the Remaining Leases made during the period	(155)
Finance costs on the lease liabilities payable after deducting lease payments made during the period (see note 6(a))	15
At 30 June 2019	434
Represented by:	
Amount classified under current liabilities	291
Amount classified under non-current liabilities	143
At 30 June 2019	434

Finance cost is determined and recognised on the basis of the Group's weighted average incremental borrowing rate at 1 January 2019 of 3.49% per annum, on the carrying balance of the lease liability of each Remaining Lease upon initial recognition on 1 January 2019 and after deducting the lease payments made for such Remaining Lease during the six months ended 30 June 2019. The Directors considered the Group's incremental borrowing rate to be appropriate in view of the market environment and economic conditions under which each Remaining Lease operates.

23 Bank loans

During the six months ended 30 June 2019, the Group obtained new bank loans amounting to HK$23,830 million (2018: HK$31,739 million) and repaid bank loans amounting to HK$23,305 million (2018: HK$29,963 million). The new bank loans bear interest at rates ranging from 0.66% to 4.05% (2018: 0.37% to 3.90%) per annum.

At 30 June 2019 and 31 December 2018, all bank loans of the Group were unsecured.

24 Bonus shares issued

On 17 June 2019, an aggregate of 440 million bonus shares were issued on the basis of one new share for every ten shares held to shareholders whose names appeared on the Company's register of members on 5 June 2019.

On 21 June 2018, an aggregate of 400 million bonus shares were issued on the basis of one new share for every ten shares held to shareholders whose names appeared on the Company's register of members on 11 June 2018.

There is no change to the Company's share capital as the Company's shares no longer have a par or nominal value in accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622).

Notes to the Unaudited Condensed Interim Financial Statements

25 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

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

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

	Fair value at 30 June 2019	Fair value measurements at 30 June 2019 categorised into		
	HK$ million	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 15)	**102**	–	–	**102**
– Listed (note 15)	**109**	**109**	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 15)	**1,684**	**1,684**	–	–
Financial assets measured at FVPL (note 18)	**194**	–	–	**194**
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 14)	**231**	–	**231**	–
– Interest rate swap contracts (note 14)	**169**	–	**169**	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 14)	**356**	–	**356**	–
– Interest rate swap contracts (note 14)	**413**	–	**413**	–

Notes to the Unaudited Condensed Interim Financial Statements

25 Fair value measurement of financial instruments (continued)

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

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2018 HK$ million	Fair value measurements at 31 December 2018 categorised into Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 15)	118	–	–	118
– Listed (note 15)	109	109	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 15)	1,384	1,384	–	–
Financial assets measured at FVPL (note 18)	190	–	–	190
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 14)	66	–	66	–
– Interest rate swap contracts (note 14)	23	–	23	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 14)	398	–	398	–
– Interest rate swap contracts (note 14)	273	–	273	–

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into and out of Level 3. During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, but there was transfer into Level 3 for the reason that the investment in unlisted equity securities stated at cost less impairment losses at 31 December 2017 was measured at fair value at 1 January 2018 by reference to the valuation technique as referred to in note (iii) below. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

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

(iii) Valuation techniques and inputs used in Level 3 fair value measurement

The fair values of certain unlisted equity securities at 30 June 2019 are determined by reference to the net asset value of the investees, or by adopting the average price earnings multiple of comparable listed enterprises but was adjusted for the liquidity factor of an investee, both of which involve significant unobservable inputs.

Notes to the Unaudited Condensed Interim Financial Statements

25 Fair value measurement of financial instruments (continued)

(b) Financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments measured at cost or amortised cost are not materially different from their fair values at 30 June 2019 and 31 December 2018 except as follows:

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

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

26 Capital commitments

At 30 June 2019, the Group had capital commitments not provided for in these condensed interim financial statements as follows:

	At 30 June 2019 HK$ million	At 31 December 2018 HK$ million
(a) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**11,674**	9,852
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**24,859**	23,188
	36,533	33,040
(b) In relation to the capital commitments undertaken by joint ventures and certain associates attributable to the Group:		
Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**3,857**	2,466
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**3,893**	4,662
	7,750	7,128

Included in the Group's capital commitment contracted but not provided for at 30 June 2019 is an amount of HK$3,368 million which comprises (i) the remaining balance in the amount of HK$2,876 million of the land cost of a land site at Chaoyang District, Beijing, mainland China which was acquired by the Group by way of public tender on 28 May 2019, and which amount was settled by the Group in July 2019; and (ii) the Group's attributable share of the remaining balance in the amount of HK$492 million of the land cost of a joint venture development project in Hefei, Anhui province, mainland China which was entered into by the Group on 25 June 2019 and which amount was settled by the Group on 5 August 2019.

Notes to the Unaudited Condensed Interim Financial Statements

27 Contingent liabilities

At 30 June 2019, contingent liabilities of the Group were as follows:

(a) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before or upon the Completion. At 30 June 2019, the Group had contingent liabilities in this connection of HK$11 million (31 December 2018: HK$11 million).

(b) At 30 June 2019, the Group had contingent liabilities in respect of performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects amounting to HK$33 million (31 December 2018: HK$443 million), the decrease of which is mainly attributable to the release during the six months ended 30 June 2019 of a guarantee previously given by the Group to a bank in the amount of HK$425 million against a finance undertaking issued by such bank in favour of The Government of the Hong Kong Special Administrative Region of the People's Republic of China for the completion of the Group's residential development project "Reach Summit – Sereno Verde Phase 5" in Hong Kong under the terms and conditions of the relevant land grant.

(c) At 30 June 2019, the Group had given guarantees to financial institutions in the aggregate amount of HK$1,129 million (31 December 2018: HK$1,458 million) on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 30 June 2019. Such guarantees will be released upon the issuance of the Building Ownership Certificate.

(d) At 30 June 2019, the Company had given an irrevocable, unconditional and several guarantee to the lending bank in relation to the repayment obligations by a joint venture, in which the Group has a 20% interest, which entered into a loan facility agreement with such lending bank on 2 May 2017. The Group's contingent liabilities in respect of the guarantee in relation to the amount drawdown on the loan facility, which is proportional to the Group's attributable interest in the joint venture, amounted to HK$390 million (31 December 2018: HK$320 million).

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

(f) At 30 June 2019, the Group had given an irrevocable, unconditional and several guarantee to the lending bank in relation to the repayment obligations by a joint venture, in which the Group has a 18% interest, which entered into a loan facility agreement with such lending bank on 18 June 2019. The Group's contingent liabilities in respect of the guarantee in relation to the maximum amount which may be drawdown on the loan facility, which is proportional to the Group's attributable interest in the joint venture, amounted to HK$906 million (31 December 2018: Nil).

Notes to the Unaudited Condensed Interim Financial Statements

28 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these condensed interim financial statements, the Group entered into the following material related party transactions during the period:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the period between the Group and its fellow subsidiaries are as follows:

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Rental commission income (note (iii))	**–**	3
Other interest expense (note (i))	**17**	42
Sales commission income (note (iii))	**1**	4
Administration fee income (note (ii))	**5**	5

(b) Transactions with associates and joint ventures

Details of material related party transactions during the period between the Group and its associates and joint ventures are as follows:

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Construction income (note (iii))	**2**	39
Security guard service fee income (note (iii))	**13**	12
Management fee income (note (iii))	**2**	5
Rental income (note (iii))	**11**	11
Cash rental paid (note (iii))	**113**	108
Other interest income (note (i))	**59**	10
Other interest expense (note (i))	**16**	–
Rental commission income (note (iii))	**10**	3

Notes to the Unaudited Condensed Interim Financial Statements

28 Material related party transactions (continued)

(c) Transactions with related companies

Details of material related party transactions during the period between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Income from sales of construction materials (note (iii))	**7**	2
Rental income (note (iii))	**5**	4

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollar prime rate or Renminbi benchmark loan rates announced by the People's Bank of China.

(ii) This transaction represents cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) In the opinion of the directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the period between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	For the six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Cash rental paid	**6**	5
Property and leasing management service fee income and other ancillary property service fee income	**26**	26
Asset management service fee income	**52**	49
Security service fee income	**1**	1

The above transactions were conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 30 June 2019, the amount due from Sunlight REIT was HK$32 million (31 December 2018: HK$30 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (see note 18).

Notes to the Unaudited Condensed Interim Financial Statements

28 Material related party transactions (continued)

(e) Transactions with a director of the Company and a company owned by him

(i) Dr Lee Ka Kit, a director of the Company, made an advance ("advance") of HK$44 million (31 December 2018: HK$44 million) to Henderson (China) Investment Company Limited ("HCI"), an indirect wholly-owned subsidiary of the Group, for the purpose of funding HCI's business operation in mainland China. The advance is unsecured, interest-free and has no fixed terms of repayment.

(ii) Dr Lee Ka Kit, through a company owned by him (the "entity"), has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate. At 30 June 2019, the advance by the entity to the abovementioned associate amounted to HK$80 million (31 December 2018: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

29 Non-adjusting events after the reporting period

(a) After the end of the reporting period, the Directors declared an interim dividend. Further details are disclosed in note 9(a).

(b) After the end of the reporting period, the Group entered into an agreement in July 2019 to transfer its equity interest in the company holding interests in certain land lots in Wo Shang Wai, New Territories, which cover a total site area of about 2,420,000 square feet, for an aggregate consideration of HK$4,705 million (subject to adjustments) to an independent third party. The transaction is scheduled for completion in January 2020 (except where the transferee can before completion substantiate that the relevant project cannot be developed as stated in the agreement). The transferee has the right to bring forward the completion date.

KPMG

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HENDERSON LAND DEVELOPMENT COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed interim financial statements set out on pages 32 to 74 which comprise the consolidated statement of financial position of Henderson Land Development Company Limited as of 30 June 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the condensed interim financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the condensed interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements as at 30 June 2019 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

21 August 2019

Report of the Independent Auditor

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

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Henderson Land Development Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 143 to 263, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Key audit matters (continued)

Valuation of investment properties and investment properties under development	
Refer to note 15 to the consolidated financial statements on pages 215 to 221 and the accounting policy 2(j)(i) on page 162.	
The key audit matter	**How the matter was addressed in our audit**
The Group holds either directly or through its joint ventures and associates, a portfolio of investment properties and investment properties under development located in Hong Kong and in certain first and second-tier cities across mainland China. These properties comprise office premises, industrial premises, shopping malls, residential premises and car parking bays. The fair values of investment properties and investment properties under development as at 31 December 2018 were assessed by the management based on independent valuations prepared by a firm of qualified external property valuers. The net changes in fair value of investment properties and investment properties under development are recorded in the consolidated statement of profit or loss. We identified valuation of the investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's total assets and the significance of changes in fair value of investment properties and investment properties under development to the Group's profit before taxation and because the valuation of investment properties and investment properties under development can be inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias, particularly given the number and the diverse nature and location of the investment properties and investment properties under development.	Our audit procedures to address the valuation of investment properties and investment properties under development, either directly held by the Group or through its joint ventures and associates included the following: • obtaining and inspecting the valuation reports prepared by the external property valuers on which the management's assessment of the fair values of investment properties and investment properties under development was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; • with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology and assessing the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data and by utilising the industry knowledge and experience of our internal property valuation specialists; • comparing tenancy information, including committed rents and occupancy rates, provided by the management to the external property valuers with underlying contracts and related documentation, on a sample basis; • conducting site visits to investment properties under development, on a sample basis, to observe the development progress and evaluating management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.

Key audit matters (continued)

<table>
<tr><th colspan="2">Assessing the net realisable value of properties held for/under development for sale and completed properties for sale in mainland China</th></tr>
<tr><th colspan="2">Refer to note 23 to the consolidated financial statements on page 230 and the accounting policy 2(o) on page 171.</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2018, the Group held either directly or through its joint ventures and associates, properties held for/under development for sale and completed properties for sale located in certain cities across mainland China.

These properties are stated at the lower of cost and net realisable value. The determination of the net realisable value of these properties requires estimations, including expected future selling prices and costs necessary to complete the sale of these properties, and is assessed by the management with reference to the independent valuations carried out by the external property valuers for certain properties.

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

We identified the assessment of the net realisable value of the properties in mainland China as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.</td><td>Our audit procedures to assess the net realisable value of properties held for/under development for sale and completed properties for sale in mainland China, either directly held by the Group or through its joint ventures and associates, included the following:
• obtaining and inspecting management's valuation assessments and/or the external valuation reports prepared by external property valuers and on which the management's assessment of the net realisable value of the properties held for/under development for sale and completed properties for sale was based;
• assessing the qualifications, experience and expertise of the management and/or the external property valuers in the nature and locations of the properties being valued;
• with the assistance of our internal property valuation specialists, discussing with management and/or the external property valuers their valuation methodologies and assessing the key estimates and assumptions adopted in the valuations, including expected future selling prices and costs to completion, by comparing expected future selling prices to, where available, recently transacted prices for similar properties or the prices of comparable properties located in the vicinity of each development, and publicly available construction cost information for properties of a similar nature and location and by utilising the industry knowledge and experience of our internal property valuation specialists;
• conducting site visits to properties under development for sale, on a sample basis, to observe the development progress and evaluating the management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.</td></tr>
</table>

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

20 March 2019

Consolidated Statement of Profit or Loss

for the year ended 31 December 2018

	Note	2018 HK$ million	2017 *(restated)* HK$ million
Revenue	5	**21,982**	27,960
Direct costs		**(9,987)**	(15,344)
		11,995	12,616
Other net income	6	**1,520**	5,017
Selling and marketing expenses		**(666)**	(1,322)
Administrative expenses		**(1,881)**	(1,969)
Profit from operations before changes in fair value of investment properties and investment properties under development		**10,968**	14,342
Increase in fair value of investment properties and investment properties under development	15(a)	**10,465**	9,911
Profit from operations after changes in fair value of investment properties and investment properties under development		**21,433**	24,253
Finance costs	7(a)	**(810)**	(837)
Bank interest income		**660**	633
Net finance costs		**(150)**	(204)
Share of profits less losses of associates		**5,265**	4,955
Share of profits less losses of joint ventures		**6,947**	4,378
Profit before taxation	7	**33,495**	33,382
Income tax	10(a)	**(2,123)**	(2,217)
Profit for the year		**31,372**	31,165
Attributable to:			
Equity shareholders of the Company		**31,157**	30,809
Non-controlling interests		**215**	356
Profit for the year		**31,372**	31,165
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*13(a)*	***HK$7.08***	*HK$7.00**
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*13(b)*	***HK$4.49***	*HK$4.43**

* *Adjusted for the bonus issue effected in 2018.*

The notes on pages 152 to 263 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 11.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

	Note	2018 HK$ million	2017 *(restated)* HK$ million
Profit for the year		**31,372**	31,165
Other comprehensive income for the year (after tax and reclassification adjustments):	12(a)		
Items that will not be reclassified to profit or loss:			
– Investments in equity securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve (non-recycling)		**36**	–
– Share of other comprehensive income of associates and joint ventures		**(67)**	53
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences: net movement in the exchange reserve		**(2,484)**	3,221
– Cash flow hedges: net movement in the hedging reserve		**422**	156
– Available-for-sale securities: net movement in the fair value reserve (recycling)		**–**	245
– Share of other comprehensive income of associates and joint ventures		**(1,542)**	1,524
Other comprehensive income for the year		**(3,635)**	5,199
Total comprehensive income for the year		**27,737**	36,364
Attributable to:			
Equity shareholders of the Company		**27,533**	36,003
Non-controlling interests		**204**	361
Total comprehensive income for the year		**27,737**	36,364

The notes on pages 152 to 263 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2018

	Note	**At 31 December 2018 HK$ million**	At 31 December 2017 *(restated)* HK$ million	At 1 January 2017 *(restated)* HK$ million
Non-current assets				
Investment properties	15	**176,717**	173,494	131,860
Other property, plant and equipment	15	**370**	350	1,419
Goodwill	16	**262**	–	–
Interest in associates	18	**62,059**	59,491	53,933
Interest in joint ventures	19	**53,011**	44,865	38,728
Derivative financial instruments	20	**42**	111	358
Other financial assets	21	**13,825**	11,937	10,854
Deferred tax assets	10(c)	**641**	424	377
		306,927	290,672	237,529
Current assets				
Deposits for acquisition of properties	22	**1,310**	1,666	4,608
Inventories	23	**97,177**	74,219	78,476
Trade and other receivables	24	**15,239**	17,435	9,973
Cash held by stakeholders		**2,158**	2,333	1,289
Cash and bank balances	26(a)	**16,507**	24,673	22,966
		132,391	120,326	117,312
Assets of the disposal group classified as held for sale	32	**1,788**	–	3,220
		134,179	120,326	120,532
Current liabilities				
Trade and other payables	27	**27,113**	23,525	24,996
Bank loans	28	**27,834**	23,506	14,392
Guaranteed notes	29	**5,187**	1,169	5,760
Tax payable		**2,180**	1,862	857
		62,314	50,062	46,005
Liabilities associated with assets of the disposal group classified as held for sale	32	**–**	–	32
		62,314	50,062	46,037
Net current assets		**71,865**	70,264	74,495
Total assets less current liabilities		**378,792**	360,936	312,024

Consolidated Statement of Financial Position

at 31 December 2018

	Note	At 31 December 2018 HK$ million	At 31 December 2017 *(restated)* HK$ million	At 1 January 2017 *(restated)* HK$ million
Non-current liabilities				
Bank loans	28	**44,621**	45,671	28,086
Guaranteed notes	29	**7,888**	8,204	7,846
Amount due to a fellow subsidiary	30	**1,100**	1,754	316
Derivative financial instruments	20	**376**	746	906
Provisions for reinstatement costs		**13**	–	–
Deferred tax liabilities	10(c)	**6,802**	6,618	6,582
		60,800	62,993	43,736
NET ASSETS		**317,992**	297,943	268,288
CAPITAL AND RESERVES	31			
Share capital	39(c)	**52,345**	52,345	52,345
Other reserves		**260,808**	240,229	210,262
Total equity attributable to equity shareholders of the Company		**313,153**	292,574	262,607
Non-controlling interests		**4,839**	5,369	5,681
TOTAL EQUITY		**317,992**	297,943	268,288

Approved and authorised for issue by the Board of Directors on 20 March 2019.

