恒隆地產
HANG LUNG PROPERTIES

HANG LUNG
PROPERTIES LIMITED

STOCK CODE: 00101

Annual Report 2020

We Do It Well

恒隆集團
Hang Lung Group
HANG LUNG
GROUP LIMITED
STOCK CODE: 00010
Annual
Report
2020
We Do It Well
恒隆地產
Hang Lung Properties
HANG LUNG
PROPERTIES LIMITED
STOCK CODE: 00101
Annual
Report
2020
We Do It Well

60 YEARS OF HERITAGE
INFINITE POSSIBILITIES

2020 marked the 60th anniversary of Hang Lung Group. Driven by our customer-centric approach to architectural design and service excellence over the past six decades, we have built a thriving portfolio of world-class properties and an exceptionally talented workforce who live up to our core values of sustainability, excellence, openness and integrity.

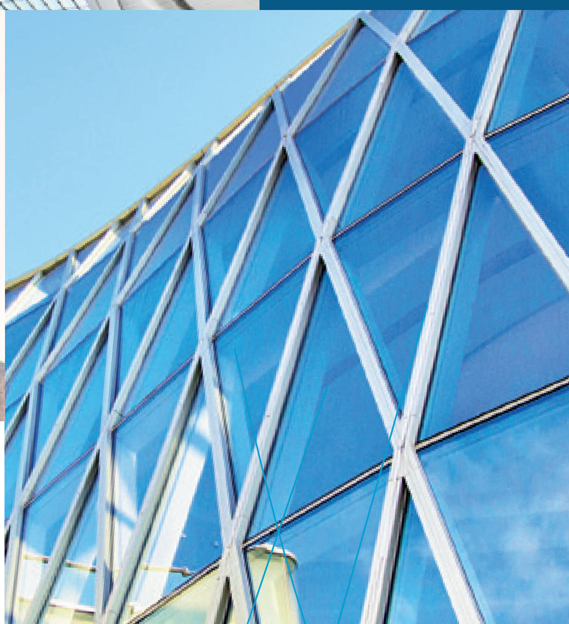
Our rich history is the inspiration behind this year's theme of "60 Years of Heritage, Infinite Possibilities" – one you will find illustrated throughout the 2020 annual reports for Hang Lung Group Limited and Hang Lung Properties Limited.

The number "60" and "∞" symbol featured on this year's cover pages represent our properties' unique aesthetic design in Hong Kong and mainland China. The former denotes the milestone anniversary of the Hang Lung Group while the latter represents the infinite possibilities that lie ahead in the next 60 years – a sentiment also reflected in the close connection between the "6" and "0" on the Hang Lung Group report cover.

Inside the covers, photos depicting our world-class properties and talented people – the backbone of our 60 years of growth and success – are masterly incorporated throughout the pages of both reports. Linking up different sections are dividers themed on our core values, which are designed as icons that are inspired by the meaning of the values and our properties' signature design features.

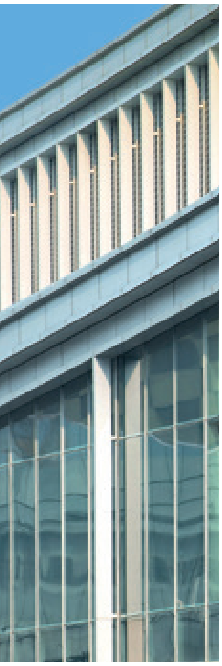


60 YEARS OF HERITAGE


INFINITE POSSIBILITIES

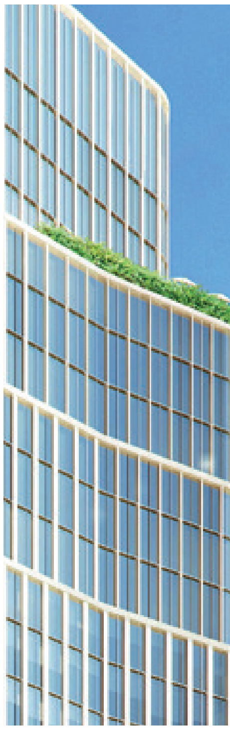
CORPORATE PROFILE



Hang Lung Properties Limited (stock code: 00101) is the property arm of Hang Lung Group Limited (stock code: 00010).

We are a well-established, top-tier property developer with customer-centricity at the heart of our operations. Our diversified portfolio comprises numerous properties in Hong Kong and nine cities on the Mainland, including Shanghai, Shenyang, Jinan, Wuxi, Tianjin, Dalian, Kunming, Wuhan, and Hangzhou, with each of our Mainland projects bearing the "66" brand. To highlight our vibrant and dynamic brand identity, and the Hang Lung philosophy to put customer satisfaction first, the "66" brand recently unveiled a new image that reflects our aspiration to be the pulse of the city on the Mainland.

We have also established an ambitious set of 2030 sustainability goals and targets to sharpen our focus in achieving sustainability leadership in the coming decade. As we embark on a new era of development and growth following the 60th anniversary of Hang Lung Group in 2020, we have taken the opportunity to communicate our vision, mission and values in a clearer way. These are guiding principles by which we do business and will guide us to the next 60 years fostering sustainable growth and enriching lives in the communities we serve.



Supported by 60 years of Hang Lung heritage, we work together with our employees and stakeholders to create compelling spaces that enrich lives.

Our Vision

We create compelling spaces that enrich lives

Our Mission

We pursue sustainable growth by connecting our customers and communities

Our Values

We live up to our brand motto of **We Do It Well** by focusing on:

Integrity
Sustainability
Excellence
Openness

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FINANCIAL HIGHLIGHTS

Results

in HK$ Million (unless otherwise stated)

	2020			2019		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue	8,911	62	8,973	8,556	296	8,852
– Mainland China	5,277	–	5,277	4,544	–	4,544
– Hong Kong	3,634	62	3,696	4,012	296	4,308
Operating profit	6,437	44	6,481	6,325	162	6,487
– Mainland China	3,468	(8)	3,460	2,938	(2)	2,936
– Hong Kong	2,969	52	3,021	3,387	164	3,551
Underlying net profit attributable to shareholders	4,164	37	4,201	4,338	136	4,474
Net (decrease)/increase in fair value of properties attributable to shareholders	(6,772)	–	(6,772)	1,698	–	1,698
Net (loss)/profit attributable to shareholders	(2,608)	37	(2,571)	6,036	136	6,172

	At December 31, 2020	At December 31, 2019
Shareholders' equity	138,295	138,669
Net assets attributable to shareholders per share (HK$)	$30.7	$30.8

Earnings and Dividend (HK$)

	2020	2019
(Loss)/earnings per share		
– based on underlying net profit attributable to shareholders	$0.93	$0.99
– based on net (loss)/profit attributable to shareholders	($0.57)	$1.37
Dividend per share	$0.76	$0.76
– Interim	$0.17	$0.17
– Final	$0.59	$0.59

Financial ratio

	2020	2019
Payout ratio (based on net profit attributable to shareholders)		
– Total	N/A	55%
– Property leasing	N/A	57%
– Property leasing (after deducting amount of interest capitalized)	N/A	73%
Payout ratio (based on underlying net profit attributable to shareholders)		
– Total	81%	76%
– Property leasing	82%	79%
– Property leasing (after deducting amount of interest capitalized)	114%	115%

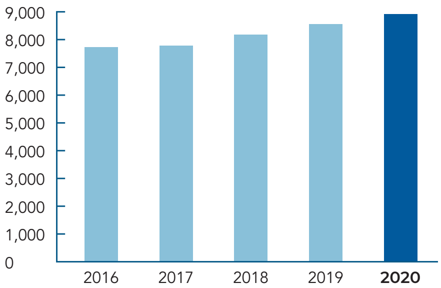
	At December 31, 2020	At December 31, 2019
Net debt to equity ratio	21.3%	17.8%
Debt to equity ratio	25.6%	20.1%

Property Leasing Revenue

Overall

+4%
HK$8,911 Million

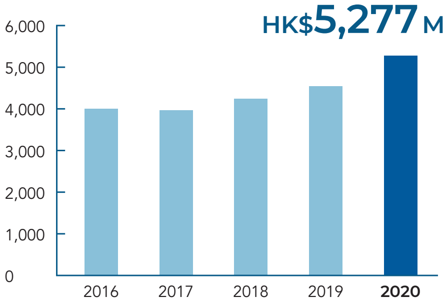
HK$ Million



Mainland China

+16%
HK$5,277 Million

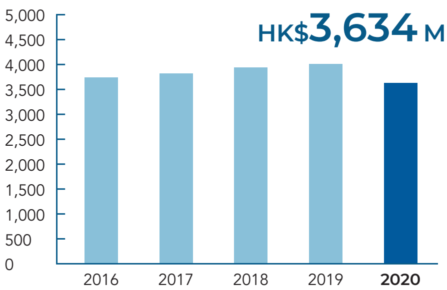
HK$ Million



Hong Kong

-9%
HK$3,634 Million

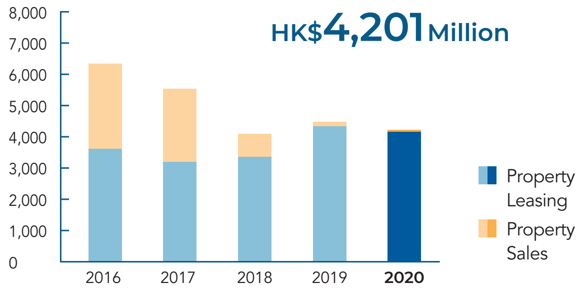
HK$ Million



Underlying Net Profit

-6%
HK$4,201 Million

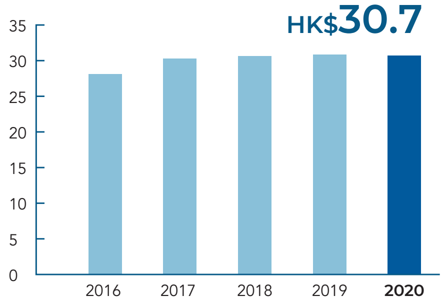
HK$ Million



Net Assets Attributable to Shareholders per Share

Same
HK$30.7

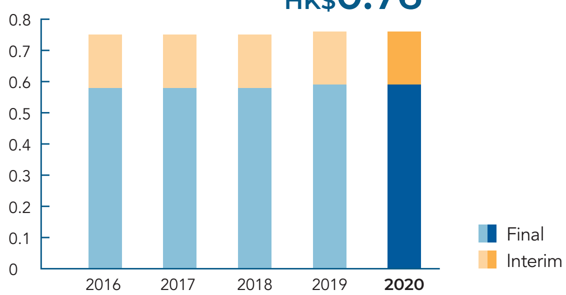
HK$



Dividends per Share

Same
HK$0.76

HK$



2020 HIGHLIGHTS

Major Corporate Developments

Grand Gateway 66, Shanghai

After its three-year large-scale transformation, the mall has become the "Gateway to Inspiration", and a vibrant launch party was held on November 19 to celebrate its grand opening

Spring City 66, Kunming

Hang Lung inked partnership with Hyatt Hotels Corporation to open the new luxury Grand Hyatt Kunming hotel at the commercial complex in mid-2023

Heartland 66, Wuhan

Opened for occupancy in November, the office tower at Heartland 66 is designed to be the preferred choice of office space among professional companies

Customer Experiences and Events

HOUSE 66

HOUSE 66, our nationwide Customer Relationship Management program, has been fully rolled out across all existing properties on the Mainland to deepen tenant engagement and customer loyalty

HANGOUT

Launched in September, our first multi-functional office and business space, named HANGOUT, serves as a platform that links all stakeholders at Center 66 in Wuxi

Spring City 66, Kunming

The mall cooperated with over 100 brand partners to hold a two-day celebration in September that gave HOUSE 66 members and customers access to special luxury goods, events and performances

Plaza 66, Shanghai

Collaborated with about 90 world-renowned high-end brands, Plaza 66 created a night of sophistication, fun and luxury for its guests and fashion enthusiasts at its annual signature event, “Home to Luxury” Party, in November

Our Fight against COVID-19

Hang Lung Novel Coronavirus Relief Fund

We donated RMB10 million to set up the Fund, supporting measures to stem the spread of COVID-19 in Hong Kong and mainland China

Safeguard the Health and Safety of our Stakeholders

Extensive precautionary measures were implemented in our properties across Hong Kong and mainland China to safeguard the health of our customers and tenants

Large-scale Community Services Event

To mark the 60th anniversary of Hang Lung Group, around 1,000 volunteers from Hong Kong and nine Mainland cities joined forces to provide support for 4,500 underprivileged people in our first ever large-scale community services event

Recognizing Our Employees

Emerald Award

In its 6th year, the Award continued to promote customer-centricity and the "Go the Extra Mile" spirit by recognizing the outstanding customer services of our frontline staff

綠寶石客戶服務獎
EMERALD AWARD

CEO Award

The Award aims to recognize outstanding projects that demonstrate the four attributes of Hang Lung corporate culture while promoting teamwork and cross team collaboration

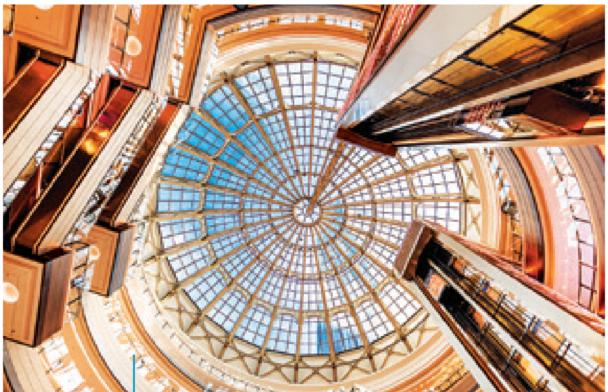
Sustainability Development

Sustainability Goals and Targets for 2030

We formulated a set of sustainability goals and targets under our sustainability framework to be achieved by 2030, setting the path towards sustainability leadership

Sustainable Finance

We made marked progress in sustainable finance with the launch of two sustainability-linked loans, green bonds and green loans totaling HK$5.4 billion during the reporting year



Awards and Achievements

A&D Awards 2020

Peak Galleria won the Gold Award in the Best Shopping & Retail category at the A&D Awards 2020, in recognition of its design excellence and innovation

HR Asia Award (China Edition) – Best Companies to Work for in Asia 2020

Our six Mainland projects had received the awards from *HR Asia*, an authoritative human resources magazine

MIPIM Asia Awards 2020

Grand Gateway 66 in Shanghai won the Gold Award in the "Best Refurbished Building" category at this award, which is widely known as the "Oscars of Asian real estate world"

Major Recognitions from Sustainability Benchmarks and Indices

Hang Seng Corporate Sustainability Index Series Member 2020-2021

Attained an "AA-" rating or above for 11 consecutive years

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

Constituent since 2017

GRESB 2020

Received a three-star performance rating and a A-grade disclosure rating since 2018

Annual Reports Awards

Our 2019 Annual Report garnered 17 awards in five prestigious international annual report competitions for its outstanding report content, design and photography

ARC AWARDS INTERNATIONAL XXXIV 2020 WINNER

LACP 2019 VISION AWARDS PLATINUM WINNER

BRONZE 2020 STEVIE WINNER INTERNATIONAL BUSINESS AWARDS

WINNER 2020 galaxy AWARDS

IAda


Heartland 66, Wuhan


Plaza 66, Shanghai

Peak Galleria, Hong Kong

SUSTAINABILITY

We collaborate with like-minded stakeholders to drive sustainable growth not only in our Company but also in our communities

CHAIR'S LETTER TO SHAREHOLDERS

Results and Dividend

Despite the coronavirus (COVID-19) pandemic and a much smaller amount of property sales revenue, overall revenue increased slightly to HK$8,973 million for the year ended December 31, 2020.

When excluding the property revaluation loss and related effects, underlying net profit attributable to shareholders fell by 6% to HK$4,201 million. Underlying earnings per share decreased similarly to HK$0.93. With property revaluation loss accounted for, net loss attributable to shareholders was HK$2,571 million. Loss per share was HK$0.57.

The Board recommends a final dividend of HK59 cents per share payable on May 20, 2021 to shareholders of record on May 6, 2021. If approved by shareholders, total dividends per share for the year ended December 31, 2020 will be HK76 cents.

Business Review

September 13, 2020, marked the Hang Lung Group's 60th anniversary. That day, our Executive Director Adriel Chan assumed the vice chairmanship of this Company and of our parent Hang Lung Group Limited. This is part of the succession plan which began a decade ago. It is on track and working well. The eldest grandson of our founder Mr. T.H. Chan, Adriel is the first and only of his generation of the founding family to serve in management, just as I am in my generation. So far, he has proven himself to be a worthy successor to that name.

In his new capacity, Adriel will separately offer his perspective on key issues that impact the Company. As a 38-year-old, he will naturally have a different take on many things than I. Like many of his generation, he is passionate about ESG (Environmental, Social and Governance) issues and is more savvy with technology. Among his other duties, he is tasked with reconstituting the Board. We have excellent non-executive directors today but, as is true of all organizations, the passage of time requires new blood. It is our hope that moving forward, our Board will be more inclusive yet equally effective. This task is of paramount importance.

With Adriel sharing the burden of reporting to shareholders on this platform, I will likely not write as much as in past years. But between the two of us, the quality and quantity of information conveyed will hopefully be richer. Over the years, some of you have told me how much you have appreciated these semi-annual letters. I thank you most sincerely and trust that you will like our new format as well. Personally, it will be a relief – I do not have to write as much – and the conscientious analysts who dutifully plow through my long letters every six months, may also find reprieve.

In my 30 years of writing to shareholders, I have seldom experienced such chaotic times as we face today. It is not that the past decades were always calm and quiet. On the contrary, times have been extraordinarily turbulent, yet there is something different this time.

CHAIR’S LETTER TO SHAREHOLDERS

Ronnie C. Chan
Chair

When I first took over the chairmanship in January 1991, Hong Kong was still suffering from the aftermath of the Mainland's social turmoil of the summer of 1989 when unrest engulfed some 77 cities. We have not yet invested there at the time, but trouble had spilled over to our city. Merely months later, the unfolding drama of the fall of the Berlin Wall in November 1989 told everyone, even at the time, that the world would never be the same again. It was indeed a fateful year.

On July 1, 1997, Hong Kong returned to her Motherland after over 150 years of colonial rule. Little did anyone know that the next day, we would witness the beginning of the Asian Financial Crisis (AFC). Its direct effects lasted some five years. During that period, we had to face the Y2K issue, followed by the burst of the tech bubble. The year after the AFC ended, SARS hit our part of the world in 2003, and the epicenter was actually at one of our developments called Amoy Gardens. Today, we still own its shopping mall.

In 2008, the world was confronted with the Global Financial Crisis (GFC), the severity of which humankind had not seen for three quarters of a century. If it had not been arrested in time, one further step in the wrong direction might have brought upon a global economic collapse and not just a financial one. Thank God that China was spared and undertook resolute actions that helped the world avert the worst. In fact, since joining the World Trade Organization (WTO) in 2001, China has gradually become the most important economic engine of the world.

Here in Hong Kong, our social cohesion has deteriorated substantially as evidenced by the increase in violence during the three major periods of social turmoil in 2003, 2014, and 2019. Endless political wrangling has led to economic malaise. A commercial city has turned into a political jungle.

That brings us to the triple whammy of today – fast deteriorating China-U.S. relations, the 2019 riots in Hong Kong, and COVID-19. They came all at once. Relatively speaking, the issues of past decades seemed to be either short-lived (like SARS), insignificant (like the tech bubble), recoverable (like AFC and GFC), or even outright beneficial to our business (like the perceptions surrounding Hong Kong's return to Chinese rule). Once each had run its course, the market seemed to recover as if little had happened.

