



HARBOUR CENTRE DEVELOPMENT LIMITED

Stock Code : 51



ANNUAL REPORT 2025

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BUSINESS MODEL

Harbour Centre Development Limited is a listed subsidiary of Wharf Real Estate Investment Company Limited (stock code: 1997), with hotel and property investments in Hong Kong as its core businesses.

Flagship assets comprise Marco Polo Hongkong Hotel (“MP Hong Kong”) and The Murray, Hong Kong, a Niccolo Hotel (“The Murray”). Located at Harbour City in Tsimshatsui, MP Hong Kong has been a core operating asset for over 50 years. The Murray, a luxury hotel at a prominent location in Central and part of the Government’s “Conserving Central” Initiative, opened in 2018. In addition, Niccolo Suzhou, also a luxury hotel and at the top of Suzhou’s tallest building at 450 metres, opened in 2021.

Exit from Development Properties in Chinese Mainland continues, with only slow-moving stock remaining.

CORPORATE STRATEGY

The Group endeavours to generate return to shareholders through:

- (a) Owning and operating prime hotels and Investment Properties in prime locations through continuous product and service enhancement to maximise income and value; and
- (b) Exercising prudent and disciplined financial management at all times.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr Stephen T H Ng

Non-executive Directors

Mr Frankie C M Yick, *GBS, JP*

Mr Peter Z K Pao

Independent Non-executive Directors

Ms Michelle Cheng

Mr David T C Lie-A-Cheong, *SBS, OM, JP*

Mr Roger K H Luk, *BBS, JP*

Mr Michael T P Sze

Mr Brian S K Tang

Mr Ivan T L Ting

COMPANY SECRETARY

Ms Grace L C Ho, *FCG, HKFCG*

AUDITORS

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

REGISTERED OFFICE

16th Floor, Ocean Centre, Harbour City

Canton Road, Kowloon, Hong Kong

Telephone: (852) 2118 8118

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Website: www.harbourcentre.com.hk

SHAREHOLDER INFORMATION

LISTING

Ordinary Shares
The Stock Exchange of Hong Kong Limited
Stock Code: 51

Number of issued shares
as at 31 December 2025 708,750,000

FINANCIAL CALENDAR

Closure of Register of Members
(to ascertain shareholders' right to attend and
vote at 2026 Annual General Meeting) 4 May 2026 to 7 May 2026
(both days inclusive)

2026 Annual General Meeting 11:15 a.m., 7 May 2026
(at Jade Room, 6th Floor
Macro Polo Hongkong Hotel
3 Canton Road, Kowloon, Hong Kong)

CONTACTS

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Investor enquiries: ir@harbourcentre.com.hk
Media enquiries: pr@harbourcentre.com.hk

CHAIRMAN'S STATEMENT

THE YEAR IN REVIEW

Hong Kong's tourism sector continued its rebound in 2025 but was still only a shadow of its pre-pandemic self. Visitor arrivals reached 50 million, marking a 12% year-on-year increase but still 23% below 2018 (with non-Mainland visitors 15% below and overnight visitors from Mainland 24% below). Hotel demand demonstrated resilience, achieving an average citywide occupancy rate of 87%, two points higher year-on-year but still four points below 2018. Average room rates only gained momentum in the fourth quarter, signaling continued price sensitivity among travellers amid global economic headwinds and heightened regional competition, and were 8% below 2018.

Meanwhile, Hong Kong retail sales started a feeble recovery in the middle of the year and finished the year with a 1% full year increase over 2024. However, that was still 22% below 2018. In particular, major sectors for tourists including jewellery & watches, clothing & footwear and medicines & cosmetics were at least 30% below 2018. Higher vacancy and negative rental reversion will still hurt mall landlords.

In the Chinese Mainland, the domestic tourism market continued to grow, although some regions faced mounting competition following rapid supply expansion. Keen rivalry between international brands and domestic operators has intensified, with sentiment diverging between top-tier destinations and other markets. Average room rates have been harder hit than occupancies in most markets. For Development Properties ("DP"), the continued weakness of the market resulted in a sharp decline in both sales volume and price.

BUSINESS PERFORMANCE

The Group's consolidated revenue amounted to HK\$1,345 million (2024: HK\$1,354 million) and operating profit was HK\$235 million (2024: HK\$404 million). An underlying net loss of HK\$22 million (2024: profit of HK\$83 million) was reported, primarily due to unrealised, non-cash impairment provisions in respect of decline in market value of slow-moving DP stock, particularly the severely oversupplied office and retail stock. After accounting for the net Investment Properties ("IP") revaluation deficit, Group loss attributable to equity shareholders was HK\$234 million (2024: HK\$70 million).

In view of the loss in 2025, the Board of Directors of the Company (the "Board") has resolved not to declare any dividend for the year (2024: 5 HK cents per share).

Hotels revenue increased to HK\$918 million (2024: HK\$874 million), and operating loss narrowed to HK\$18 million (2024: HK\$55 million). IP revenue decreased to HK\$175 million (2024: HK\$199 million) and operating profit to HK\$150 million (2024: HK\$171 million). DP revenue decreased to HK\$116 million (2024: HK\$152 million), with an operating loss of HK\$21 million (2024: profit of HK\$166 million after a one-off reversal of certain over-provided costs) before impairment provisions.

At year-end, the Group's total assets amounted to HK\$16.5 billion, with shareholders' equity per share at HK\$21.13. Net cash amounted to HK\$404 million (2024: HK\$66 million). Net cash inflow totaled HK\$338 million.

CHAIRMAN'S STATEMENT

OUTLOOK

Looking ahead to 2026, Hong Kong's tourism and consumption sectors are expected to sustain recovery momentum underpinned by targeted policy initiatives and favourable currency movements. Strategic priorities are shifting from volume-driven growth toward enhancing visitor experiences through signature local offerings, innovative attractions, and distinctive products. This evolution toward integrated and diversified tourism experiences is poised to reinforce Hong Kong's positioning as a sophisticated, high-value destination over the longer term.

Amid ongoing geopolitical and macroeconomic uncertainties that continue to weigh on consumer confidence and spending patterns across our markets, the Group will remain vigilant and agile, focusing on strategic initiatives and operational efficiency to navigate these challenges while capturing emerging opportunities.

APPRECIATION

Independent Non-executive Director Mr Brian Tang has served on the Board since 2008. He will not stand for re-election on retirement by rotation at the 2026 Annual General Meeting. On behalf of the Board and Shareholders, I wish to thank him very sincerely for his long years of valuable contribution to the Group.

I also wish to extend heartfelt thanks to our customers, partners, and employees. Your trust, collaboration, and unwavering commitment have been the cornerstone of our resilience and progress through these challenging times.

Stephen T H Ng

Chairman

Hong Kong, 5 March 2026

FINANCIAL HIGHLIGHTS

	2025 HK\$ Million	2024 HK\$ Million	Change
Results			
Revenue	1,345	1,354	-1%
Operating profit	235	404	-42%
Underlying net (loss)/profit (Note a)	(22)	83	N/A
Loss attributable to equity shareholders	(234)	(70)	-234%
Dividend for the year	-	35	-100%
(Loss)/earnings per share			
Underlying net (loss)/profit (Note a)	(HK\$0.03)	HK\$0.12	N/A
Reported loss	(HK\$0.33)	(HK\$0.10)	-230%
Dividends per share			
	-	HK\$0.05	-100%
Financial Position			
Total assets	16,473	15,801	+4%
Total business assets (Note b)	15,627	15,370	+2%
Net cash	404	66	+512%
Shareholders' equity	14,980	14,217	+5%
Total equity	15,069	14,330	+5%
Number of issued shares (in million)	709	709	-
Shareholders' equity per share	HK\$21.13	HK\$20.06	+5%
Net debt to total equity	N/A	N/A	N/A

Financial year	Profit/(loss) to shareholders			Shareholders' equity		Earnings/(loss) per share			Dividends per share
	Underlying net profit/(loss)	Reported profit/(loss)	Total equity	Total	Per share	Underlying net profit/(loss)	Reported profit/(loss)		
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$	HK\$	HK\$	HK\$	HK\$
2016	762	692	16,546	15,829	22.33	1.08	0.98	0.50	
2017	1,290	1,320	18,203	17,554	24.77	1.82	1.86	0.70	
2018	512	831	17,889	17,276	24.38	0.72	1.17	0.30	
2019	435	117	17,467	17,084	24.10	0.61	0.17	0.22	
2020	413	(1,119)	15,929	15,482	21.84	0.58	(1.58)	0.14	
2021	40	(24)	15,937	15,617	22.03	0.06	(0.03)	-	
2022	(133)	(197)	15,334	15,128	21.34	(0.19)	(0.28)	-	
2023	(201)	(107)	14,438	14,329	20.22	(0.28)	(0.15)	-	
2024	83	(70)	14,330	14,217	20.06	0.12	(0.10)	0.05	
2025	(22)	(234)	15,069	14,980	21.13	(0.03)	(0.33)	-	

Notes:

- (a) Underlying net profit/(loss) mainly excludes changes in investment property revaluation, impairment on hotel properties and non-recurring items.
- (b) Business assets exclude unallocated corporate assets mainly comprising deferred tax assets and bank deposits and cash.

BUSINESS AND FINANCIAL REVIEW

BUSINESS REVIEW

Hong Kong

Hotels

Occupancy at the Group's two hotels improved over 2024 and exceeded the gain achieved by the direct competition. Double-digit growth in room revenue compensated for market-wide weakness in RB&E (restaurant, bar & events) to lead the hotels' return to positive operating profit.

The Murray recorded good growth in both occupancy and total room revenue. Located in the cosmopolitan Central district, gateway to Hong Kong's rich heritage and contemporary vibrancy, The Murray further strengthened its market position by receiving One MICHELIN Key in the 2025 MICHELIN Guide Hotel Selection.

Situated along the Victoria Harbour front, MP Hong Kong improved in both room and non-room revenue, supported by the introduction of new room initiatives and targeted sales execution. *Cucina*, the hotel's Italian restaurant, maintained its Forbes Travel Guide Four-Star rating for the sixth consecutive year, while the hotel continued to hold its Recommended Hotel distinction.

Investment Properties ("IP")

Impacted by the uneven recovery of Hong Kong's retail market, revenue and operating profit both declined by 12%.

The portfolio was independently revalued as at 31 December 2025, resulting in a net revaluation deficit of HK\$212 million (2024: HK\$153 million).

Chinese Mainland

Hotels

The hospitality market in Suzhou continued to face headwinds amid intensified competition and tighter travel budgets across both business and leisure segments.

Niccolo Suzhou recorded softer occupancy and average room rates. In response, management introduced targeted pricing strategies, bundled packages and promotional campaigns to strengthen competitiveness and improve revenue capture.

Development Properties ("DP")

All on an attributable basis: Contracted sales slowed down to only RMB45 million, equivalent to HK\$50 million (2024: RMB185 million, equivalent to HK\$200 million). Unsold stock at year end totaled 132,000 s.m., of which 7% was residential and 93% commercial. The carrying value of this slow-moving unsold stock was written down to RMB1,521 million to reflect prevailing market conditions, resulting in an impairment provision of HK\$255 million (2024: HK\$237 million).

BUSINESS AND FINANCIAL REVIEW

FINANCIAL REVIEW

(I) Review of 2025 Results

Group underlying net loss amounted to HK\$22 million (2024: profit of HK\$83 million) with DP loss widening to HK\$244 million after attributable impairment provision of HK\$255 million (2024: loss of HK\$114 million after impairment provision of HK\$237 million and one-off reversal of HK\$147 million cost overprovision). IP profit decreased by 11% to HK\$125 million (2024: HK\$140 million), while Hotels loss narrowed by 59% to HK\$27 million (2024: HK\$66 million).

Including attributable net IP revaluation deficit of HK\$212 million (2024: HK\$153 million), the Group reported a net loss of HK\$234 million (2024: HK\$70 million loss) attributable to equity shareholders.

Revenue and Operating Profit

Group revenue decreased by 1% to HK\$1,345 million (2024: HK\$1,354 million) and operating profit by 42% to HK\$235 million (2024: HK\$404 million).

Hotels revenue increased by 5% to HK\$918 million (2024: HK\$874 million) and operating loss reduced by 67% to HK\$18 million (2024: HK\$55 million). Hong Kong revenue increased by 7% to HK\$822 million (2024: HK\$766 million) and turned to an operating profit of HK\$12 million (2024: loss of HK\$42 million) with occupancy improving. In Chinese Mainland, revenue decreased by 11% to HK\$96 million (2024: HK\$108 million) and operating loss widened to HK\$30 million (2024: HK\$13 million).

IP revenue and operating profit both decreased by 12% to HK\$175 million (2024: HK\$199 million) and HK\$150 million (2024: HK\$171 million), respectively, primarily suffering from decline in retail rental income.

DP revenue decreased by 24% to HK\$116 million (2024: HK\$152 million) and reported an operating loss of HK\$21 million (2024: profit of HK\$166 million) with lower sales recognition.

Investments operating profit, mainly from dividend income, was HK\$126 million (2024: HK\$125 million).

IP Revaluation Change

The Group's IP were stated at fair value based on independent valuation as at 31 December 2025, resulting in a revaluation deficit of HK\$212 million (2024: HK\$153 million) in the consolidated income statement.

Other Net Charge

Other net charge of HK\$89 million (2024: HK\$3 million) primarily attributable to impairment provision for DP.

Finance Costs

Net finance costs decreased to HK\$13 million (2024: HK\$16 million).

Share of Results (after tax) of an Associate

Attributable loss of an associate amounted to HK\$144 million (2024: HK\$256 million loss) after DP impairment provision of HK\$181 million (2024: HK\$237 million).

Income Tax

Taxation charge for the year was HK\$39 million (2024: HK\$39 million).

BUSINESS AND FINANCIAL REVIEW

Loss Attributable to Equity Shareholders

Group loss attributable to equity shareholders was HK\$234 million (2024: HK\$70 million). Loss per share was HK\$0.33 (2024: HK\$0.10) based on 708.8 million ordinary shares in issue.

Reconciliation with underlying net (loss)/profit attributable to equity shareholders as below:

	2025 HK\$ Million	2024 HK\$ Million
Underlying net (loss)/profit	(22)	83
Attributable net IP revaluation deficit	(212)	(153)
Loss attributable to equity shareholders	(234)	(70)

(II) Review of Financial Position, Liquidity, Resources and Commitments

Shareholders' and Total Equity

As at 31 December 2025, shareholders' equity increased by 5% to HK\$14,980 million (2024: HK\$14,217 million), equivalent to HK\$21.13 per share (2024: HK\$20.06 per share). The increase was mainly attributable to HK\$1,006 million surplus arising from investment revaluation much exceeding the reporting loss. Including non-controlling interests, the Group's total equity amounted to HK\$15,069 million (2024: HK\$14,330 million).

Assets

Total assets amounted to HK\$16,473 million (2024: HK\$15,801 million). Business assets, excluding bank deposits and cash, totaled HK\$15,627 million (2024: HK\$15,370 million).

Geographically, HK\$12,243 million or 78% of total business assets were in Hong Kong (2024: HK\$12,200 million or 79%) and HK\$1,812 million or 12% in Chinese Mainland (2024: HK\$2,163 million or 14%).

Hotels

Hotel properties, at cost less depreciation and impairment provision, amounted to HK\$6,268 million (2024: HK\$6,426 million), which comprised The Murray, MP Hong Kong, Niccolo Suzhou and the former Marco Polo Changzhou.

BUSINESS AND FINANCIAL REVIEW

Investment Properties

IP amounted to HK\$4,734 million (2024: HK\$4,946 million), which comprised MP Hong Kong's commercial podium and Star House units.

Development Properties for Sale/Interests in an Associate and a Joint Venture

DP amounted to HK\$771 million (2024: HK\$932 million), mainly including Suzhou International Finance Square. In addition, those undertaken through an associate and a joint venture amounted to HK\$198 million (2024: HK\$336 million).

Equity Investments

Equity investments were marked to market at HK\$3,461 million (2024: HK\$2,505 million), including mainly blue-chip equity shares held for long term capital growth and dividend return. The value of the whole portfolio represented 21% (2024: 16%) of the Group's total assets and each investment within it was individually not material to the Group's total assets. Marking these investments to market produced a net surplus of HK\$1,006 million (2024: deficit of HK\$17 million) as reflected in other comprehensive income, of which HK\$5 million (2024: HK\$Nil) were realised on disposal and transferred from investments revaluation reserves directly to revenue reserves upon de-recognition.

The Group's investment portfolio, analysed by industry sectors and by geographical locations, is as below:

	2025 HK\$ Million	2024 HK\$ Million
Analysed by industry sectors		
– Properties	2,987	2,171
– Others	474	334
Total	3,461	2,505
Analysed by geographical locations		
– Hong Kong	1,889	1,498
– Overseas	1,572	1,007
Total	3,461	2,505

Net Cash

As at 31 December 2025, the Group had net cash of HK\$404 million (2024: HK\$66 million), consisting of HK\$846 million in cash (mainly held in Hong Kong) and HK\$442 million in bank borrowings (drawn in Chinese Mainland).

BUSINESS AND FINANCIAL REVIEW

Finance and Availability of Facilities and Funds

The Group's debts were principally denominated in Hong Kong dollars ("HK\$") and Renminbi ("RMB") at floating rates.

As at 31 December 2025, the Group's available loan facilities amounted to HK\$1,321 million, of which HK\$442 million were utilised. Certain banking facilities were secured by hotel and DP in the Chinese Mainland of RMB1,160 million, equivalent to HK\$1,284 million (2024: RMB1,213 million, equivalent to HK\$1,310 million).

The use of derivative financial instruments is strictly controlled. Instruments entered into by the Group are mainly used for managing and hedging interest rate and currency exposures.

The Group continued to maintain a reasonable level of surplus cash denominated principally in HK\$ and RMB to facilitate its business and investment activities. As at 31 December 2025, the Group also held a portfolio of liquid listed equity investments with an aggregate market value of HK\$3,461 million (2024: HK\$2,505 million), which is available for use if necessary.

Net Cash Flows for Operating and Investing Activities

For the year under review, the Group generated a net operating cash inflow of HK\$344 million (2024: HK\$224 million). For investing activities, the Group recorded a net cash inflow of HK\$32 million (2024: outflow of HK\$12 million), mainly from disposal of equity investments.

Commitments to Capital and Development Expenditure

As at 31 December 2025, major capital and development expenditure planned for the coming years was about HK\$312 million, mainly related to DP.

The above expenditure will be funded by internal financial resources, including cash currently on hand, as well as bank loans. Other available resources include equity investments that can be liquidated when in need.

(III) Dividend Policy

Apart from compliance with the applicable legal requirements, the Company adopts a policy which targets to provide shareholders with reasonably stable and consistent dividends if possible and appropriate. Dividend payout from year to year will be subject to upward or downward adjustments as decided by the Board after taking into account of the Group's immediate as well as expected financial performance, cash flow, financial position, capital commitments and future requirements as well as the general business and economic environments.

The Group did not declare any dividend for the year ended 31 December 2025 (2024: interim dividend of 5 HK cents per share) after recording an underlying net loss attributable to equity shareholder. Dividend is normally paid out of realised profit in the current year.

The Board will review this policy from time to time with reference to its future prospect, capital requirements and other changing circumstances both internally and externally.

(IV) Human Resources

The Group had approximately 1,100 employees as at 31 December 2025. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

CORPORATE SUSTAINABILITY

OUR SUSTAINABILITY APPROACH

The Group is committed to minimising environmental and social impacts from operations and to fostering sustainable development in the communities in which it operates. The Board plays a pivotal role in embedding sustainability considerations into the Group's strategic and operational decision-making processes. In alignment with the governance framework and sustainability vision of the parent company, Wharf Real Estate Investment Company Limited ("Wharf REIC"), the Group integrates the long-standing vision of "Building for Tomorrow" into its sustainability strategies.

A detailed overview of the Group's Environmental, Social, and Governance ("ESG") performance, policies, and initiatives is provided in the Sustainability Report 2025, prepared in accordance with the Environmental, Social and Governance Reporting Code (Appendix C2) issued by The Stock Exchange of Hong Kong Limited ("HKEX ESG Reporting Code"), the Global Reporting Initiative ("GRI") Standards 2021, and with reference to the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures developed by the International Sustainability Standards Board ("ISSB"). The report is available on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.harbourcentre.com.hk).

OUR GOVERNANCE

The Group reports its ESG performance on a regular basis to the Sustainability Steering Committee of Wharf REIC. Through active participation in Cross-Business Unit Sustainability Group meetings, the Group collaborates with various Wharf REIC teams to share insights and integrate best practices in ESG management. The Board retains overall oversight of all ESG-related matters across the Group's operations, while the management team is entrusted with the responsibility of implementing and embedding ESG principles into day-to-day business activities.

The Group actively collaborates with internal and external stakeholders to strengthen governance practices and create social value. Sustainability considerations are fully embedded within the Group's business strategy to address and mitigate environmental and social impacts. Through comprehensive risk assessments, stakeholder engagement, and materiality assessment, the Board prioritises significant ESG risks and opportunities, guiding the development of initiatives to advance the Group's sustainability performance in the long run.