Lee Shau Kee
Lee Tat Man
Directors

The notes on pages 152 to 263 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2017, as previously reported		52,345	16	(1,366)	584	(549)	159	212,345	263,534	5,767	269,301
Impact of change in accounting policy upon adoption of HKFRS 15	2(b)	–	–	–	–	–	–	(927)	(927)	(86)	(1,013)
Restated balance at 1 January 2017		52,345	16	(1,366)	584	(549)	159	211,418	262,607	5,681	268,288
Changes in equity for 2017:											
Profit for the year (restated)		–	–	–	–	–	–	30,809	30,809	356	31,165
Other comprehensive income for the year	12(c)	–	–	4,841	200	100	–	53	5,194	5	5,199
Total comprehensive income for the year (restated)		–	–	4,841	200	100	–	30,862	36,003	361	36,364
Transfer from other reserves		–	–	–	–	–	(43)	43	–	–	–
Bonus shares issued	39(c)	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	11(b)	–	–	–	–	–	–	(4,110)	(4,110)	–	(4,110)
Dividend declared and paid in respect of the current year	11(a)	–	–	–	–	–	–	(1,921)	(1,921)	–	(1,921)
Share of associates' reserves		–	–	–	–	–	–	(5)	(5)	–	(5)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(567)	(567)
Transfers of subsidiaries	34(b)	–	–	–	–	–	–	–	–	(16)	(16)
Distribution to non-controlling interests		–	–	–	–	–	–	–	–	(15)	(15)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	(75)	(75)
Balance at 31 December 2017 (restated)		52,345	16	3,475	784	(449)	116	236,287	292,574	5,369	297,943

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 31 December 2017 and 1 January 2018, as previously reported		52,345	16	3,475	784	–	(449)	116	236,838	293,125	5,487	298,612
Impact of change in accounting policy upon adoption of HKFRS 9	2(b)	–	–	–	(785)	135	–	–	833	183	2	185
Impact of change in accounting policy upon adoption of HKFRS 15	2(b)	–	–	–	–	–	–	–	(551)	(551)	(118)	(669)
Balance at 1 January 2018 (restated)		52,345	16	3,475	(1)	135	(449)	116	237,120	292,757	5,371	298,128
Changes in equity for 2018:												
Profit for the year		–	–	–	–	–	–	–	31,157	31,157	215	31,372
Other comprehensive income for the year	12(c)	–	–	(3,989)	(2)	3	395	–	(31)	(3,624)	(11)	(3,635)
Total comprehensive income for the year		–	–	(3,989)	(2)	3	395	–	31,126	27,533	204	27,737
Transfer to other reserves		–	–	–	–	–	–	30	(30)	–	–	–
Transfer to retained profits upon disposal of equity investments		–	–	–	–	(91)	–	–	91	–	–	–
Bonus shares issued	39(c)	–	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	11(b)	–	–	–	–	–	–	–	(4,921)	(4,921)	–	(4,921)
Dividend declared and paid in respect of the current year	11(a)	–	–	–	–	–	–	–	(2,201)	(2,201)	–	(2,201)
Share of associates' and joint ventures' reserves		–	–	–	–	–	–	5	(20)	(15)	–	(15)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(709)	(709)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	(27)	(27)
Balance at 31 December 2018		52,345	16	(514)	(3)	47	(54)	151	261,165	313,153	4,839	317,992

The notes on pages 152 to 263 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018

	Note	2018 HK$ million	2017 *(restated)* HK$ million
Operating activities			
Profit before taxation		**33,495**	33,382
Adjustments for:			
– Interest income		**(991)**	(954)
– Dividend income from investments designated as financial assets at fair value through other comprehensive income ("FVOCI") and investments measured as financial assets at fair value through profit or loss ("FVPL") (2017: investments in available-for-sale securities)	7(d)	**(117)**	(214)
– Net gain on disposal of investment properties	6	**(234)**	(1,024)
– Provision/(reversal of provision) on inventories, net	6	**90**	(25)
– Reversal of impairment loss on trade debtors, net	6	**(25)**	(2)
– Net gain on transfers of subsidiaries	6 & 34(b)	**(1,444)**	(3,837)
– Net gain on winding-up of subsidiaries	6	**–**	(33)
– Net gain on disposal of available-for-sale securities	6	**–**	(336)
– Net fair value loss on investments measured as financial assets at FVPL	6	**93**	–
– Net fair value (gain)/loss on derivative financial instruments:			
Interest rate swap contracts and cross currency swap contracts	6	**(91)**	(21)
Other derivatives	6	**(13)**	35
– Cash flow hedges: reclassified from hedging reserve to profit or loss	6	**519**	371
– Increase in fair value of investment properties and investment properties under development	15(a)	**(10,465)**	(9,911)
– Finance costs	7(a)	**810**	837
– Depreciation	7(d)	**68**	94
– Share of profits less losses of associates		**(5,265)**	(4,955)
– Share of profits less losses of joint ventures		**(6,947)**	(4,378)
– Net foreign exchange gain		**(22)**	(55)
– Other cash flows from operating activities		**(20)**	(2)
Operating profit before changes in working capital		**9,441**	8,972
Increase in instalments and loans receivable		**(4,390)**	(1,730)
Decrease/(increase) in deposits for acquisition of properties		**341**	(310)
Increase in inventories (other than through acquisitions and transfers of subsidiaries and transfers to/from investment properties)		**(9,960)**	(1,067)
Decrease/(increase) in debtors, prepayments and deposits		**2,400**	(2,214)
Increase in gross amount due from customers for contract work		**(24)**	(6)
Decrease/(increase) in cash held by stakeholders		**175**	(1,044)
Decrease in cash restricted for use		**2,569**	130
(Decrease)/increase in creditors and accrued expenses		**(1,650)**	121
(Decrease)/increase in gross amount due to customers for contract work		**(4)**	7
Increase/(decrease) in rental and other deposits		**116**	(242)
Increase/(decrease) in forward sales deposits received		**6,307**	(2,158)

Consolidated Cash Flow Statement

for the year ended 31 December 2018

	Note	2018 HK$ million	2017 *(restated)* HK$ million
Cash generated from operations		**5,321**	459
Interest received		**313**	316
Tax paid			
– Hong Kong		**(908)**	(839)
– Outside Hong Kong		**(902)**	(733)
Net cash generated from/(used in) operating activities		**3,824**	(797)
Investing activities			
Payment for purchase of investment properties and other property, plant and equipment		**(2,134)**	(28,000)
Proceeds from disposal of investment properties and other property, plant and equipment		**2,165**	2,430
(Advances to)/repayment from associates, net		**(2,742)**	241
Advances to joint ventures, net		**(1,663)**	(2,744)
Additional investments in associates		**(749)**	(452)
Additional investments in joint ventures		**–**	(277)
Payment for purchase of investments designated as financial assets at FVOCI and investments measured as financial assets at FVPL (2017: investments in available-for-sale securities)		**(119)**	(741)
Payment for purchase of other derivatives		**–**	(18)
Proceeds from sale of investments in equity securities designated as financial assets at FVOCI (2017: investments in available-for-sale securities), net		**1,623**	1,831
Proceeds from redemption/disposal of held-to-maturity debt securities		**495**	633
Net cash outflow in respect of the acquisition of subsidiaries	34(a)	**(16,211)**	(47)
Net cash inflow in respect of the transfers of subsidiaries	34(b)	**9,744**	9,161
Additional investments in subsidiaries		**–**	(17)
Interest received		**681**	646
Dividends received from associates		**2,397**	2,180
Dividends received from joint ventures		**1,389**	1,362
Dividends received from investments in equity securities designated as financial assets at FVOCI and investments measured as financial assets at FVPL (2017: investments in available-for-sale securities)		**113**	214
(Increase)/decrease in deposits with banks and other financial institutions over three months of maturity at acquisition		**(509)**	6,293
Increase in structured bank deposits		**(1,819)**	(2)
Net cash used in investing activities		**(7,339)**	(7,307)

Consolidated Cash Flow Statement
for the year ended 31 December 2018

	Note	**2018** **HK$ million**	2017 *(restated)* HK$ million
Financing activities			
Repayment to non-controlling interests, net	26(b)	**(27)**	(75)
Proceeds from new bank loans	26(b)	**46,608**	60,741
Repayment of bank loans	26(b)	**(43,350)**	(34,421)
Proceeds from issue of guaranteed notes	26(b)	**4,880**	1,339
Repayment of guaranteed notes	26(b)	**(1,244)**	(5,767)
(Decrease)/increase in amount due to a fellow subsidiary	26(b)	**(654)**	1,438
Interest and other borrowing costs paid	26(b)	**(2,114)**	(1,562)
Distribution to non-controlling interests		**–**	(15)
Dividends paid to equity shareholders of the Company	11	**(7,122)**	(6,031)
Dividends paid to non-controlling interests		**(709)**	(567)
Net cash (used in)/generated from financing activities		**(3,732)**	15,080
Net (decrease)/increase in cash and cash equivalents		**(7,247)**	6,976
Cash and cash equivalents at 1 January		**20,828**	12,805
Effect of foreign exchange rate changes		**(682)**	1,047
Cash and cash equivalents at 31 December	26(a)	**12,899**	20,828

The notes on pages 152 to 263 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2018

1 General information

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

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

2 Significant accounting policies

(a) Statement of compliance

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

(b) Changes in accounting policies

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

HKFRS 9, Financial instruments

The adoption of HKFRS 9 has resulted in the following changes in accounting policies for investments in securities:

In prior years, investments in securities were classified as available-for-sale securities and changes in fair value were recognised in other comprehensive income.

Upon the adoption of HKFRS 9, investments in securities are classified as either investments designated as financial assets at fair value through other comprehensive income ("FVOCI") or investments measured as financial assets at fair value through profit or loss ("FVPL"), depending on the nature and characteristics of the securities and changes in fair value are recognised in other comprehensive income and profit or loss respectively.

The above changes in accounting policies have been applied retrospectively and the comparative figures are not restated in accordance with the transitional provisions of HKFRS 9. The following table summarises the impact of transition to HKFRS 9 on retained profits and fair value reserve attributable to equity shareholders of the Company at 1 January 2018.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

HKFRS 9, Financial instruments (continued)

	HK$ million
Retained profits	
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL	736
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVOCI which, under the retrospective application of HKFRS 9, would not require impairment assessments on available-for-sale securities in prior years	41
Share of increase in retained profits of associates	56
Total increase in retained profits at 1 January 2018	833
Fair value reserve (recycling)	
Transferred to retained profits relating to financial assets now measured at FVPL	(736)
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at FVOCI	(49)
Total decrease in fair value reserve (recycling) at 1 January 2018	(785)
Fair value reserve (non-recycling)	
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI	49
Recognition of additional fair value reserve (non-recycling) relating to unlisted equity securities classified as available-for-sale securities and measured at cost less impairment losses in prior years, but now designated as financial assets at FVOCI, which is attributable to the Group	77
Transferred from retained profits relating to equity securities now measured at FVOCI which, under the retrospective application of HKFRS 9, would not require impairment assessments on available-for-sale securities in prior years	(41)
Share of increase in fair value reserve (non-recycling) of associates	50
Total increase in fair value reserve (non-recycling) at 1 January 2018	135
Non-controlling interests	
Recognition of additional fair value reserve (non-recycling) relating to unlisted equity securities classified as available-for-sale securities and measured at cost less impairment losses in prior years, but now designated as financial assets at FVOCI, which is attributable to non-controlling interests	2

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

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

HKFRS 9, Financial instruments (continued)

The following table shows the original measurement categories for available-for-sale securities under HKAS 39, *Financial instruments: recognition and measurement* and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9:

Original measurement category	HKAS 39 Carrying amount at 31 December 2017 HK$ million	Reclassification HK$ million	Re-measurement HK$ million	HKFRS 9 Carrying amount at 1 January 2018 HK$ million
Investment in equity securities measured at FVOCI (non-recycling)	–	1,624	79	1,703
Investment in other securities measured at FVPL	–	1,425	–	1,425
Available-for-sale securities	3,049	(3,049)	–	–

The Group elected for the accounting policy choice to continue with the adoption of HKAS 39 on hedge accounting. Impairment based on the expected credit loss model on the Group's rental, instalments and trade receivables have no significant financial impact on the Group's consolidated statement of profit or loss for the current accounting period.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18, *Revenue*, HKAS 11, *Construction contracts* and related interpretations.

The Group has adopted HKFRS 15 using the full retrospective method, and recognised the cumulative effect of applying the standard at the start of the earliest comparative period. Accordingly, the information presented for 2017 has been restated.

Under the requirements of HKFRS 15, revenue from sale of goods and provision of services by the Group will be recognised when the customer obtains control of the promised goods or services in the contract. The Group has assessed that the adoption of HKFRS 15 would be relevant to the recognition of revenue relating to the Group's sale of properties, under which the revenue from the sale of properties held for sale and the gain on disposal of investment properties during the accounting period is recognised in the Group's consolidated statement of profit or loss on the basis that control over the ownership of the property has been passed to the customer during the current accounting period. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Hong Kong and mainland China, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously, the revenue from the sale of properties held for sale and the gain on disposal of investment properties was recognised upon the later of the signing of the sale and purchase agreement and the issue of occupation permit/completion certificate by the relevant government authorities, which was taken to be the point in time when the risks and rewards of ownership of the property had been passed to the customer.

This change in accounting policy has been applied retrospectively by restating the opening balances at 1 January 2017 and 1 January 2018, with consequential adjustments to comparatives for the corresponding year ended 31 December 2017. This has resulted in the following adjustments to certain items in the Group's consolidated statement of profit or loss for the corresponding year ended 31 December 2017, and in the Group's consolidated statements of financial position at 1 January 2017 and 31 December 2017.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

HKFRS 15, Revenue from contracts with customers (continued)

	As previously reported HK$ million	Effect of adoption of HKFRS 15 HK$ million	As restated HK$ million
Consolidated statement of profit or loss for the corresponding year ended 31 December 2017:			
Revenue	24,453	3,507	27,960
Direct costs	(12,726)	(2,618)	(15,344)
Other net income	5,204	(187)	5,017
Selling and marketing expenses	(1,077)	(245)	(1,322)
Share of profits less losses of associates	4,966	(11)	4,955
Income tax	(2,115)	(102)	(2,217)
Reported profit for the year	30,821	344	31,165
Attributable to:			
Equity shareholders of the Company	30,433	376	30,809
Non-controlling interests	388	(32)	356
Underlying profit for the year	20,351	(240)	20,111
Attributable to:			
Equity shareholders of the Company	19,557	(41)	19,516
Non-controlling interests	794	(199)	595
Reported earnings per share – Basic and diluted	HK$6.92(*)		HK$7.00(*)
Underlying earnings per share – Basic and diluted	HK$4.44(*)		HK$4.43(*)

(*) *Based on the weighted average number of 4,401 million ordinary shares during the corresponding year ended 31 December 2017 (see note 13(a)).*

	As previously reported HK$ million	Effect of adoption of HKFRS 15 HK$ million	As restated HK$ million
Consolidated cash flow statement for the corresponding year ended 31 December 2017:			
Adjustment for net gain on disposal of investment properties	(1,211)	187	(1,024)
Adjustment for share of profits less losses of associates	(4,966)	11	(4,955)
Increase in instalments and loans receivable	(2,647)	917	(1,730)
Increase in inventories (other than through acquisitions and transfers of subsidiaries and transfers to/from investment properties)	(3,685)	2,618	(1,067)
Increase in debtors, prepayments and deposits	(2,636)	422	(2,214)
Increase in creditors and accrued expenses	264	(143)	121
Increase/(decrease) in forward sales deposits received	1,303	(3,461)	(2,158)
Proceeds from disposal of investment properties and other property, plant and equipment	3,427	(997)	2,430

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

HKFRS 15, Revenue from contracts with customers (continued)

	As previously reported HK$ million	Effect of adoption of HKFRS 15 HK$ million	As restated HK$ million
Consolidated statement of financial position at 31 December 2017:			
Investment properties	172,673	821	173,494
Interest in associates	59,506	(15)	59,491
Inventories	73,602	617	74,219
Trade and other receivables	19,452	(2,017)	17,435
Trade and other payables	(23,355)	(170)	(23,525)
Tax payable	(1,968)	106	(1,862)
Deferred tax liabilities	(6,607)	(11)	(6,618)
Retained profits	236,838	(551)	236,287
Non-controlling interests	5,487	(118)	5,369
Consolidated statement of financial position at 1 January 2017:			
Investment properties	131,850	10	131,860
Interest in associates	53,936	(3)	53,933
Inventories	75,242	3,234	78,476
Trade and other receivables	10,651	(678)	9,973
Trade and other payables	(21,223)	(3,773)	(24,996)
Tax payable	(1,054)	197	(857)
Retained profits	212,345	(927)	211,418
Non-controlling interests	5,767	(86)	5,681

The Group currently offers different payment schemes to customers, in relation to which the transaction price and the amount of revenue from the sale of property will be adjusted when significant financing component exists in that contract.

The excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting period is recognised as a contract asset (see note 24) under "Trade and other receivables" in the statement of financial position. The excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting period is recognised as a contract liability (see note 27) under "Trade and other payables" in the statement of financial position.