Not so with the present three issues. The Hong Kong social unrest of the second half of 2019 has inflicted a serious blow to our economy. COVID-19 has changed the world for good, and America's present actions against China have thrown the bilateral relationship back to before U.S. President Nixon's China visit of 1972. Having written extensively on these issues in this letter of the past two years, I will only offer a few further thoughts on each.

Hong Kong's economic future is bleak. There is nothing in sight that can reverse the trend. Moreover, there are a few almost insurmountable obstacles which, unless removed, will ensure economic lethargy. No one could have damaged this city except its own citizens. It is indeed sad. The National Security Law (NSL) instituted on June 30, 2020 not only is not the cause of our demise, as some in the West assert, it is an absolute necessity to save Hong Kong. However, even if peace is restored – and so far it has been – the economy is crippled. The 50 million or so annual Mainland tourists will not come back any time soon even after the pandemic. Without the NSL, they did not come because of the risks to personal safety. But even with the NSL, the feelings of Chinese citizens toward our city have already turned from admiration to disdain, if not disgust. So why would they come!? It will take some time before they would return en masse.

Comparing the sentiments of Hong Kong people and Mainlanders toward each other is revealing. Before the Occupy Central movement of 2014, the average Mainland citizen admired us. The primary reason was our higher standard of living, and, secondarily, our freer and fairer society. For those with children, Hong Kong offered more choices of schooling. Wealthy Mainlanders also liked our low tax regime, and many of them moved here.

Since 2014, the situation has significantly worsened. Former peaceful demonstrations deteriorated into outright violence. The social unrest that year was terrible, but the one in 2019 was far worse. Its horror was worse than the scenes at the U.S. Capitol earlier this month, except that Hong Kong's police force was far more restrained. It lasted one day in Washington, D.C. and seven months here. It was confined to one building there, albeit a very important one; in Hong Kong, it was on the streets everywhere.

Meanwhile, our economy has been lethargic – far from reaching its potential, given the tremendous opportunities just across the border. The single biggest reason for this stagnation is the politicizing of government decision-making. A prime case is the handling of land supply. It was the politicians who prevented land sales. In fact, politics brought the government to a standstill. A simple public expenditure bill in the Legislative Council would take over a year and still without any resolution. How can the economy survive?!

All along, the Chinese economy has kept advancing. Our average citizen is today no longer that much wealthier than those of major cities up north. In fact, many of the former, watching how Mainland tourists spend money here, have had their unfounded superiority complex seriously dented.

Consider these statistics from the World Bank. In 1997, our GDP was almost 20% that of the Mainland; in 2019, it was 2.5% and the number is shrinking fast. Back then, their per capita GDP was less than 3% of ours; 22 years later, it was over 21% and kept rising. Over that period, their GDP climbed annually at 12.4% while Hong Kong's grew 2.7%. Direct comparison between the two is not that meaningful, since theirs began at a low base. Nevertheless, the question for my fellow citizens is: being so close to the Mainland and with Beijing willing to economically support us, why have we grown at such a slow pace since 1997? Something must be wrong with us. If we had played our cards right, it would not surprise me if we had grown at an annual rate of 4%-5%.

Given the human frailty to which we are all subject, Hong Kong people's lost superiority complex in economics found expression in politics. Some of our citizens touted the superiority of our political and social system. Contrary to the Basic Law, they pushed for a purely Western political model. I happen to believe that what is guaranteed by the Basic Law is the most befitting for our city, for we are not a nation state. Sadly, the opposition wants to dismantle it. How foolish, just as thoughtful Westerners are reexamining the serious weaknesses of their own systems. Just look at the U.S. of recent years.

Unfortunately, the local anti-government faction was emboldened by Western politicians at a time when the latter had decided to turn China into an outright enemy. Hong Kong became a pawn in the international chessboard. What the opposition once trumpeted as peaceful demonstrations soon degenerated into extreme violence. Our society and our economy were both crippled. This forced the hand of Beijing and so the NSL was born.

The fact that such a law had to be instituted meant that Beijing had lost the challenge of taking back Hong Kong successfully. For 23 years, they tried to placate our citizens without understanding them. Coupled with the political immaturity of the local opposition, Beijing had allowed itself to be pushed to a corner where only the NSL could reverse the slide into anarchy.

How, then, does the average Mainland citizen see Hong Kong now? If their netizens are any indication, then the perception is highly unfavorable. To be sure, it is difficult for them as patriots to understand the socio-cultural history of this city, which renders its people devoid of national identity. Mainlanders are baffled by the fact that in spite of the many privileges bestowed on Hong Kong (such as not paying the share of the military budget relating to our defense, as well as many economic policies that specifically benefit us), her people should oppose the Central Government so violently. Why do you bite the hand that feeds you, they have rightly asked. The disbelief has led even some Mainland people who have lived here for decades to relocate back north. This is not an encouraging development.

These are worrying signs for Hong Kong and for our local business. After all, over 40% of our total rental income still comes from this city. Our economy will not disappear but neither will it thrive.

As I wrote last year, whereas COVID-19 is a bane to our Hong Kong rental business, it is a boon for us on the Mainland. With the cessation of almost all international travel, and with Chinese tourists and luxury good shoppers not as welcomed in the West as before, almost all such sales now transact inside China, excluding Hong Kong. In the past six months, a top luxury brand which had performed poorly in our malls saw its sales doubled. The better ones grew as much as three times.

Over the past six months, more and more people have come to believe that humankind has to coexist with COVID-19 for longer than previously hoped. Even with the new vaccines out and if everyone continues to observe social distancing, it is possible that the virus may still pose a serious threat to the world for at least another one to two years. Imagine what that will do to the global economy and to society. In the short term, high unemployment will remain, and the wealth gap will widen. For that alone, we will likely see a lot more social unrest, especially in democratic as well as in poorly run autocratic countries. Hopefully, better managed autocratic or semi-autocratic nations like China and Singapore will fare better.

Governments everywhere will have to keep printing money to the greatest extent possible in order to prop up their economies and blunt the effects of unemployment. Longer-term inflationary pressure will, for now, be overlooked. However, asset inflation will be immediate – as witnessed by gold prices for much of last year, and by stock market indices reaching new heights everywhere. The stage is being set for another fall, perhaps not unlike 2008. If it coincides with yet another global public health scare or serious geopolitical crisis, the consequences will be dire.

A year before his death, I showed the former German Chancellor Helmut Schmidt in late 2015 a list of eight global problems. All of them will hit humankind, and the timing of any of them striking is unknown. All are unavoidable. He examined the list and said: number three – pandemics. Viruses and bacteria have coexisted with us for a very long time. In the past few centuries, they burst upon the scene once every five or ten years somewhere in the world. Because the globe then was not half as connected as it is today, plagues spread much slower and were often contained in one region of the world. Epidemics did not easily become pandemics.

Not so today. Moreover, due primarily to the rapid and ill-planned urbanization almost everywhere in the world, the frequency of such epidemics or pandemics has shortened to once every one to two years. Together with global travel and the asymptomatic nature of some of these diseases, the destruction of life by such age-old enemies can quickly spread across the globe. Improved medical and especially public health conditions have greatly lowered the death rate, but their infectious nature does spread fear to a much greater percentage of the globe as we have witnessed of late. Moreover, pandemics are a race between humans and nature, where we find ourselves in the light and the microbes in the dark, mutating with such efficiency as to outpace our ability to develop vaccines and cures.

COVID-19 has amply shown that the form as well as quality of government are both critical to keeping the pandemic relatively under control. The form of any government is in turn related to the culture of the communities it governs. A more hierarchical society like those in Asia coupled with a competent government will have a better chance of avoiding the worst onslaught. That said, no one can ever claim victory over nature. Only fools do.

China's relative success in containing the pandemic is a critical factor for Hang Lung's acceptable performance last year. In spite of a rather weak Hong Kong commercial rental market, overall we did reasonably well because the Mainland economy, and in particular its luxury retail sector, performed well. In face of trouble everywhere, China remained a relatively calm place with a reasonably strong economy. Companies doing exactly what we do but operating in other countries, either developed or developing, may not be as fortunate. Theoretically, price earning ratios should reflect those favorable external factors.

Now let me turn to the third and final major issue that is having serious repercussions on our business, namely deteriorating China-U.S. relations. As we all know, America has publicly pronounced China her number one enemy. This necessarily implies the return of the Cold War. The last one ended about 30 years ago when the Soviet Union collapsed. In the interim, China gained strength as did the neoconservatives (or neocons) in the U.S., the two factors causing the troubled relationship today.

China's Reform and Opening Up Policy, initiated in 1978, aimed to achieve economic development. Decades of political upheavals culminating in the Cultural Revolution of 1966-1976 had left the country poor and backward. Under the capable leadership of Mr. Deng Xiaoping, China undertook a humongous social and economic experiment. Fortunately, it scored a huge success.

Many in the West watched with skepticism. They said that without a political system that is in line with Western values and structure, it could not succeed. They were disappointed. Then they said that once the Chinese gained some wealth, they would be molded into the Western image. That too was proven inaccurate. Thankfully, not all in the West held these views. As Dr. Henry Kissinger pointed out long ago, for millennia, the ancient land of China was culturally and economically the most advanced in the world. Consequently, it should not be presumed that China has to do things the Western way to thrive again.

Concurrently, the U.S. was witnessing the resurgence of neoconservatism. Using then U.S. Under Secretary of Defense Paul Wolfowitz's 1992 paper, later known as the Wolfowitz Doctrine, as a convenient starting point, this neoconservatism asserts the following: that the U.S. will preemptively and, if necessary, unilaterally prevent any country from becoming a close number two that may threaten American interests. Initially the idea was condemned as nothing short of American imperialism. When George W. Bush became U.S. President in 2001, however, it gained strength. With Donald Trump in the White House, the doctrine reached new heights.

As China gained economic strength and began to play an increasingly prominent role in the international arena – primarily selling manufactured products overseas and buying therefrom natural resources including energy and food – the U.S. became worried. Competition in many areas of the world became inevitable. American suppression tactics were often met with China's countermeasures. Frankly, the U.S. had never met such a formidable competitor, for the former Soviet Union was never an economic match. Uncle Sam became increasingly insecure.

U.S. President Trump fully subscribed to the Wolfowitz Doctrine and sought to stretch it to its limits. The truthfulness or falsity of any issue was no longer significant. In the presence of a perceived national threat, true or false, just win the battle for the day. With international press on his side, President Trump has convinced the majority of Americans and some in the West that China is now the number one threat to the world. The truth is that China is not a threat to the world. She may be threatening the monopoly of the U.S. in some areas, but to be a threat to the world and to be a threat to American monopoly are two totally different things.

Having been the undisputed leader of the world since the fall of U.S.S.R. some 30 years ago, America is unwilling and probably unable to work with the number two as friends, whoever it may be. Its cultural Judeo-Christianity roots only recognize black and white – heaven and hell, God and the Devil, and salvation and perdition. By demonizing China, the U.S. becomes the incarnation of righteousness. Truthfulness matters little; what America says must be correct.

This to me is the chief legacy of the Trump administration in the international arena. In so doing, the alleged China threat has been elevated domestically to the level of national security. That way, any incoming Democratic administration will not dare to appear to be weak on China. It will not be easy for U.S. President Biden to climb down from that adversarial stance, although the rhetoric and strategies may be less confrontational. After all, today, almost half of all Americans still voted for President Trump's extreme positions. The longer this adversarial relation lasts, the more it is cast in iron. This is why I believe that what is happening today between the two countries is a systemic change rather than a mere cyclical fluctuation. The chances of China-U.S. relations soon returning to the days of the 1970's and 1980's are, in my opinion, very slim.

How long this turbulence in relations will last is unbeknown to all at this time, but reviewing history may yield some clues. China-U.S. relations were bad since 1949 at the founding of the People's Republic of China. The Korean War which started only months later sealed that fate, until President Nixon's visit in 1972. That was a long winter of some 23 years. The two suddenly became friends primarily due to the perceived threat of the U.S.S.R. to both countries. However, the 1989 social unrest in China marked the beginning of strained relations once again. Later that year, the fall of the Berlin Wall, which symbolized the end of the Eastern Communist bloc in Europe, took away the primary reason for the U.S. to work with China. Friendliness was replaced by ambivalence on the part of Washington. By the time President Biden was sworn in earlier this month, the erosion of the relationship had been ongoing for over 30 years. All the while, neoconservatism had deepened its hold on America.

Such is the history as I see it. An adequate understanding of China-U.S. relations is critical to businesses anywhere in the world, and certainly includes ours. When the number one and number two elephants fight in a room, all suffer. Worse is the fact that it is a contest that neither side can win. Since, by definition in a Thucydides Trap, it is the existing number one which initiates the conflict, one would expect that the U.S. knows exactly what her game plan is and what her ultimate achievable endgame is. Surprisingly, I have yet to hear a thoughtful explanation of either from anyone, least of all from the American policy community. As such, I can only assume that American intentions are to slow down the development of China. That can be done, but what if, in the end, your opponent only becomes stronger? I believe that the U.S. is today unnecessarily creating for herself a formidable counterparty. I do not see how that can be to the benefit of the U.S. or of anyone else.

These days we hear a lot about how President Biden will re-engage the country's traditional allies, especially those in Europe. I find that incredulous. The relationship between two countries works the same way as between two persons. Considering the way the U.S. treated her friends, especially since the end of the Cold War, it is audacious to think that she can turn on and off bilateral relations at will. Would former allies trust you as before? From the 1950's to the 1980's, yes, but today? I am not so sure. To say that the new administration will work with allies again, as if nothing has happened, is to be totally devoid of the ability to self-reflect and is disrespectful of others' feelings. Today, many of America's traditional allies may well feel that they have been mistreated once too many.

No doubt China will suffer as a result of America's attacks today. But all things considered, the ancient nation should be able to remain standing. Knowing the Chinese psyche, outside threats will only rally her citizens around their leaders. Moreover, as long as Beijing manages her domestic affairs acceptably, her economy should advance further. Given her governance structure, China may in the coming decade or two be one of the more peaceful places of the world. Her economy will likely outperform most if not all major countries. Reform will proceed but not necessarily along the lines of the Western model. For example, I question if Beijing would or should any time soon open up her currency on the capital account basis.

If my assessment of the situation is not too far from the truth, then Hang Lung can count itself fortunate to have been well positioned. Over the past decade or so, annual growth rates in Western economies have hovered around 2% as opposed to China's 9%. The latter's continued advance will increasingly rely on personal consumption, which should benefit us greatly. After all, given deglobalization, export as a percentage of GDP may fall slightly. In most advanced economies, household consumption as a percentage of GDP is around 65%. For China, it is barely 40%. There is much room for increase. Moreover, growth in the market for luxury items, like those sold in our facilities, should outpace growth in general consumption.

Plaza 66, Shanghai

Before projecting more specifically into what our future may be, let me first report on our performance in the past year. Hong Kong commercial rental was feeble, although there is reason to believe that we have outperformed the market. From the already weakened rental level after the 2019 social unrest, the pandemic has further pushed rents down. As a result, we collected 9% less than the year before. The effects of rent relief that was necessary to keep our facilities more or less full will continue to play out in the coming two to three years. I believe that the rental heights achieved in 2019 will unlikely return for a very long time.

On the Mainland, every segment of our business improved during the second half of the year although the pace of growth differed greatly. The outperformance of luxury shops reported at mid-year has continued unabated. During the last six months of the year, tenant sales and rental revenue of sub-luxury malls finally approached pre-COVID-19 levels. On a year-on-year basis, our five-star malls did better than 2019 but not so for our four-star properties.

Here, let me make a very important distinction. It must be understood in order to properly analyze our business.

When we bought the two pieces of land in Shanghai in the early 1990's, our plan for one, now Plaza 66, was to be a luxury facility, while Grand Gateway 66 was meant to be sub-luxury. The two surely became leaders in their respective markets in the city. There was always the hope that one day Grand Gateway 66 would be upgraded. Because our hardware was originally designed and built to top specifications, it could be done once the market allowed. Such was the case, and the Asset Enhancement Initiative (AEI) completed last September enabled us to take advantage of it. Higher rents commensurate with its five-star status were the prize. It was very satisfying.

Given the early success of Plaza 66, as far as possible we aimed for luxury status when we purchased land outside Shanghai beginning in 2005. In some cases, we knew beforehand that the location was not a five-star one, such as Palace 66 in Shenyang, which was destined to be sub-luxury. All other plots we bought can go either way depending on market conditions and the local competitive landscape. Both factors can change over time.

Between 2010 and 2015, we inaugurated six complexes on the Mainland of which two also have an office element. Our expectation was that at least three of the six malls would be of the luxury kind. Because the bear market for high fashion and accessories descended upon mainland China in mid-2011, our plans were put on hold for the duration, which lasted six to seven years. But our intention never changed. In early 2018, the market finally turned. As originally envisioned, three of the six malls are now in the luxury category. Of those three, Center 66 is the undisputed leader in Wuxi, and Olympia 66 is becoming so in Dalian.

Our latest to open is Spring City 66 in Kunming; it is now 17 months old. No one can deny that from day one, it was the king of top-end malls in that city. In March this year, the Heartland 66 mall in Wuhan will open for business. Examining the tenant list will convince anyone that it too will dominate the high fashion market in this biggest city in central China. Given that, seven of our ten developments so far will be of the luxury kind. Of the remaining three, two will still have a chance to one day rise to elite status, although it may be a few years down the road.

During the six-and-a-half-year bear market for luxury goods, our retail rents across the board was hurt, especially the newer properties which all happened to be outside Shanghai. As such, some investors questioned our ability to repeat the magic of Shanghai. The divide to them was Shanghai versus non-Shanghai. But your Management knew better. We were convinced of what would happen once the market turned. Now three years into the recovery, what we had expected all along has come to pass. Our malls built for luxury brands have attracted all the top names to be our tenants. Consequently, rents have risen significantly.

The divergence in performance between luxury and sub-luxury malls was most apparent during the pandemic in the first quarter of 2020 as well as afterwards. The five-star properties outside Shanghai performed exactly in line with the two in Shanghai. The four-star centers were clearly in a different category. The following year-on-year figures amply illustrate the point. (Over the past year, Olympia 66 in Dalian was under transition when many high-end brands were moving in, so its overall performance was still predominantly that of a sub-luxury mall. This was why we temporarily classified it as such.)

During the first quarter of 2020 – to be exact, during the two months of February and March – business was severely affected by the onslaught of the pandemic. By April, we clearly saw a recovery in luxury goods sales while other product sectors remained slow. For the second half of the year, sales of the former exploded. Other items also recovered but at a much slower pace.

Comparing Shanghai versus non-Shanghai performance in retail sales gives a very different picture from comparing five-star versus four-star mall performance. (The non-Shanghai numbers are a combination of luxury and sub-luxury malls.) For the first half of 2020, our two Shanghai facilities did 15% more business than in the corresponding period of 2019, while those elsewhere did 7% less. It was a swing of 22 percentage points. In the second half, the respective numbers were up 90% versus up 49%, a difference of 41 points. But if we compare our luxury versus sub-luxury malls, the real situation becomes much clearer. In the first half of 2020, the former rose 21% but the latter fell 34%, a gap of 55 points. For the second half, luxury malls did 98% more business while the others remained 4% below sales figures of the year before. The difference was a gaping 102 points.

Spring City 66, Kunming

All these clearly tell us that our five-star properties outside Shanghai behaved exactly like the two in Shanghai. In fact, most of the former outperformed Plaza 66 and Grand Gateway 66 in tenant sales. This was true on a year-on-year basis, as well as when comparing the second half to the first half of the year. Please be mindful that the growth in Shanghai was already extraordinarily strong – for Plaza 66 and Grand Gateway 66, the climb was 60% and 42% year-on-year, and 95% and 86% second half to first half, respectively.