The Group upholds the highest standards of business integrity and enforces a zero-tolerance policy towards corruption, fraud, extortion and money laundering. Compliance with the Prevention of Bribery Ordinance (Cap 201 of the laws of Hong Kong) and other applicable regulations is ensured through a robust risk management framework and internal control mechanisms. These systems are aligned with the Group's Anti-corruption Policy and Wharf REIC's Compliance Policy Statement. To reinforce ethical conduct throughout operations, the Group has also adopted Wharf REIC's Statement of Business Integrity and Code of Conduct. In addition, the Whistleblowing Policy and Procedures provides employees with a secure and confidential platform to report any suspected misconduct. Regular reviews of business processes are undertaken to ensure continued compliance and uphold ethical governance standards.

CORPORATE SUSTAINABILITY

OUR ENVIRONMENT

The Group remains dedicated to environmental protection and the reduction of adverse ecological impacts, ensuring full compliance with applicable environmental laws and regulations in Hong Kong and Chinese Mainland. Throughout the reporting year, the Group recorded no incidents of non-compliance related to environmental matters, reaffirming its adherence to responsible environmental management practices.

To minimise our environmental footprint, we have implemented a range of strategies focused on energy efficiency, resource management and waste reduction and recycling. Both The Murray and MP Hong Kong have maintained ISO 14001 Environmental Management System certification, underscoring the Group's commitment to continuous environmental improvement. Following Wharf REIC's commitment to science-based targets that support the global transition toward a low-carbon economy, we will actively contribute to this effort through the implementation of energy conservation measures and emission reduction initiatives across our operations. Meanwhile, the Group works closely with Wharf REIC to build the climate resilience of our portfolio, demonstrating our dedication to tackling climate-related challenges in alignment with Wharf REIC's Climate Change Policy Statement.

The Group recognises the impacts of acute and chronic physical climate risks. Acute events such as typhoons and heavy rainfall can result in operational interruptions and damage to physical assets. Chronic risks like extreme heat and rising sea levels contribute to higher long-term operational expenses. Currently, the global shift toward low-carbon energy and the gradual phase-out of fossil fuel dependence are being actively promoted and regulated. Evolving policy frameworks, market dynamics, and technological advancements may influence the Group's business performance, financial stability and brand reputation. We have proactively explored opportunities to embrace innovative technologies and low-carbon solutions, enhancing energy efficiency and sustainability performance.

The Group's ongoing commitment to sustainability has been affirmed through the achievement of EarthCheck certifications. Further details regarding our environmental initiatives and progress, please refer to the standalone Sustainability Report.

OUR PEOPLE

The Group places strong emphasis on our employees as the cornerstone of sustainable success. Within the workplace, we are dedicated to upholding equal opportunity, diversity and inclusion while fostering a culture that rejects all forms of discrimination. Employees are regularly informed of the latest practices and policies relating to anti-discrimination and anti-harassment. In matters of recruitment and remuneration, the Group strictly complies with all applicable laws and regulations. Comprehensive range of training programmes is also offered to enhance employees' capabilities in areas including service quality, occupational safety and health as well as business ethics.

In pursuit of our goal to achieve zero workplace injuries, we maintain strict compliance with the Occupational Safety and Health Ordinance (Cap 509 of the laws of Hong Kong) and Wharf REIC's Safety and Health Policy. Regular reviews and evaluations of the Group's safety manual and Policy on Work Accidents and Injuries are conducted to ensure continuous improvement and alignment with best safety practices. During the reporting year, the Group recorded no cases of work-related fatalities, reflecting the effectiveness of its safety management approach.

We regularly evaluate our business practices to ensure full compliance with the Group's obligations and regulatory requirements. During the reporting year, there were no recorded instances of non-compliance related to employment practices or occupational safety and health matters.

CORPORATE SUSTAINABILITY

OUR VALUE CHAIN

Customer experience and satisfaction remain central to the Group's commitment to excellence in products and services. Placing strong emphasis on food safety, the Group conducts audits to proactively identify, assess and address potential risks related to food quality and hygiene. Guided by the Operations Manual – Food Safety and Hygiene, corrective measures are promptly implemented to mitigate any identified issues. Beyond strict compliance with applicable laws and regulations, we strengthen our food safety management through systematic supplier audits, including unannounced inspections. In addition, a traceability system is utilised to ensure accurate country-of-origin labelling for all food products procured, reinforcing transparency and consumer confidence.

The Group adheres strictly to all applicable laws, regulations and voluntary codes governing our core business operations. To support employee awareness and compliance with the Competition Ordinance (Cap 619 of the laws of Hong Kong), we provide clear guidelines and conduct training sessions. In addition to protecting the interests of employees and stakeholders, we use a standardised review process for all contracts, agreements and marketing materials to ensure that information presented to customers is accurate and complete.

We uphold the highest standards of data protection and privacy, operating in strict accordance with the Data Privacy Policy Statement, the Personal Data (Privacy) Ordinance (Cap 486 of the laws of Hong Kong), and the European Union General Data Protection Regulation. Customer information is handled solely by authorised personnel and managed in compliance with internal policies, relevant legal requirements and prevailing industry best practices. During the reporting year, the Group recorded no cases of non-compliance related to customer data protection or privacy breaches.

ESG principles are embedded in our supplier evaluation framework to guide the selection of dependable and responsible partners. We follow the Green Procurement Policy to consider environmental implications in all purchasing decisions and prioritise local suppliers when feasible. All suppliers are required to confirm their awareness and compliance with our ESG standards.

BUSINESS-IN-COMMUNITY

The Group remains dedicated to contributing to the local community through initiatives that promote education, environmental stewardship, social wellbeing and youth empowerment. During the reporting year, we launched several community-focused programmes and continued to provide steadfast support to Wharf REIC's flagship Business-in-Community programme, Project *WeCan*. Our participation encompassed activities such as career talks, company visits, job shadowing opportunities and other experiential learning events. For further information on our corporate social responsibility engagements, please refer to the standalone Sustainability Report.

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the “Board”) recognises that strong corporate governance is pivotal to the Group’s corporate success and long-term sustainable growth. The Group has reinforced its corporate governance structure for ensuring proper corporate management and business integrity as well as enhancing corporate transparency and accountability, which in turn maximises benefits of its shareholders (the “Shareholders”) and other stakeholders.

The Company acknowledges that The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has revised the Corporate Governance Code as set out in Appendix C1 (the “CG Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”), which are applicable to corporate governance reports for financial years commencing on or after 1 July 2025, to further strengthen the corporate governance framework and promote high standards of governance among listed issuers. The Group’s corporate governance practices already adhere to and/or incorporate certain of the enhanced requirements, while other requirements are subject to transitional arrangements and will be implemented in accordance with the Board’s timetable, with relevant disclosures to be provided in subsequent corporate governance reports.

This Corporate Governance Report explains the corporate governance structure and practices that the Company has adopted, and illustrates how the Company has applied the applicable CG Code.

The Board is the core of our corporate governance structure embracing support across the Group-wide spectrum on foundation of an efficient and accountable framework with commitments to promote the Group’s sustainability in discharge of its duties of safeguarding the interests of the Group, Shareholders as well as all other stakeholders, including *inter alia* investing public, regulators, banks, bondholders, creditors, customers, employees and the wider community.

Throughout the financial year ended 31 December 2025, the Company has applied the principles and complied with all applicable code provisions of the CG Code, with one exception as regards Code Provision C.2.1 as explained under section “(E) CHAIRMAN AND CHIEF EXECUTIVE” below.

The Company is committed to maintaining high standards of corporate governance to exceed the Listing Rules requirements and code provisions and adopts, where appropriate, the recommended best practices, which are to be elaborated further in this Corporate Governance Report.

(B) CORPORATE CULTURE

The Board leads to establish, promote and continually reinforce the desired corporate culture of the Company which is underpinned by our corporate values of committing highest standard of business ethics and integrity. Our sound corporate culture reaches all levels of the Group, and aligns with the Company’s mission, corporate values and strategies.

For detailed information about the Company’s mission, corporate values and strategies, please refer to the section of “Corporate Sustainability” on pages 13 to 15 of this Annual Report and the “Sustainability” section of the Company’s website.

CORPORATE GOVERNANCE REPORT

(C) BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board and the Directors of the Company (the "Directors") are collectively responsible for promoting the success of the Company. The Board directly, and indirectly through the Board Committees, provides effective oversight and strategic guidance on the Group's strategies and affairs, leading the achievement of strategic plans to enhance Shareholders' value.

(I) Composition of the Board and Directors' Meeting Attendance in 2025

As of the date of this report, the Board consists of a total of nine members, including one Director with executive functions, two Non-executive Directors and six Independent Non-executive Directors ("INEDs").

An up-to-date list of Directors and their roles and functions is available on the respective websites of the Company and the Stock Exchange. Directors' biographical details in full compliance with disclosure requirements under the Listing Rules, are set out in "(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" on pages 39 to 41. All Directors, including INEDs, are identified as such in all corporate communications that disclose the names of Directors.

The Board composition, the length of tenure of each of the Directors as at the date of this report and the year(s) of service since his/her last re-election are set out below:

Directors	Length of Tenure (Year(s))	Year(s) of Service since last Re-election
<i>Chairman</i>		
Mr Stephen T H Ng	16.9	1
<i>Non-executive Directors</i>		
Mr Frankie C M Yick	13.7	2
Mr Peter Z K Pao	7.8	2
<i>Independent Non-executive Directors</i>		
Ms Michelle Cheng	1.2	1
Mr David T C Lie-A-Cheong	7.3	2
Mr Roger K H Luk	7.8	3
Mr Michael T P Sze	18.8	1
Mr Brian S K Tang	17.5	3
Mr Ivan T L Ting	7.3	1

Each Director has been appointed on the strength of his/her calibre, experience and stature, and his/her potential to contribute to the proper guidance of the Group and its businesses.

CORPORATE GOVERNANCE REPORT

Individual attendance records of Directors at Board meetings, Board Committee meetings and annual general meeting (“AGM”) during the financial year ended 31 December 2025 are set out below:

Directors	2025 Meetings Attended/Held			
	Board	Audit Committee	Nomination Committee	AGM
<i>Chairman</i>				
Mr Stephen T H Ng	5/5	N/A	1/1	1/1
<i>Non-executive Directors</i>				
Mr Frankie C M Yick	5/5	N/A	N/A	1/1
Mr Peter Z K Pao	5/5	N/A	N/A	1/1
<i>Independent Non-executive Directors</i>				
Ms Michelle Cheng	5/5	N/A	N/A	1/1
Mr David T C Lie-A-Cheong	5/5	N/A	N/A	1/1
Mr Roger K H Luk	5/5	3/3	N/A	1/1
Mr Michael T P Sze	5/5	3/3	1/1	1/1
Mr Brian S K Tang	5/5	3/3	1/1	1/1
Mr Ivan T L Ting	5/5	3/3	N/A	0/1
Total Number of Meetings	5	3	1	1

A Remuneration Committee meeting was held in January 2026 to review the disclosure of Directors' emoluments in this annual report, the Company's remuneration policy and structure, the level of fees for Directors and to consider and approve the emoluments for the Chairman, all Directors and senior management.

During the financial year ended 31 December 2025, Chairman held a meeting with INEDs without the presence of other Directors.

Each Director has maintained a satisfactory attendance rate for the Board meetings, Board Committee meetings and AGM held in 2025, demonstrating strong commitment and dedication to their roles and responsibilities. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

All Directors have undertaken to devote sufficient time and attention to the affairs and businesses of the Company to safeguard high quality decision making of the Board. As at 31 December 2025, none of the Directors concurrently holds more than six directorships of public companies listed on the Stock Exchange nor does any of them have any other major appointment or significant external time commitment demanding time and attention that will compromise his/her ability to discharge their duties as a Director of the Company.

(II) Appointment and Election of Directors

The Board, with support of Nomination Committee, is responsible for developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of INEDs. A Nomination Policy was formally adopted (details provided under sub-section “(V) Nomination Policy” of section “(C) BOARD OF DIRECTORS” on page 22) which sets out the approach in identifying, assessing and nominating suitable candidates to the Board.

In accordance with the Articles of Association of the Company (the “Articles of Association”), all Directors are subject to retirement by rotation at an AGM at least once every three years. All new Directors appointed by the Board either to fill a casual vacancy or as an addition to the Board are subject to re-election by Shareholders at the next general meeting of the Company. At each AGM, at least one-third of the Directors for the time being shall retire from office and the retiring Directors shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

Mr Roger K H Luk, Mr Peter Z K Pao and Mr Brian S K Tang will retire at the AGM to be held on 7 May 2026. Mr Tang will not stand for re-election. The other two retiring Directors (the “Directors Standing for Re-election”), being eligible, offer themselves for re-election. The proposed re-election of the Directors Standing for Re-election was reviewed by Nomination Committee and the Board with reference to the criteria set out in the Nomination Policy and Board Diversity Policy adopted by the Company. Both Nomination Committee and the Board are of the view that each of the Directors Standing for Re-election could continue to fulfil his/her role as required. The election of each candidate will be done through a separate resolution and there is no cumulative voting in Director elections. Details with respect to the candidates standing for re-election as Directors will be set out in the AGM circular to Shareholders.

(III) Board Independence

The Board recognises that board independence is of utmost importance and key to good corporate governance. As at the date of this report, two-thirds of the members of the Board are INEDs. In addition, none of the Directors has any relationship (including financial, business, family or other material or relevant relationships) with another Director.

Given the strong independent element on the board composition, independent views and inputs are always available to the Board no matter through formal or informal channels. Chairman promotes a culture of openness and constructive relations between INEDs and other Directors to facilitate effective contribution of INEDs for independent views and inputs. Chairman also holds separate meetings with INEDs without the presence of other Directors at least annually. Independent professional advice is sought when necessary or as required by Directors.

Each of the INEDs has made an annual confirmation of independence in accordance with the independence guidelines pursuant to Rule 3.13 of the Listing Rules. During their tenure as INEDs, none of them has been involved in the daily management of the Company nor has been financially dependent on the Company which would materially interfere with their exercise of independent judgement.

All INEDs have demonstrated their ability to provide impartial judgement and independent views to the Company’s matters and have brought in fresh perspectives, skills and knowledge gained from their other appointments and areas of expertise on an ongoing basis. Each of the INEDs possesses the requisite integrity and competence to continue fulfilling his/her role as INED.

All existing Directors have their respective terms of appointment coming to an end normally three years after their last re-election as Directors or, in the case of newly appointed Directors, at the next following general meeting.

For orderly compliance with the new requirements of the Listing Rules, which require that the Board must not include any INED who has served on the Board for nine years or more (“Long Serving INED”) as at the conclusion of the AGM following the end of the Long Serving INED’s nine-year tenure with phased implementation, the Company has updated its Nomination Policy that any Long Serving INED who is due to retire from the Board by rotation at AGM will not be nominated for re-election. For details, please refer to sub-section “(V) Nomination Policy” of section “(C) BOARD OF DIRECTORS” on page 22.

For the year under review, Nomination Committee has conducted an annual assessment on the independence of INEDs and considered that the INEDs continued to be independent and the independence of the Board remains satisfactory. The mechanisms to ensure independent views and inputs are available to the Board have operated effectively.

CORPORATE GOVERNANCE REPORT

(IV) Board Diversity

The Company recognises and embraces the benefits of having a diverse Board towards enhancement of its overall performance. With a vision of achieving sustainable and balanced development, the Company regards Board diversity as an essential element for achieving its strategic goals. Appointments of Directors are made on the basis of meritocracy having due regard for the benefits of diversity of the Board.

The Company is committed to building and maintaining a Board composition with a wide range of diversity objectives, including but not limited to gender, age, cultural and educational background, length of service, professional experience, skills, knowledge of the Group's business and a broad range of individual attributes, interests and values, as well as contribution that the selected candidates will bring to the Board, according to the prevailing circumstance and specific needs of the Company taking into account its business model and operations from time to time.

At present, more than half of the directors on the Board are INEDs. They represent diverse career experience in both international and local enterprises. They bring with them diverse professional backgrounds and they also hold or have held important public service positions in Hong Kong and Chinese Mainland.

Whilst the Company aims to achieve a balanced mix of perspectives without over focusing on a single aspect of diversity, it is acknowledged that gender diversity is a priority objective, and the Board shall not comprise of members of a single gender. The Board has one female member, representing 11% of the Board throughout the year and up to the date of this report. The Company targets to maintain at least the current level of female representation on the Board with the ultimate goal of approaching gender parity, and to take appropriate measures to further enhance its Board diversity in tandem with the evolving corporate governance practice.

The Company is committed to increasing gender diversity on the Board over time when selecting and recommending candidates for Board appointment. The Board and Nomination Committee will stay vigilant in identifying a pipeline of potential successors to the Board. The Company will strive to widen the recruitment channels, such as referral solicitation and engagement of external headhunters, for identifying and approaching suitable candidates for Board appointment.

Through the review of the diversity profile and skill matrix of the Board performed by the Nomination Committee, the Board considers the current Board composition has provided the Company with a good balance of skills, experience and diversity of perspectives appropriate to the requirements of its business. The Board will continue to regularly review its composition taking into consideration board diversity for the needs and benefits of the Company's business.

The Company has updated the Board Diversity Policy to incorporate measurable objectives for promotion of gender diversity of the Board and the measures for developing a pipeline of potential successors to the Board to support the achievement gender diversity.

To further promote diversity and inclusion throughout the Group, the Company has adopted a Workforce Diversity Policy, setting out its commitment to fostering a diverse, inclusive and equitable workplace. Details of the Group's gender diversity at workforce level are set out in the Group's standalone Sustainability Report 2025.

CORPORATE GOVERNANCE REPORT

The following table shows the diversity profile of the Board as at the date of this report:

Gender	Male:	89%
	Female:	11%
Age Group	<56:	22%
	56-66:	11%
	67-77:	56%
	≥78:	11%
Length of Service	< 10 years:	56%
	10-15 years:	11%
	≥16 years:	33%
Ethnicity	Chinese:	100%
Directorship with other publicly listed companies (Beyond the Wharf group) (Number of company(ies))	0:	56%
	1:	33%
	≥2:	11%

The Company has established and maintained a board skills matrix linked to its corporate strategy. The following table outlines the diverse mix of skills and experience of the Directors that are relevant to the Company in contributing to the Group's business as at the date of this report:

Skills and Experience	Relevance to the Company	Expertise Coverage (% of entire Board)
Strategic <ul style="list-style-type: none"> • Banking / Financial and Securities / Investment • Entrepreneurship • Innovation and Technologies • Chinese Mainland Exposure • Strategy 	Provides insights into the economic trends, business environment and development opportunities, supporting the Group's long-term strategic objectives and sustainable growth	89%
Industry-related <ul style="list-style-type: none"> • Hospitality • Industrial and Commerce • Real Estates / Property Operation and Management 	Facilitates effective oversight of the Group's asset portfolios and provides insights into market trends and sector-specific risks, enabling the Group to seize growth opportunities	100%
Other Business Segments <ul style="list-style-type: none"> • Media and Communications • Public Transport / Logistics / Maritime Businesses 	Brings diverse perspectives to the Board, enhancing the breadth and quality of the Board's deliberations	67%
Control and Governance <ul style="list-style-type: none"> • Governance / Regulatory Compliance • Risk Management / Internal Control • Sustainability / Environment 	Supports effective board oversight, sound risk governance and responsible business practices in compliance with the Listing Rules and other applicable laws and regulations	56%
Professional <ul style="list-style-type: none"> • Accounting Professionals / Financial Management • Consultancy • Education / Academia 	Contributes to financial discipline, strategic insights, stakeholder communication skills and commercial acumen to the Board's decision-making	67%
Public Services and Administration / Associations	Delivers informed insight into social and economic developments, enhancing the Board's strategic deliberations	67%

CORPORATE GOVERNANCE REPORT

Nomination Committee reviews the implementation and effectiveness of the Board Diversity Policy by assessing, including but not limited to, structure, size, skills mix, professional background, experience and knowledge of the Board at least annually to ensure it remains effective and appropriate for the Company and in compliance with regulatory requirements and good corporate governance practices. Following its assessment of the diversity profile and skill matrix of the Board with reference to the Board Diversity Policy, Nomination Committee is satisfied that the Board Diversity Policy and its implementation continue to be effective and appropriate for the Company.

Pursuant to the revised CG Code, the terms of reference of the Nomination Committee were amended in March 2025 to expand its responsibilities to include, maintaining a board skills matrix, reviewing the implementation and effectiveness of Board Diversity Policy, supporting regular Board performance evaluations, and assessing Directors' time commitment and contribution to the Board.

(V) Nomination Policy

The Company's Nomination Policy sets out the approach in identifying, assessing and nominating suitable candidates to the Board. For an optimal composition of the Board with sustainability, the nomination will be in pursuit of a balance of skills, experience and diversity of perspectives in the Board appropriate to the requirements of the Company's business as well as succession continuity.