Amendments to HKAS 40, Investment property

The amendments to HKAS 40, *Investment property* requires, inter alia, that an entity shall transfer a property to or from an investment property when, and only when, there is a change in use which shall occur when (i) the property meets or ceases to meet the definition of an investment property; and (ii) there is evidence of the change in use other than a change in the intention of the entity's management over the use of the property. Compliance of such amendments by the Group or any of its subsidiaries does not have any financial impact on the Group's consolidated financial statements for the current accounting period.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. These include the following which may be relevant to the Group:

HKFRS 16, Leases

Under HKFRS 16, a lessee is required to recognise, at the earlier of the inception of a lease or the adoption of HKFRS 16, a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss. Management has initially assessed the impact of the adoption of HKFRS 16, and it is expected that the adoption of HKFRS 16 would result in (i) the retrospective adjustment to the Group's retained profits (after tax) at 1 January 2019 for a cumulative decrease of HK$16 million; (ii) the recognition of right-of-use assets and lease liabilities of HK$952 million and HK$1,012 million respectively in the Group's consolidated statement of financial position at 1 January 2019; and (iii) as illustrative reference, the net excess of the aggregate amount of depreciation charge and finance costs over and above the operating lease payment of HK$6 million (after tax) in the Group's consolidated statement of profit or loss for the financial year ended 31 December 2018.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise those of the Company and its subsidiaries and have equity accounted for the Group's interests in associates and joint ventures.

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

– investments designated as financial assets at FVOCI (see note 2(g));

– investments measured as financial assets at FVPL (see note 2(g));

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

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

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

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

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

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

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(e) Associates and joint arrangements

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

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of:

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

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

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

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

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

(g) Other investments in debt and equity securities

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

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

(A) Policy applicable from 1 January 2018

Investments other than equity investments

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

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

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

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

2 Significant accounting policies (continued)

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

(A) Policy applicable from 1 January 2018 (continued)

Equity investments

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

(B) Policy applicable prior to 1 January 2018

Non-derivative financial assets with fixed or determinable payments and maturity dates, and for which the Group has the positive ability and intention to hold to maturity, are classified as held-to-maturity debt securities. Held-to-maturity debt securities are initially recognised at fair value and at the end of each reporting period, they are measured at amortised cost using the effective interest method less impairment losses (see note 2(n)). Foreign exchange gains and losses resulting from changes in the amortised cost of held-to-maturity debt securities are also recognised in profit or loss.

Investments in securities which do not fall into the above category are classified as available-for-sale securities. At the end of each reporting period the fair value is re-measured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(n)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(x)(vii).

When the investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

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

2 Significant accounting policies (continued)

(i) Cash flow hedges

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

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

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

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

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

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

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

(i) Investment properties and investment properties under development

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

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

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(m)(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(m).

2 Significant accounting policies (continued)

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

(ii) Other property, plant and equipment

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

– other land and buildings;

– leasehold land classified as being held for own use under finance leases; and

– other items of plant and equipment.

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

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

(k) Depreciation

(i) Investment properties and investment properties under development

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

(ii) Hotel properties, leasehold land classified as being held for own use under finance leases and other land and buildings

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

(iii) Other items of plant and equipment

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

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

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

2 Significant accounting policies (continued)

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

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

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

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

(m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if it were held under a finance lease (see note 2(j)(i)); and

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

2 Significant accounting policies (continued)

(m) Leased assets (continued)

(ii) Operating lease charges

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

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

(n) Credit losses and impairment of assets

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

(A) Policy applicable from 1 January 2018

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

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

– contract assets as defined in HKFRS 15 (see note 2(p));

– debt securities measured at FVOCI (recycling);

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

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

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

Measurement of ECLs

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

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

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

(A) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

2 Significant accounting policies (continued)

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

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

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)

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

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulty of the debtor;

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

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

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

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

Write-off policy

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

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

2 Significant accounting policies (continued)

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

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

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulty of the debtor;

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

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(iii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n)(iii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

2 Significant accounting policies (continued)

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

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

(B) Policy applicable prior to 1 January 2018 (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Credit losses from financial guarantees issued

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

(A) Policy applicable from 1 January 2018

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

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

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

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee; and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "Trade and other payables" in respect of the guarantee.

(iii) Impairment of other assets

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

– Other property, plant and equipment;

– goodwill; and

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

2 Significant accounting policies (continued)

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

(iii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iv) Interim financial reporting and impairment

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

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

2 Significant accounting policies (continued)

(o) Inventories

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

(i) *Leasehold land held for development for sale*

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

(ii) *Properties held for/under development for sale*

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

(iii) *Completed properties for sale*

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

(iv) *Retail, catering stocks and trading goods*

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

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

(p) Construction contracts

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

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

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

2 Significant accounting policies (continued)

(p) Construction contracts (continued)

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

(q) Trade and other receivables

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

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

(r) Interest-bearing borrowings

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

(s) Trade and other payables

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

(t) Cash and cash equivalents

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

(u) Employee benefits

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

2 Significant accounting policies (continued)

(v) Income tax

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

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

(v) Income tax (continued)

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

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

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

    – the same taxable entity; or

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

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

2 Significant accounting policies (continued)

(x) Revenue recognition

(i) Sale of properties

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

(ii) Rental income from operating leases

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

(iii) Interest income

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

(iv) Contract revenue

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

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

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

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

Revenue for construction contracts was recognised on a similar basis in the comparative period under HKAS 11, *Construction contracts*.

(v) Hotel operation

Income from hotel operation is recognised when services are provided.

(vi) Department store operation

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

2 Significant accounting policies (continued)

(x) Revenue recognition (continued)

(vii) Dividends

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

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

(y) Translation of foreign currencies

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

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

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

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

(z) Borrowing costs

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

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

2 Significant accounting policies (continued)

(aa) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(ab) Segment reporting

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

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

3 Accounting estimates and judgements

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

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

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

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

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

(b) Write-down of inventories for property development

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

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

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

(c) Impairment of non-current assets

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

(d) Recognition of deferred tax assets

At 31 December 2018, the Group has recognised deferred tax assets mainly in relation to the unused tax losses as set out in note 10(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised, in which case a partial reversal of deferred tax assets may arise and which amount will be recognised in profit or loss for the period in which such a reversal takes place.

4 Financial risk management and fair values of financial instruments

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

(a) Credit risk

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

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

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

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Except for the financial guarantees given by the Group as disclosed in note 37 to these financial statements, the Group does not provide any other guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 24 to these financial statements.

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

(b) Liquidity risk

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

Given the amount due to a fellow subsidiary (see note 30) classified as a non-current liability, amounts due to associates and certain amounts due to joint ventures (see note 27) have no fixed terms of repayment, it is not practical to disclose their remaining contractual maturities at the end of the reporting period. Except for these, the following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2018 Contractual undiscounted cash outflow						2017 *(restated)* Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount *(restated)* HK$ million
Bank loans	29,917	15,868	19,601	13,284	78,670	72,455	24,536	16,433	26,546	4,221	71,736	69,177
Guaranteed notes	5,657	1,737	3,433	4,177	15,004	13,075	1,618	5,524	1,576	2,304	11,022	9,373
Creditors and accrued expenses (2017 – restated)	6,217	–	–	–	6,217	6,217	7,538	–	–	–	7,538	7,538
Rental and other deposits	657	490	440	43	1,630	1,630	618	468	418	38	1,542	1,542
Amount due to a joint venture	939	–	–	–	939	919	252	–	–	–	252	244
	43,387	18,095	23,474	17,504	102,460	94,296	34,562	22,425	28,540	6,563	92,090	87,874

	2018 Contractual undiscounted cash inflow/(outflow)					2017 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Derivative settled net:										
Interest rate swap contracts held as cash flow hedging instruments	–	–	–	–	–	(71)	(71)	(200)	(113)	(455)
Other interest rate swap contracts	(63)	(55)	(99)	13	(204)	(117)	(96)	(113)	88	(238)
Derivative settled gross:										
Cross currency interest rate swap contracts held as cash flow hedging instruments:										
– outflow	(6,436)	(17)	(188)	(87)	(6,728)	(1,611)	(6,422)	(197)	(91)	(8,321)
– inflow	6,215	19	192	90	6,516	1,547	6,221	202	94	8,064
Other cross currency interest rate swap contracts:										
– outflow	(95)	(96)	(1,220)	(2,396)	(3,807)	(3)	(3)	(10)	(171)	(187)
– inflow	33	33	995	2,291	3,352	1	1	3	149	154

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

(c) Foreign currency risk

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

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

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars, Renminbi and other currencies, and at 31 December 2017, investments in certain available-for-sale securities and held-to-maturity debt securities which were denominated in United States dollars and Renminbi, and all of which were not hedged at 31 December 2018 and 31 December 2017. At 31 December 2018, cash deposits denominated in United States dollars amounted to US$62 million (2017: US$900 million), and at 31 December 2017, certain available-for-sale securities and held-to-maturity debt securities denominated in United States dollars amounted to US$251 million. The Group does not expect that there will be any significant currency risk associated with the aforementioned cash deposits and investments in certain available-for-sale securities and held-to-maturity debt securities denominated in United States dollars given that the Hong Kong dollar is pegged to the United States dollar. For cash deposits denominated in other currencies, since the balances are insignificant, the Group considers the exposure to foreign currency risk to be low.

(i) Hedging

Fixed-to-floating USD and floating-to-fixed cross currency (USD-HKD) interest rate swap contracts and fixed-to-fixed cross currency (USD-HKD) interest rate swap contracts have been entered into with certain counterparty banks in order to convert the principal and interest amounts of the guaranteed notes denominated in United States dollars ("US$") (see note 29) into Hong Kong dollars. Fixed-to-floating cross currency (GBP-USD) and floating-to-fixed cross currency (USD-HKD) interest rate swap contracts have been entered into with counterparty banks in order to convert the principal and interest amounts of guaranteed notes denominated in Pound Sterling ("£") (see note 29) into Hong Kong dollars. Fixed-to-fixed cross currency (SGD-HKD) interest rate swap contracts have been entered into with counterparty banks in order to convert the principal and interest amounts of guaranteed notes denominated in Singapore dollars ("S$") into Hong Kong dollars, but which had matured following the full repayment by the Group of the guaranteed notes denominated in Singapore dollars during the year ended 31 December 2018. By entering into the above swap contracts, the Group hedges against the foreign currency risk which may arise during the periods (i) between the issuance date and the maturity date in respect of the entire amount of each tranche of the guaranteed notes due 2019-2022 denominated in United States dollars and Pound Sterling with aggregate principal amounts of US$119 million (2017: US$119 million) and £50 million (2017: £50 million) (see note 29(a)) at 31 December 2018; (ii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes due 2019 denominated in United States dollars with aggregate principal amount of US$500 million (2017: US$500 million) (see note 29(b)) at 31 December 2018; and (iii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes issued pursuant to the Medium Term Note Programme established by the Group on 30 August 2011 denominated in United States dollars with aggregate principal amount of US$10 million (2017: US$10 million and S$200 million) (see note 29(c)) at 31 December 2018.

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

(c) Foreign currency risk (continued)

(i) Hedging (continued)

Given the involvement of different derivatives in the hedging relationships (see the paragraph above), the following tables summarise and demonstrate the profile of the Group's hedging instruments at 31 December 2018.

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

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

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

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

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

(c) Foreign currency risk (continued)

(i) Hedging (continued)

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

	Weighted average exchange rate	Weighted average fixed interest rate receivable/ (pay) leg	Weighted average floating interest rate receivable/ (pay) leg	Notional amount
Fixed-to-fixed cross currency (USD-HKD) interest rate swap contracts				
Maturity profile:				
Within 1 year	**7.7505**	**5.5000%/ (4.9690%)**	**Not applicable**	**US$500,000,000**
After 5 years	**7.7800**	**5.2000%/ (4.4500%)**	**Not applicable**	**US$10,000,000**

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

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

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

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

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

(c) Foreign currency risk (continued)

(i) *Hedging (continued)*

Furthermore, cross currency swap contracts have been entered into with certain counterparty banks in respect of guaranteed note and bank loans denominated in Japanese Yen ("¥") in the aggregate principal amount of ¥32,000 million and bank loans denominated in Australian dollars ("AUD") in the aggregate principal amount of AUD173 million at 31 December 2018 (2017: guaranteed note denominated in Japanese Yen in the principal amount of ¥2,000 million) (see note 20(c)). The Group does not apply hedge accounting in relation to the abovementioned guaranteed notes and bank loans. Therefore, the cross currency swap contracts were used as economic hedge of these guaranteed notes and bank loans.

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

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

(ii) *Sensitivity analysis*

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (2017: 5%) at 31 December 2018 and the changes had been applied to each of the Group entities' exposure to foreign currency risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would increase/decrease by HK$19 million (2017: HK$51 million).

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2017.

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

(d) Interest rate risk

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

(i) Hedging

At 31 December 2018, interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk which may arise during the periods between the drawdown dates and the repayment dates in respect of certain bank borrowings which bear floating interest rates denominated in Hong Kong dollars in the aggregate principal amount of HK$11,450 million (2017: HK$11,450 million) (see notes 20(a) and 20(b)) at 31 December 2018.

The interest rate swap contracts mature over the next seven years matching the maturity of the underlying bank borrowings denominated in Hong Kong dollars (see note 20(b)) and have fixed interest rates ranging from 3.16% to 5.10% per annum.

At 31 December 2018, the Group does not apply hedge accounting in relation to the abovementioned bank borrowings which bear floating interest rates denominated in Hong Kong dollars in the aggregate principal amount of HK$11,450 million (2017: HK$7,600 million). Furthermore, at 31 December 2018, interest rate swap contracts have been entered into with certain counterparty banks in respect of certain guaranteed notes denominated in Hong Kong dollars in the aggregate principal amount of HK$5,599 million (2017: HK$1,200 million), and for which the Group does not apply hedge accounting. Therefore, the interest rate swap contracts were used as economic hedge of these bank borrowings and guaranteed notes.

(ii) Interest rate profile

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

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

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

(d) Interest rate risk (continued)

(ii) Interest rate profile (continued)

	2017		
	Fixed/ floating	Effective interest rate per annum	Amount HK$ million
Bank loans	Floating	0.98%-3.10%	58,587
Bank loans	Fixed	3.30%-4.40%	10,590
Guaranteed notes	Floating	2.24%-2.38%	1,338
Guaranteed notes	Fixed	4.03%-5.74%	8,035
Amount due to a fellow subsidiary	Floating	1.06%	1,754

(iii) Sensitivity analysis

Assuming that the interest rates had generally increased/decreased by not more than 100 basis points (2017: 100 basis points) at 31 December 2018 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$187 million (2017: HK$256 million).

The sensitivity analysis above assumes the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2017.

(e) Price risk

The Group is exposed to risks arising from price and fair value changes in relation to investments designated as financial assets at FVOCI (non-recycling) and investments measured as financial assets at FVPL (see note 21).

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

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

(e) Price risk (continued)

At 31 December 2017, assuming that the market value of the Group's listed available-for-sale securities had increased/decreased by not more than 10%, with all other variables held constant, the total equity attributable to equity shareholders of the Company would increase/decrease by HK$302 million. Any increase or decrease in the market value of the Group's listed available-for-sale securities would not affect the Group's profit after tax unless they are impaired.

The sensitivity analysis above assumes that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the end of the reporting period. It is also assumed that the fair value of the Group's financial investments would change in accordance with the historical correlation with the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2017.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

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

(f) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	Fair value at 31 December 2018	Fair value measurements at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	HK$ million	HK$ million	HK$ million	HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 21)	**118**	**–**	**–**	**118**
– Listed (note 21)	**109**	**109**	**–**	**–**
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 21)	**1,384**	**1,384**	**–**	**–**
Financial assets measured at FVPL (note 24)	**190**	**–**	**–**	**190**
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 20)	**66**	**–**	**66**	**–**
– Interest rate swap contracts (note 20)	**23**	**–**	**23**	**–**
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 20)	**398**	**–**	**398**	**–**
– Interest rate swap contracts (note 20)	**273**	**–**	**273**	**–**

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

(f) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	Fair value at 31 December 2017	Fair value measurements at 31 December 2017 categorised into	
		Level 1	Level 2
	HK$ million	HK$ million	HK$ million
Recurring fair value measurement			
Financial assets:			
Available-for-sale securities:			
– Listed (note 21)	3,021	3,021	–
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 20)	111	–	111
– Other derivatives (note 20)	67	67	–
Financial liabilities:			
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 20)	400	–	400
– Interest rate swap contracts (note 20)	428	–	428

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2 (2017: Nil), for the reason that the investment in certain unlisted equity securities stated at cost less impairment losses at 31 December 2017 was measured at fair value at 1 January 2018 by reference to the valuation techniques as referred to below. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

(f) Fair value measurement (continued)

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

Valuation techniques and inputs used in Level 3 fair value measurements

Information about Level 3 fair value measurement

Category of financial asset	Valuation technique	Significant unobservable inputs	Discount percentage
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	30% (2017: Not applicable)

The fair value of certain unlisted equity instruments is determined using market approach of comparable companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. At 31 December 2018, it is estimated that with all other variables held constant, a decrease/an increase in the discount for lack of marketability by 10% would have increased/decreased the Group's other comprehensive income by HK$10 million (2017: Nil).

The movement during the year ended 31 December 2018 in the balance of Level 3 fair value measurements is as follows:

	2018 HK$ million
Unlisted equity securities	
At 1 January:	
At cost (note 21)	**28**
Fair value gain upon designation as financial assets at FVOCI	
– Attributable to the Group (note 2(b))	**77**
– Attributable to non-controlling interests (note 2(b))	**2**
Net unrealised gains recognised in other comprehensive income during the year	**11**
At 31 December (note 21)	**118**

From 1 January 2018, any gains or losses arising from the re-measurement of the Group's unlisted equity securities held for strategic purpose are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in the fair value reserve (non-recycling) is transferred directly to retained profits. Prior to 1 January 2018, any gains arising from the disposal of the unlisted equity securities were recognised under "Other net income" in the consolidated statement of profit or loss.

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

(f) Fair value measurement (continued)

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

The carrying amounts of the Group's financial instruments measured at cost or amortised cost are not materially different from their fair values at 31 December 2018 and 2017 except as follows:

– Certain amounts due from associates and joint ventures, amounts due to associates and certain amounts due to joint ventures

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

– Held-to-maturity debt securities

At 31 December 2017, held-to-maturity debt securities of HK$485 million (see note 21) with fair value of HK$508 million (see note 21) were recognised at amortised cost less impairment losses at the end of the reporting period.