These statistics put to rest any doubt about our ability to create value outside Shanghai. With the continued strong growth of Center 66 in Wuxi and Spring City 66 in Kunming, the upgrading of Olympia 66 in Dalian to five-star, and the opening this March of the Heartland 66 mall in Wuhan, such properties, together with our two in Shanghai, will become the twin engines for our growth.

Another landmark event in the past year relates to the relative weighting of the Mainland and Hong Kong for our property leasing business. In 2019, the Mainland accounted for 53% of the total rental revenue; Hong Kong was 47%. The former edged up to 54% in the first half of 2020 but jumped to 63% by the second half. The full year numbers were 59% Mainland and 41% Hong Kong.

Rental operating profit followed a similar trend. In 2019, the split was 46% Mainland and 54% Hong Kong. For the first half of 2020, the former stood at 49%, but due to strong recovery in the second half, the number soared to 59%. For the full year, it ended at 54% while Hong Kong accounted for 46%. Anticipating continued market strength up north and lethargy locally, the differential may yet widen this year.

Our Mainland offices, meanwhile, performed acceptably. As I have written before, oversupply in almost all major cities is tremendous. Unless location, design, construction, and management are all superb, high vacancy rates are inevitable. Fortunately, our products are invariably among the very best in all these measures. As a result, filling them up should not be a problem, but a significant rise in rent will be difficult. As part of a comprehensive development, offices serve to enhance the prestige as well as supply quality footfall for the mall below, while yielding reasonable returns. Our Mainland offices have undoubtedly achieved this goal.

In Shanghai, our offices maintained an occupancy of 93%. More mature buildings outside are between 85% and 90% full. The 17-month-old second tower in Center 66 in Wuxi is already 52% occupied while the number for the skyscraper in Spring City 66 in Kunming stood at 41% at year-end. Even the office tower at Heartland 66 in Wuhan, which opened only two months ago, is now 15% leased. I expect the occupancy of all office blocks to rise in the coming year.

Center 66, Wuxi

The situation in Hong Kong is not encouraging for all commercial properties. Our outperforming the market is hardly a comfort. Retail sales of our shops went down 20%, which must be better than the average for the city. Rental revenue therefrom fell 10%. The negative effects of rent relief previously granted are still working their way through while new grants may still have to be added. On the Mainland, by April of last year, retail sales and rental revenue for all our properties already exceeded those of the same period in 2019. But in Hong Kong, both measures stayed throughout the year below the same numbers of the year before. This is not to mention that 2019 was already a pretty weak year, mainly due to the social unrest.

Hong Kong office rental also came under pressure last year. We collected 6% less rent. Worse yet, the situation deteriorated as the year wore on.

Given COVID-19, no one should be surprised by the sizeable revaluation loss. In the second half of the year, Mainland luxury malls recovered strongly, so the loss was smaller in the last six months. All in all, the net revaluation loss of HK$6,772 million for the year equates to 3.6% of the value of our entire investment property portfolio. There was no change to cap rates.

Excluding this non-cash item, profit was actually up by 2% compared to the year before. On the Mainland, our rental business brought in 18% more profit than in 2019. Hong Kong rental operating profit was 12% lower. We also sold fewer development units and so made 15% less locally. Taking other items like interest payments into consideration, overall underlying profit attributable to shareholders was down 6% to HK$4,201 million.

Net gearing at year-end stood at a healthy 21.3%. Barring unforeseen circumstances such as land acquisition or the sale of investment properties, net debt should peak in 2023. Much of the outgoings of late are for construction of new projects. When good opportunities arise, we do not mind adding to our land portfolio, especially on the Mainland.

My readers in many parts of the world may find it incredible that so much activity should be ongoing at our Company during this global pandemic. Because China has handled the threat relatively well, business is more or less back to normal. In the addendum to my letter to shareholders a year ago, I was concerned if workers travelling home for the Chinese New Year in 2020 would be able to return to Wuhan afterwards. Eventually they could not do so because of the citywide lockdown. That caused a delay of about six months to the construction works at Heartland 66 in Wuhan. This year, for all our new Mainland developments, there is less worry since the Central Government has strongly urged workers not to travel home for the festive season. Nevertheless, due to last year's problems, we are still trying to catch up at Westlake 66 in Hangzhou. Hopefully phase one can still open in 2024 as originally planned.

The mall at Heartland 66 in Wuhan will open on March 25. Over 80% of the space has been leased. More significantly, almost every top brand we wanted has signed up. It will be the city's "Home to Luxury" from day one. Once open, I expect brisk business. The office tower is leasing satisfactorily. Circumstances allowing, we hope to presell the apartments next year.

We are witnessing the final phase of the transformation of Olympia 66 in Dalian from a sub-luxury to a full luxury mall. Many of the world's most desired tier-one brands have already moved in and more will follow. The process should be concluded by the end of this year. Phase two, accounting for 13% of total space, will also be fully operational soon. It is fast becoming the city's most sought-after luxury shopping center. Full-year impact will be felt in 2022.

Similar to what was undertaken in recent years at Plaza 66 and Grand Gateway 66 in Shanghai, a major AEI is being planned at Parc 66 in Jinan. It was our second property on the Mainland to open outside Shanghai and is now a decade old. It has always performed well with great footfall and retail sales, so also rental income. In order to maintain competitiveness, this is the right time to upgrade. Hopefully the result will approach the extraordinary successes of the two Shanghai developments.

Heartland 66,
Wuhan

In Hong Kong, we hope to presell, as early as the second half of this year, the residential units on the former Amoycan Industrial Centre site. Construction there and in the office building on Electric Road are proceeding as planned. Occupancy permits are expected respectively in the first half of 2023 and of 2022.

Last September we won a land tender in Shouson Hill, a highly desirable residential address on the south side of Hong Kong Island. It is the first time in 20 years that we have won a local competitive bid. Our rationale is simple. Of all property types in our home city, true luxury housing is the only one that we are interested in. Supply is limited and demand will always be there. Moreover, profit margin can be rather elastic, which means that if we get the timing and the product right, such projects can be very lucrative.

My pessimism of late for Hong Kong's economy should not be new to those who follow our Company. The 2019 social uprising has fundamentally altered our future. It is probably correct to say that we have managed to alienate at least 90% of Mainland citizens to one extent or another. They do not understand why so many Hong Kong people have such a strong aversion towards their Motherland. The reality is that only a minority in Hong Kong feels that way. As I have written before, the majority may dislike the present Hong Kong administration because of its incompetence. That ill feeling can unfortunately be accrued to the Central Government. It means that as long as Beijing is not foolish in the future to support poor leaders, the hearts of Hong Kong people can to some extent be regained.

Now with the NSL in place, tranquility has been restored to our streets. It is unlikely that riots will return any time soon. It buys time to fix the various broken aspects of our society. In the meantime, effort will be deployed to slowly foster national identity in Hong Kong people, which has been missing for a century and a half. All along, our economy, backed by Beijing, will chug along. It will not be vibrant, but neither will it die. Hong Kong can still make meaningful contributions to the country. I see no incentive for Beijing to hurt us. Hopefully our economy will increasingly integrate into that of the second largest in the world, just north of the border. This is something that I, like other rational people here, have long advocated. Anyone objective and knowledgeable, who wants to see Hong Kong thrive, will easily come to that conclusion.

After all, Hong Kong still holds some attraction for many Mainlanders, including the sizeable cohort of the seriously wealthy. It is an open society which welcomes outsiders and poses no difficulty in settling in for even those unfamiliar with the local dialect (Cantonese). For example, in the past decade or two, an increasing number of younger Westerners have made Hong Kong their home. Their employment ranges from professionals and blue-collar workers to entrepreneurs. The many cafés and bars that some of them have opened have enriched our community life. My physical therapist, for example, is from Australia, and a friend's security guards for his luxury events are from Africa and the U.K. As long as they are law-abiding, we welcome them here!

Then there are the truly wealthy from wherever. They like our low tax rate, our superb physical and digital connections to the rest of the world, and our proximity to the huge Chinese market. Now that Hong Kong is on the mend, as far as her relationship with the Mainland is concerned, many of the superrich from there would still like to own a home in Hong Kong. Recently, a Shanghai friend who has lived here for over two decades complained to me that he and his wife and two teenage daughters found their 600-square-meter home too small – now that is a lot bigger than my home! – and are looking for a 1,000-square-meter house. Well, I have just the right address for them!

There is another reason we tendered for the Shouson Hill land – market sentiment was very weak due to the recent social problems and the pandemic. Our track record of the past three decades clearly demonstrates that we are a bottom fisher for top jewels. As I have always told investors, expect Hang Lung in the market only when there is blood in the streets. True to form, we bid, and we won.

Such a strategy requires patience – sometimes a lot of it – and patience we have aplenty. When we won the public auction 20 years ago for the land on which The HarbourSide now stands, there was only one other bidder. This time we apparently had four, including the one who competed with us two decades ago. Some believe that The HarbourSide is the single most profitable real estate project Hong Kong has ever seen. I do not know if this is true, but it should not be too far from the fact. Interestingly, one of our competitors in the present bid immediately rang me after we won. He asked if we would allow them in as a joint venture partner. People who know me would know the answer – I do not wait 20 years to share the fruit. After all, we are financially strong, and the project is not too big for the size of our Company. Moreover, the piece of land is attractive as is the price. I expect the eventual profit to be equally pleasing.

On this plot of 8,800 square meters, we can construct some 4,400 square meters of luxury houses. Our winning bid of HK$2.566 billion equates to approximately HK$583,000 per square meter of buildable space. This compares very favorably to a slightly bigger piece of land right next door, bought in 2018 by a Mainland company. They paid HK$924,000 per square meter or almost 60% more than us. Ours has a beautiful and full sea view as well as simple lease conditions from the government. Theirs has no sea view and stifling building restrictions to boot.

Our transaction was scheduled to close on December 30, 2020. However, subsequent to winning the tender, we have learned that the seller, which is a foreign sovereign state, has yet to apply to Beijing for approval to sell in accordance with established diplomatic protocol. As a result, we cannot consummate the deal as stipulated and have to wait for clearance. Knowing somewhat the situation, I firmly believe that there is no reason the transaction cannot proceed soon. In today's low interest rate environment, the 10% down payment can be considered as option money for a superb plot of land at very reasonable price. Frankly, the piece is almost one of a kind, and I believe that the option only needs to be short-dated.

If we see other excellent plots at similarly attractive prices, we would not hesitate to try again.

Prospects

In Hong Kong, apart from the luxury residential market, it is highly doubtful that we will invest in other property sectors. We may even continue to sell some mature investment buildings. However, there is no need to rush into any decision. We will continue to observe the political, economic, and market situations as they evolve, and will as always keep investors informed as appropriate.

On the Mainland, we will, as before, continue to search for further land opportunities. We are studying several metropolises and also do not mind expanding in certain cities where we already have a presence. We continue to see the Mainland as a desirable place to invest in four- and especially five-star malls. We may even experiment a little with product types when circumstances call for it. As always, we will err on the side of caution.

For 2021, I anticipate continued recovery in retail spending on the Mainland. Luxury fashion and accessories should still be a top performer. However, since the 2020 growth rate has been so strong, percentage increases this year may be milder. Sales of other goods should recover to and beyond the 2019 level.

Olympia 66, Dalian

Our two Shanghai facilities should still turn in excellent results in terms of rental revenue. I expect Grand Gateway 66 to approach, if not surpass, Plaza 66 in terms of growth rate. Top line increase outside Shanghai should be even stronger. In particular, I will single out Spring City 66 in Kunming and Olympia 66 in Dalian to be the ones to watch. The former is at, and the latter approaching, takeoff stage. Center 66 in Wuxi, which has performed superbly in recent years, should continue to do well. Omens are good that upon opening on March 25, the mall at Heartland 66 in Wuhan will also shine.

Including Heartland 66 in Wuhan, five of the last six malls that we have inaugurated are in the luxury category. Only Riverside 66 in Tianjin is sub-luxury. The earliest of the five, Forum 66 in Shenyang has done barely acceptably, but the rest have all proven to be exciting like our two in Shanghai. I trust that the mall in Westlake 66 in Hangzhou, expected to inaugurate in 2024, will continue that string of successes.

Looking ahead, the pipeline of new properties opening in the coming five to six years should be very pleasing. Total square footage is considerable. Completion of the various projects is somewhat staggered, such that our finances would not be strained.

After opening, the maturation of a mall usually takes a few years. Due to the 2011 to 2017 bear market, that process for all our new developments was prolonged. Fortunately, the tide has turned. Since 2018, all of them have returned to a normal growth trajectory and are performing well. Even the pandemic, which is now exactly one year old and counting, has not disrupted their trajectory.

Beginning with Spring City 66 in Kunming, which began trading in August 2019, the time required for our malls to mature should be shorter. We have gained experience, including in design, and the market is auspicious. The chances of Heartland 66 in Wuhan achieving likewise seem promising. We will find out during the course of this year.

It is interesting to note that, with the exception of Plaza 66 in Shanghai, which was perhaps the country's first truly luxury mall, in all our other cities, there were already players occupying the leadership position before we came in. Tier-one and tier-two brands were already lodged elsewhere. So, when our five-star shopping centers opened for business, we had to fight for the top spots. So far, in all but one case (Forum 66 in Shenyang), we have succeeded. In those markets, we are now the undisputed leader.

Needless to say, the demand for luxury goods differs from place to place. Take Louis Vuitton for example, which can have more stores in some cities than others. For instance, Shanghai and Beijing can easily accommodate at least seven each, Hangzhou and Chengdu, four, Wuhan three, Shenyang two, etc. Many more cities can only have one. What is important to us is not just which category of city we are in, but also our market positioning in any given city. What market share can we command? It is of course best to be in a huge market like Shanghai and be the number one player. Rents derived therefrom will be super high, like Plaza 66. But if we can be the dominant player in a one- or two-store city like Kunming or Wuxi, revenue can still be quite pleasing. Whatever the case, it is obvious that unit rent will always reflect revenue generation capability.

Before examining our pipeline of new constructions, let me first briefly review the project completions of the past two years. Quietly, we had inaugurated one mall, three office skyscrapers, and a hotel, totaling approximately 613,000 square meters. Completed in 2019 were the second office tower of Center 66 in Wuxi, the mall and a high-rise office in Spring City 66 in Kunming, as well as the Conrad in Forum 66 in Shenyang. Late last year, we opened the office building at Heartland 66 in Wuhan. If we place any of them anywhere in the world, each will be considered world-class, if not the best in class.

After the opening of the mall at Heartland 66 in Wuhan two months from now, we are not expecting any construction completion on the Mainland until 2023, which will be another busy year. The apartments at Heartland 66, our first residential project outside Shanghai, should be ready for occupancy by then. So will the residential units at Center 66 in Wuxi and Spring City 66 in Kunming. In each of these last two developments, we expect to also open a hotel in the same year. The one in Center 66 will be an internationally branded boutique hotel, and details of the hotel operator will be announced later in the year. For Spring City 66, we have already appointed Grand Hyatt.

Beginning in the year end of 2024, Westlake 66 in Hangzhou should see the opening of its mall as well as some office towers. The other buildings and the hotel should be ready by 2025 or soon thereafter. In fact, we are already very close to signing with a truly first-class hotel group. It will set the tone for the rest of the project – top luxury and world-class.

As well in 2025, we plan to complete the first apartment blocks at Forum 66 in Shenyang. There will also be an extension of the existing mall. The combined retail space should enhance the customer experience. We will continue to look for the opportune time to build the second office tower.

This pipeline of new construction will keep Management busy until at least 2026 to 2027. If we buy land in the next year or two, completion of projects thereon should dovetail well with the existing inventory.

In terms of financial results, I expect the malls at Olympia 66 in Dalian and Spring City 66 in Kunming to mature in the coming two or three years, followed closely by Heartland 66 in Wuhan. Increased rents should be the result. That should bring us to around 2024 or 2025, when the retail element of Westlake 66 in Hangzhou should hit the market. The profit potential from these projects, together with our existing ones in and outside Shanghai, should be rather powerful.

In the coming few years, I anticipate the office space added in the past 18 months – Center 66 Office Tower 2, and one each at Spring City 66 and Heartland 66 – to be basically fully let. This will approximately be the time when the office blocks at Westlake 66 in Hangzhou will be ready. So far, the office market there is quite strong. We also take comfort in the fact that our location is as good as it comes. The layout and architecture of the entire project are also excellent.

In the next four to five years, we hope to sell out our Mainland apartments outside Shanghai. There should be reasonable profit as well as considerable cash flow. In the order of completion, they are Heartland 66 in Wuhan, Center 66 in Wuxi, Spring City 66 in Kunming, and finally, Forum 66 in Shenyang.

From the above narration of our Mainland rental operations, barring unforeseen circumstances, our financial returns in the next decade or so should be quite exciting.

Hong Kong rental will unfortunately remain feeble. Frankly, I will be happy if rents for the coming few years can stay at last year's level. If we sell any investment properties, total rent collection would fall but we would have monetized some aging assets. Capital appreciation compared to original cost should still be very rich.

Westlake 66, Hangzhou

Total profit this year and in the coming few years will also depend on the sale of Hong Kong assets. They will come from three sources. First, the completed development on Blue Pool Road, where we still have nine houses for sale. Two other units are for lease. Second, new projects being or soon to be constructed. These include the residential towers of the former Amoycan Industrial Centre in Kowloon Bay, the office block on Electric Road on Hong Kong Island East, as well as the Shouson Hill site, the transaction for which will hopefully be completed soon. Finally, and as in recent years, we may also part with some investment properties, many of which have been in our portfolio for a very long time.

Our long-serving Independent Non-Executive Director Mr. Ronald Arculli will retire at the coming Annual General Meeting in April. This is due to the age limit for directors set by the board years ago. I want to thank him most sincerely for the long years through which he has guided this Company. He joined the Board as a Non-Executive Director (NED) several months before I assumed the position of Executive Director in 1980. That makes him the only NED presently serving who has worked with all three chairmen and six Chief Executives, (formerly titled Managing Director) of this Company from its inauguration 60 years ago. He and I are the only two directors who had worked directly with our founder, Mr. T.H. Chan.

Born and bred in Hong Kong, Ronald was trained as a barrister in the United Kingdom. After practicing in Hong Kong for several years, he took on senior management responsibilities in companies before becoming a solicitor. He was a partner at one of the biggest local law firms. With his first-class brain, Ronald is a rare breed who adeptly blends legal expertise with commercial acumen. He is considered one of our city's wisest business minds. I am honored that he has agreed to serve for two years as my advisor in the Company.

Before closing, I want to take this opportunity to thank all our loyal staff who have carried out their duties professionally and faithfully during the pandemic. Our many frontline staff, in particular, are often exposed to danger. Last year, I singled out our colleagues in Wuhan for a vote of thanks; this year, I should mention our Hong Kong team. They are the unsung heroes who make the Company run smoothly. Our top management, together with the human resources team, have done our best to protect our staff from harm, and they in turn have rewarded all of us, including our owners cum shareholders, with their dedicated service. This is the Hang Lung spirit which makes all employees, myself included, proud to be working for this Company.

Ronnie C. Chan
Chair
Hong Kong, January 28, 2021

Addendum

On February 9, all the diplomatic obstacles to the Shouson Hill site acquisition, which we won in a tender last September, were satisfactorily resolved. Working with the seller, the transaction was consummated at noon today. This is a welcome development.

Ronnie C. Chan
Chair
Hong Kong, February 25, 2021

VICE CHAIR'S NOTES

Adriel Chan
Vice Chair

It feels oddly fitting that I write this inaugural set of Vice Chair's Notes from Shanghai, China, where life is basically back to normal. I made the trip here from Hong Kong in mid-January in order to get a first-hand feel for how China is doing, and to check in on our operating projects and those under construction, after a year of remote observation.