The criteria listed below will be used as reference in assessing the suitability of a proposed candidate for new appointment or re-election:

- Character and integrity
- Skills, knowledge and experience relevant to the Company's business and corporate strategy
- Willingness and availability to dedicate sufficient time and attention to ensure the diligent performance of duties in concurrence with his/her other major appointments and significant commitments
- Attributes enhancing the Board diversity in line with the Company's Board Diversity Policy
- Such other perspectives appropriate to the Company's business
- Requirements in respect of INEDs under the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines as set out in the Listing Rules and the tenure cap for INEDs

For appointment of a new Director, Nomination Committee as delegated by the Board shall identify and evaluate the candidate based on the criteria set out above with due consideration of Board Diversity Policy to determine whether the candidate is qualified for directorship. If the candidate is considered qualified, Nomination Committee shall recommend to the Board for consideration and the Board, if considered appropriate, shall approve the appointment of the proposed candidate as a new Director.

For re-election of a Director at a general meeting, Nomination Committee as delegated by the Board shall review the contributions made by the retiring Director and whether he/she can continue to fulfil his/her role as required with reference to the criteria set out above. The Board shall then, under advice of Nomination Committee, make recommendation to Shareholders for the proposed re-election of Director(s) at the general meeting.

The Company has updated the Nomination Policy to accommodate the new requirements of the Listing Rules, which require that the Board must not include any Long Serving INED as at the conclusion of the AGM following the end of the Long Serving INED's nine-year tenure with phased implementation. To ensure orderly compliance with the aforementioned new requirements on the tenure cap for INEDs, no Long Serving INED at the time of retirement by rotation at an AGM will be nominated for re-election.

CORPORATE GOVERNANCE REPORT

For any candidate (other than a retiring Director) nominated by the Board or Shareholder(s) to stand for election as a Director in a general meeting of the Company, Nomination Committee shall, upon receipt of the proposal of nomination and the biographical information of the candidate, evaluate his/her suitability based on the same criteria as set out above. The Board, under advice of Nomination Committee, may or may not make recommendation to Shareholders on their voting to the proposed election in the relevant announcement and/or circular to Shareholders.

(VI) Operation of the Board

The Company is headed by an effective Board which makes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its annual report, interim report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group.

There is a clear division of responsibilities, accountabilities and contributions between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investments and funding decisions and major commitments relating to the Group's operations. The Board reviews these arrangements periodically to ensure that they remain appropriate to the Group's needs.

(VII) Remuneration of Directors and Senior Management

The remuneration payable to Directors and senior management of the Company is by reference to the level of emoluments of similar nature normally paid by a listed company in Hong Kong to directors and senior management of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The annual fees payable to the Board during the financial year ended 31 December 2025 are as follows:

Fee payable to:	At the rate of HK\$'000 per annum
Director	80
Chairman of Audit Committee	50
Member of Audit Committee	40

A proposed resolution for the revision of annual fees payable to Directors with retroactive effect from 1 April 2026 will be considered by Shareholders in the forthcoming AGM to be held on 7 May 2026 as detailed in the AGM notice and circular.

In respect of the remuneration payable to Directors and senior management of the Company, the details have been set out in Notes 2(b) and 2(c) to the Financial Statements on pages 65 and 66 respectively.

CORPORATE GOVERNANCE REPORT

(VIII) Directors' Training

For newly appointed Directors, the Company arranges appropriate induction programmes and external legal briefings to ensure that they are fully aware of their responsibilities, obligations and duties as a Director of a listed company. The Company Secretary also provides the latest information of the business development, market changes and updates in the Listing Rules and relevant legal and regulatory requirements as well as anti-corruption practices to the Directors in a timely manner in order to make informed decisions and discharge their duties and responsibilities.

The Company maintains a comprehensive and structured director training programme to ensure that Directors are equipped with the necessary knowledge and skills to effectively discharge their duties. All Directors have been required to provide training records undertaken which are maintained by Company Secretary. The Company regularly reviews and monitors the training and continuous professional development of Directors and senior management. To facilitate compliance with the new requirements under Rule 3.09F and 3.09G of the Listing Rules, the Company's director training programme has been further strengthened. The applicable enhanced disclosure requirements under the revised CG Code will be implemented and reported in the next corporate governance report for the financial year ending 31 December 2026.

All Directors have, during the financial year under review, pursued continuous professional development and the details are set out below:

Directors	Attending seminars, conferences and/or forums	Reading journals, updates, articles and/or materials, etc.
Mr Stephen T H Ng	✓	✓
Ms Michelle Cheng	✓	✓
Mr David T C Lie-A-Cheong	✓	✓
Mr Roger K H Luk	✓	✓
Mr Peter Z K Pao	✓	✓
Mr Michael T P Sze	✓	✓
Mr Brian S K Tang	✓	✓
Mr Ivan T L Ting	✓	✓
Mr Frankie C M Yick	✓	✓

CORPORATE GOVERNANCE REPORT

(D) DIRECTORS' SECURITIES TRANSACTIONS

The Company adopts its own set of code of conduct regarding Directors' securities transactions (the "Company's Code") with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix C3 of the Listing Rules. Indeed, the Company's Code has a higher standard than the Model Code to the extent that the absolute prohibitions under paragraphs A.1 and A.3 of the Model Code, viz. forbidding Directors from securities dealings at any time in possession of inside information and during the relevant blackout periods preceding publication of financial results, shall apply not only to the listed securities of the Company itself but also of its subsidiaries and associates.

The Company has made specific enquiry of all Directors and all Directors have complied with the required standard set out in the Model Code and the Company's Code during the financial year.

Written guidelines for securities dealings restrictions with similar standard set out in the Company's Code have also been established and provided to all employees of the Group and of its holding companies, whereby the employees who, because of such office, are likely to possess inside information in relation to the Company and its securities, are requested to comply with securities dealings restrictions.

(E) CHAIRMAN AND CHIEF EXECUTIVE

Mr Stephen T H Ng serves as the Chairman and also as the *de facto* chief executive of the Company. This is a deviation from Code Provision C.2.1 of the CG Code with respect to the roles of chairman and chief executive to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be Chairman of the Company as well as to discharge the executive functions of a chief executive under the Group's corporate structure thereby enabling more effective planning and better execution of long-term strategies. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with more than half of them being INEDs.

Chairman leads the Board and is responsible for Group strategies and Board issues. He ensures cohesive working relationship among members of the Board and the Management, and also in his capacity as *de facto* chief executive, undertakes executive responsibilities directly in certain major business and corporate units of the Group.

(F) COMPANY SECRETARY

Company Secretary, Ms Grace L C Ho, is a seasoned employee of the Group and is intimately familiar with the Group's state of affairs. She reports to the Chairman and the Board directly. The main responsibility of Company Secretary is supervision of the Company's compliances with laws and regulations, for instances, the Listing Rules, the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) (the "SFO"), the Companies Ordinance (Cap 622 of the laws of Hong Kong) (the "Companies Ordinance") and the Codes on Takeovers and Mergers and Share Buy-backs.

All Directors have access to the advice and services of Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations, are complied with. Company Secretary has also played the role of coordinator for arranging Directors' participation in the training sessions organised by external auditors.

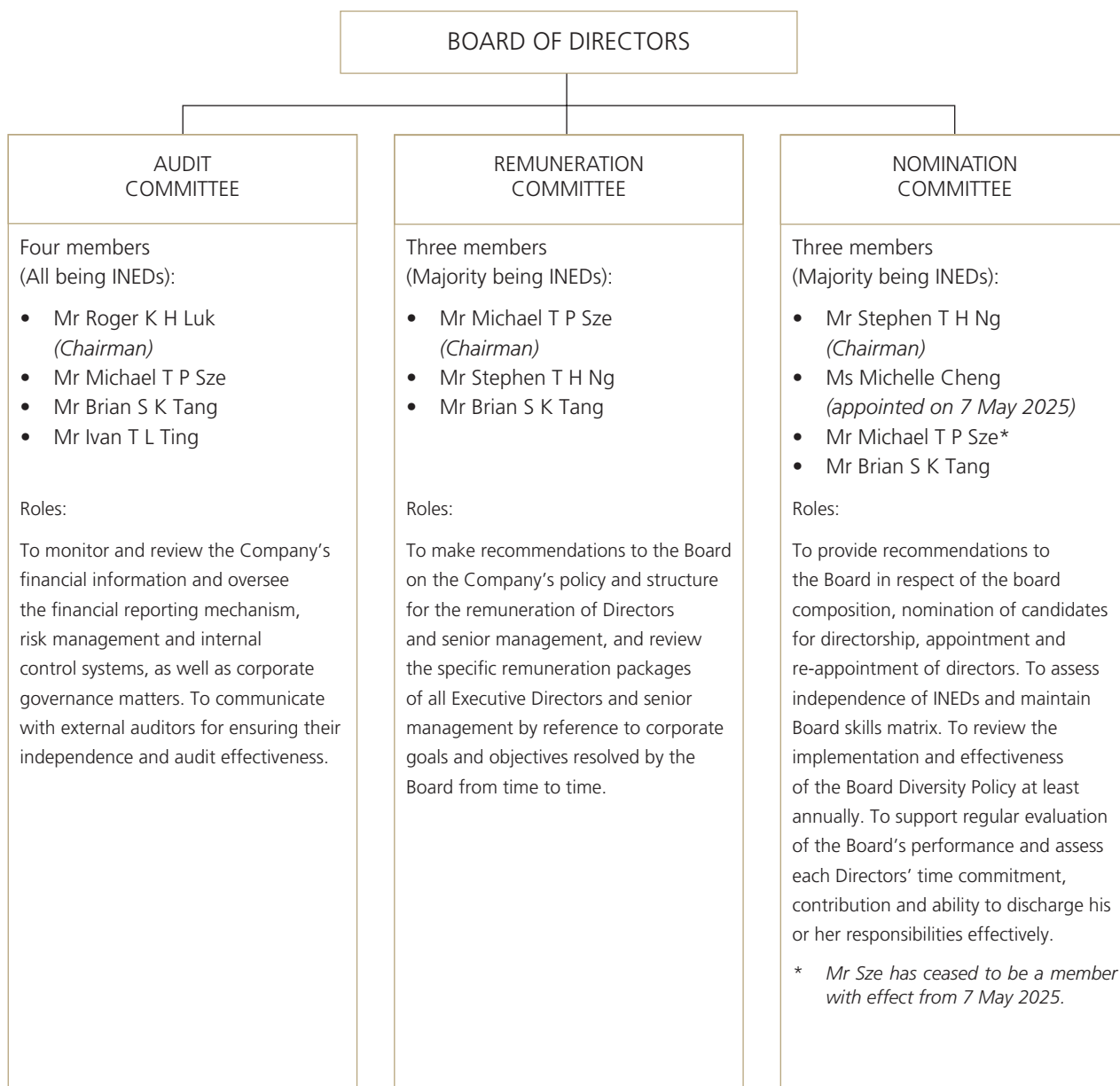
Company Secretary confirmed that she had taken no less than 15 hours of relevant professional training during the financial year.

CORPORATE GOVERNANCE REPORT

(G) BOARD COMMITTEES

The Company has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee. The terms of reference of each Board Committee, outlining their respective roles, authorities and procedures, are reviewed and updated regularly to ensure that they are aligned with prevailing governance practices. The terms of reference and list of members of each Board Committee are available on the websites of the Company and the Stock Exchange.

Board Committees report to the Board of their decisions and recommendations on specific area under their respective delegated responsibilities.



CORPORATE GOVERNANCE REPORT

Summary of Works Performed by the Board Committees in 2025

Audit Committee

- Three Audit Committee meetings were held in 2025 with attendance records as disclosed on page 18 of this report
- Review of the annual audit plan of external auditors
- Approval of the remuneration and terms of engagement of external auditors
- Review of external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards
- Review of the quarterly, interim and annual financial statements before submission to the Board, with particular consideration of the duties of Audit Committee
- Review of the audit programme of and work done by internal auditors
- Review on the effectiveness of the Group's financial controls, risk management and internal control systems with the support of Risk Management and Internal Control Committee and internal auditors
- Meeting with external auditors without presence of executive Board members or the management
- Review of whistleblowing cases and relevant investigation results
- Review of corporate governance matters and the relevant reports of the Group
- Review of and monitoring the Group's compliance with legal and regulatory requirements
- Recommendation to the Board for the re-appointment of external auditors
- Annual review of the Non-Assurance Services Pre-approval Policy and related matters

Remuneration Committee

- No Remuneration Committee meeting was held in 2025
- A Remuneration Committee meeting was held in January 2026 to:
 - conduct an annual review of:
 - the list of emoluments for Directors for the financial year ended 31 December 2025 to be disclosed in this report
 - the Company's policy and structure for all remuneration of Directors and senior management
 - the level of fees for Directors and Audit Committee chairman and members
 - consider and approve the emoluments for the Chairman, all Directors and senior management

Nomination Committee

- One Nomination Committee meeting was held in 2025 with attendance records as disclosed on page 18 of this report
- Recommendation to the Board for re-election of retiring directors, namely, Mr Stephen T H Ng, Ms Michelle Cheng, Mr Michael T P Sze and Mr Ivan T L Ting at the 2025 AGM
- Review of the Board composition and assess independence of the INEDs
- Review of Board diversity, including skills matrix, gender diversity and length of service, and the implementation and effectiveness of the Board Diversity Policy
- Review and recommendation to the Board a revised Terms of Reference for Nomination Committee
- Review of Directors' time commitment and contributions to the Board

CORPORATE GOVERNANCE REPORT

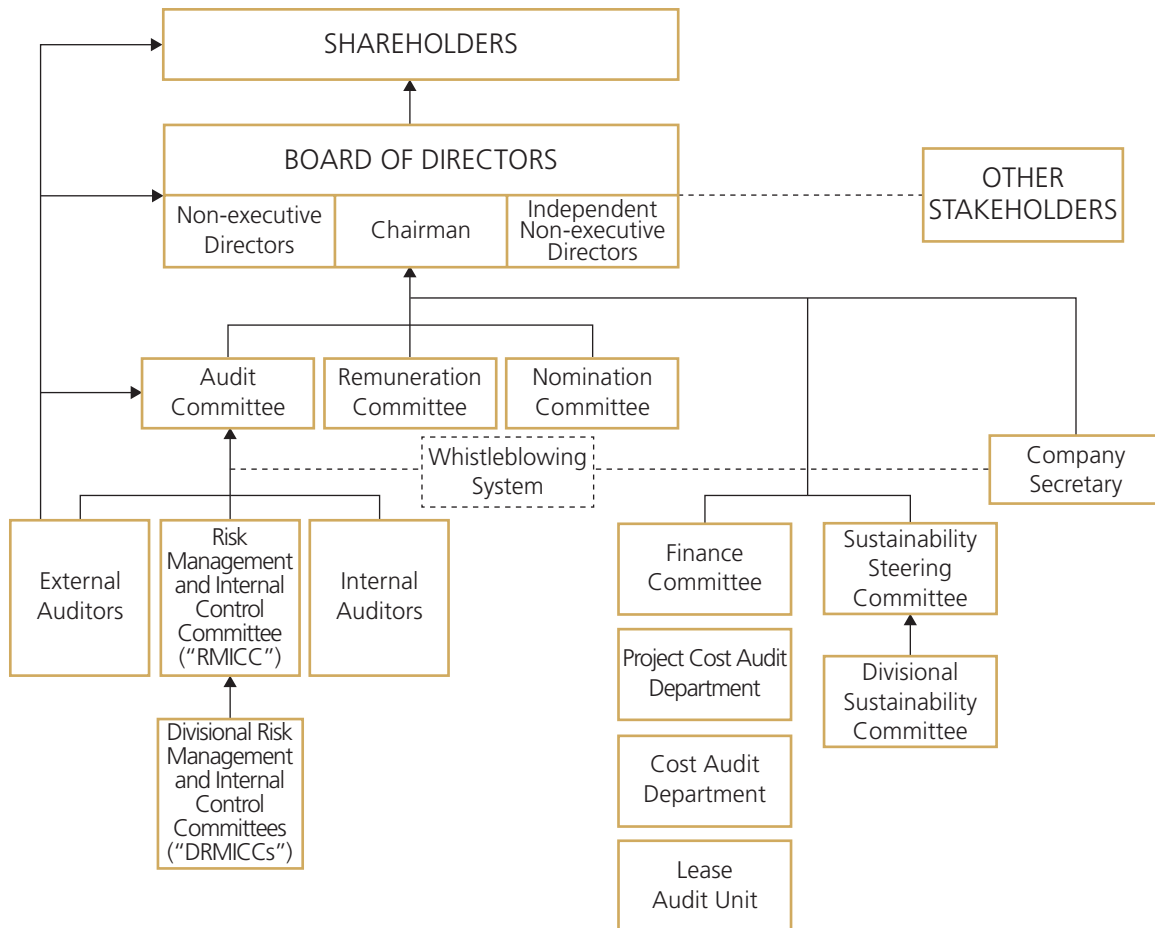
(H) RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

(I) Risk Governance Structure

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

Reporting to the Board, Audit Committee is delegated with the authority and responsibility of ongoing monitoring and evaluation of the effectiveness of the relevant systems, with assistance of the Risk Management and Internal Control Committee.

In adherence to its long standing principle for prudent management, the Group has put in place a robust and inclusive framework, on leverage of the resources of the Wharf REIC Group in internal audit and other corporate control functions, to manage risks at different business operations in diversified segments within the organisation, diagrammatically illustrated as below:



CORPORATE GOVERNANCE REPORT

RMICC plays a central role in the ongoing management of the Group's risk management and internal control systems with the objective of assisting Audit Committee in discharging its oversight responsibility over risk management and internal control systems of the Group. One of its major functions is to assist Audit Committee to conduct periodical reviews of the effectiveness of the risk management and internal control systems of the Group based on the procedure as further explained below.

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

(II) Practices and Processes

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

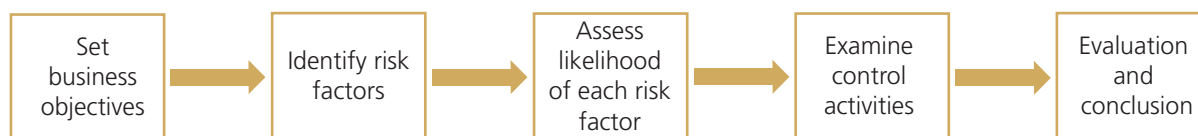
Areas of responsibility of each operational unit are clearly defined with specific limits of authority in place to ensure effective checks and balances. Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of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

Furthermore, Whistleblowing Policy & Procedures have been adopted by the Group, with the authority and responsibility being delegated to Audit Committee. Such Whistleblowing Policy & Procedures are for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence without fear of retribution, about any suspect misconduct or malpractice within the Group, and any and all relevant complaints received may then be referred to Audit Committee and/or Chairman of the Company about possible improprieties in any matter related to the Group. Whistleblowing Policy & Procedures are available for download under the "Corporate Governance" section of the Company's website. Well-defined procedures are put in place for independent investigations and follow-up actions.

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

(III) Periodical Reviews

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



CORPORATE GOVERNANCE REPORT

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

(IV) Annual Confirmation

During the financial year ended 31 December 2025, Audit Committee, with assistance of RMICC and DRMICCs, has conducted a review of the effectiveness of the Group's risk management and internal control systems and procedures covering all controls, including financial, operational and compliance and risk management, and the adequacy of, *inter alia*, resources, qualifications, experience and trainings of staff of the Company's accounting, internal audit and financial reporting function as well as those relating to the Group's ESG performance and reporting. Confirmations in the form of certification that risk management and internal control procedures are functioning effectively to meet the respective financial reporting, operational and compliance needs, are submitted by business and corporate unit heads to RMICC for consolidation and reporting to Audit Committee.

Based on the result of the review as reported by Audit Committee, in respect of the financial year ended 31 December 2025, Directors considered that the risk management and internal control systems and procedures of the Group were effective and adequate, and the Group has duly complied with the requirements under the CG Code relating to the risk management and internal control.

A discussion on the principal risks, including *inter alia* material risks relating to ESG, and uncertainties encountered by the Group are set out on pages 47 to 49 in the Directors' Report.

(I) INSIDE INFORMATION POLICY

The Company recognises the importance of consistent practices of fair disclosure with the aim of disclosing inside information in a timely and accurate manner.

The Company has a policy with regard to the principles and procedures for handling and disseminating the Company's inside information in compliance with the requirements under Part XIVA of the SFO and the Listing Rules, and such policy has been communicated to the relevant senior executives of the Group. Company Secretary works closely with the senior executives in identifying potential inside information and assess the materiality thereof, and where appropriate, to escalate such information for the attention of the Board to resolve on further action(s) complying with the applicable laws and regulations.