5 Revenue

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

The major items are analysed as follows:

	2018 **HK$ million**	2017 *(restated)* HK$ million
Sale of properties (2017 – restated)	**13,335**	20,029
Rental income	**6,020**	5,678
Department store operation (note)	**1,496**	834
Other businesses	**1,131**	1,419
Total (note 14(b))	**21,982**	27,960

Note: Including commission income earned from consignment and concessionary counters of the department store operation in the aggregate amount of HK$486 million for the year (2017: HK$417 million).

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

6 Other net income

	2018 HK$ million	2017 *(restated)* HK$ million
Net gain on transfers of subsidiaries regarding (note (i)) (note 34(b))		
– Investment properties (note (i)(a))	**846**	159
– Properties held for development (note (i)(b))	**598**	1,490
– Hotel properties (note (i)(c))	**–**	2,188
	1,444	3,837
Net gain on disposal of investment properties (2017 – restated) (note 14(a)(iv))	**234**	1,024
	1,678	4,861
Net gain on winding-up of subsidiaries	**–**	33
Net fair value loss on investments measured as financial assets at FVPL	**(93)**	–
Net fair value gain/(loss) on derivative financial instruments:		
– Interest rate swap contracts and cross currency swap contracts	**91**	21
– Other derivatives	**13**	(35)
Cash flow hedges: reclassified from hedging reserve to profit or loss (note (ii))	**(519)**	(371)
Net gain on disposal of available-for-sale securities	**–**	336
Reversal of impairment loss on trade debtors, net (notes 14(c) and 24(b))	**25**	2
(Provision)/reversal of provision on inventories, net	**(90)**	25
Net foreign exchange gain (note 7(d))	**89**	79
Others	**326**	66
	1,520	5,017

Notes:

(i) The net gain on transfers of subsidiaries includes:

(a) a gain of HK$846 million in relation to the transfer of subsidiaries which own an investment property at No. 18 King Wah Road, North Point, Hong Kong during the year ended 31 December 2018 (2017: a gain of HK$160 million in relation to the transfer of subsidiaries which own Beijing Henderson Centre, Beijing, mainland China and a loss of HK$1 million in relation to the transfer of subsidiaries which altogether own certain commercial shops at Fairview Height, Mid-levels, Hong Kong);

(b) a net gain of HK$598 million in relation to the transfer by the Group of the entire issued shares of the Group's two wholly-owned subsidiaries to a joint venture in which the Group has a 50% interest (2017: a gain of HK$1,146 million in relation to the transfer of subsidiaries which own a land site in Fangcun, Guangzhou, mainland China and a gain of HK$344 million in relation to the transfer of subsidiaries which altogether own certain property development projects located in Anshan, Dalian, Guangzhou, Tieling and Shenyang, mainland China); and

(c) a gain of HK$697 million in relation to the transfer of subsidiaries which own the property occupied by Newton Inn, North Point to a deemed connected person and a gain of HK$1,491 million in relation to the transfer of a subsidiary which owns the property occupied by Newton Place Hotel, Kwun Tong during the year ended 31 December 2017.

(ii) The amount comprises (1) the net cumulative loss (before tax) of HK$519 million which was reclassified from equity to profit or loss upon the revocation of the hedge relationship between certain bank loans of the Company's wholly-owned subsidiaries (as hedged items) and their underlying interest rate swap contracts (as hedging instruments) during the year ended 31 December 2018 (2017: the net cumulative loss (before tax) of HK$351 million which was reclassified from equity to profit or loss upon the revocation of the hedge relationship between certain bank loans of the Company's wholly-owned subsidiaries (as hedged items) and their underlying interest rate swap contracts (as hedging instruments)); and (2) other reclassification from equity to profit or loss of HK$Nil (2017: HK$20 million).

7 Profit before taxation

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

		2018 HK$ million	2017 HK$ million
(a)	**Finance costs:**		
	Bank loans interest	**1,320**	841
	Interest on loans wholly repayable within five years	**620**	511
	Interest on loans repayable after five years	**94**	22
	Other borrowing costs	**144**	160
		2,178	1,534
	Less: Amount capitalised (note)	**(1,368)**	(697)
	Finance costs	**810**	837

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans, guaranteed notes and amount due to a fellow subsidiary during the period under which interest capitalisation is applicable) ranging from 2.08% to 4.35% (2017: 2.18% to 4.91%) per annum.

		2018 HK$ million	2017 HK$ million
(b)	**Directors' emoluments**	**183**	177

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

		2018 HK$ million	2017 HK$ million
(c)	**Staff costs (other than directors' emoluments):**		
	Salaries, wages and other benefits	**2,164**	2,048
	Contributions to defined contribution retirement plans	**92**	87
		2,256	2,135

7 Profit before taxation (continued)

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

		2018 HK$ million	2017 (restated) HK$ million
(d)	**Other items:**		
	Net foreign exchange (gain)/loss	**(32)**	416
	Cash flow hedges: net foreign exchange gain reclassified from equity	**(57)**	(495)
		(89)	(79)
	Cost of sales		
	– properties for sale (2017 – restated)	**6,935**	12,955
	– trading stocks	**718**	281
	Auditors' remuneration		
	– audit services	**20**	18
	– non-audit services	**16**	11
	Depreciation (notes 14(c) and 15(a))	**68**	94
	Operating lease charges: minimum lease payments in respect of leasing of building facilities	**351**	235
	Rentals receivable from investment properties less direct outgoings of HK$1,494 million (2017: HK$1,378 million) (note (i))	**(4,349)**	(4,140)
	Dividend income from investments designated as financial assets at FVOCI and investments measured as financial assets at FVPL (2017: investments in available-for-sale securities) (note (ii))		
	– listed	**(101)**	(206)
	– unlisted	**(16)**	(8)

Notes:

(i) The rental income from investment properties included contingent rental income of HK$38 million (2017: HK$32 million).

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

8 Directors' emoluments

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

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

8 Directors' emoluments (continued)

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

	2017				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Shau Kee	160	22,303	–	–	22,463
Dr Lee Ka Kit	160	18,837	600	18	19,615
Dr Lam Ko Yin, Colin	160	9,837	20,854	589	31,440
Lee Ka Shing	160	13,120	3,374	719	17,373
Yip Ying Chee, John	125	9,011	14,630	538	24,304
Suen Kwok Lam	125	7,090	7,740	418	15,373
Fung Lee Woon King	125	4,999	4,820	298	10,242
Lau Yum Chuen, Eddie	125	19	–	–	144
Kwok Ping Ho	225	4,865	1,420	290	6,800
Wong Ho Ming, Augustine	125	9,629	14,700	576	25,030
Non-executive Directors					
Lee Pui Ling, Angelina	175	150	–	–	325
Lee Tat Man	160	–	–	–	160
Independent Non-executive Directors					
Kwong Che Keung, Gordon	260	690	–	–	950
Professor Ko Ping Keung	260	590	–	–	850
Wu King Cheong	260	590	–	–	850
Leung Hay Man	310	690	–	–	1,000
Woo Ka Biu, Jackson	225	–	–	–	225
Professor Poon Chung Kwong	225	100	–	–	325
Total for the year ended 31 December 2017	3,365	102,520	68,138	3,446	177,469

8 Directors' emoluments (continued)

During the years ended 31 December 2018 and 2017:

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

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

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities for disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2017: None).

During the year ended 31 December 2018 and at 31 December 2018, save as disclosed in note 38, there was no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company and his/her connected entities had a material interest, subsisted at the end of the reporting period or at any time during the year for disclosure pursuant to section 383 (1)(e) of the Hong Kong Companies Ordinance (Cap. 622) and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2017: None).

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

9 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, all (2017: all) of them are directors whose emoluments are disclosed in note 8.

(b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 8 and 9(a) respectively, the emoluments of the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the Company's annual report for the year ended 31 December 2018 (of which these financial statements form a part) fell within the following bands:

	2018 Number of individuals	2017 Number of individuals
Emolument band (HK$) (note)		
$3,000,001 to $4,000,000	**1**	1
$4,000,001 to $5,000,000	**2**	3
$5,000,001 to $6,000,000	**2**	3
$6,000,001 to $7,000,000	**3**	2
$7,000,001 to $8,000,000	**1**	–
$8,000,001 to $9,000,000	**–**	1
$9,000,001 to $10,000,000	**1**	–
$10,000,001 to $11,000,000	**–**	3
$11,000,001 to $12,000,000	**3**	1
$12,000,001 to $13,000,000	**1**	1
$13,000,001 to $14,000,000	**2**	2
$14,000,001 to $15,000,000	**2**	1
	18	18

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

10 Income tax

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

	2018 **HK$ million**	2017 *(restated)* HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year (2017 – restated)	**570**	1,028
Under/(over)-provision in respect of prior years	**98**	(2)
	668	1,026
Current tax – Provision for taxation outside Hong Kong		
Provision for the year	**726**	1,166
Under/(over)-provision in respect of prior years	**8**	(43)
	734	1,123
Current tax – Provision for Land Appreciation Tax		
Provision for the year	**627**	389
Under-provision in respect of prior years	**–**	5
	627	394
Deferred tax		
Origination and reversal of temporary differences (2017 – restated)	**94**	(326)
	94	(326)
	2,123	2,217

Provision for Hong Kong Profits Tax has been made at 16.5% (2017: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2017/18 subject to a ceiling of HK$30,000 (2016/17: HK$20,000) for each business allowed by the Hong Kong Special Administrative Region Government.

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

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

10 Income tax (continued)

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

	2018 **HK$ million**	2017 *(restated)* HK$ million
Profit before taxation (2017 – restated)	**33,495**	33,382
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (2017 – restated)	**5,758**	6,083
Tax effect of share of profits less losses of associates and joint ventures (2017 – restated)	**(2,124)**	(1,596)
Tax effect of non-deductible expenses	**140**	192
Tax effect of non-taxable revenue	**(2,312)**	(2,295)
Tax effect of temporary differences recognised in prior years now derecognised	**–**	(576)
Tax effect of current year's tax losses not recognised	**248**	349
Tax effect of prior years' tax losses utilised	**(24)**	(82)
Tax effect of unused tax losses not recognised in prior years now recognised	**(128)**	(115)
Tax indemnity received	**–**	(1)
One-off rebate of Hong Kong Profits Tax	**(2)**	(2)
Land Appreciation Tax	**471**	296
Withholding tax	**7**	5
Under/(over)-provision in respect of prior years, net	**89**	(41)
Actual tax expense (2017 – restated)	**2,123**	2,217

10 Income tax (continued)

(c) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation HK$ million	Revaluation of properties HK$ million	Elimination and capitalisation of expenses HK$ million	Fair value adjustment on business combination HK$ million	Consideration receivable on disposal of toll fee collection right of toll bridges HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
At 1 January 2017	1,599	3,358	493	1,088	6	(305)	(34)	6,205
Exchange adjustments	30	228	1	6	–	–	–	265
(Credited)/charged to profit or loss (restated)	(64)	51(*)	(195)	(64)	(6)	5	(53)	(326)
Charged to reserves (note 12(a))	–	–	–	–	–	–	31	31
Acquisitions of subsidiaries (note 34(a))	–	–	5	–	–	–	–	5
Transfers of subsidiaries (note 34(b))	(55)	–	(1)	–	–	56	–	–
Other reclassifications	–	–	14	–	–	–	–	14
At 31 December 2017 (restated)	1,510	3,637	317	1,030	–	(244)	(56)	6,194
At 1 January 2018 (restated)	**1,510**	**3,637**	**317**	**1,030**	**–**	**(244)**	**(56)**	**6,194**
Exchange adjustments	**(23)**	**(174)**	**(1)**	**(5)**	**–**	**–**	**–**	**(203)**
Charged/(credited) to profit or loss	**192**	**200**	**(86)**	**–**	**–**	**(131)**	**(81)**	**94**
Charged to reserves (note 12(a))	**–**	**–**	**–**	**–**	**–**	**–**	**84**	**84**
Acquisitions of subsidiaries (note 34(a))	**–**	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**
At 31 December 2018	**1,679**	**3,663**	**230**	**1,025**	**–**	**(383)**	**(53)**	**6,161**

(*) *Represented the net deferred tax charged to profit or loss for the year ended 31 December 2017, comprising the deferred tax charge of HK$238 million on changes in fair value of investment properties and investment properties under development for the year ended 31 December 2017 (see note 13(b)) less the deferred tax credit of HK$187 million due to the reversal of deferred tax liabilities arising mainly from the transfer of subsidiaries which own Beijing Henderson Centre, an investment property in mainland China, during the year ended 31 December 2017.*

	2018 HK$ million	2017 *(restated)* HK$ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(641)**	(424)
Net deferred tax liabilities recognised in the consolidated statement of financial position (2017 – restated)	**6,802**	6,618
	6,161	6,194

10 Income tax (continued)

(d) Deferred tax assets not recognised:

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

	2018		2017	
	Deductible temporary differences/ unused tax losses HK$ million	**Deferred tax assets not recognised HK$ million**	Deductible temporary differences/ unused tax losses HK$ million	Deferred tax assets not recognised HK$ million
Deductible temporary differences	**4**	**1**	4	1
Future benefits of tax losses				
Hong Kong (note (i))				
– Assessed by the Inland Revenue Department	**2,830**	**467**	2,702	446
– Not yet assessed by the Inland Revenue Department	**8,327**	**1,375**	7,884	1,300
Outside Hong Kong (note (ii))	**287**	**76**	318	80
	11,444	**1,918**	10,904	1,826
	11,448	**1,919**	10,908	1,827

Notes:

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

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

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

11 Dividends

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

	2018 HK$ million	2017 HK$ million
Interim dividend declared and paid of HK$0.50 (2017: HK$0.48) per share	**2,201**	1,921
Final dividend proposed after the end of the reporting period of HK$1.30 (2017: HK$1.23) per share	**5,722**	4,921
	7,923	6,842

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

11 Dividends (continued)

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

	2018 HK$ million	2017 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$1.23 (2017: HK$1.13) per share	**4,921**	4,110

12 Other comprehensive income

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

	2018			2017		
	Pre-tax amount HK$ million	**Tax expense HK$ million**	**Net-of-tax amount HK$ million**	Pre-tax amount HK$ million	Tax expense HK$ million	Net-of-tax amount HK$ million
Exchange differences: net movement in the exchange reserve	**(2,484)**	**–**	**(2,484)**	3,221	–	3,221
Cash flow hedges: net movement in the hedging reserve	**506**	**(84)**	**422**	187	(31)	156
Investments in equity securities designated as financial assets at FVOCI: net movement in the fair value reserve (non-recycling)	**36**	**–**	**36**	–	–	–
Available-for-sale securities: net movement in the fair value reserve (recycling)	**–**	**–**	**–**	245	–	245
Share of other comprehensive income of associates and joint ventures	**(1,609)**	**–**	**(1,609)**	1,577	–	1,577
Other comprehensive income for the year	**(3,551)**	**(84)**	**(3,635)**	5,230	(31)	5,199
		(note 10(c))			(note 10(c))	

12 Other comprehensive income (continued)

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

	2018 HK$ million	2017 HK$ million
Exchange differences:		
– translation of financial statements of foreign entities	**(2,484)**	3,484
– reclassification adjustments for amounts transferred to profit or loss on transfers of subsidiaries (see note 34(b))	**–**	(238)
– reclassification adjustments for amounts transferred to profit or loss on winding-up of subsidiaries	**–**	(25)
Net movement in the exchange reserve during the year recognised in other comprehensive income	**(2,484)**	3,221
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year	**44**	332
– reclassification adjustments for amounts transferred to profit or loss	**462**	(145)
– net deferred tax charged to other comprehensive income	**(84)**	(31)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**422**	156
Investments in equity securities designated as financial assets at FVOCI:		
– changes in fair value recognised during the year	**36**	–
Net movement in the fair value reserve (non-recycling) during the year recognised in other comprehensive income	**36**	–
Available-for-sale securities:		
– changes in fair value recognised during the year	**–**	500
– reclassification adjustments for amounts transferred to profit or loss on disposal	**–**	(256)
– reclassification adjustments for amounts transferred to profit or loss on impairment	**–**	1
Net movement in the fair value reserve (recycling) during the year recognised in other comprehensive income	**–**	245

12 Other comprehensive income (continued)

(c) For each component of equity

	Attributable to equity shareholders of the Company									
	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total other comprehensive income HK$ million
2017										
Exchange differences:										
– translation of financial statements of foreign entities	–	3,472	–	–	–	–	–	3,472	12	3,484
– reclassification adjustments for amounts transferred to profit or loss on transfers of subsidiaries	–	(238)	–	–	–	–	–	(238)	–	(238)
– reclassification adjustments for amounts transferred to profit or loss on winding-up of subsidiaries	–	(18)	–	–	–	–	–	(18)	(7)	(25)
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	277	–	–	277	–	277
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	(121)	–	–	(121)	–	(121)
Available-for-sale securities:										
– changes in fair value	–	–	500	–	–	–	–	500	–	500
– reclassification adjustments for amounts transferred to profit or loss on disposal	–	–	(256)	–	–	–	–	(256)	–	(256)
– reclassification adjustments for amounts transferred to profit or loss on impairment	–	–	1	–	–	–	–	1	–	1
Share of other comprehensive income of associates and joint ventures	–	1,625	(45)	–	(56)	–	53	1,577	–	1,577
Other comprehensive income for the year	–	4,841	200	–	100	–	53	5,194	5	5,199
2018										
Exchange differences:										
– translation of financial statements of foreign entities	–	(2,476)	–	–	–	–	–	(2,476)	(8)	(2,484)
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	36	–	–	36	–	36
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	386	–	–	386	–	386
Investments in equity securities designated as financial assets at FVOCI:										
– changes in fair value	–	–	–	39	–	–	–	39	(3)	36
Share of other comprehensive income of associates and joint ventures	–	(1,513)	(2)	(36)	(27)	–	(31)	(1,609)	–	(1,609)
Other comprehensive income for the year	–	(3,989)	(2)	3	395	–	(31)	(3,624)	(11)	(3,635)

13 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$31,157 million (2017 (restated): HK$30,809 million) and the weighted average number of 4,401 million ordinary shares in issue during the year (2017: 4,401 million ordinary shares*), calculated as follows:

	2018 million	2017 million
Number of issued ordinary shares at 1 January	**4,001**	3,637
Weighted average number of ordinary shares issued in respect of the bonus issue in 2017	**–**	364
Weighted average number of ordinary shares issued in respect of the bonus issue in 2018	**400**	400
Weighted average number of ordinary shares for the year (2017: as adjusted)	**4,401**	4,401

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2017 as there were no dilutive potential ordinary shares in existence during both years.