Normally, I am in mainland China about 20 times a year, each time visiting several cities, and each trip being three to four days long. In 2020, I made just one trip: a mere six days in Shanghai. Being back has been a shock in several ways, the most dramatic being the strength and dynamism of the retail market here. Although the reports I have read on a regular basis all point to mainland China's retail strength, it is altogether another thing to see it in person. Dense crowds and long lines throughout both Grand Gateway 66 and Plaza 66 in Shanghai stand in stark contrast to stories of shuttered stores and empty streets across Europe and North America. Hong Kong stands, perhaps thankfully, somewhere between these extremes, but closer to the situation on the Mainland. Although I have several observations on the evolution of the Chinese retail market, these observations are not necessarily unique, so I want to take a step back and try to anticipate some of the more fundamental questions that readers might have about where I hope to bring Hang Lung.

Since our founding, Hang Lung has always had a strong set of values. These values originated from the Company's founder, Mr. T.H. Chan, have continued through our current Chair, and will continue through me. When I joined the Group in 2010, the values were captured under "SAIL": Simplicity, Authority, Integrity, and Loyalty. In 2012, we updated it to "We Do it Right", a motto which we felt embodied that same integrity, but also captured the broader spirit of our values. Today, we have expressed this set of values in a format that is more current and also more detailed, represented as our "VMV" – Vision, Mission, and Values.

I think we have captured the essence concisely in its original text, so I will expand a little bit on the thinking behind each part of the VMV here.

Our Vision: Create compelling spaces that enrich lives

As a real estate developer that has no delusions about our business priorities or expertise, we are only interested in the core of our business: space. A discrete location that exists in space (and time). We are not a conglomerate, and we are not a tech company. We are a real estate company, and our edge lies in how we create spaces that enrich the lives of our stakeholders. We have no intentions of branching out into incongruous businesses, nor blindly grabbing at so-called "technology". Technology offers us many new tools and new ways of thinking – which we must explore and embrace, but it is a means, not an end.

Our Mission: Pursue sustainable growth by connecting our customers and communities

Everyone talks about sustainability and sustainable growth, but for it to be meaningful, we must take its definition a step further. For Hang Lung, this means that we reach this end by connecting and engaging our customers and communities, rather than by doing it on our own, in a vacuum.

I have said, for the past 11 years (to investors, analysts, and colleagues), that we must continue to iterate on our model. The last iteration of our industry has basically been to build a box, add lights and air conditioning, and then rent this space to tenants for more than what we spent. In mainland China, that was still a viable model until fairly recently, but certainly not today. To maintain our advantage, and indeed our relevance, we must add to that box a high level of service, approach our business with a customer-centric mindset, and use all the tools at our disposal. This is captured in the second part of our mission – *connecting our customers and communities*. The landlord-tenant-customer relationship is no longer uni-directional or uni-dimensional, and to succeed, we need to engage rather than sit back, using our spaces as a venue and medium for such engagement.

Our Values are: Integrity, Sustainability, Excellence, Openness

I cannot emphasize our focus on **integrity** enough, even though it has been at our core for 60 years. Business integrity, stakeholder integrity, environmental integrity. These are prerequisites for our existence, and part of our social contract.

Sustainability has been a personal value of mine since early childhood. I grew up with David Attenborough on TV and National Geographic ("World") Magazines, which helped tint the lens through which I understand our world. The lush natural environment of Hong Kong has helped shape me into a lover of nature, while the density and disparity have helped make me a conscious citizen.

Excellence must mark everything we do – both "front of house" in the design, construction, leasing, operations, and marketing of our properties, but equally, in our "back of house" operations. We must continue to strive for excellence, lest we become complacent. When work is done to the level of excellence that we strive for, respect and pride will follow, which will not go unnoticed by our customers. Implicit here is the need to constantly improve and question ourselves.

Openness may sound vague, but it is another topic that I regularly raise with colleagues. As an organization, just as people, we must be open to things. Open to criticism, open to better ways of doing things, open to new trends and new markets. I constantly remind my colleagues to expose themselves to new things, in order to inspire themselves and, in turn, inspire our customers.

In another interpretation of the word, we must also be open to our customers – sincere and hospitable.

Together, our VMV are not actually new, but a clearer way of communicating to our stakeholders the guiding principles by which we do business, and to "justify" our existence.

I hope that this has given you some perspective on the approach that Ronnie, Weber, and myself envision.

I want to change tack a little bit now and talk about two areas that are pivotally important to our business, and made even more so by the COVID-19 pandemic: sustainability and technology.

Sustainability

You will gather from our VMV that sustainability is integral to how we do business. I encourage you to scrutinize our performance and am sure that our results will speak for themselves, so I won't discuss specific goals and targets here. Those are publicly available in our stand-alone sustainability report (to be released shortly), press releases, and analyst briefings. What I want to focus on is the reason behind our renewed emphasis on sustainability.

Ronnie has remarked to me that in some respects, the world is now a place that he almost no longer recognizes, and that things are happening that he can't fully interpret or explain. I am in the same boat, though I have experienced and seen less than he has. Thinking about these changes, however, the one clear signal that I take away is that businesses must be more engaged with their communities and stakeholders, and that this engagement must be transparent and accessible.

Stakeholders are no longer satisfied with businesses whose only sustainable returns are financial, received through normal business operations and/or dividends. Businesses now need to prove that they are contributing meaningfully and appropriately to relevant Environmental, Social, and Governance (ESG) issues, lest they be shunned by consumers, investors, employees, or governments.

Furthermore, in a world where existing systems and structures are strained or unable to cope with modern ways of life (from the impact of technology to our burden on the environment), people are increasingly taking matters into their own hands. They are doing this through direct action (e.g. volunteering at beach clean-ups), leveraging their power as consumers (e.g. choosing eco-friendly products), and also by leveraging their social media voices to evangelize or debate (e.g. sharing environmental best practices on Facebook or Clubhouse).

For companies that have traditionally cared only for bare-minimum legal compliance, this is a paradigm-shift to a market-led form of corporate responsibility. For us, though, it means speaking more loudly about the values that we have always espoused, engaging our stakeholders more frequently, revisiting and refining our operations, and making sure that we execute well.

Technology

We have been looking seriously at technology (or what we currently consider "technology") since at least my joining the Company in 2010. I am at the same time gratified and extremely anxious about the way things have developed since then. On one hand, our business has done well, and there have been no industry-revolutionizing technologies. On the other hand, I cannot help but worry that we may be approaching a Kodak moment.

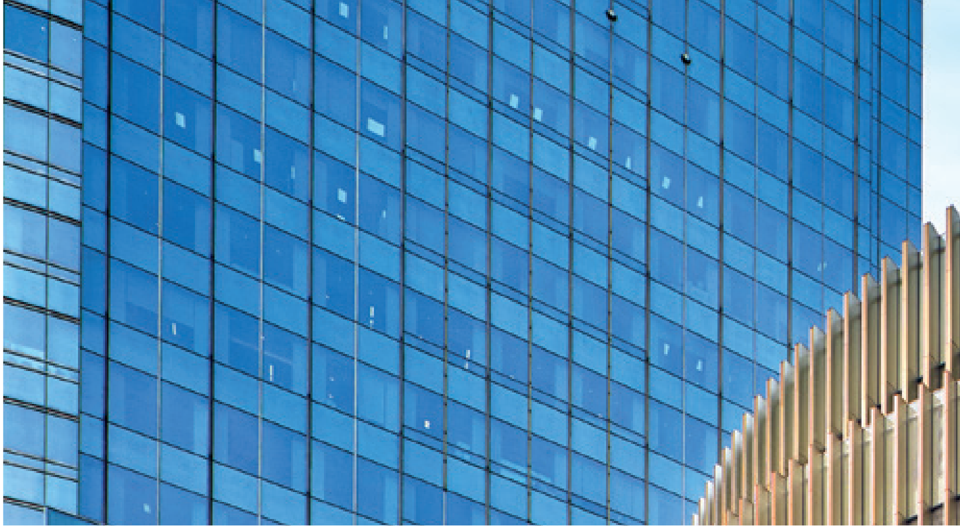
Technology is catalyzing a polarization in the retail real estate market. Broadly speaking, the best malls will get better, and the rest will get worse. This is not a 50-50 scenario where half gets worse and the other half gets better, but more likely an 80-20 scenario, or perhaps even more extreme. This happens because the worst retailers and least attractive malls will be jettisoned by customers in favor of a combination of the best malls and retailers, e-commerce, and alternate modes of entertainment (our primary retail customers are looking as much for entertainment as they are looking for consumption!). Working further in our favor is that top-end retail, and many of the experiences associated therewith, are not replicable online – at least, not yet. This dynamic feeds a self-perpetuating cycle: virtuous if you are at the top, or vicious if you are not.

Both Ronnie and I have explained at length the pivotal differences of our business from the vast majority of other mall owners, both in China and internationally. In short, our *truly* top locations, plus advantages in both hardware and software, result in tenants and customers accreting to our properties. This is what puts us in that minority group of beneficiaries. Those familiar with real estate and operations will note that none of our advantages is easily replicable. It is interesting to observe that, as with many industries, the Internet has facilitated a winner-takes-all (or, -most) market dynamic. I am cognizant that this may not be sustainable, so we must also be aware of how the dynamic may change in the future. I discuss the future of retail regularly with our tenants, digital competitors, end consumers, and other stakeholders, insights from which supplement and enrich our internal discussions.

These are complex topics that could easily be discussed at great length, but for the sake of brevity, I will leave my notes at this for now. Having repeatedly questioned my premises above, I am confident that the Company's prospects are bright, and hope that I have convinced you of the same. If you would like to discuss any of these, I would be happy to do so on one of our regular analysts' calls or non-deal roadshows; or, better yet, on the floor of our Annual General Meeting.

Adriel Chan
Vice Chair
Shanghai, January 28, 2021

Spring City 66, Kunming



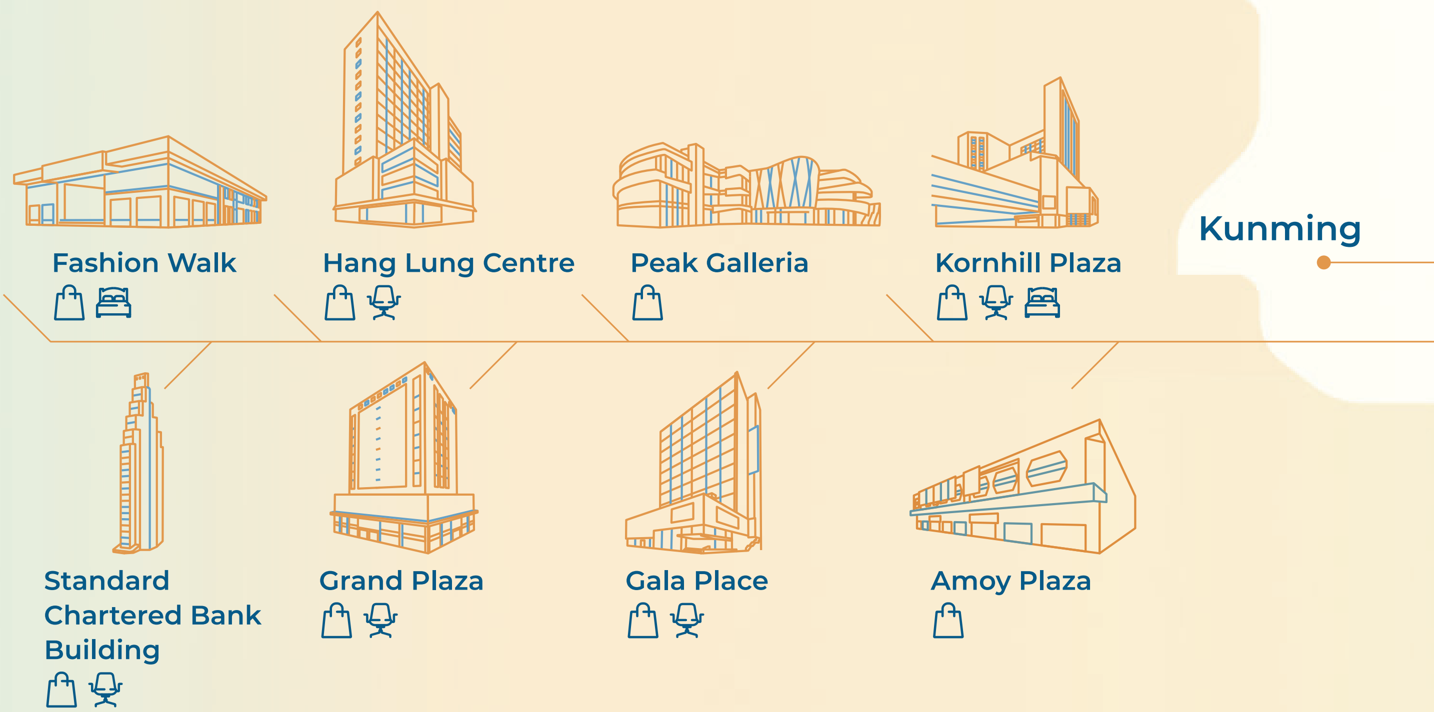
EXCELLENCE

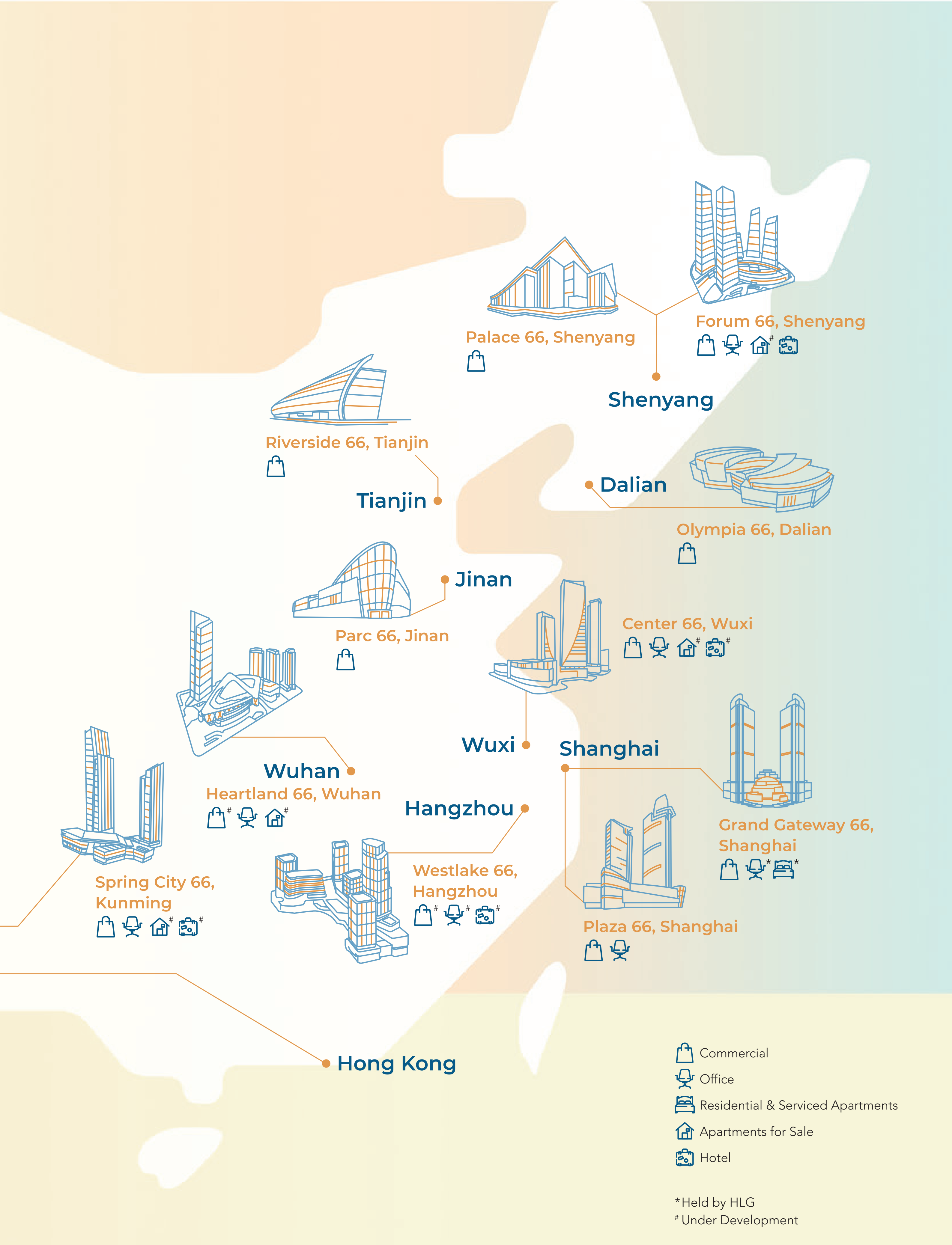
We are committed to delivering the finest services and experiences that surpass the expectations of our customers, tenants and communities

Grand Gateway 66, Shanghai

Center 66, Wuxi

Our robust property portfolio




Palace 66, Shenyang
Forum 66, Shenyang
Shenyang
Riverside 66, Tianjin
Tianjin
Dalian
Olympia 66, Dalian
Jinan
Parc 66, Jinan
Center 66, Wuxi
Wuxi
Shanghai
Wuhan
Heartland 66, Wuhan
Hangzhou
Grand Gateway 66, Shanghai
Spring City 66, Kunming
Westlake 66, Hangzhou
Plaza 66, Shanghai
Hong Kong
Commercial
Office
Residential & Serviced Apartments
Apartments for Sale
Hotel
*Held by HLG
Under Development

PORTFOLIO KEY FACTS AND FIGURES

Mainland China Property

Brief on Properties

Plaza 66, Shanghai

Positioned as the "Home to Luxury", the five-story mall is home to over 100 global prestigious luxury brands and dining outlets, including Louis Vuitton, Hermès, Chanel, Dior, Cartier and more, with many brands making their debuts on the Mainland or Asia there, including CELINE (Men's store) and Pronovias.

The two Grade A office towers at Plaza 66 combine a prime location with top-notch design and premium facilities, attracting prominent multinational and leading domestic corporations in the fields of financial services, retail and professional services as tenants.

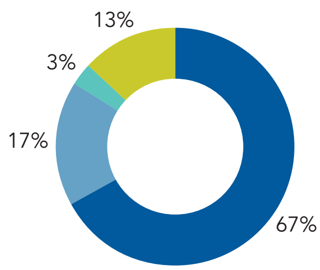
Grand Gateway 66, Shanghai

Located atop Shanghai's largest metro station, Xujiahui, Grand Gateway 66 has been unveiled as "Gateway to Inspiration" following the completion of a three-year large-scale Asset Enhancement Initiative (AEI). The transformed mall welcomes a constellation of international luxury brands including Bottega Veneta, Burberry, Cartier, Fendi, Gucci, Louis Vuitton, Tiffany & Co., and Van Cleef & Arpels, along with an extensive portfolio of specialty retailers encompassing fashion apparel, cosmetics, watches and jewelry, sports and fitness, digital home appliances and children's products, successfully cementing its position as a regional lifestyle center with rich luxury content.

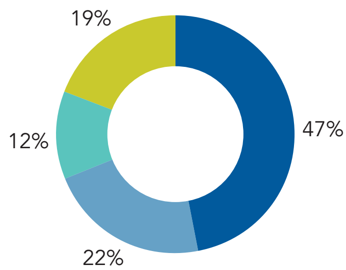
The Grade A office tower* houses numerous world-class corporations listed on Fortune Global 500 while the high-end serviced apartments* offer more than 600 suites with a luxurious array of private clubhouse facilities that have long been the residential choice for expatriate executives in global enterprises.