In prevention of premature leakage of inside information, the Company has taken all reasonable measures from time to time to ensure proper preservation of confidentiality of inside information until disclosure to the general public, including *inter alia*:

- restrictive access to inside information to a limited number of employees on a need-to-know basis
- appropriate confidentiality agreements are put in place when entering into any significant negotiations
- inclusion of a strict prohibition on the unauthorised use or disclosure of inside information in the Company's Code of Conduct
- an Insider Dealing Circular is issued to all employees annually reminding their duties and obligations in respect of any dealings in the listed securities of the Company as well as its subsidiaries and associated corporations

CORPORATE GOVERNANCE REPORT

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL REPORTING

The Board acknowledges its responsibilities for overseeing the preparation of financial statements for the financial year, which shall give a true and fair view of the financial position of the Group and of the Group's financial performance and cash flows for the relevant periods, and in compliance with all the relevant statutory requirements, Listing Rules requirements and applicable accounting standards. The Board is committed to present a clear, balanced and understandable assessment of the Group's performance and financial positions in all its financial reporting and to ensure relevant publications in a timely manner.

Below principles are strictly observed in preparation of the financial statements of the Group:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the HKFRS Accounting Standards;
- (ii) appropriate and reasonable judgments and estimates are made; and
- (iii) reasons for any significant departure from applicable accounting standards, if any, are clearly stated.

Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in Code Provision D.1.3 of the CG Code.

Directors are satisfied with the Group's performance on the basis that the Company generates or preserves value over the longer term and delivers the Company's objectives through its business model and corporate strategy as discussed on page 2.

(K) EXTERNAL AUDITORS

The Company has engaged KPMG as its Auditors for the financial year. Audit Committee reviews and monitors the Auditors' independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards. KPMG has confirmed its independence as the Company's Auditors having regard to its policies, professional rules and relevant statutory requirements.

Meeting between the Audit Committee and the Auditors was held for reviewing the audit plan whereby the nature and scope of audit and reporting obligations were discussed with and approved by Audit Committee before commencing the audit works for the financial year.

Under the engagement letter of the financial year, KPMG provides the following services:

1. Audit services of the Company and its subsidiaries (both incorporated in Hong Kong and other jurisdictions);
2. Checking the accuracy of extraction of the financial information in the preliminary announcement of annual results;
3. Attendance of 2026 AGM; and
4. Reporting on continuing connected transactions.

The Company has adopted the Non-Assurance Services Pre-approval Policy, under which the Auditors is required to comply with the independence requirements under the Code of Ethics for Professional Accountants issued the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The remuneration paid/payable to the Auditors of the Company in respect of audit services and non-audit services for the financial year ended 31 December 2025 are set out below:

	Fee paid/payable	
	2025 HK\$ Million	2024 HK\$ Million
Type of Services:		
Audit services	2	2
Non-audit services	–	–
Total	2	2

Audit Committee was satisfied with KPMG’s work and recommended to the Board that, subject to Shareholders’ approval at the forthcoming AGM, KPMG be re-appointed as the Company’s Auditors for 2026.

The statement by the Auditors regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor’s Report on pages 50 to 55.

(L) BUSINESS ETHICS AND INTEGRITY

The Company believes that a reputation of honesty, trustworthiness and fair play is an important business asset and is essential to the long-term growth and success of the Group. It is therefore crucial for all directors and staff of the Group to ensure our reputation is not tarnished by dishonesty and corruption. All directors and staff are thus required to abide by the laws of countries and places in which the Group operates its business and they are expected to apply the highest ethical standards in all aspects of their work.

The Company has adopted a Code of Conduct which establishes the general principles on the Group’s business ethics and explains how such principles are applied throughout the Group. The Code of Conduct is reviewed and updated regularly to ensure its effectiveness, appropriateness, and compliance with corporate and regulatory requirements.

As an integral part of the Group’s corporate governance framework, the Group has adopted an Anti-corruption Policy to fully support the global effort to stamp out corruption. The Group is committed to achieving the highest standards of business conduct and has zero tolerance for corruption and related malpractice. The Anti-Corruption Policy is available for download under the “Corporate Governance” section and “Sustainability” section of the Company’s website.

(M) COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of constructive and transparent communication with Shareholders and investors, and believes that Shareholders’ value can be enhanced by continuous and effective dialogue with its stakeholders. The Company is committed to fair and timely disclosure of key information of the Group to facilitate Shareholders and investment community to make investment decisions.

A Shareholders Communication Policy has been adopted by the Company to ensure balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile) are readily available to Shareholders.

The Shareholders Communication Policy sets out the framework the Company has put in place for ongoing open dialogue with Shareholders and investment community.

CORPORATE GOVERNANCE REPORT

During the year, the Company maintained effective communication and engagement channels with Shareholders and other stockholders, including the following:

Channels	2025 Highlights
AGM	<ul style="list-style-type: none"> • In-person attendance of Directors (including chairmen of Audit, Remuneration and Nomination Committees) and External Auditors, with availability to answer Shareholders' questions • Provision of electronic voting devices to facilitate poll voting for Shareholders attending the AGM in person • Availability of simultaneous translation from English to Cantonese
Corporate Communication	<ul style="list-style-type: none"> • Timely publication of annual/interim reports, sustainability report, circulars, notices, proxy forms and regulatory announcements of the Company were published on the websites of the Company and the Stock Exchange
Company Website	<ul style="list-style-type: none"> • Investor relations information including financial calendars, stock information and dividend history • Corporate governance and sustainability policies • Publications and media releases
Social Media	<ul style="list-style-type: none"> • Regular updates on the Group's businesses developments, corporate activities and community initiatives
Enquiries Contact	<ul style="list-style-type: none"> • Dedicated email contacts were maintained to facilitate effective communication with Shareholders, investors and the media

Shareholders may raise questions or make a request through designated channels for the Company's information to the extent such information is publicly available. Please refer to pages 3 and 4 of this Annual Report for the address of the Company's Share Registrar, Tricor Investor Services Limited and contact details of the Company. Shareholders can contact the Company's Share Registrar for questions about their shareholdings.

Corporate Communications shall be in plain language, and Shareholders may elect to receive such Corporate Communications in English and/or Chinese, and in their preferred means of receipt, to facilitate understandable, timely and environmental friendly communication.

General meetings are held at least annually whereby there are opportunities for the Company to have direct interactions with Shareholders. Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend the annual general meetings to answer questions from Shareholders and their appointed proxies. The process of the Company's general meetings is monitored and reviewed on a regular basis, and if necessary, changes will be made to ensure that Shareholders' needs are best served.

The Company recognises the importance of Shareholders' privacy. Shareholders' privacy is protected under the Shareholders Communication Policy and Shareholders' information will not be disclosed without their consent, unless required by law to do so.

During the year, the Company has reviewed the implementation and effectiveness of the Shareholders Communication Policy. With the above measures in place, the Shareholders Communication Policy is considered to have been effectively implemented.

CORPORATE GOVERNANCE REPORT

2025 Annual General Meeting

The 2025 AGM was held on 7 May 2025 in Jade Room, 6th Floor, Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, with attendance by a large majority of the Directors, details of which are set out in the table of Directors' meeting attendance on page 18. The Auditors of the Company, Messrs KPMG, attended the 2025 AGM, during which its representatives were available to answer questions raised by Shareholders. Details of voting results were disclosed in the announcement of the Company dated 7 May 2025 published on the websites of the Company and the Stock Exchange.

2026 Annual General Meeting

The forthcoming AGM will be held on 7 May 2026 in Jade Room, 6th Floor, Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong. All Shareholders are encouraged to vote on all resolutions to be proposed at the AGM. Details of resolutions to be proposed at the 2026 AGM are set out in the circular which is being despatched together with this Annual Report. Relevant notice of AGM and proxy form are available on the websites of the Company and the Stock Exchange.

(N) VOTING

The Company has the following procedures for Shareholders to vote by poll:

- (a) All resolutions (other than procedural or administrative matters) put to Shareholders in general meetings are voted by a poll demanded by the Chairman at the beginning of the meetings. The circulars and notices of general meetings express the Chairman's intention to call for voting by poll.
- (b) Chairman or Company Secretary explains the procedures for voting by poll to Shareholders and answers any questions from Shareholders before a poll is required to be conducted at the meetings.
- (c) The Company ensures that votes cast are properly counted and recorded. Independent scrutineer, the Company's Share Registrar, is appointed to count the number of votes cast at general meetings.
- (d) Poll results are announced and published on the websites of the Company and the Stock Exchange on the same day of the general meetings.

(O) SHAREHOLDERS' RIGHTS

(I) Convene an Extraordinary General Meeting

Pursuant to Section 566 of the Companies Ordinance, on written requisition by Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at general meetings, the Directors must convene an extraordinary general meeting.

(II) Send Enquiries to the Board

Shareholders may at any time address their enquiries to the Board through the Company's email address (for enquiry purpose only), postal address, telephone number and fax number, which are set out on pages 3 to 4 of this Annual Report and the Company's website (www.harbourcentre.com.hk).

CORPORATE GOVERNANCE REPORT

(III) Make Proposals at General Meetings

- (i) The procedures for proposing candidate(s) for election as Director(s) at general meetings are set out in the “Corporate Governance” section of the Company’s website.
- (ii) The procedures for proposing resolution(s) to be moved at the Company’s AGM are as follows:

Pursuant to Section 615 of the Companies Ordinance, Shareholders can submit written requisition to move a resolution at the Company’s AGM if they represent:

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

The relevant written requisition must:

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

Any written requisitions from Shareholders to the Company pursuant to Sections 566 and 615 of the Companies Ordinance must be deposited at the Company’s registered office at 16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong.

(P) CONSTITUTIONAL DOCUMENTS

Shareholders’ rights are also set out in the Articles of Association which is available on both the websites of the Company and the Stock Exchange. There is no significant change in the Articles of Association during the financial year ended 31 December 2025.

(Q) DIVIDEND POLICY

The Company has adopted a Dividend Policy, details of which are set out in Financial Review on page 12.

DIRECTORS' REPORT

The Board of Directors of the Company (the "Board") has pleasure in submitting its Report and the Audited Financial Statements for the financial year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 112 to 114.

The principal activity of the Group is ownership of hotels and investment properties ("IP"), while unwinding from previous investments in development properties ("DP") in Chinese Mainland.

BUSINESS REVIEW

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

- Business Model and Corporate Strategy (page 2)
- Chairman's Statement (pages 5 to 6)
- Financial Highlights (page 7)
- Business and Financial Review (pages 8 to 12)
- Risk Management and Internal Control Systems (pages 28 to 30)
- Principal Risks and Uncertainties (pages 47 to 49)
- Financial Risk Management and Fair Values – Note 20 to the Financial Statements (pages 82 to 87)
- Contingent Liabilities – Note 24 to the Financial Statements (page 90)

In addition, the Group's policies and performance in the area of environmental, social and governance ("ESG"), and compliance with relevant laws and regulations are discussed in the section of "Corporate Sustainability" on pages 13 to 15 with more details in the Group's Sustainability Report 2025, which is published on the respective websites of the Company and the Stock Exchange.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2025 are set out in the Consolidated Income Statement on page 56 and Consolidated Statement of Comprehensive Income on page 57.

Appropriations of loss during the financial year are set out in the Consolidated Statement of Changes in Equity on page 59.

DIVIDENDS

The Board has resolved not to declare any dividend for the year ended 31 December 2025 (2024: interim dividend of 5 HK cents per share).

DONATIONS

There were no donations made during the financial year ended 31 December 2025.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movement in share capital of the Company during the financial year are set out in Note 21 to the Financial Statements on page 88.

EQUITY-LINKED AGREEMENT

No equity-linked agreement which may result in the Company issuing shares was entered into or existed during the financial year.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report are Mr Stephen T H Ng, Ms Michelle Cheng, Mr David T C Lie-A-Cheong, Mr Roger K H Luk, Mr Peter Z K Pao, Mr Michael T P Sze, Mr Brian S K Tang, Mr Ivan T L Ting and Mr Frankie C M Yick.

Mr Roger K H Luk, Mr Brian S K Tang and Mr Peter Z K Pao are due to retire by rotation from the Board in accordance with Article 106(A) of the Articles of Association of the Company (the "Articles of Association") at the forthcoming annual general meeting ("AGM"). Mr Tang will not stand for re-election. The other two retiring Directors, being eligible, offer themselves for re-election. None of the two Directors standing for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

A list of persons who serve/served as directors of the Company's subsidiaries during the financial year and up to the date of this report is kept at the Company's registered office and available for inspection by the Company's shareholders during office hours.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' REPORT

Under the rules of Wharf REIC's share option scheme (such rules being subject to the relevant laws and regulatory provisions applicable from time to time), shares of Wharf REIC would be issued at such price as being at least the higher of (a) the closing price as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange")'s daily quotation sheet on the date of grant of the options; (b) the average closing price as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant of the options; and (c) the nominal value of a share; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant of the relevant options, as determined by the board of directors of Wharf REIC and stated in the offer letter.

During the financial year, no share of Wharf REIC was allotted and issued to any Director of the Company under Wharf REIC's share option scheme.

PERMITTED INDEMNITY PROVISION

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

The Company has, together with its listed holding company (Wharf REIC) and its listed affiliated company (The Wharf (Holdings) Limited ("Wharf")), maintained directors' liability insurance which has been in force throughout the financial year and up to the date of this report to provide appropriate insurance cover for directors of their respective group companies, including, *inter alia*, the Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the financial year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities (including sale of treasury shares) of the Company. As at 31 December 2025 and up to the date hereof, the Company does not hold any treasury shares (whether in the Central Clearing and Settlement System, or otherwise).

AUDITORS

The Financial Statements now presented have been audited by KPMG, who will retire and being eligible, offer themselves for re-appointment at the forthcoming AGM.

OTHER CORPORATE INFORMATION

Other corporate information supplementary to this Directors' Report are set out on pages 39 to 49.

By Order of the Board

Grace L C Ho

Company Secretary

Hong Kong, 5 March 2026

DIRECTORS' REPORT

OTHER CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(i) Directors

Mr Stephen Tin Hoi NG, *Chairman* (Age: 73)

Mr Ng has been Chairman and Director of the Company since 2009. He also serves as chairman of the Nomination Committee and a member of the Remuneration Committee.

In addition, Mr Ng serves on the boards of the following affiliated companies listed in Hong Kong: chairman and managing director of holding company Wharf REIC, chairman and managing director of Wharf and a non-executive director of Greentown China Holdings Limited ("Greentown"). Mr Ng also serves as the deputy chairman of Wheelock and Company Limited ("WAC"), which is a controlling shareholder of the Company and listed in Hong Kong until July 2020.

Mr Ng was born in Hong Kong in 1952 and grew up in Hong Kong. He attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, and graduated in 1975 with a major in mathematics. He is chairman of Project WeCan Committee (a Business-in-Community school project).

Ms Michelle CHENG, *Director* (Age: 51)

Ms Cheng, *CFA*, has been appointed as an Independent Non-executive Director ("INED") of the Company since December 2024. She also serves as a member of the Nomination Committee. She graduated from the University of Toronto, Ontario, Canada with an Honours Bachelor of Arts degree. She is currently co-partner and chief executive officer of Occasions Asia Pacific Group ("Occasions"), a brand marketing and event consultancy firm. Ms Cheng is a chartered financial analyst and worked in investment banking for over 10 years before she joined Occasions as a partner in 2005.

Ms Cheng has served on a host of business, social and public services bodies in Hong Kong, Macau and Chinese Mainland. She is a member of the Ningbo Committee of Chinese People's Political Consultative Conference, a panel member of the Hong Kong Special Administrative Region ("HKSAR") Administrative Appeals Board and an executive committee member of The Society of Academy of Performing Arts. Ms Cheng is also chairman of Women Executives Club of The Hong Kong General Chamber of Commerce, honorary vice president and executive committee member of the Hong Kong Federation of Women, vice president of the Board of Supervisors of Macao Convention & Exhibition Association and honorary director of Hong Kong CPPCC Youth Association. In recognition of her professional and personal achievements, Ms Cheng was awarded "The Most Successful Women Awards" by Jessica Magazine in 2023 and received "The 4th Golden Bauhinia Women Entrepreneur Awards – Business Excellence Award" by Golden Bauhinia Women Entrepreneur Association in 2022.

Mr David Tai Chong LIE-A-CHEONG, *SBS, OM, JP, Director* (Age: 66)

Mr Lie-A-Cheong has been appointed as an INED of the Company since 2018. He is the executive chairman of Newpower Capital Limited and China Concept Consulting Ltd. He has been selected as a member of the National Committee of the 8th, 9th, 10th, 11th, 13th and 14th Chinese People's Political Consultative Conference since 1993. He acted as a panel convenor cum member of the Financial Reporting Review Panel of HKSAR from 2007 to 2013. He was also a general committee member of the Hong Kong General Chamber of Commerce until May 2022 and the honorary consul of the Hashemite Kingdom of Jordan in the HKSAR until September 2023. Mr Lie-A-Cheong is currently the chairperson of the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council and a standing committee member of the China Overseas Friendship Association. Mr Lie-A-Cheong is also an INED of Herald Holdings Limited, a publicly listed company in Hong Kong. He was formerly an INED of publicly listed Aluminum Corporation of China Limited until June 2021.

DIRECTORS' REPORT

Mr Roger Koon Hoo LUK, *BBS, JP, Director (Age: 74)*

Mr Luk, *FHKIB*, has been appointed as an INED of the Company since 2018. He also serves as chairman of the Audit Committee. He has over 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975, became the bank's director and deputy chief executive in 1994 and then became managing director and deputy chief executive of the bank in 1996 until his retirement in May 2005. Mr Luk is an INED of two companies publicly listed in Hong Kong, namely Hung Hing Printing Group Limited and i-CABLE Communications Limited. Mr Luk was formerly an INED of Wheelock Properties Limited (formerly a listed public company until it became a wholly-owned subsidiary of WAC in July 2010) from February 2008 to July 2010, China Properties Group Limited (formerly a listed public company until it was delisted in August 2023) from February 2007 to June 2023 and Computime Group Limited (publicly listed in Hong Kong) from September 2006 to September 2023. Mr Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broad-based Taxes, the Personal Data (Privacy) Advisory Committee, the Central Policy Unit of the Hong Kong Government, the Statistics Advisory Board, the Broadcasting Authority, the Advisory Committee and the Investor Education Advisory Committee of the Securities and Futures Commission, the Barristers Disciplinary Tribunal Panel, the Operations Review Committee of Independent Commission Against Corruption, the Town Planning Board and the Council of The Chinese University of Hong Kong. He was an appointed member of the Hong Kong Legislative Council from 1992 to 1995, a member of the first Election Committee of the Legislative Council, and a non-executive director (non-official) of Urban Renewal Authority.

Mr Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is a fellow of The Hong Kong Institute of Bankers. He is also a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Mr Peter Zen Kwok PAO, *Director (Age: 76)*

Mr Pao has been appointed as a Director of the Company since 2018. He joined the WAC/Wharf group in 1993 and has been serving as a director of the non-listed subsidiaries of WAC, Wharf as well as Wharf REIC. He is currently the director of External Relations for WAC, a director of the Wharf/Wharf REIC group overseeing its Investor Relations Department as well as a director of Modern Terminals Limited ("Modern Terminals"). He is also a member of the Project *WeCan* Committee.

Mr Pao was born in Shanghai and graduated with a Bachelor of Science in Industrial Management from Purdue University in the United States of America in 1974. Prior to joining the WAC/Wharf group, he worked extensively in the finance and shipping industries in Hong Kong and Tokyo.

Mr Michael Tsai Ping SZE, *Director (Age: 80)*

Mr Sze, *FCA (Eng. & Wales), FCCA, FCPA*, has been an INED of the Company since 2007. He also serves as chairman of the Remuneration Committee and a member of the Audit Committee. Mr Sze has over 30 years of experience in the financial and securities field. He graduated with a Master of Laws (LLM) Degree from The University of Hong Kong. He was a former member of The Securities and Futures Appeals Tribunal. He was also a former council member and listing committee member of the Main Board Listing Committee of the Stock Exchange. Mr Sze was formerly an INED of Greentown until his resignation in April 2020.

DIRECTORS' REPORT

Mr Brian See King TANG, *Director (Age: 76)*

Mr Tang has been an INED of the Company since 2008. He also serves as a member of the Audit Committee, Nomination Committee and Remuneration Committee. He has over 30 years of comprehensive experience in accounting and financial management. He graduated with a Bachelor Degree in Science from the California State University of Long Beach, USA. He was the senior vice president of CITIC Ka Wah Bank Limited ("CKWB") for four years from 1997 with responsibilities covering treasury operations, remittance, bills operations, general services, property management, information technology and loan administration. He also served as a director of CKWB from 1998 to 2001. Before joining CKWB, he worked with various large organisations including 17-year service at Morgan Guaranty Trust Co as vice president and financial controller, and one-year service at Cheung Kong (Holdings) Limited as chief accountant.