* *Adjusted for the bonus issue effected in 2018.*

13 Earnings per share (continued)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the profit attributable to equity shareholders of the Company after excluding the effects of changes in fair value of investment properties and investment properties under development ("Underlying Profit") of HK$19,765 million (2017 (restated): HK$19,516 million). A reconciliation of profit is as follows:

	2018 **HK$ million**	2017 *(restated)* HK$ million
Profit attributable to equity shareholders of the Company (2017 – restated)	**31,157**	30,809
Changes in fair value of investment properties and investment properties under development during the year (notes 15(a) and 15(c))	**(10,465)**	(9,911)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development during the year (note 15(c))	**200**	238
Share of changes in fair value of investment properties (net of deferred tax) during the year:		
– associates (note 15(c))	**(1,267)**	(950)
– joint ventures (note 15(c))	**(5,296)**	(2,929)
Cumulative fair value change of investment properties and investment properties under development disposed of during the year, net of tax (note):		
– subsidiaries (2017 – restated)	**5,704**	2,438
– associates and joint ventures	**–**	28
Effect of share of non-controlling interests (2017 – restated)	**(268)**	(207)
Underlying Profit (2017 – restated)	**19,765**	19,516
Underlying earnings per share, based on the weighted average number of ordinary shares for the year (note 13(a)) (2017 – restated)	**HK$4.49**	HK$4.43*

* *Adjusted for the bonus issue effected in 2018.*

Note: *In order to fully exclude the aforesaid effects of changes in fair value from the Underlying Profit, the Group's attributable share of the cumulative fair value change (net of tax) of investment properties and investment properties under development disposed of during the year (which has been included in calculating the net gain on disposal of investment properties and investment properties under development and hence the profit attributable to equity shareholders of the Company during the year) of HK$5,423 million (2017 (restated): HK$2,208 million) was added back in arriving at the Underlying Profit.*

14 Segment reporting

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

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

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

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

14 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below:

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

14 Segment reporting (continued)

(a) Results of reportable segments (continued)

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

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

14 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue (note (i)) HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the year ended 31 December 2017 (restated)										
Property development										
Hong Kong (restated)	13,062	4,017	392	129	13,454	4,146	(735)	(243)	12,719	3,903
Mainland China	6,967	1,442	3,442	1,097	10,409	2,539	–	(2)	10,409	2,537
	20,029	5,459	3,834	1,226	23,863	6,685	(735)	(245)	23,128	6,440
Property leasing										
Hong Kong	3,979	2,955	2,776	2,353	6,755	5,308	(9)	(3)	6,746	5,305
Mainland China	1,699	1,332	14	12	1,713	1,344	–	–	1,713	1,344
	(note (ii)) 5,678	4,287	2,790	2,365	8,468	6,652	(9)	(3)	8,459	6,649
Department store operation	834	265		–		265		(27)		238
Other businesses	1,419	1,004		462		1,466		–		1,466
	27,960	11,015		4,053		15,068		(275)		14,793
Utility and energy	–	–		3,782		3,782		–		3,782
	27,960	11,015		7,835		18,850		(275)		18,575
Reversal of provision/(provision) on inventories, net		25		(1)		24		–		24
Sales of property interests (restated)(note (iv))		(note 6) 4,861		15		4,876		(58)		4,818
Unallocated head office and corporate expenses, net		(note (iii))(1,559)		(239)		(1,798)		(7)		(1,805)
Profit from operations (restated)		14,342		7,610		21,952		(340)		21,612
Increase in fair value of investment properties and investment properties under development		9,911		3,893		13,804		(51)		13,753
Finance costs		(837)		(662)		(1,499)		12		(1,487)
Bank interest income		633		121		754		(5)		749
Net finance costs		(204)		(541)		(745)		7		(738)
Profit before taxation (restated)		24,049		10,962		35,011		(384)		34,627
Income tax (restated)		(2,217)		(1,629)		(3,846)		28		(3,818)
Profit for the year (restated)		21,832		9,333		31,165		(356)		30,809

14 Segment reporting (continued)

(a) Results of reportable segments (continued)

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

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Subtotal HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2017 (restated)						
Share of profits less losses of associates (note (v))						
– Listed associates						
The Hong Kong and China Gas Company Limited	–	744	(271)	473	2,942	3,415
Miramar Hotel and Investment Company, Limited	–	639	60	699	–	699
Hong Kong Ferry (Holdings) Company Limited	23 (restated)	39	38	100	–	100
– Unlisted associates	547	140	54	741	–	741
	570	1,562	(119)	2,013	2,942	4,955
Share of profits less losses of joint ventures (note (vi))	111	4,112	155	4,378	–	4,378
	681	5,674	36	6,391	2,942	9,333

Notes:

(i) *The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$321 million (2017: HK$315 million) and HK$2,882 million (2017: HK$1,206 million) in relation to the reportable segments under property leasing and others, respectively.*

(ii) *Revenue for the property leasing segment comprises rental income of HK$5,432 million (2017: HK$5,125 million) and rental-related income of HK$588 million (2017: HK$553 million), which in aggregate amounted to HK$6,020 million for the year (2017: HK$5,678 million).*

(iii) *Unallocated head office and corporate expenses, net of HK$1,414 million for the year (2017: HK$1,559 million) is stated after taking into account the net fair value gain on interest rate swap contracts and cross currency swap contracts during the year of HK$91 million (2017: HK$21 million)(see note 6), and the loss of HK$519 million arising from the reclassification from hedging reserve to profit or loss upon the revocation of the hedge relationship between certain of the Group's bank loans and their underlying interest rate swap contracts during the year (2017: the loss of HK$371 million arising from the reclassification from hedging reserve to profit or loss upon the revocation of the hedge relationship between certain of the Group's bank loans and their underlying interest rate swap contracts during the year and other reclassification) (see note 6). Excluding the aforementioned gains/(losses), the Group's unallocated head office and corporate expenses, net for the year amounted to HK$986 million (2017: HK$1,209 million).*

(iv) *Included in the aggregate gain from the sales of property interests is an amount of HK$1,080 million (2017 (restated): HK$1,198 million) representing the aggregate amount of the Group's (1) net gain on transfers of subsidiaries holding investment properties of HK$846 million (2017: HK$159 million) (see note 6); (2) net gain on disposal of investment properties of HK$234 million (2017 (restated): HK$1,024 million) (see note 6) (before deducting the amount of net gain attributable to non-controlling interests); and (3) attributable share of gain on disposal of investment properties by an associate of HK$Nil (2017: HK$15 million). After deducting the amount of net gain attributable to non-controlling interests of HK$48 million (2017 (restated): HK$57 million), and adding back the Group's attributable share of cumulative fair value gains on the disposal of investment properties up to the time of disposals of HK$5,302 million (2017 (restated): HK$2,292 million), an aggregate gain of HK$6,334 million (2017 (restated): HK$3,433 million) contributing to the Group's underlying profit from the disposal of investment properties for the year ended 31 December 2018 was recognised.*

14 Segment reporting (continued)

(a) Results of reportable segments (continued)

Notes: (continued)

(v) The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$1,915 million (2017: HK$1,562 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$1,267 million (2017: HK$950 million).

The Group's share of losses less profits of associates contributed from other businesses segment during the year of HK$283 million (2017: HK$119 million) includes the Group's share of profit after tax contributed from hotel operation and management during the year of HK$107 million (2017: HK$93 million).

(vi) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$6,535 million (2017: HK$4,112 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$5,296 million (2017: HK$2,929 million).

The Group's share of profits less losses of joint ventures contributed from other businesses segment during the year of HK$142 million (2017: HK$155 million) includes the Group's share of profit after tax contributed from hotel operation and management during the year of HK$143 million (2017: HK$138 million).

(b) Geographical information

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

	Revenue from external customers		Specified non-current assets	
	For the year ended 31 December		At 31 December	
	2018	2017 *(restated)*	**2018**	2017 *(restated)*
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong (2017 – restated)	**16,568**	19,267	**239,009**	224,758
Mainland China	**5,414**	8,693	**53,410**	53,442
	21,982	27,960	**292,419**	278,200
	(note 5)	(note 5)		

14 Segment reporting (continued)

(c) Other segment information

	Depreciation		(Reversal of impairment loss)/ impairment loss on trade debtors	
	For the year ended 31 December		For the year ended 31 December	
	2018	2017	**2018**	2017
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**8**	7	**–**	–
Property leasing	**2**	4	**(2)**	2
Department store operation	**38**	33	**–**	–
Other businesses	**20**	50	**(23)**	(4)
	68	94	**(25)**	(2)
	(note 7(d))	(note 7(d))	**(note 6)**	(note 6)

15 Investment properties and other property, plant and equipment

(a) Reconciliation of carrying amount

	Investment properties HK$ million	Investment properties under development HK$ million	Subtotal HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Plant and equipment HK$ million	Subtotal HK$ million	Total HK$ million
Cost or valuation:									
At 1 January 2017 (restated)	117,647	14,213	131,860	650	202	771	1,287	2,910	134,770
Exchange adjustments	1,955	47	2,002	–	4	–	10	14	2,016
Additions									
– through acquisition of a subsidiary (note 34(a))	–	–	–	–	–	–	1	1	1
– others	759	27,584(*)	28,343	2	1	–	43	46	28,389
Disposals									
– through transfers of subsidiaries (note 34(b))	(521)	–	(521)	(652)	–	(767)	(50)	(1,469)	(1,990)
– others (restated)	(2,244)	–	(2,244)	–	–	–	(105)	(105)	(2,349)
Written off	–	–	–	–	–	(4)	(6)	(10)	(10)
Surplus on revaluation	8,848	1,063	9,911	–	–	–	–	–	9,911
Transfer to investment properties	2,241	(2,241)	–	–	–	–	–	–	–
Transfer from inventories	599	3,544	4,143	–	7	–	–	7	4,150
At 31 December 2017 (restated)	129,284	44,210	173,494	–	214	–	1,180	1,394	174,888
Representing:									
Cost	–	–	–	–	214	–	1,180	1,394	1,394
Valuation (restated)	129,284	44,210	173,494	–	–	–	–	–	173,494
	129,284	44,210	173,494	–	214	–	1,180	1,394	174,888
Accumulated depreciation and impairment losses:									
At 1 January 2017	–	–	–	216	46	163	1,066	1,491	1,491
Exchange adjustments	–	–	–	–	–	–	7	7	7
Charge for the year (note 7(d))	–	–	–	10	4	10	70	94	94
Written back on disposals									
– through transfers of subsidiaries (note 34(b))	–	–	–	(226)	–	(169)	(47)	(442)	(442)
– others	–	–	–	–	–	–	(97)	(97)	(97)
Acquisition of a subsidiary (note 34(a))	–	–	–	–	–	–	1	1	1
Written off	–	–	–	–	–	(4)	(6)	(10)	(10)
At 31 December 2017	–	–	–	–	50	–	994	1,044	1,044
Net book value:									
At 31 December 2017 (restated)	129,284	44,210	173,494	–	164	–	186	350	173,844

(*) *Including the carrying amount of HK$2,410 million in respect of a land site in mainland China acquired by the Group during the year ended 31 December 2017, but in relation to which certificate of land delivery (土地交接書) was obtained by the Group on 2 February 2018.*

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

(a) Reconciliation of carrying amount (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Subtotal HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Plant and equipment HK$ million	Subtotal HK$ million	Total HK$ million
Cost or valuation:									
At 1 January 2018 (restated)	129,284	44,210	173,494	–	214	–	1,180	1,394	174,888
Exchange adjustments	(1,398)	(577)	(1,975)	–	(3)	–	(10)	(13)	(1,988)
Additions									
– through acquisition of a subsidiary (note 34(a))	–	–	–	–	–	–	32	32	32
– others	326	2,139	2,465	–	–	–	29	29	2,494
Disposals									
– through transfers of subsidiaries (note 34(b))	(9,000)	–	(9,000)	–	–	–	–	–	(9,000)
– others	(984)	–	(984)	–	–	–	(10)	(10)	(994)
Written off	–	–	–	–	–	–	(7)	(7)	(7)
Surplus on revaluation	7,481	2,984	10,465	–	–	–	–	–	10,465
Transfer to investment properties	7	–	7	–	(7)	–	–	(7)	–
Transfer from inventories, net	310	1,935	2,245	–	39	–	–	39	2,284
At 31 December 2018	126,026	50,691	176,717	–	243	–	1,214	1,457	178,174
Representing:									
Cost	–	1,182	1,182	–	243	–	1,214	1,457	2,639
Valuation	126,026	49,509	175,535	–	–	–	–	–	175,535
	126,026	50,691	176,717	–	243	–	1,214	1,457	178,174
Accumulated depreciation and impairment losses:									
At 1 January 2018	–	–	–	–	50	–	994	1,044	1,044
Exchange adjustments	–	–	–	–	–	–	(9)	(9)	(9)
Charge for the year (note 7(d))	–	–	–	–	5	–	63	68	68
Written back on disposals									
– others	–	–	–	–	–	–	(10)	(10)	(10)
Written off	–	–	–	–	–	–	(6)	(6)	(6)
At 31 December 2018	–	–	–	–	55	–	1,032	1,087	1,087
Net book value:									
At 31 December 2018	126,026	50,691	176,717	–	188	–	182	370	177,087

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

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

	2018 HK$ million	2017 *(restated)* HK$ million
In Hong Kong (2017 – restated)		
– under long leases	**11,144**	18,217
– under medium-term leases	**123,295**	112,631
	134,439	130,848
Outside Hong Kong		
– under long leases	**10**	10
– under medium-term leases	**42,456**	42,800
	42,466	42,810
	176,905	173,658

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

Fair value hierarchy

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

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

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

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

Fair value hierarchy (continued)

	Fair value at 31 December 2018	**Fair value measurements at 31 December 2018 categorised into**	
		Level 2	**Level 3**
	HK$ million	**HK$ million**	**HK$ million**
Recurring fair value measurement			
Investment properties:			
– In Hong Kong	**96,464**	**–**	**96,464**
– In mainland China	**29,562**	**–**	**29,562**
Investment properties under development:			
– In Hong Kong	**36,704**	**–**	**36,704**
– In mainland China	**12,805**	**2,922**	**9,883**

	Fair value at 31 December 2017	Fair value measurements at 31 December 2017 categorised into	
		Level 2	Level 3
	HK$ million	HK$ million	HK$ million
Recurring fair value measurement			
Investment properties:			
– In Hong Kong (restated)	99,048	–	99,048
– In mainland China	30,236	–	30,236
Investment properties under development:			
– In Hong Kong	31,709	–	31,709
– In mainland China	12,501	8,123	4,378

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2. During the year ended 31 December 2018, there was transfer of HK$5,244 million (2017: Nil) of investment properties under development (based on fair value at 31 December 2017) from Level 2 to Level 3 as a result of change in valuation methodology which involved significant unobservable inputs. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

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

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

Valuation process

The Group's investment properties and investment properties under development were revalued at 31 December 2018 by Cushman & Wakefield Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

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

Valuation methodologies

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

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

Inputs used in Level 2 fair value measurement

The valuations of investment properties under development in mainland China were determined using direct market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis based on market data which is publicly available.

Inputs used in Level 3 fair value measurement

Below is a table which presents the significant unobservable inputs:

Completed investment properties

	Range of capitalisation rates		**Range of occupancy rates**	
	2018 %	2017 %	**2018 %**	2017 %
In Hong Kong				
– Retail	**2.75%-5.5%**	2.75%-5.5%	**38%-100%**	38%-100%
– Office/industrial	**3.0%-4.0%**	3.0%-4.0%	**89%-100%**	90%-100%
In mainland China				
– Retail	**5.5%-8.0%**	5.5%-8.0%	**66%-100%**	66%-100%
– Office	**6.0%-7.5%**	6.0%-7.5%	**50%-100%**	50%-98%

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

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

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

Inputs used in Level 3 fair value measurement (continued)

Investment properties under development

	Estimated project development cost	
	2018	2017
In Hong Kong	**HK$2 million to HK$3,720 million**	HK$50 million to HK$3,255 million
In mainland China	**HK$2,433 million**	HK$852 million

The fair value measurement of investment properties under development is negatively correlated to the estimated cost to completion, being determined as the estimated project development cost less the actual amount of project development cost incurred up to the end of the reporting period.

Valuation

As a result, a net fair value gain on investment properties and investment properties under development in Hong Kong and mainland China in the aggregate amount of HK$10,465 million (2017: HK$9,911 million) and deferred tax charge in respect of the fair value change on investment properties in mainland China of HK$200 million (2017: HK$238 million) have been recognised in the consolidated statement of profit or loss for the year (see note 13(b)).

In aggregate, the Group's attributable share of the net fair value gains on investment properties and investment properties under development held by subsidiaries, associates and joint ventures for the year ended 31 December 2018 amounted to HK$16,815 million (2017: HK$13,501 million) (net of deferred tax).