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Others

Commercial Segment Distribution (by Leased Floor Area) — Plaza 66, Shanghai



Commercial Segment Distribution (by Leased Floor Area) — Grand Gateway 66, Shanghai



Key Statistics

Key Statistics		Plaza 66, Shanghai	Grand Gateway 66, Shanghai
Gross floor area (sq.m.)	Commercial	53,700	122,262
	Office	159,555	67,223*
	Residential & Serviced Apartments	N/A	83,942*
	Hotel	N/A	N/A
Number of car parking spaces		804	752
Occupancy rate (at year-end)	Commercial	99%	98%
	Office	93%	99%*
	Residential & Serviced Apartments	N/A	86%*
Number of shopping mall tenants (at year-end)		130	375

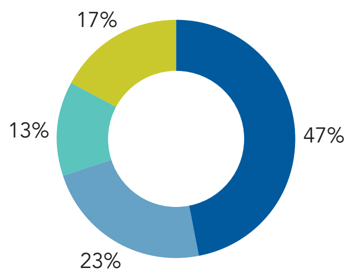
Commercial   Office   Residential & Serviced Apartments   Hotel

*Held by HLG

Palace 66, Shenyang

Situated in the city's financial hub, Palace 66 showcases over 220 popular brands that span across fashion, leisure and entertainment, beauty and cosmetics, food and beverage and more, acting as the nexus of the young and trendy consumers. Tenants include Air Jordan, adidas, FILA, UNIQLO, Nakyuki's BlaBlaBar and more.

Commercial Segment Distribution (by Leased Floor Area)



109,307
N/A
N/A
N/A
844
88%
N/A
N/A
221

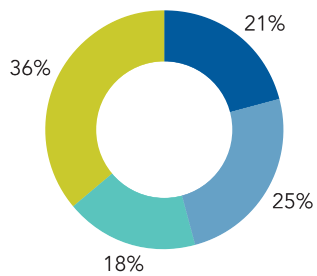
Forum 66, Shenyang

Located at the core commercial area in Shenyang, Forum 66 is a luxury-led specialty mall housing globally acclaimed labels like Chanel, Cartier, Christian Louboutin, Valentino, Lanvin and Piaget, as well as boutique supermarket, upscale cinema, global cuisine options and lifestyle services.

The Grade A office tower is the most prestigious building being the top choice in the market, with numerous multinational corporation tenants under its belt. Being the first hotel in the Company's portfolio on the Mainland, the five-star Conrad Shenyang resides on the top 19 floors of the office tower with 315 rooms.

Plans are in place to build a retail mall, apartments and office to complement the existing components of the commercial complex.

Commercial Segment Distribution (by Leased Floor Area)



101,960
131,723
N/A
60,222
2,001
89%
90%
N/A
132

Mainland China Property

Brief on Properties

Parc 66, Jinan

Located at the core commercial area in Jinan, Parc 66 is one of the largest and most prestigious malls in Jinan. The mall is a contemporary lifestyle hub offering over 350 stores of various genres, including global luxury, chic fashion, children's education and amusement, upscale cinema, boutique supermarket and international gourmet.

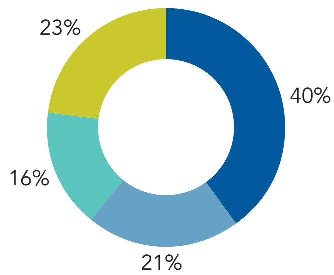
Center 66, Wuxi

Located in the most prosperous commercial district in downtown Wuxi, the mall is the "Center" of luxury featuring close to 200 quality retail stores with a line-up of global luxury labels including BVLGARI, CELINE, Saint Laurent, Louis Vuitton, Piaget, Cartier and more, while the two office towers at Center 66 are home to a number of multinational corporations and leading domestic firms looking for impeccable design and premium facilities.

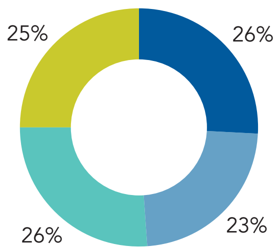
Two towers of luxury apartments for sale and a hotel tower are currently under development.

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Others

Commercial Segment Distribution (by Leased Floor Area) — Parc 66, Jinan



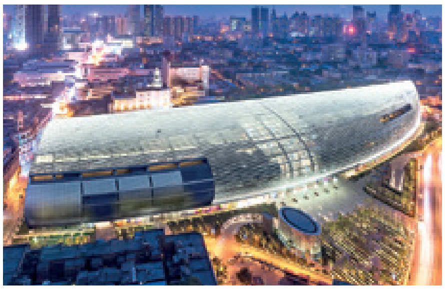
Commercial Segment Distribution (by Leased Floor Area) — Center 66, Wuxi



Key Statistics

		Parc 66, Jinan	Center 66, Wuxi
Gross floor area (sq.m.)	Commercial	171,074	118,066
	Office	N/A	137,699
	Residential & Serviced Apartments	N/A	N/A
	Hotel	N/A	N/A
Number of car parking spaces		785	1,292
Occupancy rate (at year-end)	Commercial	94%	96%
	Office	N/A	72%
	Residential & Serviced Apartments	N/A	N/A
Number of shopping mall tenants (at year-end)		351	199

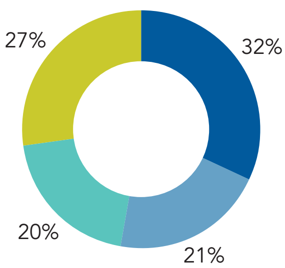
Commercial Office Residential & Serviced Apartments Hotel



Riverside 66, Tianjin

Strategically located in the heart of Tianjin's Haihe Central Business District, Riverside 66 is the trend-setting lifestyle destination with over 220 international and local brands that offer a full-fledged modern consumer experience of shopping, dining, leisure and entertainment. Riverside 66 will continue its transition from a family lifestyle mall to one offering a greater range of affordable luxury and premium fashion brands in 2021.

Commercial Segment Distribution (by Leased Floor Area)

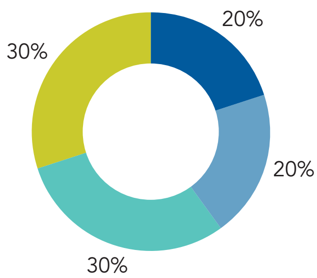


152,831
N/A
N/A
N/A
800
76%
N/A
N/A
221

Olympia 66, Dalian

At the commercial hub of Dalian, Olympia 66 features prestigious local and international labels of fashion and accessories, jewelry and watches, beauty and digital products, as well as a stunning array of global culinary delights, advanced international entertainment and leisure facilities, a dynamic family zone and an innovative range of sports sites. The mall also has an ice-skating rink and the city's first Palace Cineplex cinema. It will be upgraded and transformed into a regional lifestyle mall with luxury positioning by end of 2021.

Commercial Segment Distribution (by Leased Floor Area)



221,900
N/A
N/A
N/A
1,214
77%
N/A
N/A
285

Mainland China Property

Brief on Properties

Spring City 66, Kunming

Designed to "Bring the Best to Kunming; Showcase the Best of Kunming to the World", Spring City 66 is the Company's first development project in the southwest region of mainland China that houses a portfolio of prestigious international and local brands such as Louis Vuitton, Dior, CELINE, BVLGARI and Rolex. Featuring about 30% of the brands making their debuts in Kunming and Yunnan, the mall offers a comprehensive suite of premium experiences in shopping, dining and entertainment.

With accessible location and quality suite of facilities and services, the Grade A office tower sets the new benchmark for the city and is a preferred choice among leading multinational corporations and domestic firms like Ernst & Young, Schneider, Haitong Securities and others.

The five-star Grand Hyatt Kunming hotel is expected to open in mid-2023.

Heartland 66, Wuhan

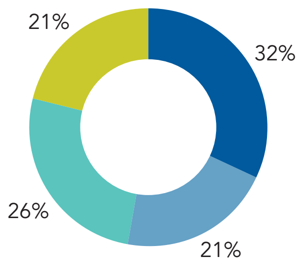
Situated in the commercial and business heart of Wuhan with mass transit railway accessibility, Heartland 66 is the Company's first large-scale commercial development in Central China that comprises a world-class shopping mall, a Grade-A office tower and apartments for sale.

Opened for occupancy in November 2020, the 61-story office tower is the Company's sixth office tower project on the Mainland and has attracted professional companies across insurance, banking and securities industries as well as leading local companies as tenants.

The shopping mall is scheduled to open in March 2021, showcasing luxury and popular brands that span across fashion and accessories, leisure and entertainment, food and beverage and more.

Construction of the apartments is underway and is scheduled for completion, in stages, from the second half of 2022, with pre-sale beginning in the latter half of 2021.

Commercial Segment Distribution (by Leased Floor Area)



Key Statistics

		Spring City 66, Kunming	Heartland 66, Wuhan
Gross floor area (sq.m.)	Commercial	166,754	N/A
	Office	167,580	151,472
	Residential & Serviced Apartments	N/A	N/A
	Hotel	N/A	N/A
Number of car parking spaces		1,629	N/A
Occupancy rate (at year-end)	Commercial	91%	N/A
	Office	41%	15%
	Residential & Serviced Apartments	N/A	N/A
Number of shopping mall tenants (at year-end)		270	N/A

Commercial   Office   Residential & Serviced Apartments   Hotel

Hong Kong Property

Brief on Properties

Fashion Walk

Causeway Bay

Featuring numerous renowned global brands and forward labels including more than 40 flagships and experience stores, Fashion Walk is a distinctive shopping destination spanning three main local areas, namely Paterson, Food Street and Kingston, offering the latest trends in fashion, cosmetics, gastronomy and lifestyle in a magnificent setting.

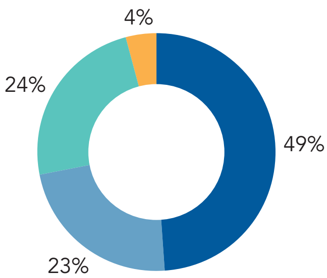
Hang Lung Centre

Causeway Bay

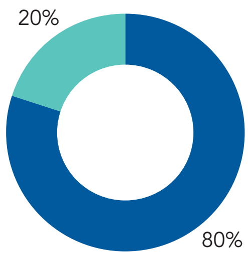
Offering a wide range of travel, fashion wholesale and medical services, Hang Lung Centre, a key element of Fashion Walk, is a retail and commercial complex enviably situated at the heart of Causeway Bay.

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Bank
- Department Store
- Others

Commercial Segment Distribution (by Leased Floor Area) – Fashion Walk



Commercial Segment Distribution (by Leased Floor Area) – Hang Lung Centre



Key Statistics

		Fashion Walk	Hang Lung Centre
Gross floor area (sq.m.)	Commercial	31,072	8,777
	Office	N/A	22,131
	Residential & Serviced Apartments	7,935	N/A
Number of car parking spaces		N/A	126
Occupancy rate (at year-end)	Commercial	93%	100%
	Office	N/A	79%
	Residential & Serviced Apartments	75%	N/A
Number of shopping mall tenants (at year-end)		90	3

Commercial Office Residential & Serviced Apartments

Hong Kong Property

Brief on Properties

Peak Galleria

The Peak

Ideally located atop the famous attraction in Hong Kong, Victoria Peak, Peak Galleria is renowned as a major tourist landmark that houses over 40 popular brands with many making their Hong Kong debuts. These brands include the world's first Monopoly-themed pavilion, Monopoly Dreams Hong Kong, 37 Steakhouse & Bar and Mina House as well as Jonetz Market by Don Don Donki from Japan, Candylicious candy store from Singapore, and the popular Nayuki fruit tea and bakery café. Peak Galleria has introduced pet-friendly amenities, making it one of the most popular pet-friendly shopping malls in town.

Kornhill Plaza

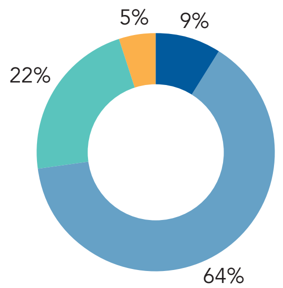
Quarry Bay

Conveniently located in the east of Hong Kong Island atop the MTR Tai Koo Station, Kornhill Plaza is positioned as a community mall serving nearby residents and workers with the largest Japanese department store in Hong Kong, AEON STYLE, and a new retail concept that integrates elements of traditional fresh market and modern supermarket, FRESH, with diversified food and beverage offerings, a cinema with 4DMX technology, and an all-in-one education hub.

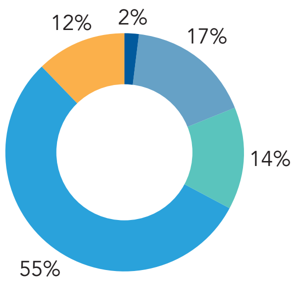
Commercial Segment Distribution (by Leased Floor Area)

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Bank
- Department Store
- Others

Peak Galleria



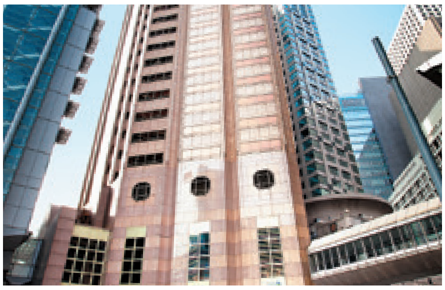
Kornhill Plaza



Key Statistics

		Peak Galleria	Kornhill Plaza
Gross floor area (sq.m.)	Commercial	12,446	53,080
	Office	N/A	10,577
	Residential & Serviced Apartments	N/A	35,275
Number of car parking spaces		493	1,069
Occupancy rate (at year-end)	Commercial	95%	100%
	Office	N/A	99%
	Residential & Serviced Apartments	N/A	29%
Number of shopping mall tenants (at year-end)		46	115

Commercial Office Residential & Serviced Apartments



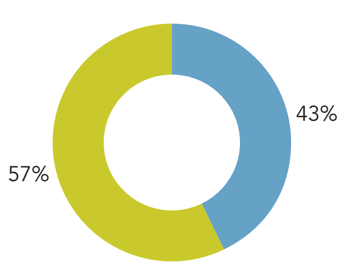
Standard Chartered Bank Building

Central

A prestigious Grade A building located in the heart of the financial district in Central and distinguished by its superb architectural design that melds the artistic with the practical – located adjacent to the MTR Central Station and the interchange station of the Island Line and Airport Express railway. With an unrivaled accessibility and a superb view of Victoria Harbor, the Standard Chartered Bank Building is an ideal office location.

It is home to Hang Lung Group and Hang Lung Properties and is the headquarters of Standard Chartered Bank (Hong Kong).

Commercial Segment Distribution (by Leased Floor Area)



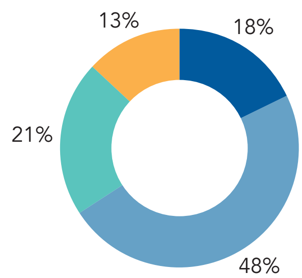
4,814
23,730
N/A
16
100%
100%
N/A
3

Grand Plaza

Mongkok

Enviably located right next to the MTR Mong Kok Station on Nathan Road, Grand Plaza houses two office towers and a commercial podium. It is home to a stellar line-up of international watch and jewelry brands, concept stores as well as fashion, lifestyle and sports labels. The dedicated dining floor features over 20 gourmet dining venues where international cuisine is served in stylish surroundings. The Grand Plaza Office Tower 1 showcases the region's most prominent healthcare centers. It has further been subtly zoned into beauty and semi-retail floors, providing visitors a one-stop leisure and lifestyle experience.

Commercial Segment Distribution (by Leased Floor Area)



20,905
31,251
N/A
40
100%
90%
N/A
26

Hong Kong Property

Brief on Properties

Gala Place
Mongkok

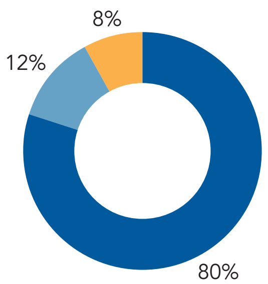
Located at the junction of Dundas Street and Nathan Road with affluent footfall, Gala Place houses a diverse array of merchants.
In addition to the 4,500-plus-square-foot Starbucks thematic store and the 20,000-square-foot Foot Locker Power Store, it also showcases an expertly curated portfolio of diversified services and products including chic fashion, outdoor gear, skincare and cosmetics, lifestyle products, audio and digital gadgets, beauticians, and a home design house as well as a smorgasbord of new and enticing food and beverage offerings, which together transform Gala Place into a hotspot for the trendy and fashionable in Mongkok. It is also equipped with a car park which offers close to 500 car parking spaces, providing a convenient, one-stop shopping experience for customers.

Amoy Plaza
Kowloon Bay

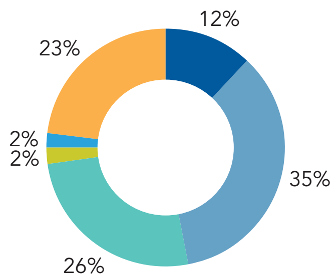
Conveniently located near the MTR Kowloon Bay Station, Amoy Plaza is a community mall in Kowloon East, comprising stores offering trendy fashions, beauty and health products and electronic gadgets. Together with more than 40 restaurants serving local and international cuisines, the mall offers a full selection of lifestyle experiences for nearby office workers and residents of Amoy Gardens.

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Bank
- Department Store
- Others

Commercial Segment Distribution (by Leased Floor Area) — Gala Place



Commercial Segment Distribution (by Leased Floor Area) — Amoy Plaza



Key Statistics

Key Statistics		Gala Place	Amoy Plaza
Gross floor area (sq.m.)	Commercial	7,454	49,006
	Office	30,205	N/A
	Residential & Serviced Apartments	N/A	N/A
Number of car parking spaces		478	620
Occupancy rate (at year-end)	Commercial	62%	97%
	Office	93%	N/A
	Residential & Serviced Apartments	N/A	N/A
Number of shopping mall tenants (at year-end)		4	257

Commercial　Office　Residential & Serviced Apartments

MAINLAND CHINA PROPERTY LEASING

Our Mainland portfolio posted a respectable year-on-year growth in leasing revenue with retail sales surpassing pre-COVID-19 levels, led by a V-shaped rebound in luxury goods spending as the pandemic was brought under control in mainland China.

Market Landscape

The commercial leasing sector had a bumpy ride in 2020, as lockdowns introduced to contain the COVID-19 pandemic stifled retail sales in the early months before the relaxation of controls from April triggered rebounds in household spending, making China the world's only major economy to make headway. The recovery was most pronounced at the luxury end of the market as curbs on international travel spurred a repatriation of high-end purchases that have been fueled by cuts in import tariffs and a subsided parallel trade. Global luxury brands' continued efforts to launch new products in Mainland stores and to narrow the price gap between products sold on the Mainland and overseas also help stimulate luxury goods spending. The luxury goods in mainland China was projected to grow 48% in 2020, according to the joint report by Bain & Company and Tmall released in December 2020. The mid-market sector experienced more modest gains and spending recoveries in northeastern cities such as Dalian, Shenyang and Tianjin did not take hold until the last quarter as the region took longer to shake off the virus.

The office leasing sector had a challenging year, as elevated vacancy rates across many of the Mainland's first- and second-tier cities heightened competition for tenants amid a global recession that hit earnings in industries including banking, energy and travel. Technology, media, telecommunications, pharmaceuticals, and professional services were among the more resilient and growing sectors during the period.

Business Overview

Our Mainland shopping malls recorded respectable growth in leasing revenue, and retail sales surpassed pre-pandemic levels led by the luxury-focused properties in Shanghai, Shenyang, Wuxi and Kunming. Sub-luxury malls had a more gradual recovery, with overall retail sales returning to the same level in the last quarter of 2020 compared with the same period in 2019, though not sufficient to cover the loss at the height of the pandemic in the first half of the year. Our malls at Center 66 in Wuxi, Olympia 66 in Dalian and Spring City 66 in Kunming will continue to enrich their luxury contents to expand their market share in the luxury goods sector. The emphasis on deepening tenant engagement and customer loyalty through marketing initiatives and the full roll-out of the HOUSE 66 Customer Relationship Management (CRM) program across all Mainland portfolios helped attract new interest from quality brands and encouraged existing tenants to expand. Grand Gateway 66 in Shanghai got off to a flying start following a three-year AEI that burnished its credentials as a premium regional shopping destination rich in luxury content.