Mr Ivan Tien Li TING, *Director (Age: 50)*

Mr Ting has been appointed as an INED of the Company since 2018. He also serves as a member of the Audit Committee. He holds a Bachelor's Degree in International Politics and Economics from Middlebury College, Vermont. He is an executive director of Kader Holdings Company Limited, a company publicly listed in Hong Kong. Mr Ting was chairman of the Hong Kong Chapter of Entrepreneurs' Organization from 2006 to 2007 and its Global Board from 2016 to 2017. He was on the Hong Kong Toys Advisory Committee of the Hong Kong Trade Development Council from 2003 to 2007 and from 2010 to 2014. He was also a general committee member of the Hong Kong Exporters' Association ("HKEA") from 2014 to 2022. He is currently serving as an honorary chairman of HKEA, an honorary president of the Hong Kong Toys Council and a governing board member of the ICTI Ethical Toy Program. He is also a member of Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and permanent chairman of Federation of Hong Kong Jiangsu Youth.

Mr Frankie Chi Ming YICK, *GBS, JP, Director (Age: 72)*

Mr Yick, *MSc, BSc, CEng, FCILT, AdFHKIE, MIET*, has been a Director of the Company since July 2012. He has extensive industrial and management experience in the public transportation and logistics industry. Mr Yick is a director of Modern Terminals and Hong Kong Air Cargo Terminals Limited, and a non-executive director of The "Star" Ferry Company, Limited, a fellow subsidiary of the Company. Other than the private sector, Mr Yick is a member of Hong Kong Logistics Development Council and Hong Kong Maritime and Port Development Board. He was a member of the Legislative Council of Hong Kong representing the Transport Functional Constituency from 2012 to 2025. Mr Yick is a chartered engineer. He holds a Bachelor's Degree in Industrial Engineering awarded by The University of Hong Kong and a Master's Degree in Industrial Management awarded by The University of Birmingham, UK.

Notes:

- (1) *WAC and Wharf REIC (of which (i) Mr Stephen T H Ng is director and/or has directorship with their respective subsidiaries and (ii) Mr Peter Z K Pao and Mr Frankie C M Yick have directorship with their respective subsidiaries) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) (the "SFO").*
- (2) *Mr Stephen T H Ng and Mr Peter Z K Pao are currently directors of certain subsidiaries of the Company.*

(ii) Senior Management

During the financial year, senior management responsibilities of the Group were vested with Chairman in conjunction with the Group's Hotel Manager and the Group's Project Manager and Property Management Manager, all being wholly-owned subsidiaries of Wharf and Wharf REIC.

DIRECTORS' REPORT

(B) DIRECTORS' INTERESTS IN SECURITIES

(i) Interests in Shares and Debentures

At 31 December 2025, Directors of the Company had the following beneficial interests in the shares (all being long positions) and/or debentures of the Company, Wharf REIC (parent company of the Company) and Wharf REIC Finance (BVI) Limited (fellow subsidiary of the Company). The percentages (where applicable) which the relevant shares represented to the total number of shares in issue of the Company and Wharf REIC respectively are also set out below:

	Quantity/Amount Held (percentage, where applicable)	Nature of Interest
The Company – Ordinary Shares		
Michael T P Sze	9,000 (0.0013%)	Family Interest
Wharf REIC – Ordinary Shares		
Stephen T H Ng	1,435,445 (0.0473%)	Personal Interest
Peter Z K Pao	201,216 (0.0066%)	Family Interest
Michael T P Sze	53,949 (0.0018%)	Family Interest
Wharf REIC Finance (BVI) Limited – USD Fixed Rate Notes due 2030		
Brian S K Tang	US\$1,000,000	Personal Interest

Notes:

- (1) *The interests in shares disclosed above do not include interests in share options of the Company's associated corporation(s) held by Directors of the Company as at 31 December 2025. Details of such interests in share options are separately set out below under the sub-section headed "(ii) Interests in Share Options of Wharf REIC".*
- (2) *The shareholding classified as "Family Interest", in which the Directors concerned were taken to be interested under Part XV of the SFO, were interests held by spouse or any child aged under 18 of the relevant Directors.*

DIRECTORS' REPORT

(ii) Interests in Share Options of Wharf REIC

Set out below are particulars of all interests (all being personal interests) in share options held by Director(s) of the Company during the financial year ended 31 December 2025 to subscribe for ordinary shares of Wharf REIC granted/exercisable under the share option scheme of Wharf REIC:

Name of Director	Date of grant (Day/Month/Year)	Number of Wharf REIC's shares option			Exercise price per Share (HK\$)	Vesting/Exercise Period (Day/Month/Year)
		As at 1 January 2025	Exercised during the year	As at 31 December 2025 (percentage based on total number of shares in issue)		
Stephen T H Ng	14/08/2023	300,000	–	300,000	36.58	14/08/2024 – 13/08/2029
		300,000	–	300,000		14/08/2025 – 13/08/2029
		300,000	–	300,000		14/08/2026 – 13/08/2029
		300,000	–	300,000		14/08/2027 – 13/08/2029
		300,000	–	300,000		14/08/2028 – 13/08/2029
Total		1,500,000	–	1,500,000		(0.05%)

Note: Except as disclosed above, no share option of Wharf REIC held by Directors of the Company and/or their associate(s) lapsed or was exercised or cancelled during the financial year, and no share option of Wharf REIC was granted to any Director of the Company and/or their associate(s) during the financial year.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 31 December 2025 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 31 December 2025.

DIRECTORS' REPORT

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 31 December 2025, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names	Number of Ordinary Shares (percentage based on total number of shares in issue)
(i) Wharf REIC	506,946,196 (71.53%)
(ii) Wheelock and Company Limited ("WAC")	506,946,196 (71.53%)
(iii) HSBC Trustee (C.I.) Limited ("HSBC Trustee")	506,946,196 (71.53%)
(iv) Harson Investment Limited	57,054,375 (8.05%)

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) to (iii) above represented the same block of shares.
- (2) Wharf REIC's deemed shareholding interests stated above were held through its three wholly-owned subsidiaries, namely Wharf REIC Holdings Limited, Wharf Estates Limited and Upfront International Limited.
- (3) WAC's deemed shareholding interests stated above were held through Wharf REIC, of which it controls more than one-third of the voting power at general meetings.
- (4) HSBC Trustee's deemed shareholding interests stated above were held through WAC, of which it controls more than one-third of the voting power at general meetings.

All the interests stated above represented long positions. As at 31 December 2025, there were no short position interests recorded in the Register.

(D) RETIREMENT BENEFITS SCHEMES

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

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

DIRECTORS' REPORT

(E) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Three Directors of the Company, namely Mr Stephen T H Ng, Mr Frankie C M Yick and Mr Peter Z K Pao, being also directors of Wharf, Wharf REIC and/or certain subsidiaries of Wharf and Wharf REIC, are considered as having an interest in Wharf and Wharf REIC under Rule 8.10(2) of the Listing Rules.

Ownership of hotels, and ownership of property for letting and for development in Hong Kong and Chinese Mainland carried on by subsidiaries of Wharf and Wharf REIC constitute competing businesses to the Group. In view of Wharf group's expertise and very good track record in the management and operation of hotels throughout the Asia Pacific region, the Group has engaged Wharf Hotels Management Limited ("WHML", being a wholly-owned subsidiary of Wharf) to act as manager to operate, direct, manage and supervise The Murray, Hong Kong, a Niccolo Hotel, Marco Polo Hongkong Hotel and Niccolo Suzhou. WHML is also responsible for the operation of the hotels of Wharf group and Wharf REIC group in the Asia Pacific region.

The business of property development in Chinese Mainland owned by Wharf group is considered as competing with the Group's property development projects in Chinese Mainland. In view of Wharf group's expertise in project management and sales and marketing of properties, the Group has engaged Wharf China Development Limited, a wholly-owned subsidiary of Wharf, as the project manager and sales and marketing agent for the construction, development, sales and marketing of the Group's property development projects.

The investment in property assets by Wharf REIC group are considered as competing businesses for the Group. In view of Wharf REIC group's expertise in property management, the Group has engaged Harbour City Estates Limited, a wholly-owned subsidiary of Wharf REIC, as the manager of certain IP of the Group.

For safeguarding the interests of the Group, the INEDs and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's hotels, IP and property development businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of Wharf and Wharf REIC group.

(F) MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2025:

- (i) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and
- (ii) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(G) DEBENTURES, BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all debentures, bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2025 with an analysis of maturities are set out in Note 18 to the Financial Statements on pages 80 to 81.

DIRECTORS' REPORT

(H) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2025.

(I) DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company dated 16 December 2022 and 28 November 2025 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company.

(i) Master Property Services Agreement

On 16 December 2022, a master property services agreement (the "Master Property Services Agreement") was entered into by and amongst WAC, Wharf, Wharf REIC and the Company, for a fixed term of three years commencing on 1 January 2023 and expiring on 31 December 2025, for the purpose of, *inter alia*, regulating the provision of or engagement in property services comprising property project management services, property sales and marketing services, property management services, leasing agency services and/or any other property related services ("Property Services") by and amongst themselves. The Master Property Services Agreement has provided for, *inter alia*, the annual cap amounts of service fees payable by the Group to WAC group/Wharf group/Wharf REIC group in relation thereto, which are fixed at HK\$10 million per annum for each of the financial years of 2023, 2024 and 2025.

The aggregate annual amounts of service fees payable by the Group under the Master Property Services Agreement, which is subject to the relevant annual cap amount as stated above, for the financial year ended 31 December 2025 amounted to HK\$4 million.

On 28 November 2025, a new master property services agreement (the "Renewal Agreement") was entered into by and amongst WAC, Wharf, Wharf REIC and the Company, for a fixed term of three years commencing on 1 January 2026 and expiring on 31 December 2028, for the purpose of, *inter alia*, regulating the provision of or engagement in Property Services by and amongst themselves. The Renewal Agreement has provided for, *inter alia*, the annual cap amounts of service fees payable by the Group to WAC group/Wharf group/Wharf REIC group in relation thereto, which are fixed at HK\$5 million per annum for each of the financial years of 2026, 2027 and 2028.

With Wharf REIC being the Company's substantial shareholder, Wharf REIC and its associates are regarded as connected persons of the Company within the meaning under the Listing Rules. Thus, the transactions between the Company and Wharf REIC (and its associates) as mentioned under Section (I)(i) above (the "Transactions") constitute continuing connected transactions of the Company.

DIRECTORS' REPORT

(ii) Confirmation from Directors and Auditors

- (a) The Directors, including INEDs, of the Company have reviewed the Transactions and confirmed that the Transactions were entered into:
- (1) by the Group in the ordinary and usual course of its business;
 - (2) on normal commercial terms or better; and
 - (3) according to the relevant agreements governing the Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.
- (b) In accordance with Rule 14A.56 of the Listing Rules, the Board engaged the Company's auditors to perform procedures on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

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

- (1) have not been approved by the Board;
- (2) were not, in all material respects, in accordance with the pricing policies of the Group for the Transactions involving the provision of goods or services by the Group;
- (3) were not entered into, in all material respects, in accordance with the relevant agreements governing the Transactions; and
- (4) have exceeded the relevant annual cap amounts during the financial year ended 31 December 2025.

- (iii) With regard to the Material Related Party Transactions as disclosed under Note 23 to the Financial Statements on page 90, the transactions stated under paragraph (b) therein constitute connected transactions (as defined under the Listing Rules) of the Company, the ones under paragraphs (a) and (c) do not constitute a connected transaction under the Listing Rules, and those under paragraph (d) constitute a fully exempt connected transaction of the Company, for all of which the applicable requirements under the Listing Rules have been duly complied with.

(j) PRINCIPAL RISKS AND UNCERTAINTIES

Global and local economies always face a barrage of challenges. Ongoing geopolitical risks and escalating trade tensions continued to cause uncertainties. US Fed rates trajectory and new tariff policies imposed may introduce economic volatility.

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

Risks pertaining to Hotel

The Group owns three operating hotels in Hong Kong and Chinese Mainland. Hotel performance is usually subject to a high degree of fluctuations caused by both predictable and unpredictable factors including seasonality, social stability, epidemic diseases and changes in economic conditions. Each factor has varied the development pattern of the tourism and hospitality industry with heavy reliance on the growth of cross-border visitor arrivals.

DIRECTORS' REPORT

Global economic and geopolitical uncertainties, along with intensifying regional competition and the Hong Kong dollar's persistent strength, continue to challenge the hospitality sector in Hong Kong and Chinese Mainland.

In this respect, Hotel segment closely assesses the impact particularly on revenue and cash flow as well as cost control and operational efficiency to mitigate the adverse financial impacts. It also takes continual reviews of competition, legal and political changes as well as market trends for setting its business strategies including marketing and pricing to protect and drive profitability.

Risks pertaining to IP

IP segment is a core business with IP asset accounting for 30% of the Group's total business assets. With the majority of the properties located in Hong Kong, the general economic climate, regulatory changes, government policies and the political conditions may have a significant impact on the segment's performance. The Group's rental income may experience more frequent adjustments resulting from competition arising from oversupply in retail and office areas. Furthermore, rental levels may also be impacted by external economic and market conditions including but not limited to fluctuations in general supply and demand, performance in stock markets and financial volatility, which may indirectly affect the Group's IP performance.

IPs are stated at fair values in accordance with the HKFRS Accounting Standards in the consolidated statement of financial position at each reporting period. The fair values are provided by independent professional surveyors, using the income capitalisation approach which capitalised the net income of properties and takes into account the significant adjustments on term yield to account for the risk upon reversion and changes in fair value are recognised to the consolidated income statement. Given the size of the Group's IP portfolio, any significant change in the IP values may overwhelmingly affect the Group's results that may not reflect the Group's operating and cash flow performance.

In this respect, the Group regularly assesses changes in economic environment and keeps alert to market needs and competition. Continuously maintaining the quality of the assets and the tenant mix also helps the Group to grow revenue and to sustain in a sluggish economy. In addition, long-range planned and tactical promotions are seamlessly executed for maintaining the IPs' leading brands and value.

Risks pertaining to DP

DP segment in the Chinese Mainland dominated the Group's financial performance between 2012 and 2017. Exit from this segment continues and the Group's DP land bank has not been replenished. The market for the Group's remaining unsold DP stock is not expected to substantially improve in the foreseeable future. Completion of exit may be slow and laborious.

Risks pertaining to Investment

The Group holds a portfolio of long-term investments, which accounted for about 22% of the Group's total assets (excluding cash). The portfolio is held for long term capital growth potential with reasonable return, consisting of mainly blue chips listed investments with each investment individually immaterial to the Group's total asset. Given the volatility of the stock market, the portfolio is subject to market fluctuation and may affect the net asset value of the Group. The composition and performance of the portfolio are constantly assessed and monitored.

Legal and Regulatory Compliance Risks

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

DIRECTORS' REPORT

Financial Risks

The Group is exposed to financial risks related to interest rate, foreign currency, equity price and credit in the normal course of the business. For further details of such risks and relevant management policies, please refer to Note 20 to the Financial Statements from pages 82 to 87.

Environmental, Social and Governance Risks

Acknowledging climate change is a globally recognised challenge faced by any business, building adequate climate resilience is of critical importance to our real estate portfolio. A comprehensive climate scenario analysis and risk mapping exercise encompassing our business units was conducted to understand the impact at different climate landscapes and time frames, and various physical and transition risks and climate change opportunities were identified. The Group structured our climate risk and opportunity management and disclosure with reference to IFRS S2 Standards. To adapt to and mitigate the climate-related risks, our strategic approach integrates climate actions across our operations. We have implemented the Climate Change Policy Statement that provides guidelines for our operations. We have been strengthening our climate resilience by using more granular data for analysis, complemented by regular reviews and updates. We implement measures for energy optimisation and conservation, adopt renewable energy wherever feasible, and apply green procurement and sustainable construction practices gradually. The Group also explores opportunities arising from sustainable finance landscape in capital markets.

The global and regional competition for skilled professionals has made talent attraction and retention a social risk to the Group. The Group is also exposed to common labour issues including occupational safety and health risks. The Group adopts rigorous vendor management system for supply chain management and screening of new suppliers to avoid any form of significant supply chain risks, including the material ESG risks derived from our suppliers.

Just like any other sizable organisations with complex structure, the Group encounters governance risks that could result in financial losses and damage the reputation of the business. Constantly evolving regulatory framework, especially the rapid move in ESG regulations and standards could also result in compliance risks. To uphold our commitment to achieving the highest standards of business conduct, the Group adopts an integrated and holistic approach to reduce the inefficiencies, miscommunications and other perils of deficiencies in governance. Our Corporate Governance Report (pages 16 to 35) elaborates in details our systems and controls, policies and practices which aim to ensure proper corporate management and to instill a culture of good business ethics in our organisation.

For more details on how we address ESG and climate-related risks, please refer to the Group's standalone Sustainability Report 2025.

INDEPENDENT AUDITOR'S REPORT



To the members of Harbour Centre Development Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Harbour Centre Development Limited and its subsidiaries ("the Group") set out on pages 56 to 114, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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") as 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"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Valuation of completed investment properties ("IP")

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

The Key Audit Matter

How the matter was addressed in our audit

The Group holds a portfolio of completed IP (primarily retail properties) located in Hong Kong which accounted for 29% of the Group's total assets as at 31 December 2025.

The fair values of the completed IP as at 31 December 2025 were assessed by the Group based on independent valuations prepared by a qualified external property valuer which took into account the net income of each property, allowing for reversionary potential and redevelopment potential, where appropriate.

The changes in fair value of completed IP recorded in the consolidated income statement amounting to HK\$212 million for the year ended 31 December 2025.

We identified valuation of completed IP as a key audit matter because these properties are significant to the Group's total assets and a small adjustment to or variances in the assumptions and data used to compute the valuation of individual properties, when aggregated, could have a significant impact on the Group's loss and because the valuation of completed IP is inherently subjective and requires significant judgement and estimation, particularly in determining market rents and capitalisation rates, which increases the risk of error or potential management bias.

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

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

INDEPENDENT AUDITOR'S REPORT

Assessing potential impairment of hotel properties

Refer to accounting policies D(ii), G(ii) and note 9 to the consolidated financial statements

The Key Audit Matter

As at 31 December 2025, the Group held a number of hotel properties located in Hong Kong and Chinese Mainland which were stated at cost less accumulated depreciation and impairment loss at a total amount of HK\$6,348 million.

At the financial reporting date, the Group reviewed the hotel properties to determine whether there were any indicators of impairment. When indicators of impairment are identified management assesses the recoverable amount of the hotel property. An impairment loss is recognised as an expense in the consolidated income statement if the carrying amount of the hotel property exceeds its recoverable amount.

The calculation of the recoverable amount of a hotel property is performed by the Group's external property valuer based on the discounted cash flows associated with the hotel property. The preparation of discounted cash flow forecasts can be highly subjective and requires the exercise of significant management judgement and estimation, in particular in determining forecast occupancy rates, forecast hotel room rates, the growth rates and the discount rates applied.

We identified assessing the potential impairment of hotel properties as a key audit matter because of the significant management judgement and estimation required in making assumptions and estimations which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess the potential impairment of hotel properties included the following:

- discussing with management whether there were any indicators of impairment of individual hotel properties as at 31 December 2025;
- where there were indicators of impairment, assessing whether the impairment assessment models were prepared in accordance with the requirements of the prevailing accounting standards;
- obtaining and inspecting the recoverable amount calculations prepared by the external property valuer engaged by the Group;
- assessing the qualifications, experience and expertise of the external property valuer in the properties being valued;
- with the assistance of our internal property valuation specialists, assessing the valuation methodology adopted by the property valuers and comparing the key estimates and assumptions adopted in the impairment assessment models for hotel properties, including forecast hotel room rates, forecast occupancy rates, growth rates and the discount rates, with available market data and government statistics;
- evaluating the historical accuracy of management's calculations of the recoverable amounts of hotel properties by comparing the forecasts at the end of the previous financial year for occupancy rates and hotel room rates with the actual outcomes in the current year; and
- performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for the hotel properties to be materially misstated and considering the likelihood of such a movement in those key estimates arising and whether there was any evidence of management bias.

INDEPENDENT AUDITOR'S REPORT

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 as part of our engagement to audit the consolidated financial statements. We have performed an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provided a separate assurance practitioner's 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 HKFRS Accounting Standards as 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 HKSA's 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.

INDEPENDENT AUDITOR'S REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

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 Lin Hoi Fung (practising certificate number: P07794).