A reconciliation of the abovementioned figures is as follows:

	For the year ended 31 December 2018		
	Hong Kong HK$ million	**Mainland China HK$ million**	**Total HK$ million**
Fair value gain on investment properties and investment properties under development held by			
– subsidiaries (before deducting non-controlling interests' attributable share and deferred tax) (note 13(b))	**9,736**	**729**	**10,465**
Less:			
Deferred tax (note 13(b))	**–**	**(200)**	**(200)**
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	**(13)**	**–**	**(13)**
(after deducting non-controlling interests' attributable share and deferred tax)	**9,723**	**529**	**10,252**
– associates (Group's attributable share) (note 13(b))	**1,267**	**–**	**1,267**
– joint ventures (Group's attributable share) (note 13(b))	**5,198**	**98**	**5,296**
	16,188	**627**	**16,815**

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

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

Valuation (continued)

	For the year ended 31 December 2017		
	Hong Kong HK$ million	Mainland China HK$ million	Total HK$ million
Fair value gain on investment properties and investment properties under development held by			
– subsidiaries (before deducting non-controlling interests' attributable share and deferred tax) (note 13(b))	8,775	1,136	9,911
Less:			
Deferred tax (note 13(b))	–	(238)	(238)
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	(51)	–	(51)
(after deducting non-controlling interests' attributable share and deferred tax)	8,724	898	9,622
– associates (Group's attributable share) (note 13(b))	950	–	950
– joint ventures (Group's attributable share) (note 13(b))	2,890	39	2,929
	12,564	937	13,501

(d) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

16 Goodwill

On 31 May 2018, Henderson Investment Limited, a listed subsidiary of the Company, completed its acquisition of the entire issued share capital of UNY (HK) Co., Limited ("UNY HK") (renamed as Unicorn Stores (HK) Limited on 27 July 2018) for a cash consideration of HK$300 million (the "Acquisition") (subject to adjustment). Based on (i) the fair value of the assets acquired less the liabilities assumed of UNY HK in the amount of HK$29 million at the completion date of the Acquisition of 31 May 2018; and (ii) the adjusted amount of the consideration of HK$291 million in accordance with the terms of the agreement in relation to the Acquisition, a goodwill of HK$262 million has arisen from the Acquisition and was recognised in the Group's consolidated statement of financial position at 31 December 2018.

The factors which constitute the goodwill comprise, inter alia, (i) UNY HK's retail operating experience of about 30 years in Hong Kong with a particular focus on supplying Japanese fresh produce and food products which have popular brand recognition; (ii) the renowned and long-established general Japanese merchandise store-cum-supermarket currently operated by UNY HK; and (iii) the sourcing of Japanese fresh produce and food products which are directly associated with FamilyMart UNY Holdings Co., Ltd., being one of the most well-established retailing brands in Japan.

The Directors have assessed that there was no impairment on the goodwill at 31 December 2018.

17 Interest in subsidiaries

Details of the principal subsidiaries at 31 December 2018 which materially affected the results, assets or liabilities of the Group are set out on pages 255 to 261.

18 Interest in associates

	2018	2017
		(restated)
	HK$ million	HK$ million
Unlisted		
Share of net assets	**3,450**	2,842
Amounts due from associates	**3,146**	3,150
	6,596	5,992
Listed in Hong Kong		
Share of net assets, including goodwill on acquisition (2017 – restated)	**55,463**	53,499
	62,059	59,491
Market value of listed shares	**109,596**	94,765

Except for the amounts due from associates of HK$65 million (2017: HK$91 million) which are interest-bearing at Hong Kong dollar prime rate less 3% (2017: Hong Kong dollar prime rate less 3%) per annum, all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year from the end of the reporting period and are neither past due nor impaired.

18 Interest in associates (continued)

All of the associates are accounted for using the equity method in the consolidated financial statements. Details of the principal associates at 31 December 2018 are set out on page 262.

Summarised financial information of the material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	The Hong Kong and China Gas Company Limited (note)	
	2018 HK$ million	2017 HK$ million
Gross amounts of the associate's:		
Current assets	**20,612**	24,366
Non-current assets	**112,237**	106,799
Current liabilities	**(26,151)**	(31,948)
Non-current liabilities	**(36,366)**	(28,886)
Equity	**70,332**	70,331
Revenue	**39,073**	32,477
Profit from continuing operation	**10,433**	9,347
Other comprehensive income	**(2,872)**	3,498
Total comprehensive income	**7,561**	12,845
Dividend received from the associate	**2,103**	1,912
Reconciled to the Group's interest in the associate:		
Gross amount of net assets of the associate	**70,332**	70,331
Carrying amount of perpetual capital securities	**–**	(2,354)
Non-controlling interests	**(7,793)**	(7,453)
Equity attributable to equity shareholders	**62,539**	60,524
Group's interest	**41.53%**	41.53%
Group's share of the associate's equity attributable to equity shareholders	**25,972**	25,135
Goodwill	**17,519**	17,519
Carrying amount in the consolidated financial statements	**43,491**	42,654
Market value of the listed shares	**103,508**	88,986

Note: The principal activities of The Hong Kong and China Gas Company Limited are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses. Its distinctive business nature forms a supplement to the Group's core business of property development and property investment to smooth out the cyclicality of the Group's property development business.

18 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2018 HK$ million	2017 *(restated)* HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements (2017 – restated)	**18,568**	16,837
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operation (2017 – restated)	**1,395**	1,540
Other comprehensive income	**(223)**	83
Total comprehensive income (2017 – restated)	**1,172**	1,623

19 Interest in joint ventures

	2018 HK$ million	2017 HK$ million
Share of net assets	**38,190**	34,159
Less: Impairment loss	**(2)**	(2)
	38,188	34,157
Amounts due from joint ventures	**14,823**	10,708
	53,011	44,865

The amounts due from joint ventures are unsecured, interest-free, have no fixed terms of repayment and are not expected to be recovered within one year from the end of the reporting period except for the amounts of HK$13 million (2017: HK$14 million) and HK$280 million (2017: HK$271 million) which are interest-bearing at Hong Kong dollar prime rate (2017: Hong Kong dollar prime rate) per annum and Hong Kong Interbank Offered Rate plus 0.5% (2017: Hong Kong Interbank Offered Rate plus 0.5%) per annum respectively. During the year ended 31 December 2018, an amount due from a joint venture of HK$650 million which is secured, interest-bearing at Hong Kong Interbank Offered Rate plus 1.4% per annum and is wholly repayable on 18 November 2021, was transferred to the disposal group (see note 32). The balances are neither past due nor impaired.

All of the joint ventures are accounted for using the equity method in the consolidated financial statements. Details of the principal joint ventures at 31 December 2018 are set out on page 263.

19 Interest in joint ventures (continued)

Summarised financial information of the material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Central Waterfront Property Investment Holdings Limited (note)	
	2018 **HK$ million**	2017 HK$ million
Gross amounts of the joint venture's:		
Current assets	**604**	771
Non-current assets	**116,293**	103,425
Current liabilities	**(6,081)**	(2,141)
Non-current liabilities	**(14,512)**	(18,346)
Equity	**96,304**	83,709
Included in the above assets and liabilities:		
Cash and cash equivalents	**256**	373
Non-current financial liabilities (excluding trade and other payables and provisions)	**(13,500)**	(17,382)
Revenue	**6,514**	6,175
Increase in fair value of investment properties	**12,859**	7,707
Profit from continuing operation	**16,492**	11,202
Other comprehensive income	**23**	(19)
Total comprehensive income	**16,515**	11,183
Dividend received from the joint venture	**1,341**	1,266
Included in the above profit:		
Depreciation and amortisation	**(66)**	(71)
Interest income	**5**	1
Interest expense	**(498)**	(421)
Income tax expense	**(720)**	(694)
Reconciled to the Group's interest in the joint venture:		
Gross amount of net assets of the joint venture	**96,304**	83,709
Group's interest	**34.21%**	34.21%
Group's share of net assets of the joint venture and its carrying amount in the consolidated financial statements	**32,946**	28,637

Note: Central Waterfront Property Investment Holdings Limited was incorporated in the British Virgin Islands by the Group and its joint venture partners and operates in Hong Kong. Its subsidiaries are mainly engaged in property investment and hotel operation in the International Finance Centre complex in Hong Kong.

19 Interest in joint ventures (continued)

Aggregate information of joint ventures that are not individually material:

	2018 HK$ million	2017 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements (including interest in a joint venture classified as "Assets of the disposal group classified as held for sale" under current assets (see note 32))	**21,853**	16,228
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operation	**1,305**	546
Other comprehensive income	**(362)**	291
Total comprehensive income	**943**	837

20 Derivative financial instruments

	2018		2017	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts (note 4(f)(i))	**66**	**303**	111	393
Interest rate swap contracts (note 4(f)(i))	**–**	**–**	–	198
Total cash flow hedges	**66**	**303**	111	591
Fair value through profit or loss:				
Cross currency interest rate swap contracts (notes 4(c)(i) and 4(f)(i))	**–**	**95**	–	7
Interest rate swap contracts (notes 4(d)(i) and 4(f)(i))	**23**	**273**	–	230
Other derivatives (note 4(f)(i))	**–**	**–**	67	–
	23	**368**	67	237
	89	**671**	178	828
Representing:				
Non–current portion	**42**	**376**	111	746
Current portion (notes 24 and 27)	**47**	**295**	67	82
	89	**671**	178	828

20 Derivative financial instruments (continued)

(a) Derivatives under cash flow hedges

Swap contracts which have been entered into with certain counterparty banks comprise:

– cross currency interest rate swap contracts to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes (see note 29) denominated in United States dollars and Pound Sterling in the aggregate principal amounts of US$629 million and £50 million respectively at 31 December 2018 (2017: guaranteed notes denominated in United States dollars, Pound Sterling and Singapore dollars in the aggregate principal amounts of US$629 million, £50 million and S$200 million, respectively); and

– interest rate swap contracts to hedge against the interest rate risk in respect of certain bank loans denominated in Hong Kong dollars in the aggregate principal amount of HK$3,850 million at 31 December 2017.

The abovementioned cross currency interest rate swap contracts and interest rate swap contracts will mature between 25 July 2019 and 20 October 2026 (2017: between 19 September 2018 and 20 October 2026).

(b) Derivatives to hedge against interest rate risk but not under cash flow hedges

At 31 December 2018, interest rate swap contracts have been entered into with certain counterparty banks to hedge against the interest rate risk in respect of certain bank loans and guaranteed notes denominated in Hong Kong dollars in the aggregate principal amounts of HK$11,450 million (2017: HK$7,600 million) and HK$5,599 million (2017: HK$1,200 million), respectively at 31 December 2018.

(c) Derivatives to hedge against foreign currency risk but not under cash flow hedges

At 31 December 2018, cross currency swap contracts have been entered into with certain counterparty banks to hedge against the foreign currency risk in respect of guaranteed note (see note 29) and bank loans denominated in Japanese Yen in the aggregate principal amount of ¥32,000 million and bank loans denominated in Australian dollars in the aggregate principal amount of AUD173 million at 31 December 2018 (2017: guaranteed note denominated in Japanese Yen in the principal amount of ¥2,000 million).

(d) Other derivatives

The carrying value of other derivatives at 31 December 2017 represented the fair value of the remaining unexercised bonus warrants of Miramar Hotel and Investment Company, Limited (a listed associate of the Group) at that date. The exercise rights attached to the bonus warrants expired on 19 January 2018. During the year ended 31 December 2018, 33,700,000 (2017: 24,780,330) of such bonus warrants at aggregate fair value of HK$81 million (2017: HK$80 million) were exercised by the Group.

21 Other financial assets

	2018 HK$ million	2017 HK$ million
Investments designated as financial assets at FVOCI (non-recycling)		
Investments in equity securities		
Unlisted (note 4(f)(i))	**118**	–
Listed (note 4(f)(i)):		
– in Hong Kong	**109**	–
	227	–
Investments measured as financial assets at FVPL		
Investments in other securities		
Listed (note 4(f)(i)):		
– in Hong Kong	**1,384**	–
Financial assets measured at amortised cost		
Instalments receivable	**8,660**	7,846
Loans receivable	**3,554**	557
	12,214	8,403
Available-for-sale securities		
Unlisted (note 4(f)(i))	**–**	28
Listed (note 4(f)(i)):		
– in Hong Kong	**–**	2,708
– outside Hong Kong	**–**	313
	–	3,049
Held-to-maturity debt securities (note 4(f)(ii))		
Listed:		
– in Hong Kong	**–**	242
– outside Hong Kong	**–**	243
	–	485
	13,825	11,937
Market value of listed held-to-maturity debt securities (note 4(f)(ii))	**–**	508
Fair value of individually impaired available-for-sale securities	**–**	223

21 Other financial assets (continued)

(a) Investments in equity securities designated as financial assets at FVOCI (non-recycling) and investments in other securities measured as financial assets at FVPL/Available-for-sale securities

At 1 January 2018, the Group designated certain investments in equity securities as financial assets at FVOCI (non-recycling). At 31 December 2017, these investments were classified as available-for-sale and were either measured at cost less impairment losses or fair value. The FVOCI designation was made because the investments are expected to be held for strategic purpose.

(b) Held-to-maturity debt securities

At 31 December 2017, held-to-maturity debt securities were listed, issued by corporate entities with sound credit standing and were neither past due nor impaired. They were fully disposed of or redeemed during the year ended 31 December 2018.

(c) Instalments receivable

Instalments receivable represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within one year from the end of the reporting period are included in "Trade and other receivables" under current assets (see note 24).

Instalments receivable, which are due within one year (see note 24) and after more than one year from the end of the reporting period, included an amount of HK$7,304 million (2017: HK$6,424 million) representing the aggregate attributable amounts of the outstanding mortgage loans advanced from the Group to the property buyers and which were already drawn down by the property buyers at the end of the reporting period.

(d) Loans receivable

At 31 December 2018, the Group's loans receivable comprised the following amounts:

	2018 HK$ million	2017 HK$ million
Secured loans	**883**	425
Unsecured loans	**2,671**	132
	3,554	557

Except for an amount of HK$380 million (2017: HK$380 million) which is interest-bearing at Hong Kong Interbank Offered Rate plus 2.25% (2017: Hong Kong Interbank Offered Rate plus 2.25%) per annum, the remaining balance of the abovementioned secured loans in the aggregate amount of HK$503 million (2017: HK$45 million) are interest-bearing at fixed interest rates ranging from 3% to 7.125% (2017: 3%) per annum.

Except for an amount of HK$23 million which is interest-free (2017: Nil), the remaining balance of the abovementioned unsecured loans in the aggregate amount of HK$2,648 million (2017: HK$132 million) are interest-bearing at fixed interest rates ranging from 3.8% to 9% (2017: 5%) per annum.

These balances are due after more than one year from the end of the reporting period and are neither past due nor impaired.

The balances of loans receivable which are expected to be recovered within one year from the end of the reporting period have been classified as "Trade and other receivables" under current assets (see note 24). The balances are neither past due nor impaired.

22 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$317 million (2017: HK$332 million) and HK$561 million (2017: HK$561 million) paid relating to the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

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

23 Inventories

	2018 **HK$ million**	2017 *(restated)* HK$ million
Property development		
Leasehold land held for development for sale	**11,193**	10,577
Properties held for/under development for sale	**80,781**	57,124
Completed properties for sale (2017 – restated)	**5,065**	6,437
	97,039	74,138
Other operations		
Trading stocks	**138**	81
	97,177	74,219

The analysis of carrying value of inventories for property development is as follows:

	2018 **HK$ million**	2017 *(restated)* HK$ million
In Hong Kong (2017 – restated)		
– under long leases	**37,987**	30,105
– under medium-term leases	**56,375**	39,869
	94,362	69,974
In mainland China		
– under long leases	**1,768**	2,383
– under medium-term leases	**909**	1,781
	2,677	4,164
	97,039	74,138
Including:		
– Properties expected to be completed after more than one year	**69,495**	49,504

24 Trade and other receivables

	2018 HK$ million	2017 *(restated)* HK$ million
Instalments receivable (note 21(c)) (2017 – restated)	**358**	319
Loans receivable (note 21(d))	**501**	866
Debtors, prepayments and deposits (2017 – restated)	**14,045**	16,020
Gross amount due from customers for contract work (note 25)[^]	**52**	28
Financial assets measured at FVPL (note 4(f)(i))	**190**	–
Derivative financial instruments (note 20)	**47**	67
Amounts due from associates	**32**	10
Amounts due from joint ventures	**14**	125
	15,239	17,435

(^) *This balance represents the excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting period, and is recognised as a contract asset (see note 2(p)).*

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

Gross amount due from customers for contract work

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

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits, prepayments and other receivables of HK$9,429 million (2017: HK$8,011 million) which are expected to be recovered after more than one year from the end of the reporting period.

At 31 December 2018, the Group's loans receivable comprised the following amounts:

	At 31 December 2018 HK$ million	At 31 December 2017 HK$ million	Interest rate per annum (%)	Settlement date
(i) Secured loans	**131**	138	12%	30 June 2019
Sub-total:	**131**	138		
(ii) Unsecured loans	**370**	–	5.22%	Between 31 March 2019 and 14 June 2019
	–	310	6%	Wholly recovered on 5 May 2018
	–	146	6%	Wholly recovered on 12 May 2018
	–	272	4.35%	Repayment date was extended to 4 December 2020 and is classified as “Other financial assets” under non-current assets (see note 21(d))
Sub-total:	**370**	728		
Total:	**501**	866		

24 Trade and other receivables (continued)

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

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

(a) Ageing analysis

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

	2018 **HK$ million**	2017 *(restated)* HK$ million
Current or up to 1 month overdue	**483**	421
More than 1 month overdue and up to 3 months overdue	**21**	23
More than 3 months overdue and up to 6 months overdue	**14**	12
More than 6 months overdue	**35**	33
	553	489

Details of the Group's credit policy are set out in note 4(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(n)(i)).

The movement in the allowance account during the year is as follows:

	2018 **HK$ million**	2017 HK$ million
At 1 January	**50**	52
Exchange differences	**–**	1
Reversal of impairment loss, net (notes 6 and 14(c))	**(25)**	(2)
Uncollectible amounts written off	**(11)**	(1)
At 31 December	**14**	50

24 Trade and other receivables (continued)

(c) Trade debtors that are not impaired

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(n)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of HK$50 million were determined to be impaired. The individually impaired receivables relate to customers who were in financial difficulties and management assessed that only a portion of these receivables are expected to be recovered. Accordingly, the Group has recognised impairment losses in relation to the amounts which were considered to be irrecoverable.