For our office portfolio, revenue growth was largely attributable to full-year contributions from Office Tower 2 at Center 66 in Wuxi and the new office tower at Spring City 66 in Kunming that opened in the second half of 2019, along with a smaller contribution from the office tower at Heartland 66 in Wuhan, which was completed for occupancy in late 2020. Situated at prime locations with state-of-the-art facilities, our properties remained the preferred choice among multinational corporations and leading Chinese companies. Our flexible office business model, HANGOUT, which was first launched at the office tower at Center 66 in the second half of 2020, along with pre-fitted modular offices in both Spring City 66 and Heartland 66, will expand our office towers' offerings and accelerate the pace of leasing at office towers opened in over the past two years.

Conrad Shenyang at Forum 66, the first hotel in our mainland China portfolio, had a tough year as COVID-19 stifled travel, although it showed some signs of recovery in the fourth quarter. Separately, an agreement was signed with Hyatt Hotels Corporation for a Grand Hyatt Kunming to open in mid-2023 at the new hotel and residential tower being built at Spring City 66.

Among our development projects on the Mainland, the construction works at Heartland 66 in Wuhan are progressing well despite a temporary work suspension in the first quarter of 2020 resulting from the COVID-19 outbreak. Its shopping mall is scheduled to open for business in March 2021. The main construction work at Westlake 66 in Hangzhou, which comprises a retail mall, five Grade A office towers and a luxury hotel, is in good progress.

Year-on-Year Growth of Our Mainland China Leasing Revenue (in RMB terms)

Overall	Outside Shanghai	Shanghai
↑17%	↑14%	↑18%

Gross Floor Area of Our Mainland China Properties (excluding car park area)

Completed Investment Properties

2.03 million square meters*

Properties under Development

1.21 million square meters#

* For a detailed breakdown of gross floor area of our completed properties, please refer to table "C. Major Investment Properties" on page 78

\# For a detailed breakdown of gross floor area of our properties under developments, please refer to table "A. Major Properties under Development" on page 75

OUR NEW "66" BRAND

恒隆广场

> **"With the new '66' brand image, we are committed to becoming a national brand that is the pulse of the city and a highly admired and leading national real estate company."**
>
> **Mr. Weber Lo**
> Chief Executive Officer

The new "66" logo carries multiple meanings

The two digits "66" are connected by a curved line and angled at 66 degrees, alluding to the close relationship Hang Lung has with its tenants and customers as well as symbolizing Hang Lung bridging the Mainland to the rest of the world. The logo resembles the infinite possibilities and combinations brought by "people" in a vibrant city, further echoing the "Pulse of the City" concept. Moreover, the bespoke Chinese typeface of "66" and "Hang Lung" complements the uniquely designed logo, combining attention to detail with simplicity.

Pulse of the City

It started with one. One pulse coming from the heart of the action, at 1266 West Nanjing Road. From these 66 floors of urban dynamism rising from the Shanghai skyline, Hang Lung 66 was born. Our first Plaza 66 development soon followed, and then another, each time building on the vibrance of China's most up-and-coming cities.

We believe it is the people who create the pulse of a city. That's why we design every Hang Lung 66 development to connect young movers and shakers to the most cutting-edge brands from China and across the world. It's where they can enjoy being at the beating heart of it all, through an array of exhilarating experiences designed to be enjoyed together.

Scan to Watch the Hang Lung "66" Brand Video

Plaza 66 collaborated with around 90 high-end brands for its annual "Home to Luxury" Party

Plaza 66, Shanghai

Shopping Mall

Home to more than 100 global luxury and dining outlets, Plaza 66 experienced another year of growth in rentals as travel restrictions stemming from the COVID-19 pandemic spurred a repatriation of high-end spending to Shanghai from cities such as Hong Kong, Milan and Paris. Income from advertising and marketing events also increased as top marques focused more heavily on the mainland China market, while our HOUSE 66 CRM program along with unique VIC programs in collaboration with brands helped strengthen customer loyalty and boost tenants' sales. The mall further strengthened its "Home to Luxury" positioning during the period with Cartier, BVLGARI and Fendi expanding and upgrading flagship stores, and new outlets were opened by brands including Herno, Moynat, Montblanc, Moncler Kids, Pomellato. CELINE, Goyard and Saint Laurent are relocating to larger premises during the first half of 2021 amid an ongoing reshuffling of tenants that aims to expand their product categories and enrich the customer experience. Hermès will also take on more space during the year.

The performance of Plaza 66's retail sales is expected to remain strong in 2021 as COVID-related travel curbs will continue to be in force in the foreseeable future and that luxury brands are stepping up their expansion plans and marketing campaigns. Continuous refinement of luxury brand mix and introduction of exclusive brands will reinforce Plaza 66's positioning as "Home to Luxury", HOUSE 66 initiatives with unique VIC programs to bolster customer loyalty, and anchor brands expansion and upgrade will also support growth.

Office Tower

The twin Grade A office towers attracted and retained quality tenants from renowned multinational corporations and leading domestic firms in the fields of financial services, retail and professional services despite challenging market conditions of which companies were cautious about expansion. On the other hand, competition for tenants has intensified amid aggressive push by landlords in more peripheral districts to fill office space. Overall performance remained stable with occupancy rate standing at 93% at the end of 2020.

Despite the softer market, performance in 2021 is expected to be fairly stable, with the confirmation of lease renewal by anchor tenants against a backdrop of limited new supply coming through in the Jing'an District. Plaza 66 will strive to enhance its offering by focusing on customer service and organizing more cross-promotions that will benefit office and retail tenants.

Grand Gateway 66, Shanghai

Shopping Mall

The mall's performance bounced back strongly from May after COVID-19 kept shoppers away in early 2020. The end of a three-year AEI in September 2020 at the property propelled luxury spending to new heights, with rental income, retail sales, and occupancy rates all increasing significantly. Celebrated with a grand opening party, the facelifted Grand Gateway 66 has become the "Gateway to Inspiration"– an eye-catching landmark that added Van Cleef & Arpels, Fendi, and Cartier to its line-up of luxury anchor tenants during the reporting year. Several first-in-China stores, such as X-Large and Marionnaud Paris, were also introduced to sustain the mall's freshness and cement its position as a regional lifestyle center with rich luxury content.

Grand Gateway 66 has transformed its appearance and sophistically modified its tenant mix to further consolidate its high-end positioning

Retail sales at Grand Gateway 66 surged 42% in 2020, while rental income climbed 15%. As the completion of the AEI freed up retail and advertising space, the occupancy rate increased to 98% at the end of 2020. Although footfall for the entire period was down by 6%, it was 4% higher in the second half compared with a year earlier, with customer loyalty bolstered by the introduction of HOUSE 66.

Going into 2021, growth is predicted to remain positive as the mall's repositioning as one of Shanghai's finest luxury shopping destinations attracts affluent customers. Diesel is due to unveil its global flagship store, while Coach, Emporio Armani, and Tod's are also planning openings. The mall, located above Shanghai's largest metro station, is also seeking to introduce more upscale dining outlets that will prove a drawcard for its target market.

Palace 66, Shenyang

The COVID-19 pandemic severely impacted the performance of Palace 66 shopping mall in 2020, dragging down sales and driving some small-scale tenants out of business. Spending at the mall, which offers a contemporary mix of food and fashion outlets that are popular with young families, was also held back in the second and third quarters as customers were deterred by government construction works aimed at enhancing the appeal of the surrounding Zhongjie Lu shopping district. The works were completed in late September and proved an immediate draw, with Palace 66's footfall jumping 20% in October from a year earlier amid a flurry of marketing activities and sales promotions. During the year, a number of popular new brands that was either first opened in Northeast China or Shenyang was introduced to the mall, these included Nakyuki's BlaBlaBar and Lian Cheng Seafood Buffet.

Celebratory events marked the reopening of Zhongjie Lu in September 2020, leading to a significant increase in retail sales and footfall compared with the same period in 2019

The mall, which saw a significant sales improvement in the final quarter of last year, aims to take advantage of the area upgrade to attract premium lifestyle brands and enhance richness of its food and beverage contents, with new store openings planned by Sephora during 2021. With the capability to analyze HOUSE 66 members' preferences, interests and shopping behavior, the mall will be able to further enhance its provision of customized services and launching of members-only events in collaboration with brands to improve customers' loyalty.

Forum 66, Shenyang

Shopping Mall

Retail sales at the high-end mall grew by about 9% in 2020 as reduction in international travel led to increased spending on luxury goods in China and enhanced tenant collaboration and more effective promotional campaigns with the launch of HOUSE 66. The emphasis on top brands was reinforced with new store openings by marques including Burberry, Fred, Tasaki, and Tod's, while Balenciaga almost doubled the size of its outlet. Although retail sales increased, rental income declined along with the occupancy rate due to the COVID-19 pandemic.

Forum 66 will bring in more varieties in its tenant mix, and expects new store openings, marketing initiatives, and a renewed focus on customer service to fuel more spending at its stores and restaurants in 2021. The mall will further integrate HOUSE 66 and Mallcoo system for better customer experience.

Office Tower

The Grade A office tower's occupancy rate increased during the reporting year, even as economic uncertainty stemming from the pandemic affected demand in Shenyang's over-supplied market. Rental income declined by 2% as companies became more cost-conscious amid increased overall vacancy rates across the city. Forum 66's resilience in the face of weakening market conditions was helped by the strong representation of multinationals and quality domestic companies in its tenant mix, with these groups accounting for 72% of leased area, up from 67% in 2019. Adding to a tenant list that already included Bank of China, Deloitte, and Siemens, new leases signed with HSBC, NTT, Woori Bank and Tsingtao as well as expansion of existing tenants such as Generali China, PricewaterhouseCoopers and Ctrip reinforced the landmark position of Forum 66 office tower in the market. We will continue to enhance our tenants' quality and profile in 2021 for long-term sustainability.

In July 2020, Forum 66 hosted the"Enjoy Summer Festival" with promotion from Conrad Shenyang, successfully driving retail sales and footfall

Hotel

The five-star Conrad Shenyang's first full year of operation was disrupted by the COVID-19 outbreak, which severely impacted travel and leisure in the first half of 2020. The second quarter saw a gradual recovery as domestic travel and the local economy picked up, boosting restaurant and event spending at the hotel, which occupies the top 19 floors of the office tower, the city's tallest building. According to Smith Travel Research data, the property's revenue per available room was consistently the highest in Shenyang since the recovery started from the second quarter and income showed a healthy split between room sales and dining. Going into 2021, the market remains challenging as COVID-19 continues to weigh on the global economy and international travel. Nevertheless, Conrad Shenyang will further tighten its collaboration with Forum 66 mall and office tower to drive awareness and maximize synergy of different components of the entire Forum 66 commercial complex.

Parc 66, Jinan

Parc 66 had a challenging year as COVID-19 curbed footfall and spending, forcing some tenants to shut down and prompting several brands to postpone new store openings. The easing of the pandemic in the second half of the reporting year led to a rebound in the number of shoppers and diners, helping lift retail sales in the corresponding period notably. Year-end occupancy rate was high at 94% due to the continued brand improvement exercise at the mall. Daily turnover at the mall exceeded RMB10 million for the first time on the final day of October 2020 as the launch of a James Goldcrown art installation was combined with activities including a fashion show and a street dance performance. The launch of HOUSE 66 has proved successful as member sales and contribution grew in 2020 compared to a year ago.

The mall's location in the Central Business District and its proximity to tourist attractions continue to make it the first choice in Jinan for mid-to-upmarket brands, with Karl Lagerfeld, Tesla, DEGAIA and Acupuncture among those taking on new premises in 2020.

Floor tiles and lighting were upgraded during 2020 to enhance the appeal of the site and a phased facelift is planned for the next two years that will improve the appearance of the exterior and interior, including a revamp of the atrium.

While disruption caused by the works may weigh slightly on sales, 2021 is forecast to be a good year with the local government's plans to boost tourism and domestic consumption, along with the foreseeable international travel curbs that will drive domestic consumption. HOUSE 66 will also continue to strengthen customer ties and marketing campaigns will draw tourists from nearby cities.

Parc 66 showcased art installations by James Goldcrown for the first time in Jinan alongside a fashion show, street dance, rap performance, skateboard competition, and other fashion experiences

The Member Engagement Specialist Team at Center 66 offers an array of personalized services to HOUSE 66 members, increasing customer loyalty and boosting sales for luxury brands

Center 66, Wuxi

Shopping Mall

The mall reinforced its position as Wuxi's leading luxury shopping destination, which helped drive growth in 2020 as high-end spending was repatriated amid the fallout of the COVID-19 pandemic. Retail sales recovered from first-quarter weakness to post a gain for the year as top-end brands lured customers who were restricted from traveling overseas. Rental income and the occupancy rate both increased as BVLGARI and Cartier migrated across from competing malls in Wuxi, while new stores were also opened by CELINE, Louis Vuitton, Piaget, and Saint Laurent. Apart from the luxury stores on the first floor, Chanel Beauty, % Arabica and Lululemon added to the lifestyle brands on offer with the launch of their first outlets in Wuxi. 2020 also saw the number and spending of HOUSE 66 members rise healthily.

Looking ahead, growth will be driven by ongoing upgrades of the tenant mix as well as HOUSE 66 marketing initiatives such as fashion previews and customized product launches that heighten customer engagement.

Office Tower

Center 66 continued to attract quality tenants in 2020, targeting financial institutions, professional services providers, and companies in technology, media and telecommunications. Multinationals and leading domestic corporations accounted for over half of the tenant mix. The year-end occupancy rate of Office Tower 1 dropped while Office Tower 2, which opened in September 2019 has satisfactory leasing progress. The combined occupancy of two towers was 72% at year-end 2020. A multi-functional workspace named HANGOUT was launched during the year, seeking to attract small-size quality tenants requiring flexible lease terms and access to world-class conference, training and entertaining facilities. The launch party attracted more than 120 guests, and almost half of the available spaces were taken up by year-end. Looking ahead, the Wuxi office market will remain challenging as high vacancy rates in competing buildings put pressure on rents. Center 66 will seek to attract tenants by differentiating its offering from that of rivals as well as catering to the expansion of existing clients.

The Dimoo Space Journey offline exhibition in collaboration with POP MART launched at Riverside 66 with a surge in footfall and retail sales. This campaign was concurrently held at our other properties on the Mainland including Palace 66 in Shenyang, Center 66 in Wuxi, Parc 66 in Jinan, Olympia 66 in Dalian, and Spring City 66 in Kunming

Riverside 66, Tianjin

2020 was a tough year for Riverside 66 as efforts to contain the COVID-19 pandemic weighed on the local economy during the first three quarters and forced the mall to close for more than a month in early 2020. Retail sales declined with footfall, while rental income and occupancy rates also fell as some tenants applied for early termination of leases or rent reductions. Nevertheless, the launch of HOUSE 66 in July has helped enhance the awareness and branding of tenants' events and in-mall campaigns, offset pandemic impact to footfall, and thus lifting up retail sales.

Looking to 2021, Riverside 66 will continue its transition from a family lifestyle mall to one offering a greater range of affordable luxury and premium fashion, with new store openings planned by brands including UDX, CNC and LELECHA. It is expected that sales and rental income will climb significantly in 2021 as its repositioning pays off and marketing initiatives bear fruit in a recovering local economy. In addition, minor renovations are planned to improve pedestrian access from the adjacent Central Business District as well as those arriving on metro trains. Measures will also be implemented to enhance the experience of customers coming by car.

Olympia 66, Dalian

Olympia 66 has started the year on a bright note and was on track for a record January in terms of sales, before the COVID-19 pandemic which recurrence stretched into the fourth quarter of the year, caused massive disruption to the mall's business and operation, severely resulted in footfall reduction and negative impact on sales, rental income, and occupancy rate. Despite the challenging period when a number of tenants, notably in the food and beverage sector, terminated leases early due to business unsustainability, Olympia 66 has managed to source and introduce reputable food and beverage tenants such as Sichuan Restaurant, Wangfei Mingdong and Taier grill fish restaurant as replacements. For luxury sector, Bottega Veneta and Saint Laurent have opened their exclusive stores at the mall during the summer of 2020, and CRM program – HOUSE 66 was launched successfully in June.

Footfall and sales have recovered gradually from September 2020, and the uptrend is continuing into year 2021, which will be a very crucial year of transformation for Olympia 66. With the opening of top luxury brands including BVLGARI, Louis Vuitton, Dior, CELINE, Tiffany & Co., Chaumet, Emporio Armani, Moncler, Burberry, Gucci, Fendi, Balenciaga and others from mid-year, Olympia 66 is transforming into a regional lifestyle with luxury positioning by end of 2021. Another important project, the MTR tunnel which connects a nearby station and our site will be completed in April. Ambience upgrading, trade mix improvement and adjustment including the expansion of the D-House gym, will be carried out in first half of the year as well.

With the continuous improvement of the non-luxury category, which will satisfy general consumers; the introduction of top luxury content, which will attract fans of brands and quality shoppers; the completion of MTR tunnel project, which will bring young customers; the consolidation of HOUSE 66 memberships, which will help us analyze members' profile and habits, going forward in year 2021, adopting the two-tier marketing strategy, we are confident that footfall and sales of Olympia 66 will improve significantly, resulting in positive impact on revenue and occupancy rate.

Olympia 66 collaborated with the Consulate General of France in Shenyang to host the cultural Uramado AR exhibition between October and November 2020

Spring City 66, Kunming

Shopping Mall

The mall fortified its position as Kunming's hub of prime luxury in its first full year of operation, adding Cartier to a line-up of prestigious international brands that includes Louis Vuitton, Dior, Gucci, Rolex, CELINE and BVLGARI. Disruption caused by the pandemic proved short-lived and luxury retail led the recovery as international travel bans prompted affluent customers to boost spending locally. Footfall returned to pre-COVID levels and an increased occupancy rate helped boost rental income. HOUSE 66 marketing initiatives in collaboration with tenants proved a great success in building customer loyalty, and a gala party to celebrate the mall's first anniversary helped make Spring City 66 the talk of the town. Prospects for 2021 continues to be positive with its unique positioning in Southwest China.

Office Tower

This Kunming's premier Grade A office tower is also the city's tallest building and is part of the mixed-use development that offers a full range of shopping, dining, lifestyle and entertainment experiences. It has attracted various multinational corporations and quality domestic firms and achieved significant growth in occupancy to 41% at the end of its first full year of operation. Competition for tenants is keen as vacancy rates in the local Grade A office market are running at around 40%, leading to declines in rents with demand cooling amid economic uncertainty stemming from the pandemic.

Spring City 66 aims to boost its share of the market by accommodating the expansion of existing tenants while also seeking new business in industries such as technology, media, telecommunications, pharmaceuticals, and professional services that were least affected by the downturn in the economy.

About one-third of the brands at Spring City 66 made their debuts in Kunming or Yunnan province

Heartland 66, Wuhan

Office Tower

Opened for occupancy in November 2020, the office tower at Heartland 66 is the sixth office tower project in our Mainland portfolio designed to be the preferred choice of office space among professional companies across insurance, banking and securities industries as well as leading local companies. Despite the weak economy due to the impact of COVID-19, continuous high supply of office spaces and fierce competition from competitors in Wuhan, Heartland 66's year-end occupancy reached 15% with Ping An Life Insurance Company, DHL, TOTAL, Daifuku and UDG Design among the first wave of tenants moving in.