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

5 March 2026

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

	Note	2025 HK\$ Million	2024 HK\$ Million
Revenue	1	1,345	1,354
Direct costs and operating expenses		(672)	(564)
Selling and marketing expenses		(94)	(66)
Administrative and corporate expenses		(151)	(136)
Operating profit before depreciation, interest and tax		428	588
Depreciation		(193)	(184)
Operating profit	1 & 2	235	404
Changes in fair value of investment properties	8	(212)	(153)
Other net charge	3	(89)	(3)
Finance costs	4	(66)	248
Share of results after tax of an associate	10	(13)	(16)
Share of results after tax of an associate		(144)	(256)
Loss before taxation		(223)	(24)
Income tax	5(a)	(39)	(39)
Loss for the year		(262)	(63)
Loss attributable to:			
Equity shareholders		(234)	(70)
Non-controlling interests		(28)	7
		(262)	(63)
Loss per share	6		
Basic		(HK\$0.33)	(HK\$0.10)
Diluted		(HK\$0.33)	(HK\$0.10)

The notes and material accounting policies on pages 62 to 114 form part of these financial statements. Details of dividend payable to equity shareholders of the Company are set out in Note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 HK\$ Million	2024 HK\$ Million
Loss for the year	(262)	(63)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Fair value changes on equity investments	1,006	(17)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the operations of subsidiaries	22	(20)
Share of reserves of an associate and a joint venture	6	(9)
Others	2	1
Other comprehensive income for the year	1,036	(45)
Total comprehensive income for the year	774	(108)
Total comprehensive income attributable to:		
Equity shareholders	798	(112)
Non-controlling interests	(24)	4
	774	(108)

The notes and material accounting policies on pages 62 to 114 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 HK\$ Million	2024 HK\$ Million
Non-current assets			
Investment properties	8	4,734	4,946
Hotel properties, plant and equipment	9	6,348	6,504
Interest in an associate	10	189	326
Interest in a joint venture	11	9	10
Equity investments	12	3,461	2,505
Other non-current assets		37	34
		14,778	14,325
Current assets			
Properties for sale	13	771	932
Inventories		8	9
Trade and other receivables	14	70	104
Bank deposits and cash	15	846	431
		1,695	1,476
Total assets		16,473	15,801
Non-current liabilities			
Deferred tax liabilities	19	(155)	(153)
Bank loans	18	(409)	(333)
		(564)	(486)
Current liabilities			
Trade and other payables	16	(735)	(847)
Pre-sale deposits and proceeds	17	(1)	(35)
Taxation payable	5(f)	(71)	(71)
Bank loans	18	(33)	(32)
		(840)	(985)
Total liabilities		(1,404)	(1,471)
NET ASSETS		15,069	14,330
Capital and reserves			
Share capital	21(a)	3,641	3,641
Reserves		11,339	10,576
Shareholders' equity		14,980	14,217
Non-controlling interests		89	113
TOTAL EQUITY		15,069	14,330

The notes and material accounting policies on pages 62 to 114 form part of these financial statements.

Stephen T H Ng
Chairman

Peter Z K Pao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Shareholders' equity						Total equity HK\$ Million
	Share capital HK\$ Million	Investments revaluation reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non-controlling interests HK\$ Million	
At 1 January 2024	3,641	(809)	209	11,288	14,329	109	14,438
Changes in equity for 2024:							
(Loss)/profit for the year	–	–	–	(70)	(70)	7	(63)
Other comprehensive income	–	(17)	(26)	1	(42)	(3)	(45)
Total comprehensive income	–	(17)	(26)	(69)	(112)	4	(108)
At 31 December 2024 and 1 January 2025	3,641	(826)	183	11,219	14,217	113	14,330
Changes in equity for 2025:							
Loss for the year	–	–	–	(234)	(234)	(28)	(262)
Other comprehensive income	–	1,006	24	2	1,032	4	1,036
Total comprehensive income	–	1,006	24	(232)	798	(24)	774
Transfer to revenue reserves upon de-recognition of equity investments	–	(5)	–	5	–	–	–
2024 interim dividend paid	–	–	–	(35)	(35)	–	(35)
At 31 December 2025	3,641	175	207	10,957	14,980	89	15,069

The notes and material accounting policies on pages 62 to 114 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 HK\$ Million	2024 HK\$ Million
Operating cash inflow	(a)	292	459
Changes in working capital	(a)	(33)	(283)
Cash generated from operations	(a)	259	176
Net interest paid		(2)	(11)
Interest received		10	4
Interest paid on bank loans		(12)	(15)
Dividend income from equity investments		126	125
Hong Kong Profits Tax paid		(37)	(62)
PRC taxation paid		(2)	(4)
Net cash generated from operating activities		344	224
Investing activities			
Payment for hotel properties, plant and equipment		(18)	(12)
Proceeds from disposal of equity investments		50	–
Net cash generated from/(used in) investing activities		32	(12)
Financing activities			
Drawdown of bank loans	(b)	101	68
Repayment of bank loans	(b)	(33)	(222)
Dividends paid to equity shareholders		(35)	–
Net cash generated from/(used in) financing activities		33	(154)
Increase in cash and cash equivalents		409	58
Cash and cash equivalents at 1 January		431	381
Effect on exchange rate changes		6	(8)
Cash and cash equivalents at 31 December		846	431

Cash and cash equivalents represent bank deposits and cash.

The notes and material accounting policies on pages 62 to 114 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	2025 HK\$ Million	2024 HK\$ Million
Operating profit	235	404
Depreciation	193	184
Dividend income from equity investments	(126)	(125)
Interest income	(10)	(4)
Operating cash inflow	292	459
Decrease in properties for sale	89	162
Decrease in inventories	1	–
(Increase)/decrease in trade and other receivables	(4)	14
Decrease in trade and other payables	(124)	(434)
Decrease in pre-sale deposits and proceeds	(35)	(42)
Decrease in amounts due from fellow subsidiaries (net)	41	18
Others	(1)	(1)
Changes in working capital	(33)	(283)
Cash generated from operations	259	176

(b) Reconciliation of liabilities arising from financing activities

	Bank loans	
	2025 HK\$ Million	2024 HK\$ Million
At 1 January	365	526
Changes from financing cash flows:		
Drawdown of bank loans	101	68
Repayment of bank loans	(33)	(222)
Total changes from financing cash flows	68	(154)
Exchange adjustments	9	(7)
At 31 December	442	365

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

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

Hotels segment represents the operations of The Murray, Hong Kong, a Niccolo Hotel ("The Murray"), Marco Polo Hongkong Hotel, Niccolo Suzhou and the former Marco Polo Changzhou.

Investment properties segment primarily represents the property leasing of the Group's investment properties in Hong Kong.

Development properties segment encompasses activities relating to the acquisition, development and sales of trading properties primarily in Chinese Mainland.

Investments segment represents equity investment in global capital markets. The performance of the portfolio is assessed and monitored by top management regularly.

Management evaluates performance based on operating profit as well as the equity share of results of an associate and a joint venture of each segment.

Segment business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash.

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

(a) Analysis of segment revenue and results

	Revenue HK\$ Million	Operating profit/(loss) HK\$ Million	Changes in fair value of investment properties HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Associate HK\$ Million	(Loss)/profit before taxation HK\$ Million
2025							
Hotels	918	(18)	–	–	–	–	(18)
Investment properties	175	150	(212)	–	–	–	(62)
Development properties	116	(21)	–	(89)	(13)	(144)	(267)
Investments	126	126	–	–	–	–	126
Segment total	1,335	237	(212)	(89)	(13)	(144)	(221)
Others	10	(2)	–	–	–	–	(2)
Group total	1,345	235	(212)	(89)	(13)	(144)	(223)
2024							
Hotels	874	(55)	–	–	(1)	–	(56)
Investment properties	199	171	(153)	–	(3)	–	15
Development properties	152	166	–	(3)	(12)	(256)	(105)
Investments	125	125	–	–	–	–	125
Segment total	1,350	407	(153)	(3)	(16)	(256)	(21)
Others	4	(3)	–	–	–	–	(3)
Group total	1,354	404	(153)	(3)	(16)	(256)	(24)

No inter-segment revenue has been recorded during the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS

(b) Analysis of segment business assets

	2025 HK\$ Million	2024 HK\$ Million
Hotels	6,448	6,599
Investment properties	4,736	4,948
Development properties	982	1,318
Investments	3,461	2,505
Total segment business assets	15,627	15,370
Unallocated corporate asset	846	431
Total assets	16,473	15,801

- (i) Hotel properties, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Should the hotel properties, plant and equipment be stated based on the valuation as at 31 December 2025 of HK\$9,953 million (2024: HK\$10,114 million), the total segment business assets would be increased to HK\$19,232 million (2024: HK\$19,058 million).
- (ii) Unallocated corporate asset represents bank deposits and cash.

(c) Geographical information

	Revenue		Operating profit/(loss)	
	2025 HK\$ Million	2024 HK\$ Million	2025 HK\$ Million	2024 HK\$ Million
Hong Kong	1,077	1,041	237	203
Chinese Mainland	216	263	(54)	151
Others	52	50	52	50
Group total	1,345	1,354	235	404

	Specified non-current assets		Total business assets	
	2025 HK\$ Million	2024 HK\$ Million	2025 HK\$ Million	2024 HK\$ Million
Hong Kong	10,259	10,612	12,243	12,200
Chinese Mainland	1,021	1,174	1,812	2,163
Others	–	–	1,572	1,007
Group total	11,280	11,786	15,627	15,370

Specified non-current assets exclude equity investments and other non-current assets.

Geographically, HK\$12,243 million or 78% (2024: HK\$12,200 million or 79%) of the Group's total business assets were located in Hong Kong.

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

NOTES TO THE FINANCIAL STATEMENTS

(d) Disaggregation of revenue

	2025 HK\$ Million	2024 HK\$ Million
Revenue recognised under Hong Kong Financial Reporting Standard (“HKFRS”) 15		
Hotels	918	874
Management and services income and other rental related income	38	37
Sale of development properties	116	152
	1,072	1,063
Revenue recognised under other accounting standards		
Rental income under investment properties segment		
– Fixed	130	160
– Variable	7	2
Investments	126	125
Others	10	4
	273	291
Total revenue	1,345	1,354

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its:

- hotel operation as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group’s performance completed to date.
- property management fees and other rental related income as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group’s performance completed to date.
- sales of completed properties as the performance obligation is part of a contract that had an original expected duration of one year or less.

NOTES TO THE FINANCIAL STATEMENTS

2. OPERATING PROFIT

(a) Operating profit is arrived at:

	2025 HK\$ Million	2024 HK\$ Million
After charging:		
Depreciation	193	184
Staff costs (Note i)	397	391
Auditors' remuneration (Note ii)	2	2
Cost of trading properties for recognised sales	90	122
Direct operating expenses of investment properties	14	20
After crediting:		
Gross rental revenue from investment properties	175	199
Interest income	10	4
Dividend income from equity investments	126	125

Notes:

- (i) Staff costs included defined contribution pension schemes costs HK\$17 million (2024: HK\$17 million), which included MPF schemes after a forfeited contribution of HK\$1 million (2024: HK\$1 million).
- (ii) Auditors' remuneration included less than HK\$1 million for other services.

(b) Directors' emoluments

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

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to pension scheme HK\$'000	2025 Total emoluments HK\$'000	2024 Total emoluments HK\$'000
Executive Director						
Stephen T H Ng	80	1,200	–	–	1,280	1,280
Non-executive Directors						
Peter Z K Pao	80	–	–	–	80	80
Frankie C M Yick	80	–	–	–	80	80
Independent Non- executive Directors						
Michelle Cheng (iv)	80	–	–	–	80	4
David T C Lie-A-Cheong	80	–	–	–	80	80
Ivan T L Ting (iii)	120	–	–	–	120	120
Roger K H Luk (ii)	130	–	–	–	130	130
Michael T P Sze (iii)	120	–	–	–	120	120
Brian S K Tang (iii)	120	–	–	–	120	120
	890	1,200	–	–	2,090	2,014
Total for 2024	814	1,200	–	–	–	2,014

NOTES TO THE FINANCIAL STATEMENTS

Notes:

- (i) There was no compensation for loss of office and/or inducement for joining the Group paid/payable to the Directors of the Company in respect of the years ended 31 December 2025 and 2024.
- (ii) Includes Audit Committee Chairman's fee received by the Director of HK\$50,000 per annum for the year ended 31 December 2025 (2024: HK\$50,000 per annum).
- (iii) Includes Audit Committee Member's fee received by each of relevant Directors of HK\$40,000 per annum for the year ended 31 December 2025 (2024: HK\$40,000 per annum).
- (iv) Ms Michelle Cheng was appointed as an Independent Non-executive Director of the Company with effect from 12 December 2024.

(c) Emoluments of the highest paid employees

For the year ended 31 December 2025, information regarding emoluments of 5 (2024: 5) employees of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including Directors of the Company and other employees of the Group) employed by the Group has been set out below:

Aggregate emoluments	2025 HK\$ Million	2024 HK\$ Million
Salaries, allowances and benefits in kind	11	10
Discretionary bonuses and/or performance related bonuses	1	1
Total	12	11

Bands (in HK\$)	2025 Number	2024 Number
\$1,500,001–\$2,000,000	2	2
\$2,000,001–\$2,500,000	1	2
\$2,500,001–\$3,000,000	1	1
\$3,000,001–\$3,500,000	1	–

3. OTHER NET CHARGE

Other net charge amounted to HK\$89 million (2024: HK\$3 million) mainly represented impairment provision for Chinese Mainland DP held by a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCE COSTS

	2025 HK\$ Million	2024 HK\$ Million
Interest on bank borrowings	13	15
Other finance costs	–	1
Total	13	16

All interest costs are in respect of interest bearing borrowings that are stated at amortised cost.

5. INCOME TAX

(a) Taxation charged to the consolidated income statement represents:

	2025 HK\$ Million	2024 HK\$ Million
Current income tax		
Hong Kong		
– provision for the year	37	38
– over-provision in respect of prior years	(1)	(1)
Chinese Mainland		
– over-provision in respect of prior years	–	(109)
	36	(72)
Land appreciation tax (“LAT”) (Note (d))	2	6
Deferred tax		
Origination and reversal of temporary differences	1	105
Total	39	39

(b) The provision for Hong Kong Profits Tax is at the rate of 16.5% (2024: 16.5%) of the estimated assessable profits for the year.

(c) Income tax on profits assessable in Chinese Mainland are corporate income tax calculated at a rate of 25% (2024: 25%) and withholding tax at a rate of up to 10%.

NOTES TO THE FINANCIAL STATEMENTS

- (d) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Chinese Mainland are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- (e) Under the tax law in Chinese Mainland, withholding tax at 10% is imposed unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Chinese Mainland. For the year ended 31 December 2025, the Group has provided HK\$1 million (2024: written back of HK\$119 million) for withholding tax on accumulated earnings generated by its Chinese Mainland subsidiaries and joint venture which have been/will be distributed to their immediate holding companies outside Chinese Mainland in the foreseeable future.
- (f) The prepaid tax/taxation payable in the consolidated statement of financial position is expected to be recovered/settled within one year.
- (g) Prepaid tax represented advance LAT and corporate income tax paid in respect of pre-sale proceeds received from sale of properties in Chinese Mainland.
- (h) Tax attributable to an associate for the year ended 31 December 2025 of HK\$4 million (2024: HK\$24 million) is included in the share of results of an associate.
- (i) Reconciliation between the actual total tax charge and loss before taxation at applicable tax rates:

	2025 HK\$ Million	2024 HK\$ Million
Loss before taxation	(223)	(24)
Notional tax on loss before taxation calculated at applicable tax rates	(62)	(14)
Tax effect of non-deductible expenses	62	68
Tax effect of non-deductible changes in fair value of investment properties	35	25
Tax effect of non-taxable income	(23)	(22)
Tax effect of tax losses not recognised	32	17
Tax effect of other temporary differences	(7)	188
LAT on trading properties	2	6
Withholding tax	1	(119)
Over-provision in respect of prior years	(1)	(110)
Actual total tax charge	39	39

NOTES TO THE FINANCIAL STATEMENTS

- (j) The Group is part of a multinational enterprise group as it is a member of Wharf Real Estate Investment Company Limited (“Wharf REIC”) which is subject to the Pillar Two model rules (“Rules”) published by the Organisation for Economic Co-operation and Development starting from 1 January 2025. Under the Rules, a top-up tax liability arises when the effective tax rate of the Group’s operations in a jurisdiction, calculated using principles set out in the Pillar Two legislation, is below 15%.

Wharf REIC’s consolidated profits in Hong Kong are subject to the domestic minimum top-up tax under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 effective from 1 January 2025. From 1 January 2025, Wharf REIC’s consolidated profits in Chinese Mainland, where a domestic minimum top-up tax has not been implemented, are also subject to Pillar Two income taxes under the Hong Kong legislation. Following an assessment of the exposure to Pillar Two income tax, the Group is not liable to pay any top-up tax. Accordingly, no Pillar Two income tax expense has been recognised during the year ended 31 December 2025.

The Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and accounted for the tax as current tax when incurred.

6. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to equity shareholders for the year of HK\$234 million (2024: HK\$70 million) by 708.8 million ordinary shares (2024: 708.8 million ordinary shares) in issue during the year.

The diluted loss per share is the same as the basic loss per share as there are no potential dilutive ordinary shares in existence during the years ended 31 December 2025 and 2024.

7. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2025 HK\$ Per share	2025 HK\$ Million	2024 HK\$ Per share	2024 HK\$ Million
Interim dividend declared after the end of the reporting period	–	–	0.05	35

The interim dividend of HK\$35 million for 2024 was approved and paid in 2025.

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT PROPERTIES

	Total HK\$ Million
(a) Cost or valuation	
At 1 January 2024	5,099
Revaluation deficits	(153)
At 31 December 2024 and 1 January 2025	4,946
Revaluation deficits	(212)
At 31 December 2025	4,734
(b) The analysis of cost or valuation of the above assets is as follows:	
2025 valuation	4,734
2024 valuation	4,946
(c) Tenure of title to properties:	
At 31 December 2025	
Held in Hong Kong	
Long term leases	4,734
At 31 December 2024	
Held in Hong Kong	
Long term leases	4,946

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

NOTES TO THE FINANCIAL STATEMENTS

(d) Investment properties revaluation

The investment properties stated at fair value as at 31 December 2025 were revalued by Knight Frank, an independent firm of professional surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with extensive experience in valuing properties in Hong Kong and Chinese Mainland. Knight Frank has valued the investment properties on a market value basis and has taken into account the net income of the respective properties, allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The revaluation differences arising on revaluation on investment properties is recognised in the line item “Changes in fair value of investment properties” on the face of the consolidated income statement.

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

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

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

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

The Group’s completed investment properties measured at HK\$4,734 million (2024: HK\$4,946 million) represent the retail properties located in Hong Kong, were classified as Level 3 under the fair value hierarchy in accordance with HKFRS 13.

None of the Group’s investment properties measured at fair value are categorised as Level 1 and Level 2 input.

During the years ended 31 December 2025 and 2024, there were no transfers among Level 1, Level 2, or transfers into or out of Level 3.

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

Valuation processes

The Group reviews the valuations performed by the independent valuers for financial reporting purposes by verifying all major inputs and assessing the reasonableness of property valuations. A valuation report with an analysis of changes in fair value measurement is prepared at each interim and annual reporting dates, and is reviewed and approved by the senior management.

Valuation methodologies

The valuation of completed retail properties in Hong Kong were based on income capitalisation approach which capitalised the net income of the properties and taking into account the significant adjustment on term yield to account for the risk upon reversion and the estimation in vacancy rate after expiry of current lease.

Level 3 valuation methodologies

The significant unobservable input was capitalisation rate at 5.0% (2024: 5.0%). The fair value measurement of investment properties is negatively correlated to the capitalisation rate.

- (e) The Group leases out its investment properties under operating leases, which generally run for an initial period of two to three years. Lease payments may be varied periodically to reflect market rentals and may contain variable lease payment which is based on various percentages of tenants’ sales receipts.

NOTES TO THE FINANCIAL STATEMENTS

(f) The Group's total future undiscounted lease income receivable under non-cancellable operating leases as follows:

	2025 HK\$ Million	2024 HK\$ Million
Within 1 year	147	237
After 1 year but within 2 years	39	217
After 2 years but within 3 years	–	56
	186	510

9. HOTEL PROPERTIES, PLANT AND EQUIPMENT

	Hotel properties HK\$ Million	Others HK\$ Million	Total HK\$ Million
(a) Cost			
At 1 January 2024	9,679	697	10,376
Exchange adjustment	(46)	–	(46)
Additions/(adjustment)	(69)	12	(57)
Disposals	–	(2)	(2)
At 31 December 2024 and 1 January 2025	9,564	707	10,271
Exchange adjustment	51	1	52
Additions	–	18	18
Disposals	–	(3)	(3)
At 31 December 2025	9,615	723	10,338
Accumulated depreciation and impairment			
At 1 January 2024	2,998	614	3,612
Exchange adjustment	(27)	–	(27)
Charge for the year	167	17	184
Written back on disposals	–	(2)	(2)
At 31 December 2024 and 1 January 2025	3,138	629	3,767
Exchange adjustment	32	1	33
Charge for the year	177	16	193
Written back on disposals	–	(3)	(3)
At 31 December 2025	3,347	643	3,990
Net book value			
At 31 December 2025	6,268	80	6,348
At 31 December 2024	6,426	78	6,504

NOTES TO THE FINANCIAL STATEMENTS

(b) Tenure of title to properties:

	Hotel properties	
	2025 HK\$ Million	2024 HK\$ Million
Held in Hong Kong		
Long term leases	22	22
Medium term leases	5,427	5,571
Held outside Hong Kong		
Medium term leases	819	833
	6,268	6,426

(c) Impairment of hotel properties, plant and equipment

The value of hotel properties, plant and equipment is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by external valuer and internally. Such valuations assess the recoverable amount of each asset being the higher of its value in use or its fair value less costs of disposal.