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired was as follows:

	2017 *(restated)* HK$ million
Neither past due nor impaired (2017 – restated)	195
Less than 1 month past due	226
Over 1 month but less than 3 months past due	23
	249
	444

Receivables which were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables which were past due but not impaired relate to customers who have a good track record of trading with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

25 Gross amount due from/(to) customers for contract work

	2018 HK$ million	2017 HK$ million
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus profits less losses	**162**	289
Progress billings	**(115)**	(270)
Net contract work	**47**	19
Represented by:		
Gross amount due from customers for contract work recognised as contract assets under "Trade and other receivables" (note 24)	**52**	28
Gross amount due to customers for contract work recognised as contract liabilities under "Trade and other payables" (note 27)	**(5)**	(9)
	47	19

26 Cash and bank balances and movements in the carrying amounts of items relating to financing activities

(a) Cash and cash equivalents comprise:

	2018 HK$ million	2017 HK$ million
Deposits with banks and other financial institutions	**12,361**	14,735
Structured bank deposits	**1,856**	36
Cash at bank and in hand	**2,290**	9,902
Cash and bank balances in the consolidated statement of financial position	**16,507**	24,673
Less:		
Deposits with banks and other financial institutions over three months of maturity at acquisition	**(1,648)**	(1,139)
Structured bank deposits	**(1,856)**	(36)
Cash restricted for use	**(104)**	(2,670)
Cash and cash equivalents in the consolidated cash flow statement	**12,899**	20,828

At 31 December 2018, cash and bank balances in the consolidated statement of financial position included (i) balances of bank deposits in mainland China which were subject to exchange controls, and of which an amount of HK$104 million (2017: HK$2,670 million) was restricted for use and primarily comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China; and (ii) structured bank deposits denominated in Renminbi in the equivalent amount of HK$1,856 million (2017: HK$36 million) which were capital-protected.

26 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(b) Movements in the carrying amounts of items relating to financing activities

	Bank loans HK$ million (note 28)	Guaranteed notes HK$ million (note 29)	Derivative financial instruments, net (other than other derivatives) HK$ million (note 20)	Amount due to a fellow subsidiary HK$ million (note 30)	Amounts due to non-controlling interests and joint ventures, net HK$ million	Total HK$ million
At 1 January 2017	42,478	13,606	1,023	316	4,213	61,636
Changes from financing cash flows:						
Repayment to non-controlling interests, net	–	–	–	–	(75)	(75)
Proceeds from new bank loans/guaranteed notes	60,741	1,339	–	–	–	62,080
Repayment of bank loans/guaranteed notes	(34,421)	(5,767)	–	–	–	(40,188)
Increase in amount due to a fellow subsidiary	–	–	–	1,438	–	1,438
Interest and other borrowing costs paid during the year	(700)	(558)	(228)	(9)	(67)	(1,562)
Total changes from financing cash flows	25,620	(4,986)	(228)	1,429	(142)	21,693
Exchange adjustments	312	189	–	–	–	501
Changes in fair value	–	–	(306)	–	–	(306)
Other changes:						
Interest expenses (before capitalisation) for the year (note 7(a))	601	464	233	9	67	1,374
Other borrowing costs (before capitalisation) for the year (note 7(a))	156	4	–	–	–	160
Others	10	96	(5)	–	535	636
Total other changes	767	564	228	9	602	2,170
At 31 December 2017	69,177	9,373	717	1,754	4,673	85,694

26 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(b) Movements in the carrying amounts of items relating to financing activities (continued)

	Bank loans HK$ million (note 28)	Guaranteed notes HK$ million (note 29)	Derivative financial instruments, net (other than other derivatives) HK$ million (note 20)	Amount due to a fellow subsidiary HK$ million (note 30)	Amounts due to non-controlling interests and joint ventures, net HK$ million	Total HK$ million
At 1 January 2018	69,177	9,373	717	1,754	4,673	85,694
Changes from financing cash flows:						
Repayment to non-controlling interests, net	–	–	–	–	(27)	(27)
Proceeds from new bank loans/guaranteed notes	46,608	4,880	–	–	–	51,488
Repayment of bank loans/guaranteed notes	(43,350)	(1,244)	–	–	–	(44,594)
Decrease in amount due to a fellow subsidiary	–	–	–	(654)	–	(654)
Interest and other borrowing costs paid during the year	(1,240)	(501)	(177)	(76)	(120)	(2,114)
Total changes from financing cash flows	2,018	3,135	(177)	(730)	(147)	4,099
Exchange adjustments	(19)	60	–	–	–	41
Changes in fair value	–	–	(135)	–	–	(135)
Other changes:						
Interest expenses (before capitalisation) for the year (note 7(a))	1,158	555	125	76	120	2,034
Other borrowing costs (before capitalisation) for the year (note 7(a))	140	4	–	–	–	144
Others	(19)	(52)	52	–	705	686
Total other changes	1,279	507	177	76	825	2,864
At 31 December 2018	72,455	13,075	582	1,100	5,351	92,563

27 Trade and other payables

	2018 HK$ million	2017 *(restated)* HK$ million
Creditors and accrued expenses (2017 – restated)	**6,217**	7,538
Gross amount due to customers for contract work (note 25) (#)	**5**	9
Rental and other deposits	**1,630**	1,542
Forward sales deposits received (2017 – restated) (#)	**16,290**	10,225
Derivative financial instruments (note 20)	**295**	82
Amounts due to associates	**154**	2,878
Amounts due to joint ventures	**2,522**	1,251
	27,113	23,525

(#) These balances represent the excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting period, and are recognised as contract liabilities (see note 2(p)).

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

Forward sales deposits received

The Group receives 5% to 10% of the amount of sale consideration as deposits from customers when they sign the sale and purchase agreements relating to property sales. Such deposit is recognised as a contract liability until the property is completed and legally assigned to the customer. The rest of the sale consideration is typically paid when legal assignment is completed.

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

Movements in contract liability

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

27 Trade and other payables (continued)

(a) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$973 million (2017: HK$924 million) which is expected to be settled after more than one year from the end of the reporting period.

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

	2018 HK$ million	2017 HK$ million
Due within 1 month or on demand	**2,187**	1,765
Due after 1 month but within 3 months	**288**	526
Due after 3 months but within 6 months	**152**	268
Due after 6 months	**1,281**	2,244
	3,908	4,803

(c) The amounts due to associates and joint ventures at 31 December 2018 and 2017 are unsecured, interest-free and have no fixed terms of repayment except for (i) an amount due to a joint venture HK$398 million (2017: HK$Nil) which is unsecured, interest-bearing at 4% per annum and wholly repayable on 2 May 2019; (ii) an amount due to a joint venture of HK$288 million (2017: HK$Nil) which is unsecured, interest-bearing at 3.48% per annum and wholly repayable on 6 September 2019; and (iii) an amount due to a joint venture of HK$233 million which is unsecured, interest-bearing at 4% per annum and wholly repayable on 31 October 2019 (2017: an amount due to a joint venture of HK$244 million which was unsecured, interest-bearing at 4% per annum and the repayment date of which was extended to 31 October 2019).

28 Bank loans

At 31 December 2018, bank loans were repayable as follows:

	2018 HK$ million	2017 HK$ million
Within 1 year and included in current liabilities	**27,834**	23,506
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**14,441**	15,639
– After 2 years but within 5 years	**17,098**	25,871
– After 5 years	**13,082**	4,161
	44,621	45,671
	72,455	69,177

At 31 December 2018 and 2017, all of the bank loans were unsecured.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain ratios in the Group's statement of financial position and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. Any breach of the covenants by the Group would result in the drawdown facilities to become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 4(b). At 31 December 2018 and 2017, none of the covenants relating to the drawdown facilities had been breached.

29 Guaranteed notes

	2018 HK$ million	2017 HK$ million
Guaranteed notes due 2019-2022	**1,429**	1,456
Guaranteed notes due 2019	**3,914**	3,902
Guaranteed notes issued pursuant to the Medium Term Note Programme	**7,732**	4,015
	13,075	9,373

At 31 December 2018, the guaranteed notes were repayable as follows:

	2018 HK$ million	2017 HK$ million
Within 1 year and included in current liabilities	**5,187**	1,169
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**1,483**	5,202
– After 2 years but within 5 years	**2,966**	1,279
– After 5 years	**3,439**	1,723
	7,888	8,204
	13,075	9,373

(a) Guaranteed notes due 2019-2022

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the “2007 Notes”) with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe, respectively. At 31 December 2018 and 2017, the 2007 Notes with principal amounts of US$119 million and £50 million bore fixed interest rates which ranged from 6.28% to 6.38% per annum and payable semi-annually in arrears. The 2007 Notes are guaranteed by the Company and will mature between 25 July 2019 and 25 July 2022 (2017: 25 July 2019 and 25 July 2022).

(b) Guaranteed notes due 2019

On 17 September 2009, the Company through a wholly-owned subsidiary issued guaranteed notes (the “2009 Notes”) with an aggregate principal amount of US$500 million at an issue price equal to 99.795% of the principal amount of the 2009 Notes. The 2009 Notes bear a fixed interest rate at 5.50% per annum payable semi-annually in arrears. The 2009 Notes are guaranteed by the Company and will mature on 17 September 2019.

29 Guaranteed notes (continued)

(c) Guaranteed notes issued pursuant to the Medium Term Note Programme (the "MTN Programme")

On 15 October 2018, the Company increased the maximum aggregate principal amount of notes to be guaranteed by the Company and outstanding at any one time under the MTN Programme, from US$3,000 million to US$5,000 million. The aggregate carrying amount of the guaranteed notes issued under the MTN Programme during the year ended 31 December 2018 was HK$4,889 million, and the guaranteed notes issued under the MTN Programme which remained outstanding at 31 December 2018 comprised HK$7,524 million, US$10 million and ¥2,000 million (2017: the aggregate amounts of guaranteed notes issued during the year under the MTN Programme were HK$1,200 million and ¥2,000 million, and the guaranteed notes issued under the MTN Programme which remained outstanding at 31 December 2017 comprised HK$2,635 million, US$10 million, S$200 million and ¥2,000 million).The guaranteed notes which remained outstanding at 31 December 2018 under the MTN Programme were issued by a wholly-owned subsidiary of the Company during the period between 23 September 2011 and 16 November 2018 (2017: between 19 September 2011 and 6 December 2017), and bear fixed coupon rates ranging from 0.80% to 5.20% per annum (2017: 0.80% to 5.20% per annum) payable quarterly, semi-annually or annually in arrears, and will mature between 27 April 2020 and 6 December 2032 (2017: between 19 September 2018 and 6 December 2032).

30 Amount due to a fellow subsidiary

At 31 December 2018 and 2017, all of the amount due to a fellow subsidiary is unsecured, interest-bearing and is not expected to be settled within one year from the end of the reporting period with no fixed terms of repayment.

31 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances during the year of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out in note 39(b).

(b) Nature and purpose of reserves

(i) Property revaluation reserve

The property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment properties, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

(iii) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(g)). Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period in accordance with HKAS 39 and was dealt with in accordance with the accounting policies set out in notes 2(g) and 2(n)(i). This amount has been reclassified to fair value reserve (non-recycling) upon the adoption of HKFRS 9 at 1 January 2018 (see note 2(b)).

31 Capital and reserves (continued)

(b) Nature and purpose of reserves (continued)

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(g)).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of a derivative financial instrument which is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, in accordance with the accounting policy adopted for cash flow hedges in note 2(i).

(vi) Other reserves

Other reserves mainly comprise the statutory reserve set up for enterprises established in mainland China. According to the relevant rules and regulations in The People's Republic of China ("PRC") applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

32 Disposal group

On 27 July 2018, the Group and a subsidiary of Lai Sun Development Company Limited (collectively as the "Vendors") entered into a conditional agreement with an independent third party (the "Purchaser") pursuant to which, inter alia, the Vendors transferred their entire shareholdings in Best Value International Limited ("Best Value") (being a joint venture of the Group) which together with its wholly-owned subsidiaries collectively own an investment property at No. 8 Observatory Road, Kowloon, Hong Kong, for a cash consideration of HK$4,100 million (subject to adjustment). The transfer was completed on 11 March 2019. The Group presented the disposal group as held for sale, as follows:

	2018 HK$ million
Assets	
Share of consolidated net assets in Best Value	**1,138**
Amount due from Best Value (note 19)	**650**
	1,788

33 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net debt (being the aggregate of the Group's bank and other borrowings and the amount due to a fellow subsidiary (collectively, the "Total debt") less cash and bank balances) and shareholders' funds of the Group at the end of the reporting period.

During the year ended 31 December 2018, the Group's strategy, which was unchanged from that for the corresponding year ended 31 December 2017, was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the year, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

The Group's gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 **HK$ million**	2017 HK$ million
Bank and other borrowings (including guaranteed notes) repayable:		
– Within 1 year	**33,021**	24,675
– After 1 year but within 2 years	**15,924**	20,841
– After 2 years but within 5 years	**20,064**	27,150
– After 5 years	**16,521**	5,884
Amount due to a fellow subsidiary	**1,100**	1,754
Total debt	**86,630**	80,304
Less: Cash and bank balances	**(16,507)**	(24,673)
Net debt	**70,123**	55,631
Shareholders' funds (2017 – restated)	**313,153**	292,574
Gearing ratio (%)	**22.4%**	19.0%

Except for a wholly-owned subsidiary of the Company which is engaged in the provision of finance and is governed by the requirements of the Banking Ordinance, neither the Company nor any of its other subsidiaries was subject to externally imposed capital requirements during the year and at 31 December 2018.

34 Acquisitions and transfers of subsidiaries

(a) Acquisitions of subsidiaries

The Group acquired certain subsidiaries during the years ended 31 December 2018 and 2017. The fair value of the assets acquired and the liabilities assumed for the Group's acquisitions of subsidiaries were as follows:

	2018 HK$ million	2017 HK$ million
Other property, plant and equipment (note 15(a))	**32**	–
Deferred tax assets (note 10(c))	**8**	–
Deposits for acquisition of properties	**–**	7
Inventories	**16,303**	82
Trade and other receivables	**61**	–
Tax recoverable	**3**	–
Cash and bank balances	**1**	–
Trade and other payables	**(445)**	(22)
Amount due to a related company	**–**	(15)
Deferred tax liabilities (note 10(c))	**–**	(5)
Provisions for reinstatement costs	**(13)**	–
Fair value of identifiable net assets	**15,950**	47
Goodwill	**262**	–
Net consideration	**16,212**	47
Representing:		
Cash consideration paid	**16,212**	47
Net cash outflow in respect of the acquisitions:		
Cash consideration paid	**16,212**	47
Cash and cash equivalents acquired	**(1)**	–
	16,211	47

34 Acquisitions and transfers of subsidiaries (continued)

(b) Transfers of subsidiaries

The Group transferred certain subsidiaries during the years ended 31 December 2018 and 2017. The transfers which were completed during the years ended 31 December 2018 and 2017 had the following effect on the Group's assets and liabilities:

	2018 HK$ million	2017 HK$ million
Investment properties and other property, plant and equipment (note 15(a))	**9,000**	1,548
Investment properties	**–**	3,257
Deposits for acquisition of properties	**–**	3,316
Inventories	**1,084**	2,646
Trade and other receivables	**8**	546
Cash and cash equivalents	**–**	703
Trade and other payables	**(13)**	(412)
Tax payable	**–**	(2)
Net assets	**10,079**	11,602
Non-controlling interests	**–**	(16)
Interest in a joint venture	**(1,682)**	–
Release of exchange reserve (note 12(b))	**–**	(238)
Professional charges	**102**	34
Net gain on transfers (note 6)	**1,444**	3,837
Total consideration	**9,943**	15,219
Net cash inflow in respect of the transfers:		
Total consideration	**9,943**	15,219
Consideration received in advance in prior year	**–**	(330)
Consideration to be received	**(199)**	(5,025)
Cash and cash equivalents transferred	**–**	(703)
	9,744	9,161

35 Capital commitments

At 31 December 2018, the Group had capital commitments not provided for in these financial statements as follows:

	2018 HK$ million	2017 HK$ million
(a) Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**9,852**	13,094
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**23,188**	14,454
	33,040	27,548
(b) **In relation to the capital commitments undertaken by joint ventures and certain associates attributable to the Group:**		
Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**2,466**	1,825
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**4,662**	4,397
	7,128	6,222

36 Significant leasing arrangements

At 31 December 2018, the Group was both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out a number of land/building facilities under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 15.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 HK$ million	2017 HK$ million
Within 1 year	**4,727**	4,972
After 1 year but within 5 years	**4,816**	5,553
After 5 years	**131**	214
	9,674	10,739

36 Significant leasing arrangements (continued)

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date at which time all terms are re-negotiated.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HK$ million	2017 HK$ million
Within 1 year	**373**	244
After 1 year but within 5 years	**286**	297
	659	541

37 Contingent liabilities

At 31 December 2018, contingent liabilities of the Group were as follows:

(a) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before or upon the Completion. At 31 December 2018, the Group had contingent liabilities in this connection of HK$11 million (2017: HK$11 million).

(b) At 31 December 2018, the Group had contingent liabilities in respect of performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects amounting to HK$443 million (2017: HK$1,237 million).

(c) At 31 December 2018, the Group had given guarantees to financial institutions in the aggregate amount of HK$1,458 million (2017: HK$837 million) on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2018. Such guarantees will be released upon the issuance of the Building Ownership Certificate.

(d) At 31 December 2018, the Company had given an irrevocable, unconditional and several guarantee to the lending bank in relation to the repayment obligations by a joint venture, in which the Group has a 20% interest, which entered into a loan facility agreement with such lending bank on 2 May 2017. The Group's contingent liabilities in respect of the guarantee in relation to the amount drawn down on the loan facility, which is proportional to the Group's attributable interest in the joint venture, amounted to HK$320 million (2017: HK$30 million).