Looking ahead, Heartland 66 will continue to acquire quality tenants from industries that are more resilient to varying market conditions such as technology, media and telecommunications, pharmaceutical and professional services. A new offering named "modular office" will be launched to capture small and middle-sized quality tenants.

Our Grade A office tower at Heartland 66 in Wuhan

HONG KONG PROPERTY LEASING

Our core leasing properties in Hong Kong were adversely affected by the COVID-19 pandemic in 2020.

Market Landscape

Rents in Hong Kong's shopping malls and office towers were further pressured in 2020 as the fallout from the COVID-19 pandemic added to the challenges of an economy that had already been tipped into recession by the social unrest of 2019 and the impact of the China-U.S. trade dispute. Government measures to control the spread of the virus kept people at home and led to a collapse in tourist arrivals, subduing consumer spending and pushing unemployment to a 16-year high. Hong Kong's total retail sales plunged by 24.3%* year-on-year in value for 2020 and appeals for rent relief were widespread among consumer-focused businesses, adding to pressure on commercial landlords as competition for tenants heated up amid rising vacancy rates.

Business Overview

In 2020, rental income dropped, with our shopping malls in Causeway Bay and Mongkok especially hard hit by a plunge in tourism that also took its toll on our serviced apartments. New leases and renewals were mostly concluded at lower rates, while rent relief was granted to tenants such as restaurants, cinemas, education centers, gyms, and beauty parlors that were impacted by government-imposed social distancing measures. Community malls Kornhill Plaza and Amoy Plaza proved the most resilient of the retail-focused properties, and the four office towers in Central district delivered another solid performance. Peak Galleria managed to increase its occupancy as efforts to refine its tenant mix paid off and pet-friendly amenities were introduced. The Hong Kong portfolio's revenue and retail sales are likely to take significantly longer than that of the Mainland portfolio to recover. The targeted launch of a new CRM program in the first quarter of 2021 will help strengthen customer loyalty and engagement, while tenant mix enhancement to better serve the needs of the local community is underway.

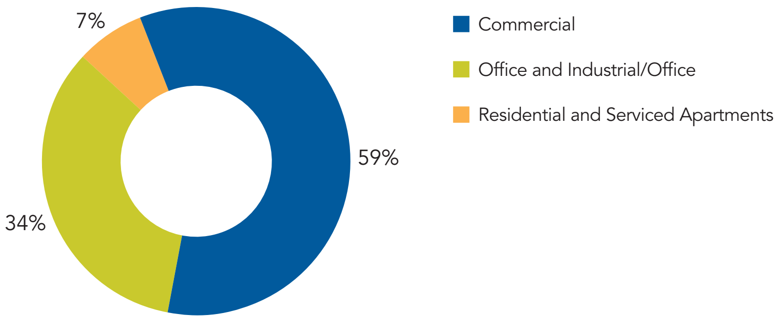
*Source: Census and Statistics Department

Year-on-Year Change in Our Hong Kong Leasing Revenue and Occupancy Rate

	Leasing Revenue	Occupancy Rate#
Commercial	↓10%	97%
Office and Industrial/Offices	↓6%	88%

All occupancy rates stated therein were as of December 31, 2020

Distribution of Revenue of Our Hong Kong Property Leasing Portfolio in 2020



Fashion Walk

Featuring over 100 highly sought-after global brands and forward labels including more than 40 flagship and experience stores, Fashion Walk strengthened its line-up of fashionable retail, dining and entertainment outlets in the heart of Causeway Bay in 2020. A special perfume store by LE LABO from New York and FANCL flagship enhanced the beauty offering, complemented by openings of Handsome Factory Barber Shop and a new concept by leading hair salon group IL COLPO. The portfolio of exclusive fashion and lifestyle shops was bolstered by additions from DURAS, DELStore, kapok, OKURA, and Sweaty Betty, while the offering for foodies was improved by the introduction of The Alchemist Café, Urban Coffee Roaster, Moo Moo Plus, SAKE SAN and Japanese style dessert brand Saori Pancake. As at the end of 2020, Fashion Walk's

Fashion Walk enriched its line-up of fashionable retail, dining and entertainment outlets in the heart of Causeway Bay in 2020

Despite the negative impact of COVID-19, the leasing performance of our Central portfolio remained solid in 2020

Peak Galleria continues to bring in brands and concepts that offer exciting and unique experiences to shoppers. Jonetz Market by Don Don Donki, opened in December 2020, is one of the first-in-Hong Kong brands at the shopping mall

occupancy declined by four points to 93% as the COVID-19 pandemic dealt a blow to spending and footfall in the area. Looking ahead, it is envisaged that the new CRM program targeted to be launched in the first quarter of 2021 will help draw consumers and support tenants' businesses.

The nearby Hang Lung Centre, a popular destination for leading operators in the travel, fashion wholesale, and medical sectors, successfully bolstered its position as a healthcare services hub in Causeway Bay.

Central Portfolio

Our Central portfolio comprises four office buildings – Standard Chartered Bank Building, 1 Duddell Street, Printing House, and Baskerville House – and these continued to attract quality tenants from the finance and professional services sectors in 2020. Office leasing performance remained solid with high occupancy rates, although COVID-19 severely affected the properties' unique and renowned dining establishments such as Mott 32, Duddell's, and Wolfgang's Steakhouse.

Peak Galleria

While spending at the mall was hit by the plunge in international tourist arrivals, Peak Galleria managed to boost its occupancy rate by luring new-to-Hong Kong brands such as Jonetz Market by Don Don Donki and enhancing its line-up of amenities and services for local pet owners. Rental income increased due to the full-year impact of its reopening in the second half of 2019, after the completion of a two-year extensive AEI. As tourist arrivals are expected to remain subdued for the foreseeable future, Peak Galleria will focus on attracting more local shoppers via pop-up stores and an improved range of outlets geared toward the pet and wellness markets.

Kornhill Plaza's mall maintained its solid performance in 2020, proving resilient amid the COVID-19 pandemic

Foot Locker Power Store landed at Gala Place in February 2021

Kornhill Plaza

Shopping Mall

Our community stronghold Kornhill Plaza serving nearby residents and office workers proved fairly resilient amid the pandemic, managing to maintain occupancy and rental income in 2020 at similar levels to the previous year. The largest Japanese department store in Hong Kong, AEON Style, continued to perform well and a new supermarket concept named FRESH has come aboard in early 2021 as a new anchor tenant. Looking ahead, more lifestyle and services brands that cater to the needs of nearby residents will be introduced, with efforts being made to refine the layout of the mall to enhance its overall competitiveness and appeal to shoppers.

Office Tower and Serviced Apartments

The office tower and serviced apartments at Kornhill Plaza were more hard hit by COVID-19, with occupancy rates declining in 2020 as the suspension of classes hurt education businesses and the slump in international travel curbed demand for accommodation. Looking ahead, the office tower will seek to strengthen its range of beauty outlets to better serve the needs of nearby office workers.

Mongkok Portfolio

Shopping Malls

Our trio of tourist-oriented lifestyle malls in Mongkok – Gala Place, Grand Plaza, and Hollywood Plaza – had a challenging year as the pandemic led to business suspension orders for outlets such as restaurants, fitness centers, and beauty salons, and stifled spending by the young trendsetters and tourists that are drawn to the area. The slump led to the closure of some stores and requests for rent concessions. To help boost business, the shopping centers are looking to diversify their tenant mix by adding food and beverage outlets and sports flagship stores that are less reliant on tourists from the Mainland.

Office Towers

Occupancy and rents came under pressure in 2020 as the collapse in tourism severely impacted travel agencies, beauty services providers faced temporary shutdowns under government directives, and social distancing restrictions hampered educational establishments. Some existing tenants down-sized, lease renewals were sought at reduced rates and with more flexible terms, and demand for new space was weak amid rising vacancy rates in the Mongkok district.

Amoy Plaza introduces a huge variety of popular dining brands to maintain its appeal to nearby residents

On the other hand, medical services providers proved resilient to the downturn, and efforts had been made to attract new tenants from the sector, with two floors of Grand Plaza having been renovated in support of this. The leasing team will also be targeting other sustainable trades to win new business in 2021.

Amoy Plaza

The popular Kowloon Bay mall achieved a fairly stable occupancy rate in 2020; however, rental income showed a moderate decline as COVID-19 weakened demand for fashion, jewelry and beauty products while forcing temporary closures of dining outlets, gyms, and services providers. Grocery shops and health stores proved to be more resilient. The mall sought to enhance its selection of affordable dining options, with Jiu Fun Full, Ging Sun Ho King of Bun, Hee Wan Café, and Nam Kee Noodles among the newly recruited food outlets that outperformed previous tenants. The upcoming opening of the East Kowloon Cultural Centre in 2022 is expected to boost footfall in the vicinity of Amoy Plaza.

HONG KONG PROPERTY SALES

We will continue to look for opportunities to sell completed residential properties and dispose of some non-core properties in Hong Kong to unlock value from our property portfolio, depending on market conditions.

Market Landscape

Hong Kong's residential property market was dampened especially in the first half of 2020, with transactions and prices falling as the COVID-19 pandemic has taken a toll on the economy and kept Mainland buyers away. Discounting by developers and low interest rates helped revive activity in the second half, although sentiment remained cautious amid concerns over the China-U.S. trade dispute and socio-economic uncertainties. The luxury end of the market remained resilient with capital values generally flat as buyers adopted a wait-and-see stance.

Business Overview

Our property sales in Hong Kong focuses primarily on luxury residential projects. In September 2020, the Company won the tender for a land site at 37 Shouson Hill Road in the Southern District of Hong Kong Island at a price of HK$2,566 million.

During the reporting year, the Company sold the last remaining unit at The Long Beach, a high-end development of eight towers of apartments in southwest Kowloon offering spectacular sea views, with the duplex bringing in HK$62 million. We also disposed of certain non-core investment properties in Hong Kong in December 2020, including 44 car parking spaces at AquaMarine and The Long Beach. The transactions will be completed in the first half of 2021.

OUTLOOK

Riding on the momentum of the second half of 2020, our Mainland leasing portfolio is expected to sustain its revenue growth in 2021.

The opening of the Heartland 66 mall in Wuhan around the end of the first quarter of 2021 together with the full-year effect of the office tower will bring additional income in the next reporting year, on top of the organic growth of the existing portfolio. The malls at Center 66 in Wuxi, Olympia 66 in Dalian and Spring City 66 in Kunming will benefit further from the continued development of their luxury contents and market shares. Coupled with the power of our portfolio-wide CRM program HOUSE 66, retail sales are expected to rise to a new height adding impetus to our revenue growth. Our non-conventional office leasing models like the flexible office option, HANGOUT, will expand our office towers' offerings and accelerate the pace of leasing for the new towers in particular.

In Hong Kong, the market condition surrounding our leasing business will remain challenging. The recovery will depend on whether the pandemic will be brought under control to facilitate the relaxation of travel restrictions. While the return of tourists is uncertain, we will refine our tenant mix to capture local consumers' spending.

On the property sale side, we will continue to look for opportunities to sell residential properties and recycle capital out of non-core properties in Hong Kong if the market condition allows. Construction works of two redevelopment projects are on schedule.

On the Mainland, the construction of apartments in Wuhan, Wuxi, Kunming and Shenyang will continue as planned. Pre-sale of apartments will begin in the latter half of 2021, commencing with Heartland 66 in Wuhan.

NEW PROJECTS UNDER DEVELOPMENT

The Company's projects under development in mainland China are taking shape in prime locations across five cities, encompassing high-end malls, offices, apartments, and hotels. The two redevelopment projects in Hong Kong are on track.

Mainland China

Heartland 66, Wuhan

This mixed-use development in the center of Wuhan is our largest project in terms of area under construction. It consists of a premier shopping mall, a Grade A office tower, and apartments for sale. Construction works are progressing well despite the COVID-19 outbreak. The office and mall received their occupancy permits in November 2020 and December 2020, respectively. Office tenants commenced their operations in December 2020, and the mall is scheduled to open in March 2021, with tenants lined up for around three-quarters of the leasable space. Efforts to recruit HOUSE 66 members are progressing to forge connections with affluent customers. Construction of the apartments is underway and is scheduled for completion, in stages, from the second half of 2022.

Location	Total gross floor area*
Jinghan Avenue, Qiaokou District, Wuhan	308,528 square meters
Main Usage	**Expected year of completion**
Commercial, Apartments for Sale	2020 onwards

*Including gross floor area above and below ground (excluding car park area)

Commercial Office Apartments for Sale Hotel

Mainland China

Center 66, Wuxi (Phase 2)

Phase two of the development comprises three towers, two of which will be developed into luxury apartments for sale, and the other will be a hotel that complements Center 66's existing two office towers and shopping mall. Planning permission was obtained in the third quarter and the main construction works commenced in November 2020, keeping the project on track despite the disruption caused by the COVID-19 outbreak and stringent environmental protection measures imposed by the government.

Location Jiangkang Lu, Liangxi District, Wuxi	**Total gross floor area*** 108,982 square meters
Main Usage	**Expected year of completion** 2023 onwards

Spring City 66, Kunming

The remaining development at Spring City 66 is a tower comprising the five-star Grand Hyatt Kunming hotel and the Company's first luxury branded residences project. Located in the heart of Kunming, the building will be connected to Spring City 66's existing shopping mall and office tower. Planning permission was obtained in May and approval to begin work on the superstructure was secured in September 2020. The hotel, which is expected to open in mid-2023, will have 332 rooms and occupy the lower 26 floors of the new tower.

Location Dongfeng Dong Lu/Beijing Lu, Panlong District, Kunming	**Total gross floor area*** 98,054 square meters
Main Usage	**Expected year of completion** 2023 onwards

*Including gross floor area above and below ground (excluding car park area)

Commercial   Office   Apartments for Sale   Hotel

Mainland China

Westlake 66, Hangzhou

The Westlake 66 site is being developed into a high-end commercial complex, comprising a world-class shopping mall, five Grade A office towers, and a luxury hotel. The main works – which include a five-story deep basement excavation – commenced in September 2020 and are on track, benefiting from strong local government support and the deployment of new technologies that enable more effective cross-collaboration with consultants and contractors.

Location Bai Jing Fang, Xiacheng District, Hangzhou	**Total gross floor area** 194,100 square meters (including gross floor area above ground only)
Main Usage Commercial, Office, Hotel	**Expected year of completion** 2024 onwards

Forum 66, Shenyang

Complementing the existing luxury shopping mall, Grade A office tower, and the Conrad Shenyang hotel, plans are in place to build the remaining phases consisting of a retail mall, apartments and offices. Construction works began in September 2020 for the retail mall and apartments. The retail space will significantly increase the leasable area, and the apartments will be sold.

Location Qingnian Da Jie, Shenhe District, Shenyang	**Total gross floor area*** 502,660 square meters
Main Usage Commercial, Office, Apartments for Sale	**Expected year of completion** 2025 onwards

*Including gross floor area above and below ground (excluding car park area)

Commercial Office Apartments for Sale Hotel

Hong Kong

Electric Road Redevelopment Project

In collaboration with our parent company, Hang Lung Group (HLG), the Company is redeveloping the site at 226-240 Electric Road in North Point into a Grade A office tower with a retail area on the podium floors. Foundation works commenced in 2020.

Location 226-240 Electric Road, IL 1618, North Point	**Total gross floor area** 9,754 square meters
Main Usage	**Expected year of completion** 2022

Amoycan Industrial Centre Redevelopment Project

The site near MTR Kowloon Bay Station and the East Kowloon Cultural Centre is being redeveloped into 294 residential units for sale with commercial use on the podium floors. Foundation works commenced in 2020. Pre-sale of the residential units is planned for the second half of 2021, depending on market conditions.

Location 11 Ngau Tau Kok Road, NKIL 1744, Kowloon Bay	**Total gross floor area** 16,226 square meters
Main Usage	**Expected year of completion** 2023

Commercial Office Apartments for Sale Hotel

MAJOR PROPERTIES OF THE GROUP

A. Major Properties under Development

At December 31, 2020

	Location	Site Area (sq.m.)	Main Usage	Total Gross Floor Area (sq.m.)	Stage of Completion	Expected Completion Year
MAINLAND CHINA						
WUHAN						
Heartland 66	Jinghan Avenue, Qiaokou District	82,334	Commercial, Apartments for Sale	308,528	Superstructure	2020 onwards
WUXI						
Center 66 (Phase 2)	Jiankang Lu, Liangxi District	16,767	Apartments for Sale, Hotel	108,982	Foundation	2023 onwards
KUNMING						
Spring City 66	Dongfeng Dong Lu/Beijing Lu, Panlong District	56,043	Apartments for Sale, Hotel	98,054	Superstructure	2023 onwards
HANGZHOU						
Westlake 66	Bai Jing Fang, Xiacheng District	44,827	Commercial, Office, Hotel	194,100	Foundation	2024 onwards
SHENYANG						
Forum 66	Qingnian Da Jie, Shenhe District	92,065	Commercial, Office, Apartments for Sale	502,660	Foundation	2025 onwards
HONG KONG						
NORTH POINT						
Electric Road Redevelopment Project (HLP held: 66.7%)	226-240 Electric Road, IL 1618	650	Commercial, Office	9,754	Foundation	2022
KOWLOON BAY						
Amoycan Industrial Centre Redevelopment Project	11 Ngau Tau Kok Road, NKIL 1744	1,923	Commercial, Apartments for Sale	16,226	Foundation	2023

All the above properties are wholly owned by HLP unless otherwise stated

Commercial Office Apartments for Sale Hotel

B. Residential Properties Completed for Sale

At December 31, 2020

	Location	Site Area (sq.m.)	Total Saleable Area (sq.m.)	No. of Residential Unit for Sale	No. of Car Parking Spaces for Sale
HONG KONG					
23-39 Blue Pool Road	23-39 Blue Pool Road, IL 5747	7,850	3,835	9	18

All the above properties are wholly owned by HLP

C. Major Investment Properties

At December 31, 2020

	Location	Lease Expiry	Total Gross Floor Area (sq.m.)			No. of Car Parking Spaces
			Commercial	Office and Industrial/ Office	Residential & Serviced Apartments	
HONG KONG						
CENTRAL						
Printing House	6 Duddell Street, IL 339	2848	1,709	5,980	–	–
1 Duddell Street	1 Duddell Street, IL 7310	2848	2,340	6,616	–	–
Baskerville House	22 Ice House Street, IL 644	2880	1,473	3,379	–	–
Standard Chartered Bank Building	4-4A Des Voeux Road Central, Sections A&B of ML 103	2854	4,814	23,730	–	16
CAUSEWAY BAY AND WAN CHAI						
Hang Lung Centre	2-20 Paterson Street, IL 524 & IL 749	2864	8,777	22,131	–	126
Fashion Walk	Paterson Street, Houston Street, Great George Street, Cleveland Street, Kingston Street, Gloucester Road, ML 231 & ML 52, IL 469 & IL 470	2842, 2864 & 2868	31,072	–	7,935	–
Shui On Centre	15/F-28/F, 6-8 Harbour Road, IL 8633	2060*	–	16,313	–	42
HAPPY VALLEY						
23-39 Blue Pool Road	Unit 25B, 35B 23-39 Blue Pool Road, IL 5747	2090	–	–	855	4

* With an option to renew for a further term of 75 years

C. Major Investment Properties

At December 31, 2020

	Location	Lease Expiry	Total Gross Floor Area (sq.m.) Commercial	Office and Industrial/ Office	Residential & Serviced Apartments	No. of Car Parking Spaces
HONG KONG						
KORNHILL (QUARRY BAY)						
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	–	–	35,275	–
THE PEAK AND MID-LEVELS						
Peak Galleria	118 Peak Road, RBL 3	2047	12,446	–	–	493
The Summit	41C Stubbs Road, IL 8870	2047	–	–	15,225	54
HONG KONG SOUTH						
Burnside Villa	9 South Bay Road, RBL 994	2072	–	–	9,212	89
MONGKOK						
Grand Plaza	625 & 639 Nathan Road, KIL 10234 & KIL 10246	2060	20,905	31,251	–	40
Hang Tung Building	1112-1120 Canton Road, KIL 9708	2045*	–	–	–	1,000
Gala Place	56 Dundas Street, KIL 9590	2044*	7,454	30,205	–	478
TSIM SHA TSUI AND WEST KOWLOON						
Grand Centre	8 Humphreys Avenue, KIL 7725 & KIL 8026	2038	3,688	7,198	–	–
Hanford Commercial Centre	221B-E Nathan Road, KIL 10619 & KIL 8132	2037	1,444	4,891	–	–
AquaMarine	8 Sham Shing Road, NKIL 6338	2050	22,350	–	–	372
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	20,174	–	–	90
KOWLOON BAY						
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	49,006	–	–	620
KWAI CHUNG						
Laichikok Bay Garden	Shops 1A1, 1A2, 5A, 6A & 6B, Lai King Hill Road, Lot 3336 of SD 4	2047	2,973	–	–	–

* With an option to renew for a further term of 75 years

C. Major Investment Properties

At December 31, 2020

	Location	Lease Expiry	Total Gross Floor Area (sq.m.)# Commercial	Office and Industrial/ Office	Hotel	Residential & Serviced Apartments	No. of Car Parking Spaces
MAINLAND CHINA							
SHANGHAI							
Grand Gateway 66	1 Hong Qiao Lu, Xuhui District	2043	122,262	–	–	–	752
Plaza 66	1266 Nanjing Xi Lu, Jing'an District	2044	53,700	159,555	–	–	804
SHENYANG							
Palace 66	128 Zhongjie Lu, Shenhe District	2057	109,307	–	–	–	844
Forum 66	1 Qingnian Da Jie, Shenhe District	2058	101,960	131,723	60,222	–	2,001
JINAN							
Parc 66	188 Quancheng Lu, Lixia District	2059	171,074	–	–	–	785
WUXI							
Center 66 (Phase 1)	139 Renmin Zhong Lu, Liangxi District	2059	118,066	137,699	–	–	1,292
TIANJIN							
Riverside 66	166 Xing'an Lu, Heping District	2061	152,831	–	–	–	800
DALIAN							
Olympia 66	66 Wusi Lu, Xigang District	2050	221,900	–	–	–	1,214
KUNMING							
Spring City 66	21-23 Dongfeng Dong Lu/ 433 Beijing Lu, Panlong District	2051	166,754	167,580	–	–	1,629
WUHAN							
Heartland 66 (Office Tower)	688 Jinghan Avenue, Qiaokou District	2053	–	151,472	–	–	–

Gross floor area of mainland China investment properties includes gross floor area above and below ground

FINANCIAL REVIEW

Consolidated Results

Total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the financial year ended December 31, 2020 edged up by 1% to HK$8,973 million, and operating profit stayed flat at HK$6,481 million.