10. INTEREST IN AN ASSOCIATE

	2025 HK\$ Million	2024 HK\$ Million
Share of net assets	189	326
Amount due to an associate (Note 16)	(14)	(14)

Details of the associate at 31 December 2025 are shown on page 114.

- (a) Interest in an associate at 31 December 2025 and 2024 represents the Group's 27%-interest in a limited liability company, 上海萬九綠合置業有限公司, established for development property in Shanghai in Chinese Mainland.
- (b) The amount due to an associate is unsecured, interest free and repayable on demand.
- (c) The associate is an unlisted corporate entity whose quoted market price is not available and is accounted for using the equity method in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- (d) Summarised financial information of 上海萬九綠合置業有限公司, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2025 HK\$ Million	2024 HK\$ Million
Summarised statement of financial position		
Non-current assets	68	96
Cash and cash equivalents	782	1,001
Other current assets	4,466	4,915
Total current assets	5,248	5,916
Trade and other payables	(507)	(589)
Other current liabilities	(762)	(934)
Total current liabilities	(1,269)	(1,523)
Non-current liabilities	(3,348)	(3,282)
Net assets	699	1,207
Summarised statement of comprehensive income		
Revenue	229	644
Interest income	2	4
Loss from continuing operations (Note)	(519)	(859)
Income tax expenses	(13)	(89)
Post-tax loss from continuing operations	(532)	(948)
Other comprehensive income	24	(33)
Total comprehensive income	(508)	(981)
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	699	1,207
Group's effective interest	27%	27%
Group's share of net assets of the associate	189	326
Carrying amount in the consolidated financial statements	189	326

Note: During the year ended 31 December 2025, an attributable provision of HK\$181 million (2024: HK\$237 million) was made for the development properties.

NOTES TO THE FINANCIAL STATEMENTS

11. INTEREST IN A JOINT VENTURE

	2025 HK\$ Million	2024 HK\$ Million
Share of net assets	9	10

Details of the joint venture at 31 December 2025 are shown on page 114.

- (a) The Group's interest in a joint venture at 31 December 2025 and 2024 represents its 55%-interest in a limited liability company, Speedy Champ Investments Limited ("Speedy Champ"). Notwithstanding the Group's contribution of 55% of the registered capital, as the Group and the joint venture partner contractually agree to share control of Speedy Champ and have rights to the net assets of Speedy Champ, the Group accounts for its investment as a joint venture.
- (b) The joint venture is an unlisted corporate entity whose quoted market price is not available. The joint venture is accounted for using the equity method in the consolidated financial statements.
- (c) The joint venture is not individually material to the Group. Aggregate information of the joint venture is summarised below:

	2025 HK\$ Million	2024 HK\$ Million
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	9	10
Aggregate amount of the Group's share of the joint venture		
– Profit from continuing operations	–	–
– Other comprehensive income	–	–
Total comprehensive income	–	–

NOTES TO THE FINANCIAL STATEMENTS

12. EQUITY INVESTMENTS

	2025 HK\$ Million	2024 HK\$ Million
Listed investments stated at fair value		
– Hong Kong	1,889	1,498
– overseas	1,572	1,007
	3,461	2,505

(a) Equity investments are designated as financial assets at fair value through other comprehensive income as they are not held for trading but for long term purposes, the Group has irrevocably elected them at initial recognition to recognise these investments in this category. It mainly represents a portfolio of blue chips including property counters with reasonable dividend return that in line with relevant market and each investment within the portfolio is individually immaterial to the Group's total assets.

(b) Analysed by industry sectors as follows:

	2025 HK\$ Million	2024 HK\$ Million
Properties	2,987	2,171
Others	474	334
Total	3,461	2,505

13. PROPERTIES FOR SALE

	2025 HK\$ Million	2024 HK\$ Million
Properties for sale	771	932

Properties for sale are stated at lower of cost and net realisable value and have been reduced by HK\$92 million (2024: HK\$Nil) as a result of the write-down to net realisable value.

As 31 December 2025, the carrying value of leasehold land included in properties for sale is summarised as follows:

	2025 HK\$ Million	2024 HK\$ Million
Held outside Hong Kong		
– Medium term leases	64	65
– Long term leases	15	19
	79	84

NOTES TO THE FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES

(a) Ageing analysis

Included in this item are trade receivables (net of loss allowance) with an ageing analysis based on invoice date as at 31 December 2025 as follows:

	2025 HK\$ Million	2024 HK\$ Million
Trade receivables		
0–30 days	27	24
31–60 days	3	2
Over 60 days	2	1
	32	27
Prepayments	28	28
Other receivables	5	5
Amounts due from fellow subsidiaries	5	44
Group total	70	104

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties from which the proceeds are receivable pursuant to the terms of the agreements. The amounts due from fellow subsidiaries are unsecured, interest free and recoverable on demand. All the trade and other receivables are expected to be recoverable within one year.

All the Group's prepayments are expected to be recognised as expense within one year.

(b) Impairment of trade receivables

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

NOTES TO THE FINANCIAL STATEMENTS

15. BANK DEPOSITS AND CASH

Bank deposits and cash as at 31 December 2025 include HK\$275 million equivalent (2024: HK\$247 million) placed with banks in Chinese Mainland, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2025, there were no (2024: HK\$Nil) bank deposits and cash included bank deposits which are solely for certain designated development property projects in Chinese Mainland.

The effective interest rate on bank deposit was 1.6% (2024: 0.9%) per annum.

Bank deposits and cash are denominated in the following currencies:

	2025 HK\$ Million	2024 HK\$ Million
HK\$	533	172
United States dollar ("USD")	42	18
RMB	271	241
	846	431

16. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice date as at 31 December 2025 as follows:

	2025 HK\$ Million	2024 HK\$ Million
Trade payables		
0–30 days	24	32
31–60 days	3	4
	27	36
Other payables and provisions	342	354
Construction costs payable	347	439
Amounts due to fellow subsidiaries	5	4
Amount due to an associate (Note 10)	14	14
Group total	735	847

The amounts due to fellow subsidiaries are unsecured, interest free and repayable on demand.

Included in the above other payables and provisions and construction costs payable, are amounts of HK\$37 million (2024: HK\$67 million) which are expected to be settled after one year. The Group considers the effect of discounting these would be immaterial. All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

In addition, included in the above other payables and provisions, amounts of HK\$15 million (2024: HK\$17 million) represents non-refundable guest deposits and recognised as contract liability. The balance is expected to be recognised within 1 year.

NOTES TO THE FINANCIAL STATEMENTS

17. PRE-SALE DEPOSITS AND PROCEEDS

The Group receives whole or a portion of contract value as deposits from customers when they sign the sale and purchase agreement. These deposits are recognised as a contract liability and presented as “Pre-sale Deposits and Proceeds” until the properties are completed and legally assigned to or accepted by the customers. The rest of the consideration is typically paid when legal assignment is completed.

Movements in pre-sale deposits and proceeds

	2025 HK\$ Million	2024 HK\$ Million
At 1 January	35	78
Exchange adjustment	–	(1)
Decrease in pre-sale deposits and proceeds as a result of recognising revenue during the year	(114)	(151)
Increase in pre-sale deposits and proceeds as a result of receiving sales deposits	80	109
At 31 December	1	35

None of the pre-sale deposits and proceeds received are expected to be recognised as revenue in the consolidated income statement after more than one year (2024: HK\$Nil).

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

As at 31 December 2025, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group’s existing contracts is HK\$Nil (2024: HK\$42 million). This amount represents revenue expected to be recognised in the future from pre-completion properties sales contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when the properties are assigned to or accepted by the customers, which is expected to occur over the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

18. BANK LOANS

	2025 HK\$ Million	2024 HK\$ Million
Bank loans (secured)		
Due within 1 year or on demand	33	32
Due after more than 1 year but not exceeding 2 years	44	32
Due after more than 2 years but not exceeding 5 years	249	205
Due after more than 5 years	116	96
Total	442	365

Analysis of maturities of the above borrowings:

	2025 HK\$ Million	2024 HK\$ Million
Current borrowings		
Due within 1 year or on demand	33	32
Non-current borrowings		
Due after more than 1 year but not exceeding 2 years	44	32
Due after more than 2 years but not exceeding 5 years	249	205
Due after more than 5 years	116	96
	409	333
Total	442	365

(a) The Group's borrowings are considered by the management to be denominated in the following currencies:

	2025 HK\$ Million	2024 HK\$ Million
RMB	442	365

(b) All interest bearing borrowings are carried at amortised cost. None of the non-current interest bearing borrowings is expected to be settled within one year.

NOTES TO THE FINANCIAL STATEMENTS

- (c) As at 31 December 2025, banking facilities of the Group in the amount of HK\$471 million (2024: HK\$491 million) are secured by hotel and development properties in the Chinese Mainland of RMB1,160 million (equivalent to HK\$1,284 million) (2024: RMB1,213 million (equivalent to HK\$1,310 million)).
- (d) Certain of the undrawn facilities are attached with financial covenants which require that at any time, the Group's consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels. During the year under review, all these covenants have been complied with by the Group.

19. DEFERRED TAXATION

- (a) Deferred tax liabilities recognised in the consolidated statement of financial position:

	2025 HK\$ Million	2024 HK\$ Million
Deferred tax liabilities	155	153

The components of deferred tax liabilities and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation HK\$ Million	Withholding tax in relation to dividend distribution HK\$ Million	Deferred tax on unpaid tax HK\$ Million	Future benefit of tax losses HK\$ Million	Others HK\$ Million	Total HK\$ Million
At 1 January 2024	89	247	(226)	(65)	3	48
Charged/(credited) to the consolidated income statement	–	(119)	224	–	–	105
Exchange adjustment	–	(2)	2	–	–	–
At 31 December 2024 and 1 January 2025	89	126	–	(65)	3	153
Charged to the consolidated income statement	–	1	–	–	–	1
Exchange adjustment	–	1	–	–	–	1
At 31 December 2025	89	128	–	(65)	3	155

NOTES TO THE FINANCIAL STATEMENTS

(b) Deferred tax assets not recognised

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

	2025		2024	
	Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million	Deductible temporary differences/ tax losses HK\$ Million	Deferred tax assets HK\$ Million
Deductible temporary differences	2,338	527	2,256	507
Future benefit of tax losses				
– Hong Kong	1,250	206	1,165	192
– Chinese Mainland	315	79	154	39
	1,565	285	1,319	231
	3,903	812	3,575	738

- (c) The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 December 2025. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from Chinese Mainland operations can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

NOTES TO THE FINANCIAL STATEMENTS

(a) Interest rate risk

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

As at 31 December 2025, all the Group's borrowings were at floating rate and the interest rate was approximately 3.0% (2024: 3.8%) per annum.

Based on a sensitivity analysis performed on 31 December 2025, it was estimated that a general increase/decrease of 1% (2024: 1%) in interest rates, with all other variables held constant, would have increased/decreased the Group's post-tax loss and decreased/increased total equity by HK\$Nil (2024: approximately HK\$1 million). This takes into account the effect of interest bearing bank deposits.

The sensitivity analysis above indicates the instantaneous change in the Group's post-tax loss and total equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2024.

(b) Foreign currency risk

The Group owns assets and conducts its businesses both in Hong Kong and Chinese Mainland, with its cash flows denominated substantially in HK\$ and RMB which exposes the Group to foreign currency risk with respect to RMB related to its property development in Chinese Mainland. Anticipated foreign exchange payments relate primarily to RMB capital expenditure.

Where appropriate or available in a cost-efficient manner, the Group may enter into forward foreign exchange contracts to manage its foreign currency risk arising from the anticipated transactions denominated in currencies other than its entities' functional currencies.

The Group's borrowings are predominantly denominated in the functional currency of the entity taking out the borrowings. In the case of group companies whose functional currencies are in HK\$, their borrowings will be either in HK\$ or RMB. For managing the overall financing costs of existing and future capital requirements for the projects in Chinese Mainland and Hong Kong, the Group has adopted a diversified funding approach.

NOTES TO THE FINANCIAL STATEMENTS

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

	USD Million	RMB Million
At 31 December 2025		
Equity investments	202	–
Bank deposits and cash	5	–
Inter-company balances	–	66
Gross exposure arising from recognised assets and liabilities/ Overall net exposure	207	66
At 31 December 2024		
Equity investments	129	–
Bank deposits and cash	2	–
Inter-company balances	–	66
Gross exposure arising from recognised assets and liabilities/ Overall net exposure	131	66

In addition, at 31 December 2025, Chinese Mainland subsidiaries of the Group with RMB as their functional currency are exposed to foreign currency risk with respect to HK\$/USD by holding HK\$/USD denominated bank deposits and cash in the amount of HK\$3 million (2024: HK\$6 million).

Based on the sensitivity analysis performed on 31 December 2025, it was estimated that the impact on the Group's post-tax loss and total equity would not be material in response to possible changes in the foreign exchange rates of foreign currencies to which the Group is exposed.

It is further analysed that the sensitivity on the translation of the Chinese Mainland operations from 1% increase/decrease of exchange rate of RMB against HK\$, the Group's total equity would have increased/decreased by HK\$11 million (2024: HK\$14 million).

(c) Equity price risk

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

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

Based on the sensitivity analysis performed on 31 December 2025, it is estimated that a 5% (2024: 5%) increase/decrease in the market value of the Group's equity investments, with all other variables held constant, would not have affected the Group's post-tax loss but would have increased/decreased the Group's total equity by HK\$173 million (2024: HK\$125 million). The analysis is performed on the same basis for 2024.

NOTES TO THE FINANCIAL STATEMENTS

(d) Liquidity risk

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

As disclosed in Note 18, certain of the Group's banking facilities are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. None of the bank loans are subject to the fulfilment of covenants (2024: HK\$Nil).

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

	Carrying amount HK\$ Million	Total HK\$ Million	Contractual undiscounted cash flow			
			Within 1 year or on demand HK\$ Million	More than 1 year but less than 2 years HK\$ Million	More than 2 years but less than 5 years HK\$ Million	More than 5 years HK\$ Million
At 31 December 2025						
Bank loans	(442)	(573)	(45)	(56)	(285)	(187)
Trade and other payables	(735)	(735)	(699)	–	–	(36)
	(1,177)	(1,308)	(744)	(56)	(285)	(223)
At 31 December 2024						
Bank loans	(365)	(487)	(43)	(42)	(236)	(166)
Trade and other payables	(847)	(847)	(780)	(10)	–	(57)
	(1,212)	(1,334)	(823)	(52)	(236)	(223)

The Company is exposed to liquidity risk that arises from financial guarantees given by the Company on behalf of subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligation and the maximum amount callable as at 31 December 2025 was HK\$810 million (2024: HK\$810 million).

NOTES TO THE FINANCIAL STATEMENTS

(e) Credit risk

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

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

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

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Company as set out in Note 24, the Group does not provide any other guarantee which would expose the Group or the Company to material credit risk.

(f) Fair values of assets and liabilities

(i) Assets and liabilities carried at fair value

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

Financial instruments carried at fair value

The fair value measurement information for financial instruments as at 31 December 2025 and 2024 in accordance with HKFRS 13 is given below:

	2025 HK\$ Million	2024 HK\$ Million
Level 1 Assets		
Equity investments:		
– Listed investments	3,461	2,505

During the years ended 31 December 2025 and 2024, there were no transfers of instruments between Level 1 and Level 2, or transfer into or out of Level 3.

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

Equity investments in Level 1 are stated at quoted market prices.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Assets and liabilities carried at other than fair value

The fair values of receivables, bank balances and other current assets, payables and accruals, current borrowings, and provisions are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments and bank loans carried at cost or amortised cost are carried at amounts not materially different from their fair values as at 31 December 2025 and 2024. Amounts due from/(to) fellow subsidiaries and related parties are unsecured, interest free and have no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

(g) Capital management

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

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

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

The net debt-to-equity ratio as at 31 December 2025 and 2024 were as follows:

	2025	2024
	HK\$ Million	HK\$ Million
Bank loans (Note 18)	442	365
Less: Bank deposits and cash (Note 15)	(846)	(431)
Net cash	(404)	(66)
Shareholders' equity	14,980	14,217
Total equity	15,069	14,330
Net debt-to-shareholders' equity ratio	N/A	N/A
Net debt-to-total equity ratio	N/A	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the requirement to comply with the financial covenants attached to the Group's borrowing as disclosed in Note 18(d).

NOTES TO THE FINANCIAL STATEMENTS

21. CAPITAL AND RESERVES

(a) Share capital

	2025 No. of shares Million	2024 No. of shares Million	2025 HK\$ Million	2024 HK\$ Million
Issued and fully paid ordinary shares At 1 January and 31 December	709	709	3,641	3,641

In accordance with section 135 of the Companies Ordinance, the ordinary shares of the Company do not have a par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

- (b) The Group's equity, apart from share capital and other statutory capital reserves, includes investments revaluation reserves for dealing with movement on revaluation of equity investments and the exchange reserve mainly comprises exchange differences arising from the translation of the financial statements of operations outside Hong Kong in accordance with the accounting policy Note (N).

The revenue reserves for the Group at 31 December 2025 included HK\$127 million (2024: HK\$127 million) in respect of statutory reserves of the subsidiaries in Chinese Mainland.

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

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

	Share capital HK\$ Million	Revenue reserves HK\$ Million	Total equity HK\$ Million
The Company			
At 1 January 2024	3,641	2,205	5,846
Profit and total comprehensive income for the year	–	104	104
At 31 December 2024 and 1 January 2025	3,641	2,309	5,950
Profit and total comprehensive income for the year	–	68	68
2024 interim dividend paid	–	(35)	(35)
At 31 December 2025	3,641	2,342	5,983

- (c) Reserves of the Company available for distribution to equity shareholders at 31 December 2025 amounted to HK\$2,342 million (2024: HK\$2,309 million).
- (d) No dividend was declared after the end of the reporting period (2024: interim dividend of 5 HK cents per share amounted to HK\$35 million based on 708.8 million issued ordinary shares).

NOTES TO THE FINANCIAL STATEMENTS

22. COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2025 HK\$ Million	2024 HK\$ Million
Non-current asset			
Interests in subsidiaries		10,132	9,945
Current asset			
Bank deposits and cash		2	3
Total assets		10,134	9,948
Current liabilities			
Trade and other payables		(3)	(2)
Amounts due to subsidiaries		(4,148)	(3,996)
		(4,151)	(3,998)
Total liabilities		(4,151)	(3,998)
NET ASSETS		5,983	5,950
Capital and reserves			
Share capital	21(a)	3,641	3,641
Reserves		2,342	2,309
TOTAL EQUITY		5,983	5,950

Stephen T H Ng
Chairman

Peter Z K Pao
Director

NOTES TO THE FINANCIAL STATEMENTS

23. MATERIAL RELATED PARTY TRANSACTIONS

Material transactions between the Group and other related parties during the year ended 31 December 2025 are set out below:

- (a) There were in existence agreements with a subsidiary of The Wharf (Holdings) Limited (“Wharf”), being a related company of the Group, for the management, marketing, project management and technical services of the Group’s hotel operations. Total fees payable under this arrangement during the current year amounted to HK\$32 million (2024: HK\$30 million). Such transaction does not constitute a connected transaction under the Listing Rules.
- (b) There were in existence agreements with a subsidiary of Wharf and subsidiaries of Wharf REIC, being the parent company of the Group, for the property services in respect of the Group’s property projects. Total fees payable under this arrangement during the current year amounted to HK\$4 million (2024: HK\$8 million), of which HK\$4 million (2024: HK\$5 million) of such transaction constitutes a connected transaction as defined under the Listing Rules. The disclosure required by Chapter 14A of the Listing Rules are provided in Section (I) of the Directors’ Report.
- (c) There were in existence leasing agreements entered into between subsidiaries of Wharf and subsidiaries of the Group for leases, tenancies or licences in respect of certain areas situated on 6/F and certain areas situated at carpark of Suzhou International Finance Square. Total rental income under this arrangement during the current year amounted to HK\$3 million (2024: HK\$2 million). Such transaction does not constitute a connected transaction under the Listing Rules.
- (d) Remuneration for key management personnel of the Group, including amounts paid to the Directors of the Company is disclosed in Note 2(b).

In addition to the above transactions, details of the Group’s amounts due from and to related parties are disclosed in Notes 10, 14 and 16 respectively.

24. CONTINGENT LIABILITIES

As at 31 December 2025, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank overdrafts, short term loans and credit facilities up to HK\$840 million (2024: HK\$840 million).

As at 31 December 2025, none of guarantees provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group’s development properties (2024: HK\$10 million).

The Group and the Company have not recognised any deferred income of the above guarantees as their fair value cannot be reliably measured and their transaction price was HK\$Nil (2024: HK\$Nil).