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

38 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the year between the Group and its fellow subsidiaries are as follows:

	2018 HK$ million	2017 HK$ million
Rental income (note (iii))	**6**	–
Rental commission income (note (iii))	**7**	–
Other interest expense (note (i))	**76#**	9#
Sales commission income (note (iii))	**4**	8
Administration fee income (note (ii))	**10**	10

(b) Transactions with associates and joint ventures

Details of material related party transactions during the year between the Group and its associates and joint ventures are as follows:

	2018 HK$ million	2017 HK$ million
Purchase of investment properties (note (iii))	**–**	281
Construction income (note (iii))	**41**	194
Rental income (note (iii))	**23**	22
Rental expenses (note (iii))	**174**	150
Venue-related expenses (note (iii))	**57**	54
Management fee income (note (iii))	**1**	2
Security guard service fee income (note (iii))	**25**	25
Other interest income (note (i))	**229**	22
Other interest expenses (note (i))	**38**	–
Property management service fee income (note (iii))	**9**	10
Rental commission income (note (iii))	**7**	6
Loan commitment fee income (note (iii))	**–**	6

During the year ended 31 December 2018, the Group transferred the entire issued shares of its two wholly-owned subsidiaries to a joint venture in which the Group has a 50% interest, details of which are set out in note 6(i)(b) of these financial statements.

38 Material related party transactions (continued)

(c) Transactions with related companies

Details of material related party transactions during the year between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

	2018 HK$ million	2017 HK$ million
Purchase of leasehold land held for development for sale (note (iii))	**105**	–
Income from sale of construction materials (note (iii))	**5**	4
Rental income (note (iii))	**8**	12
Tax indemnity receipt	**–**	1

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollar prime rate or Renminbi benchmark loan rates announced by the People's Bank of China.

(ii) This transaction represents cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) In the opinion of the directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.

(iv) The amount due to a fellow subsidiary at 31 December 2018 and 2017 is referred to in the Group's consolidated statement of financial position at 31 December 2018 and 2017, and the terms of which are set out in note 30. The amounts due from/to associates and joint ventures at 31 December 2018 and 2017 are set out in notes 18, 19, 24, 27 and 32.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the year between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	2018 HK$ million	2017 HK$ million
Property and leasing management service fee income and other ancillary property service fee income	**52#**	53#
Asset management service fee income	**97#**	92#
Rental expenses	**11**	11
Security service fee income	**3#**	3#

The above transactions were conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 31 December 2018, the amount due from Sunlight REIT was HK$30 million (2017: HK$29 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (note 24).

38 Material related party transactions (continued)

(e) Transactions with a director of the Company and a company owned by him

(i) Dr Lee Ka Kit, a director of the Company, made an advance ("advance") of HK$44 million (2017: HK$91 million) to Henderson (China) Investment Company Limited ("HCI"), an indirect wholly-owned subsidiary of the Group, for the purpose of funding HCI's business operation in mainland China. The advance is unsecured, interest-free and has no fixed terms of repayment.

(ii) Dr Lee Ka Kit, through a company owned by him (the "entity"), has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate. At 31 December 2018, the advance by the entity to the abovementioned associate amounted to HK$80 million (2017: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

(f) Transaction with a director of the Company

During the year ended 31 December 2017, the Group sold to Professor Ko Ping Keung, a director of the Company, a completed property unit for a consideration of HK$26 million.

(g) Transaction with a company owned by a close family member of a director of the Company

During the year ended 31 December 2017, the Group sold to a company owned by a close family member of Madam Fung Lee Woon King, a director of the Company, a completed property unit for a consideration of HK$57 million.

(h) Key management personnel

Remuneration for key management personnel are disclosed in note 8.

These related party transactions also constitute connected transactions and/or continuing connected transactions under the Listing Rules, details of which are set out in the paragraph headed "Interests in transactions, arrangements or contracts and connected transactions/continuing connected transactions" in the Report of the directors set out in the Company's annual reports for the years ended 31 December 2018 and 2017.

39 Statement of financial position and changes in equity of the Company

(a) Statement of financial position

	Note	At 31 December 2018 HK$ million	At 31 December 2017 HK$ million
Non-current assets			
Interest in subsidiaries	17	**178,231**	165,749
Interest in associates		**91**	91
Interest in joint ventures		**8**	111
		178,330	165,951
Current assets			
Trade and other receivables		**65**	65
Cash and bank balances		**2**	2
		67	67
Current liability			
Trade and other payables		**17**	19
		17	19
Net current assets		**50**	48
Total assets less current liability		**178,380**	165,999
Non-current liabilities			
Amounts due to subsidiaries		**49,680**	35,110
Amounts due to joint ventures		**23**	100
		49,703	35,210
NET ASSETS		**128,677**	130,789
CAPITAL AND RESERVE	39(b)		
Share capital	39(c)	**52,345**	52,345
Retained profits		**76,332**	78,444
TOTAL EQUITY		**128,677**	130,789

Approved and authorised for issue by the Board of Directors on 20 March 2019.

Lee Shau Kee
Lee Tat Man
Directors

39 Statement of financial position and changes in equity of the Company (continued)

(b) Movement in equity

	Note	Share capital HK$ million	Retained profits HK$ million	Total HK$ million
Balance at 1 January 2017		52,345	72,446	124,791
Changes in equity for 2017:				
Profit and total comprehensive income for the year		–	12,029	12,029
Bonus shares issued	39(c)	–	–	–
Dividend approved in respect of the previous financial year	11(b)	–	(4,110)	(4,110)
Dividend declared and paid in respect of the current year	11(a)	–	(1,921)	(1,921)
Balances at 31 December 2017 and 1 January 2018		**52,345**	**78,444**	**130,789**
Changes in equity for 2018:				
Profit and total comprehensive income for the year		**–**	**5,010**	**5,010**
Bonus shares issued	39(c)	–	–	–
Dividend approved in respect of the previous financial year	11(b)	**–**	**(4,921)**	**(4,921)**
Dividend declared and paid in respect of the current year	11(a)	**–**	**(2,201)**	**(2,201)**
Balance at 31 December 2018		**52,345**	**76,332**	**128,677**

39 Statement of financial position and changes in equity of the Company (continued)

(c) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2018 million	2017 million	**2018 HK$ million**	2017 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**4,001**	3,637	**52,345**	52,345
Issue of bonus shares (note (i))	**400**	364	**–**	–
At 31 December	**4,401**	4,001	**52,345**	52,345

In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the shares of the Company do not have a par value.

(i) *Issue of bonus shares*

On 21 June 2018, an aggregate of 400,114,628 shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 11 June 2018.

On 21 June 2017, an aggregate of 363,740,571 shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 13 June 2017.

There is no change to the Company's share capital as the Company's shares no longer have a par or nominal value in accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622).

(d) Distributability of reserves

At 31 December 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK$76,332 million (2017: HK$78,444 million). As stated in note 11(a), after the end of the reporting period, the directors proposed a final dividend of HK$1.30 (2017: HK$1.23) per ordinary share, amounting to HK$5,722 million (2017: HK$4,921 million). This dividend has not been recognised as a liability at the end of the reporting period.

40 Non-adjusting events after the reporting period

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 11.

41 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. Furthermore, certain comparative figures have been restated as a result of the adoption of HKFRS 15, *Revenue from contracts with customers* for the current accounting period, as referred to in note 2(b) to these financial statements.

42 Immediate parent and ultimate controlling party

At 31 December 2018, the directors consider that the immediate parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce financial statements available for public use.

Principal Subsidiaries

at 31 December 2018

Details of the principal subsidiaries are as follows:

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(a)	**Property development**				
(i)	**Incorporated and operates in Hong Kong**				
	Asia Cheer International Limited		1	–	100
	Avion Investment Limited	(i)	3,000,000	100	–
	Borten Limited	(i)	1	–	100
	Capital Matrix Limited		1	–	100
	Carley Limited		2	–	100
	City Castle Limited		1	–	100
	Denco Properties Limited	(i)	1	–	100
	Dynamic Hero Limited	(i)	1	–	100
	Dynamic Talent Limited		1	–	100
	Fairtex Development Limited		1	–	100
	Gainbo Limited	(i)	2	–	100
	Gentway Limited	(i)	1	–	100
	Global Crystal Limited	(i)	1	–	100
	Golden Sharp Limited		1	–	100
	Harven Limited		10,000	–	100
	Harvest Development Limited		840	–	82.86
	Hongkong Island Construction Properties Co., Limited	(i)	500,000	–	100
	Hung Shun Investment Company Limited	(i)	3,940,200	–	100
	Joinbo Enterprises Limited	(i)	1	–	100
	Landrich Development Limited	(i)	1,000	–	100
	Nation Sheen Limited	(i)	2	–	100
	Onfine Development Limited	(i)	2	–	100
	Perfect Success Development Limited		2	–	100
	Rich Silver Development Limited		2	–	100
	Rise Cheer Investment Limited	(i)	1	–	100
	Sky Rainbow Development Limited		10,000	–	100
	Smart Bright Development Limited	(i)	1,000,100	–	100
	Sunny Perfect Limited		1,000	–	100
	Super Fortune Investment Limited	(i)	1	–	100
	Supreme Hero Limited	(i)	1	–	100
	Sure Partner Limited		1	–	100
	Treasure Palace Limited		1	–	100
	Triple Glory Limited	(i)	1	–	100
	Union Citizen Limited	(i)	1	–	100
	Victory Well Development Limited		2	–	100
	Winjoy Development Limited	(i)	2	100	–

		Issued/ contributed registered capital	% of equity interest held by The Company	% of equity interest held by Subsidiaries	% of profit sharing by subsidiaries
(a)	**Property development** (continued)				
(ii)	**Established and operates in mainland China**				
	Sino-Foreign Co-operative Joint Venture Enterprise				
	Beijing Gaoyi Property Development Co., Ltd.	US$81,000,000	–	100	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(b)	**Property investment**				
	Incorporated and operates in Hong Kong				
	Bloomark Investment Limited	(i)	2	–	100
	Carry Express Investment Limited	(i)	100,000	–	100
	Century Base Development Limited	(i)	1	–	100
	Deland Investment Limited	(i)	200	–	100
	Easewin Development Limited	(i)	100,000	–	100
	Evercot Enterprise Company, Limited	(i)			
	– A Shares		14,990,000	100	–
	– B Shares		200	–	–
	Intelligent House Limited	(i)	10,000	–	100
	Join Fortune Development Limited	(i)			
	– A Shares		100	100	–
	– B Shares		2	–	–
	Millap Limited	(i)	2	100	–
	Shung King Development Company Limited	(i)			
	– Ordinary A Shares		2	100	–
	– Non-voting Deferred A Shares		2,000,000	100	–
	– B Shares		2	–	–
	Union Fortune Development Limited	(i)	10,000	–	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(c)	Finance				
(i)	**Incorporated and operates in Hong Kong**				
	Ever Supreme Development Limited		1	–	100
	Henderson (China) Finance Limited	(i)	10,000	–	100
	Henderson International Finance Limited		25,000,000	100	–
	Henderson Land Credit (2014) Limited	(i)	1	–	100
	Henderson Land Credit (2015) Limited	(i)	1	–	100
	Henderson Land Finance (2011) Limited	(i)	1	–	100
	Henland Finance Limited	(i)	1,000,000	–	100
	Post East Finance Company Limited		2	–	100
	Rich Chase Development Limited	(i)	2	–	100
	Smart Time International Limited		1	–	100
	Success Crown Development Limited		2	–	100
(ii)	**Incorporated and operates in the British Virgin Islands**				
	Hansom Technology Limited	(i)	US$1	–	100
	Henderson Land Finance Limited		US$1	100	–
	Henderson Land MTN Limited	(i)	US$1	–	100
	Henson Finance Limited	(i)	US$1	–	100
	Midlink Limited	(i)	US$1	–	100
	St. Helena Holdings Co. Limited		US$3	–	100
(iii)	**Incorporated in Singapore and operates in Hong Kong**				
	Henderson Land MTN (S) Pte. Limited	(i)	US$1	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(d) Construction				
Incorporated and operates in Hong Kong				
E Man Construction Company Limited		35,000,000	100	–
Ginca Construction Machinery Limited		1	–	100
Granbo Construction Company Limited		1	–	100
Heng Lai Construction Company Limited		2	–	100
Heng Shung Construction Company Limited		2	–	100
Heng Tat Construction Company Limited		200	–	100
Hong Kong Concrete Precasting Product Company Limited		2	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(e) Property management				
Incorporated and operates in Hong Kong				
Beverly Hill (Estate Management) Limited		2	–	100
Flora Plaza Management Limited		10	–	60
Goodwill Management Limited		2	–	100
H-Privilege Limited		1	–	100
Hang On Estate Management Limited		2	–	100
Hang Yick Properties Management Limited		10,000,000	100	–
Henderson Sunlight Asset Management Limited	(i)	38,800,000	–	100
Henderson Sunlight Property Management Limited	(i)	1	–	100
Metro City Management Limited		2	–	100
Metro Harbourview Management Limited		2	–	100
Nathan Hill Management Company Limited		1	–	100
Star Management Limited		2	–	100
Sunshine City Property Management Limited		2	–	100
Well Born Real Estate Management Limited		2	100	–

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(f)	Investment holding				
(i)	**Incorporated and operates in Hong Kong**				
	Banshing Investment Limited		2	–	100
	Channel Best Limited	(i)	1	–	100
	China Investment Group Limited		300,000,000	–	100
	Citiright Development Limited		2	100	–
	Covite Investment Limited		2	–	100
	Darnman Investment Limited		2	–	100
	Disralei Investment Limited				
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		1,000	–	100
	Fondoll Investment Limited		200	100	–
	Gainwise Investment Limited		2	–	100
	Graf Investment Limited	(i)			
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		200	–	100
	Henderson China Properties Limited	(i)	3,000,000,000	–	100
	Henderson Investment Limited		612,926,901	–	69.27
	Macrostar Investment Limited				
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		2	–	100
	Main Champion Development Limited	(i)	2	100	–
	Markshing Investment Limited		2	–	100
	Medley Investment Limited				
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		200	–	100
	Mightymark Investment Limited		2	100	–
	Mount Sherpa Limited	(i)			
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		20	–	100
	Paillard Investment Limited	(i)			
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		200	–	100
	Tactwin Development Limited	(i)	1,000	100	–
	Wellfine Development Limited		55	100	–
	Wiselin Investment Limited	(i)	2	–	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(f)	Investment holding (continued)				
(ii)	**Incorporated in Hong Kong and operates in mainland China**				
	Hang Seng Quarry Company Limited	(i)	10,000	64	–
(iii)	**Incorporated and operates in the British Virgin Islands**				
	Cobase Limited		US$1	–	100
	Higgins Holdings Limited	(i)	US$1	–	100
	Multiglade Holdings Limited	(i)	US$1	–	100
	Richful Resources Limited		US$1	–	100
	Starland International Limited		US$1	100	–
	Sunnice Investment Limited		US$1	–	100
	Threadwell Limited	(i)	US$1	–	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(g)	Department store operation and management				
	Incorporated and operates in Hong Kong				
	Citistore (Hong Kong) Limited		1	–	100
	Unicorn Stores (HK) Limited (formerly known as UNY (HK) Co., Limited)		35,000,000	–	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(h)	**Management and agency services**				
	Incorporated and operates in Hong Kong				
	Henderson Leasing Agency Limited	(i)	1	–	100
	Henderson Property Agency Limited		200,000	–	100
	Henderson Real Estate Agency Limited	(i)	200	100	–

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(i)	**Professional services and others**				
	Incorporated and operates in Hong Kong				
	Hang Oi Charitable Foundation Limited		–	–	100
	Henderson Warmth Foundation Limited		–	100	–
	Megastrength Security Services Company Limited	(i)			
	– Ordinary Shares		10,000	–	100
	– Non-cumulative Preference Shares		400	–	100

Note:

(i) Companies audited by KPMG.

The above list gives the principal subsidiaries of the Group which, in the opinion of the directors, materially affected the results, assets or liabilities of the Group.

Principal Associates

at 31 December 2018

Details of the principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by		
	The Company	**Subsidiaries**	**Principal activities**
Listed			
Hong Kong Ferry (Holdings) Company Limited	–	33.41	Property development, property investment, ferry, shipyard and related businesses, and securities investment
Miramar Hotel and Investment Company, Limited	–	48.70	Property rental, hotels and serviced apartments, food and beverage operation and travel operation
The Hong Kong and China Gas Company Limited	–	41.53	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses
Unlisted			
Star Play Development Limited	–	33.33	Property investment
Start Treasure Limited	–	22.80	Property development
上海旭弘置業有限公司 (established and operates in mainland China)	–	50	Property development and investment
蘇州旭高房地產開發有限公司 (established and operates in mainland China)	–	50	Property development

The above list gives the principal associates of the Group which, in the opinion of the directors, materially affected the results, assets or liabilities of the Group.

Principal Joint Ventures

at 31 December 2018

Details of the principal joint ventures, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by The Company	Subsidiaries	Principal activities
Best Value International Limited	–	50	Property investment and investment holding
Billion Ventures Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	50	Investment holding
Central Waterfront Property Investment Holdings Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	34.21	Investment holding
Double Cove Management Limited	–	50	Provision of property management services
Long Global Investment (Chengdu) Limited (established and operates in mainland China)	–	30	Property development
Newfoundworld Holdings Limited	–	20	Property investment and hotel operation
Special Concept Development Limited	–	25	Property development
Surbana-Henderson (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Surbana-Henderson II (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Teamfield Property Limited	–	49.18	Property development
The Reach Management Limited	–	50	Provision of property management services
上海旭領湖置業有限公司 (established and operates in mainland China)	–	35	Property development

The above list gives the principal joint ventures of the Group which, in the opinion of the directors, materially affected the results, assets or liabilities of the Group.

ISSUER

Henderson Land MTN Limited
Morgan & Morgan Building
Pasea Estate
Road Town
Tortola
British Virgin Islands

GUARANTOR

Henderson Land Development Company Limited
72-76/F., Two International Finance Centre
8 Finance Street
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AUDITOR OF THE GUARANTOR

KPMG
8th Floor
Prince's Building
10 Chater Road
Central
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