As at the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Group and the Company under any of the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

25. COMMITMENTS

The Group's outstanding commitments as at 31 December 2025 are detailed as below:

	31 December 2025			31 December 2024		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
Investment Properties						
Hong Kong	-	-	-	13	4	17
Hotels						
Hong Kong	28	4	32	20	-	20
Development Properties						
Chinese Mainland	131	149	280	142	133	275
Total						
Hong Kong	28	4	32	33	4	37
Chinese Mainland	131	149	280	142	133	275
	159	153	312	175	137	312

The expenditure for development properties included attributable amounts for developments undertaken by an associate of HK\$280 million (2024: HK\$275 million) in Chinese Mainland.

26. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued the below amended HKFRS Accounting Standard that is first effective for the current accounting year of the Group.

Amendments to HKAS 21

The effects of changes in foreign exchange rates:
Lack of exchangeability

The Group has assessed the impact of the adoption of the above amendment and considered that there was no significant impact on the Group's results and financial position for the current and prior periods have been prepared or presented.

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

NOTES TO THE FINANCIAL STATEMENTS

27. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: Disclosures: Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRS Accounting Standards: Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: Disclosures	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements, except for HKFRS 18, where the presentation and disclosure of the consolidated financial statements are expected to change.

28. PARENT COMPANY

At 31 December 2025, the Directors consider the parent company to be Wharf Real Estate Investment Company Limited (incorporated in the Cayman Islands with limited liability), which is listed in Hong Kong and produces financial statements available for public use.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on 5 March 2026.

MATERIAL ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

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

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 26 to the financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(B) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate and a joint venture.

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

The preparation of financial statements in conformity with HKFRS Accounting Standards 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 HKFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note (V).

MATERIAL ACCOUNTING POLICIES

(C) BASIS OF CONSOLIDATION

(i) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, 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 income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note (F) depending on the nature of the liability.

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

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

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

MATERIAL ACCOUNTING POLICIES

(ii) Associates and joint ventures

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

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

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

When the Group's share of losses exceeds its interest in the associate or joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the associate or joint ventures is the carrying amount of the investment under the equity method together with the Group's long-term interests that, in substance, form part of the Group's net investment in the associate or joint ventures after applying the ECL model to such other long-term interests where applicable (see Note (G)(i)).

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

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

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

In the Company's statement of financial position, investments in an associate and joint ventures are stated at cost less impairment losses (see Note (G)(ii)).

MATERIAL ACCOUNTING POLICIES

(iii) Goodwill

Goodwill represents the excess of:

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

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

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

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

(D) INVESTMENT PROPERTIES AND HOTEL PROPERTIES, PLANT AND EQUIPMENT

(i) Investment properties

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

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

(ii) Hotel properties

Hotel properties are stated at cost less accumulated depreciation and impairment losses (see Note (G)(ii)).

(iii) Other property, plant and equipment held for own use

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

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

MATERIAL ACCOUNTING POLICIES

(E) DEPRECIATION OF HOTEL PROPERTIES, PLANT AND EQUIPMENT

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

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Hotel properties

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

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

(iii) Other property, plant and equipment held for own use

Depreciation is provided on a straight line basis over their estimated useful lives of these assets which vary from 5 to 10 years.

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

(F) FINANCIAL INSTRUMENTS

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

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

(i) Classification and measurement of financial assets

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

MATERIAL ACCOUNTING POLICIES

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

- (a) A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
 - the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- (b) On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.
- (c) All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investment in equity securities (other than investments in subsidiaries, an associate and a joint venture)

The 'equity investments' caption in the consolidated statement of financial position includes:

- Equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in the consolidated income statement; and
- Equity investment securities designated as at FVTOCI.

Investments in 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.

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

MATERIAL ACCOUNTING POLICIES

Financial assets: Business model assessment

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

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

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

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

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

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

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

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

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

MATERIAL ACCOUNTING POLICIES

Financial assets: Subsequent measurement and gains and losses

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

(ii) Derecognition of financial assets

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

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

In the case of equity investments, cumulative gains and losses recognised in OCI are never reclassified to the consolidated income statement but transferred to retained earnings on disposal of an investment.

(iii) Classification and measurement of financial liabilities

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

(iv) Derecognition of financial liabilities

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

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

MATERIAL ACCOUNTING POLICIES

(v) Offsetting

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

Income and expenses are presented on a net basis only when permitted under HKFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(G) IMPAIRMENT OF ASSETS

(i) Impairment of financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL. For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, *Financial Instruments*, which requires the use of the lifetime expected loss provision for all trade receivables.

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

MATERIAL ACCOUNTING POLICIES

Presentation of allowance for ECL in the consolidated statement of financial position

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

Write-off

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

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.

(ii) Impairment of non-financial assets (including right-of-use assets)

The carrying amounts of non-financial assets other than properties carried at revalued amounts (including investments in subsidiaries in the Company's statement of financial position, investments in an associate and joint ventures accounted for under the equity method (see Note (C)(ii))) and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

– 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). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

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

– Reversal of impairment losses

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

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

MATERIAL ACCOUNTING POLICIES

– 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 interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes (G)(i) and (ii)).

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

(H) LEASED ASSETS

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

(i) As a lessee

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

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

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

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

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note (D)(i); and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with Note (I).

MATERIAL ACCOUNTING POLICIES

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in securities carried at amortised cost (see Note (F)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

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

(ii) As a lessor

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

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

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption for short-term leases that have a lease term of 12 months or less and leases of low-value assets, then the Group classifies the sub-lease as an operating lease.

(I) INVENTORIES

(i) Completed properties for sale

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

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

MATERIAL ACCOUNTING POLICIES

(ii) Hotel consumables

Inventories comprise hotel consumables and are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less direct selling costs.

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 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.

(J) DERIVATIVE FINANCIAL INSTRUMENTS

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

(K) CASH AND CASH EQUIVALENTS

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

(L) ASSETS HELD FOR SALE

Disposal group comprising assets and liabilities, is classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use and the disposal group is available for sale in its present condition.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, which continue to be measured in accordance with Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, hotel properties, plant and equipment are no longer depreciated.

MATERIAL ACCOUNTING POLICIES

(M) CONTRACT ASSETS AND CONTRACT LIABILITIES

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

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

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

(N) FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the statements of financial position of foreign operations are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. Differences arising from the translation of the financial statements of foreign operations are recognised in OCI and accumulated separately in equity in the exchange reserve and those arising from the financing of properties under development by foreign currency borrowings are capitalised as part of the development costs. All other exchange differences are dealt with in the consolidated income statement.

On disposal of a foreign operation, the cumulative amount of the exchange differences which relate to that foreign operation is reclassified from equity to the consolidated income statement and is included in the calculation of the profit or loss on disposal.

(O) RECOGNITION OF REVENUE

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

MATERIAL ACCOUNTING POLICIES

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

- (i) Revenue in respect room rental is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is recognised at the point in time when the services are rendered.
- (ii) Income from hotel operations is recognised at the time when the services are rendered.
- (iii) Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.
- (iv) Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed or the property is accepted by the customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities as “Pre-sale Deposits and Proceeds”.

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment or the date when the property is accepted by the customer. This accrual increases the balance of “Pre-sale Deposits and Proceeds” during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs* (see Note (P)).

- (v) Interest income is recognised as it accrues using the effective interest method.
- (vi) 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.

- (vii) Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

MATERIAL ACCOUNTING POLICIES

(P) BORROWING COSTS

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

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

(Q) INCOME TAX

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised in OCI or directly in equity, in which case the relevant amounts of tax are recognised in OCI or directly in equity, respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the difference 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 be capable to support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination).

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note (D)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the 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 and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

Additional income taxes that arise from the distribution of dividends are recognised when related dividends are likely to be payable in the foreseeable future.

MATERIAL ACCOUNTING POLICIES

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
 - in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(R) EMPLOYEE BENEFITS

Short term employee benefits and contributions to defined contribution retirement plans

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

(S) SEGMENT REPORTING

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

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.

(T) 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.

MATERIAL ACCOUNTING POLICIES

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income. 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 the consolidated income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the consolidated income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note (T)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the carrying amount in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(U) RELATED PARTIES

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or a joint venture of a member of a Group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

MATERIAL ACCOUNTING POLICIES

- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) had significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (h) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(V) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Note 20 contain information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

– Assessment of provision for properties held under development and for sale

Management determines the net realisable value of properties held for sale by using (1) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (2) internal estimates of costs based on quotes by suppliers.

Management's assessment of the net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development and for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rates of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate and estimates may need to be adjusted in later periods.

– Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their market value unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary potential of the properties.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market rental and the appropriate capitalisation rate.

– Assessment of impairment of non-current assets

Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its fair value less cost disposal (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

PRINCIPAL SUBSIDIARIES, AN ASSOCIATE AND A JOINT VENTURE

As 31 December 2025

Subsidiaries	Place of incorporation/ operation	Issued share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
*# Harbour Centre (Hong Kong) Limited	British Virgin Islands/ Hong Kong	500 US\$1 shares	100%	Holding company
HCDL Finance Limited	Hong Kong	HK\$5,000,000 divided into 5,000,000 shares	100%	Finance
Manniworth Company Limited	Hong Kong	HK\$10,000 divided into 10,000 shares	100%	Property
The Hongkong Hotel Limited	Hong Kong	HK\$100,000 divided into 100,000 shares	100%	Hotel and property
# HCDL Investments Limited	Hong Kong	HK\$1 divided into 1 share	100%	Holding company
* Silver Voyage (0051) Limited	British Virgin Islands/ Hong Kong	500 US\$1 shares	100%	Holding company
* Superior Skills Limited	British Virgin Islands/ Hong Kong	500 US\$1 shares	100%	Holding company
* Algebra Assets Limited	British Virgin Islands/ International/ Hong Kong	500 US\$1 shares	100%	Investment
* Victor Horizon (0051) Limited	British Virgin Islands/ Hong Kong	500 US\$1 shares	100%	Investment
HCDL Investments Finance Limited	Hong Kong	HK\$1 divided into 1 share	100%	Inactive
The Murray Limited	Hong Kong	HK\$1 divided into 1 share	100%	Hotel
# Wealthy Flow Company Limited	Hong Kong	HK\$1 divided into 1 share	100%	Bank deposits

PRINCIPAL SUBSIDIARIES, AN ASSOCIATE AND A JOINT VENTURE

As 31 December 2025

Subsidiaries	Place of incorporation/ operation	Issued share capital/ registered and paid up capital	Percentage of equity attributable to shareholders	Principal activities
* HCDL China Development Limited	British Virgin Islands/ Hong Kong	500 US\$1 shares	100%	Holding company
HCDL China Finance Limited	Hong Kong	HK\$1 divided into 1 share	100%	Inactive
Cheer Sky Investment Limited	Hong Kong	HK\$1 divided into 1 share	100%	Holding company
Free Boost Investments Limited	Hong Kong	HK\$1 divided into 1 share	100%	Holding company
High Sea Investments Limited	Hong Kong	HK\$2 divided into 2 shares	100%	Holding company
Joinhill Investments Limited	Hong Kong	HK\$1 divided into 1 share	100%	Holding company
Market Favour Investments Limited	Hong Kong	HK\$1 divided into 1 share	100%	Holding company
九龍倉(常州)置業有限公司 (Note (ii))	The People's Republic of China	US\$141,950,000	100%	Property
蘇州高龍房產發展有限公司 (Note (i))	The People's Republic of China	RMB1,500,000,000	80%	Property
蘇州尼依格羅酒店有限公司 (Note (iii))	The People's Republic of China	RMB30,000,000	80%	Hotel
南京聚龍房地產開發有限公司 (Note (ii))	The People's Republic of China	US\$1,000,000	100%	Property
常州馬哥孛羅酒店有限公司 (Note (ii))	The People's Republic of China	US\$11,800,000	100%	Inactive
廣州秀達企業管理有限公司 (Note (ii))	The People's Republic of China	HK\$2,000,000	100%	Holding company
廣州譽港企業管理有限公司 (Note (iii))	The People's Republic of China	RMB5,000,000	100%	Holding company
廣州港捷企業管理有限公司 (Note (iii))	The People's Republic of China	RMB10,000,000	100%	Holding company

PRINCIPAL SUBSIDIARIES, AN ASSOCIATE AND A JOINT VENTURE

As 31 December 2025

Associate	Place of incorporation/operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
上海萬九綠合置業有限公司	The People's Republic of China	Registered	27%	Property

Joint Venture	Place of incorporation/operation	Class of shares	Percentage of equity attributable to shareholders	Principal activities
Speedy Champ Investments Limited	Hong Kong	Ordinary	55%	Inactive

Subsidiaries held directly.

* Registered in Hong Kong under Part 16 of the Companies Ordinance (Cap 622 of the laws of Hong Kong) as a registered non-Hong Kong company.

(i) The entity is registered as a non-wholly owned foreign-invested enterprise under PRC law.

(ii) This entity is registered as a wholly owned foreign-invested enterprise under PRC law.

(iii) This entity is registered as a wholly domestic owned enterprise under PRC law.

Notes:

(a) All the subsidiaries listed above were, as at 31 December 2025, indirectly held by the Company except where marked#.

(b) The above list gives the principal subsidiaries, an associate and a joint venture of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.

SCHEDULE OF PRINCIPAL PROPERTIES

As 31 December 2025

Address	Approximate Gross Floor Areas (sq. ft.)					Site Area (sq. ft.)	Lot Number	Lease Expiry	Year of Completion/Expected Completion	Stage of Completion	Effective Equity Interest to the Company
	Total	Office	Retail	Residential	Others						
HONG KONG											
Investment Properties											
Marco Polo Hongkong Hotel (Commercial Section), Harbour City, Tsimshatsui	190,000	18,000	172,000	-	-	Note (a)	KIML 91 S.A. & KIML 10 S.B.	2863	1969	N/A	100%
Units at Star House, 3 Salisbury Road, Kowloon	50,800	-	50,800	-	-	-	N/A	KIML 10 S.A.	1966	N/A	100%
	240,800	18,000	222,800	-	-	-	-	-	-	-	-
Hotel Properties											
Marco Polo Hongkong Hotel, Harbour City, Tsimshatsui	547,000	-	-	-	547,000	(A 585-room hotel)	58,814	KIML 91 S.A. & KIML 10 S.B.	1969	N/A	100%
The Murray, Cotton Tree Drive, Central	336,000	-	-	-	336,000	(A 336-room hotel)	68,136	IL 9036	2017	N/A	100%
	883,000	-	-	-	883,000	-	-	-	-	-	-
	1,123,800	18,000	222,800	-	883,000	-	-	-	-	-	-
CHINESE MAINLAND											
Investment Property											
Suzhou International Finance Square	237,000	-	-	-	237,000	-	Note (b)	N/A	2047	N/A	80%
Xing Hu Jie, Suzhou Industrial Park, Suzhou											
Hotel Properties											
Niccolo Suzhou	374,000	-	-	-	374,000	(A 233-room hotel on 100% ownership)	Note (b)	N/A	2047	N/A	80%
Tower 1 Suzhou IFS, 409 Suzhou Avenue East, Suzhou Industrial Park, Suzhou											
Marco Polo Changzhou – Note (e)	474,000	-	-	131,000	343,000	(A 271-room hotel and The Mansion)	842,531	N/A	2048	N/A	100%
88 Hehai East Road, Xinbei District, Changzhou											
	848,000	-	-	131,000	717,000	-	-	-	-	-	-
Development Properties											
Suzhou Times City	6,000	-	-	6,000	-	-	5,425,454	N/A	2077	N/A	80%
Xiandai Da Dao, Suzhou Industrial Park, Suzhou											
Suzhou International Finance Square	609,000	489,000	-	120,000	-	-	Note (b)	N/A	2047/77	N/A	80%
Xing Hu Jie, Suzhou Industrial Park, Suzhou											
	615,000	489,000	-	126,000	-	-	-	-	-	-	-
Development Property (undertaken by an associate) - Note (c)											
Shanghai South Station (Vanke Center Xuhui)	924,000	670,000	254,000	-	-	-	1,156,979	N/A	2052/62	2026	27%
Caohjing Area Lot 278a-05/278b-02/278b-04, South Station Business Zone, Xuhui District, Shanghai											
	2,624,000	1,159,000	254,000	257,000	954,000	-	-	-	-	-	-
	3,747,800	1,177,000	476,800	257,000	1,837,000	-	-	-	-	-	-
CHINESE MAINLAND TOTAL											
GROUP TOTAL											

Notes:

- (a) Part of Marco Polo Hongkong Hotel building.
- (b) These properties form parts of Suzhou International Finance Square which has a total site area of 229,069 sq. ft.
- (c) The floor area of property held through an associate is shown on an attributable basis.
- (d) Total Chinese Mainland development properties area included 7,000 sq. ft. pre-sold areas which have not yet been recognised in the financial statements.

TEN-YEAR FINANCIAL SUMMARY

HK\$ Million	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Consolidated Income Statement										
Revenue	1,345	1,354	1,579	1,139	4,484	3,313	1,395	1,583	6,997	3,558
Underlying net (loss)/profit (Note a)	(22)	83	(201)	(133)	40	413	435	512	1,290	762
(Loss)/profit attributable to shareholders	(234)	(70)	(107)	(197)	(24)	(1,119)	117	831	1,320	692
Dividends attributable to shareholders	-	35	-	-	-	100	156	213	496	354
Consolidated Statement of Financial Position										
Investment properties	4,734	4,946	5,099	5,005	5,138	5,148	6,480	6,396	9,300	8,277
Hotel properties, plant and equipment	6,348	6,504	6,764	6,655	7,285	7,267	7,558	7,867	8,088	6,529
Interest in an associate	189	326	591	815	962	1,059	1,249	1,294	1,599	1,417
Interest in joint ventures	9	10	10	20	21	23	1,604	1,601	1,694	1,808
Equity investments	3,461	2,505	2,522	3,192	3,386	3,546	4,065	2,396	2,708	2,301
Properties for sale	771	932	1,118	1,793	2,227	4,947	4,777	3,726	144	1,957
Bank deposits and cash	846	431	381	634	1,089	1,294	1,910	2,428	2,699	5,154
Other assets	115	147	411	735	418	683	742	700	664	671
Total assets	16,473	15,801	16,896	18,849	20,526	23,967	28,385	26,408	26,896	28,114
Bank loans	(442)	(365)	(526)	(1,098)	(1,450)	(2,810)	(3,635)	(2,813)	(2,302)	(3,250)
Other liabilities	(962)	(1,106)	(1,932)	(2,417)	(3,139)	(5,228)	(7,283)	(5,706)	(6,391)	(8,318)
Net assets	15,069	14,330	14,438	15,334	15,937	15,929	17,467	17,889	18,203	16,546
Share capital	3,641	3,641	3,641	3,641	3,641	3,641	3,641	3,641	3,641	3,641
Reserves	11,339	10,576	10,688	11,487	11,976	11,841	13,443	13,635	13,913	12,188
Shareholders' equity	14,980	14,217	14,329	15,128	15,617	15,482	17,084	17,276	17,554	15,829
Non-controlling interests	89	113	109	206	320	447	383	613	649	717
Total equity	15,069	14,330	14,438	15,334	15,937	15,929	17,467	17,889	18,203	16,546
Net (cash)/debt	(404)	(66)	145	464	361	1,516	1,725	385	(397)	(1,904)
Financial Data										
<i>Per share data</i>										
Earnings/(loss) per share (HK\$)										
- Underlying net (loss)/profit (Note a)	(0.03)	0.12	(0.28)	(0.19)	0.06	0.58	0.61	0.72	1.82	1.08
- Reported (loss)/profit	(0.33)	(0.10)	(0.15)	(0.28)	(0.03)	(1.58)	0.17	1.17	1.86	0.98
Shareholders' equity per share (HK\$)	21.13	20.06	20.22	21.34	22.03	21.84	24.10	24.38	24.77	22.33
Dividends per share (HK cents)	-	0.05	-	-	-	-	22.00	30.00	70.00	50.00
Special dividends per share (HK cents)	-	-	-	-	-	14.00	-	-	-	-
<i>Financial ratios</i>										
Net debt to total equity (%)	N/A	N/A	1.0%	3.0%	2.3%	9.5%	9.9%	2.2%	N/A	N/A
Return on shareholders' equity (%) (Note b)	-1.6%	-0.5%	-0.7%	-1.3%	-0.2%	-7.0%	+0.7%	+4.8%	+7.9%	+4.3%
Dividend cover (Times)										
- Underlying net profit (Note a)	N/A	2.4	N/A	N/A	N/A	4.1	2.8	2.4	2.6	2.2
- Reported profit	N/A	N/A	N/A	N/A	N/A	N/A	0.8	3.9	2.7	2.0
Interest cover (Times) (Note c)	32.9	36.8	16.4	6.0	21.5	10.6	7.9	8.2	101.4	14.3

Notes:

- Underlying net profit/(loss) mainly excludes changes in investment property revaluation, impairment on hotel properties/hotel properties under development and non-recurring items.
- Return on shareholders' equity is based on profit/(loss) attributable to shareholders over average shareholders' equity during the year.
- Interest cover is based on EBITDA over finance costs (before capitalisation, fair value gain/(loss) and impairment loss).
- Certain figures have been reclassified or restated to comply with the prevailing HKFRS Accounting Standards.