Despite the adverse impact of the novel coronavirus disease (COVID-19), our leasing portfolio revenue grew by 4%, driven by respectable growth in the Mainland portfolio. Property sales revenue dropped by 79% to HK$62 million.

Underlying net profit attributable to shareholders fell by 6% to HK$4,201 million. Underlying earnings per share correspondingly decreased to HK$0.93.

After taking into account the net revaluation loss of properties attributable to shareholders of HK$6,772 million, Hang Lung Properties reported a net loss attributable to shareholders of HK$2,571 million (2019: net profit of HK$6,172 million). The loss per share was HK$0.57 (2019: earnings per share of HK$1.37).

Revenue and Operating Profit

	Revenue			Operating Profit		
	2020 HK$ Million	2019 HK$ Million	Change	**2020 HK$ Million**	2019 HK$ Million	Change
Property Leasing	**8,911**	8,556	4%	**6,437**	6,325	2%
Mainland China	**5,277**	4,544	16%	**3,468**	2,938	18%
Hong Kong	**3,634**	4,012	-9%	**2,969**	3,387	-12%
Property Sales	**62**	296	-79%	**44**	162	-73%
Total	**8,973**	8,852	1%	**6,481**	6,487	–

Dividend

The Board of Directors has recommended a final dividend of HK59 cents per share for 2020 (2019: HK59 cents) to be paid in cash on May 20, 2021, to shareholders whose names are listed on the register of members on May 6, 2021. Together with an interim dividend of HK17 cents per share (2019: HK17 cents), the full year dividends for 2020 amounted to HK76 cents per share (2019: HK76 cents).

Property Leasing

Hang Lung Properties' overall leasing performance for the year increased by 4% to HK$8,911 million. While both the Mainland and Hong Kong portfolios were adversely affected by COVID-19 at the initial outbreak in early 2020, the full-year outcomes were very different. The Mainland portfolio posted a respectable year-on-year revenue growth of 17% in RMB terms and 16% in HKD terms, while the rental revenue of the Hong Kong portfolio declined by 9%.

On the Mainland, the spread of COVID-19 was better contained. Businesses experienced a V-shaped rebound starting from April 2020 along with a post-COVID-19 jump in luxury goods spending. Overall retail sales for the year surpassed last year. On the other hand, Hong Kong experienced ups and downs in waves throughout the year since the outbreak. A fourth-wave outbreak in late November resulted in further tightening of social distancing measures. Consequently, businesses and the overall retail environment in Hong Kong were facing a downturn.

During the year, steps were taken to alleviate the pressure on tenants, including the provision of rent relief and other supporting measures. We donated RMB10 million to establish the "Hang Lung Novel Coronavirus Relief Fund", supporting measures to stem the spread of COVID-19 in mainland China and Hong Kong.

Mainland China

Leasing revenue of our Mainland portfolio rose by 17% to RMB4,675 million, while overall operating profit for the Mainland portfolio grew by 19%. The average rental margin was 66%. Excluding the income from properties opened in the third quarter of 2019, namely Spring City 66 in Kunming, Office Tower 2 at Center 66 in Wuxi, Conrad Shenyang at Forum 66 and the new office tower at Heartland 66 in Wuhan ready for occupancy in November 2020, leasing revenue increased by 11% on a comparable basis.

In the retail businesses, the luxury goods market prospered since April 2020 after COVID-19 came under control in mainland China. Partly due to the repatriation of luxury goods spending caused by overseas travel restrictions, the retail sales growth at malls with higher luxury content in the second half of 2020 more than compensated for the sales drop during the initial outbreak. As a result, Plaza 66 and Grand Gateway 66 in Shanghai, Forum 66 in Shenyang and Center 66 in Wuxi recorded retail sales growth ranging from 9% to 72% against a year ago.

Palace 66 in Shenyang, Parc 66 in Jinan, Riverside 66 in Tianjin and Olympia 66 in Dalian, showed a more gradual recovery, reflecting weaker spending in the non-luxury sector. Although these retail properties posted negative growth on a full-year basis, we sighted the path to recovery with the overall retail sales of these properties returning to the same level in the last quarter of 2020 compared with the same period in 2019.

Overall, the mall portfolio collected 19% more revenue at a total of RMB3,731 million. If excluding the new Spring City 66 mall in Kunming, which opened in August 2019, the leasing income of our eight other Mainland malls grew by 15% year-on-year.

The office portfolio delivered a 2% revenue growth for the year resulting from the full-year effects of Office Tower 2 at Center 66 in Wuxi and the new office tower at Spring City 66 in Kunming, along with a smaller contribution from the Heartland 66 office tower in Wuhan, which was completed for occupancy in late 2020. Revenue from the existing four office towers declined 3% compared with the previous year.

Mainland China Property Leasing Portfolio

Name of Property and City	Revenue			Occupancy Rate*	
	2020 RMB Million	2019 RMB Million	Change	Mall	Office
Plaza 66, Shanghai	**2,032**	1,696	20%	99%	93%
Grand Gateway 66, Shanghai	**984**	853	15%	98%	N/A
Palace 66, Shenyang	**175**	194	-10%	88%	N/A
Forum 66, Shenyang#	**299**	257	16%	89%	90%
Parc 66, Jinan	**297**	322	-8%	94%	N/A
Center 66, Wuxi#	**363**	289	26%	96%	72%
Riverside 66, Tianjin	**168**	186	-10%	76%	N/A
Olympia 66, Dalian	**136**	152	-11%	77%	N/A
Spring City 66, Kunming#	**220**	54	307%	91%	41%
Heartland 66, Wuhan^	**1**	–	N/A	N/A	15%
Total	**4,675**	4,003	17%		
Total in HK$ Million equivalent	**5,277**	4,544	16%		

* All stated occupancy rates were as of December 31, 2020.

\# New properties opened in the second half of 2019: Conrad Shenyang at Forum 66, Office Tower 2 at Center 66 in Wuxi, and the mall and office tower at Spring City 66 in Kunming.

^ New property opened in November 2020: the office tower at Heartland 66 in Wuhan.

Plaza 66, Shanghai

Rental growth of 20% to RMB2,032 million was recorded at Plaza 66.

The mall delivered an outstanding result for the full year despite a dip in performance during the outbreak of COVID-19 in early 2020. The mall had successfully established its firm position as the "Home to Luxury", along with the maturity of our nationwide customer relationship management (CRM) program HOUSE 66. Rental revenue jumped 34% against 2019 while retail sales surged by 60% for the year. We will continue to cultivate customer loyalty and provide exclusive privileges to our members through increased collaborations with our tenants.

Income from the two office towers fell by 4% year-on-year as several tenants vacated their offices during the COVID-19 outbreak. Grade A office rents within the core Central Business District were under pressure in the short-term when some tenants were keen on moving to non-core areas to save costs. Nevertheless, we captured this opportunity to accommodate the expansion of larger international groups in both the fashion and professional services sectors to enhance the overall quality of our tenant portfolio. Plaza 66 maintained its long-term competitiveness in the market with its high quality of tenant-customer engagement programs, customer service and premium hardware. The occupancy rate remained stable at 93% at the end of 2020.

Grand Gateway 66, Shanghai (Mall only)

Grand Gateway 66 completed its three-year Asset Enhancement Initiative (AEI) in the third quarter of 2020. Accordingly, the mall is starting to deliver results according to plan. Through the last phase of its asset enhancement, revenue jumped 15% to RMB984 million. Retail sales grew sharply by 42%. The project is expected to produce good results as it enters its normalized years of operation from 2021 onward.

The project was relaunched as the "Gateway to Inspiration" with a grand party in late November 2020, featuring various entertainment and sales-driven activities involving celebrities and extensive collaborations with tenants. The Grand Gateway 66 mall is repositioned as a regional lifestyle center with a rich luxury content. It now houses a constellation of top international luxury brands in addition to its traditionally strong collection of contemporary fashion and beauty, along with a large variety of food and entertainment. The AEI successfully transformed Grand Gateway 66 into a mall with luxury offerings and has established a solid foundation for future rental growth.

Palace 66, Shenyang

Palace 66 mall revenue fell by 10% to RMB175 million and retail sales dropped by 15% year-on-year, primarily due to the COVID-19 outbreak and extensive public roadworks along the pedestrianized zone that lasted for several months. Shopping sentiment and footfall returned to pre-pandemic levels from the fourth quarter of 2020 along with the completion of the public roadworks. Despite these challenges, Palace 66 seized the opportunity to improve its tenant mix by replacing non-performing tenants with more competitive and unique brands to enhance the location's position as the city's trendiest mall. Occupancy fell by seven points to 88% as of December 31, 2020.

Forum 66, Shenyang

Total revenue of the entire Forum 66 portfolio increased by 16% from the previous year to RMB299 million, mainly attributed to the new income stream from the Conrad Shenyang hotel, which commenced business in September 2019.

Affected by the pandemic in the first half of 2020 and intense competition in the city's luxury market, Forum 66 mall revenue retreated by 7% year-on-year. Occupancy fell by five points to 89%. Sales increased 9% year-on-year. The luxury segment rebounded strongly from May 2020, which narrowed the drop in revenue against last year's. The nationwide CRM program HOUSE 66 was launched in August 2020 to enhance customer experience and loyalty and drive tenants' sales.

Income from the office tower retreated by 2%. Although the office vacancy rate in Shenyang remained high due to ample supply, the occupancy rate achieved 90%, up three points against a year ago, due to Forum 66's strong positioning in the Shenyang office market.

Conrad Shenyang contributed a revenue of RMB80 million for the reporting year. COVID-19-related travel restrictions crushed demand for hotel rooms and catering services in the first half of 2020. Revenue has gradually recovered since May 2020 when business and domestic travels resumed.

Parc 66, Jinan

The Parc 66 mall recorded a 8% decline in revenue to RMB297 million and a 18% drop in retail sales due to the pandemic. Despite the unfavorable trading conditions, the brand improvement exercise continued. The year-end occupancy rate was high at 94%. Retail sales recovered in the fourth quarter of 2020 with 2% growth period-on-period. A major AEI is planned to start in 2021 to pave the way for a stronger mix of brands. The renovation is scheduled for completion in phases from 2022 onwards.

Center 66, Wuxi

Center 66 achieved remarkable rental growth of 26% to RMB363 million.

The Center 66 mall became the heart of luxury in the city upon the migration of top luxury brands from other locations in Wuxi to Center 66. As a result, revenue and retail sales jumped by 30% and 72% respectively, primarily due to higher base and turnover rent from the luxury labels. We saw strong growth momentum in the second half of 2020 when retail sales leaped by 125% against the corresponding period of 2019. The mall continues to drive solid and sustainable growth in luxury sales through its HOUSE 66 program.

Total income from the two office towers advanced by 16% resulting from the expansion of some existing tenants and the relocation of certain multinational corporations from other Grade A properties. The new lettings of Office Tower 2 outpaced the minor retreat in Office Tower 1. The occupancy of the two office towers combined was 72% at year-end 2020. It successfully lured tenants from different sectors such as insurance, technology and the new economy. In September 2020, we launched our first multifunctional workspace, HANGOUT, which broadens its appeal to a variety of potential tenants looking for world-class flexible work-spaces.

Riverside 66, Tianjin

Revenue of mall decreased by 10% to RMB168 million and retail sales contracted by 23%. After a government-ordered five-week business suspension in response to the COVID-19 outbreak, the mall reopened in March 2020. Since then, we have been collaborating with our tenants to bring shoppers back and boost retail sales. The mall will continue to enhance its lifestyle content by introducing strong sports brands, fashion and accessories, and high-quality food and beverage offerings. Further customer loyalty to the mall was attracted with the launch of the HOUSE 66 program in July 2020.

Olympia 66, Dalian

Olympia 66 experienced a revenue decline of 11% to RMB136 million, as it was heavily affected by the adverse impacts of COVID-19. Retail sales retreated 18% for the year. The introduction of top-end luxury offerings starting in the third quarter of 2020, has upgraded the mall's positioning. It will be followed by the gradual opening of a complete line-up of the world's leading brands in 2021. The HOUSE 66 program was successfully launched there in June 2020 to complement the positioning uplift.

Spring City 66, Kunming

Spring City 66 commenced business in August 2019 and recorded total rental revenue of RMB220 million in its first full year of operation.

The mall collected RMB183 million in rents. With a highly successful pre-leasing program, the mall was well positioned as the hub of prime luxury in the city from the start. As a result, substantial growth was experienced in the second half of 2020 after a minor setback by the COVID-19 outbreak in the early part of the year. The occupancy rate reached 91% at the end of 2020.

Office tower revenue reached RMB37 million for 2020, and the occupancy rate was 41% at the year-end. The prime location and premium facilities have attracted quality tenants from fast-growing industries across Southwest China.

Heartland 66, Wuhan

The Heartland 66 office tower readied itself for occupancy in November 2020 and is the seventh office tower in our Mainland portfolio. Rental revenue recognized for the first two months was RMB1 million, while year-end occupancy reached 15%.

Hong Kong

Hong Kong was still reeling from the prolonged adverse effects of the COVID-19 pandemic in 2020. Revenue fell by 9% to HK$3,634 million while operating profit dropped by 12% to HK$2,969 million. The rental margin was at 82%.

The pandemic inevitably affected our leasing business in Hong Kong. Businesses located in properties in Causeway Bay and Mongkok and the serviced apartments segment suffered the most from the slump in tourist arrivals. Food and beverage tenants, cinemas, education centers, gyms and beauty parlors were directly affected to varying degrees by social distancing measures imposed by the government, including dine-in restrictions, operation halts and capacity caps. While the community malls like Kornhill Plaza and Amoy Plaza were more resilient, the businesses of cinemas, gyms and education centers therein could not escape from the damaging effect of various measures.

Rent relief was granted to selective tenants to alleviate the impact of business environment on them. New lease and renewal terms were mostly concluded at negative reversion rates during the reporting year. Unlike the Mainland portfolio, revenue and retail sales did not return to pre-pandemic levels and are expected to take significantly longer to recover.

We took the opportunity to refine our tenant mix during this challenging time by seeking out more popular trades and brands to cater to the local community's daily needs.

Hong Kong Property Leasing Portfolio

	Revenue			Occupancy Rate*
	2020 HK$ Million	2019 HK$ Million	Change	
Commercial	**2,139**	2,374	-10%	97%
Office and Industrial / Offices	**1,232**	1,315	-6%	88%
Residential & Serviced Apartments	**263**	323	-19%	56%
Total	**3,634**	4,012	-9%	

* All stated occupancy rates were as of December 31, 2020.

Commercial

Revenue from our Hong Kong commercial portfolio decreased by 10% to HK$2,139 million. The overall occupancy rate fell one point to 97%.

The **Causeway Bay portfolio** was mostly affected as a result of the significant decrease in tourist arrivals. With the impacts of rent relief and negative rental reversions, revenue from this portfolio dropped by 16% and the occupancy rate declined by two points to 95%.

With more tourist-oriented trades, our Mongkok portfolio was also negatively impacted. Revenue at **Grand Plaza** and **Gala Place in Mongkok** decreased by 16% for the reporting year. Grand Plaza remained fully let at the reporting date. At Gala Place, the former three-story anchor tenant departed in October 2020. Part of the premises have been taken up while advanced discussions are continuing with a well-established lifestyle brand for the balance of the space. In the transition, the occupancy rate of Gala Place declined to 62%.

Our community strongholds, **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East**, were less affected. Revenue at Kornhill Plaza remained flat, while revenue at Amoy Plaza retreated by 8%. The mega department store at Kornhill Plaza continued to perform well even under adverse market conditions. To meet the needs of the highly populated neighborhood, we continuously refine the trade mix and enrich the experiences and offerings in our community malls.

Peak Galleria collected 9% more in rents against 2019, benefiting from the full-year impact of its reopening in the second half of 2019 after the completion of a two-year extensive AEI. The occupancy rate was 95% at year-end 2020. In December 2020, a popular Japanese grocery store unveiled a new concept shop at Peak Galleria, which offered new excitements and a unique experience for all visitors.

Offices

Office leasing momentum was sluggish due to the geopolitical tensions and economic uncertainties caused by the prolonged COVID-19 pandemic. Some tenants were keen on downsizing their office space to reduce overhead. During the pandemic, services such as beauty parlors, gyms and education centers found it difficult if not impossible to maintain routine operation. Revenue of the Hong Kong office portfolio dropped by 6% to HK$1,232 million. The overall occupancy rate fell by four points to 88%.

The office rents of our Central portfolio increased by 2% during the year. Revenue from the Mongkok and Causeway Bay portfolios decreased by 6% and 21% respectively because of their heavy semi-retail elements. Hong Kong office rentals accounted for 34% of the total leasing income in Hong Kong.

Residential and Serviced Apartments

Our serviced apartments' performance was weak because of the travel restrictions imposed and shrinking demand from expatriates. Revenue from the apartments dropped by 19% to HK$263 million, primarily due to lower occupancy at Kornhill Apartments and The Summit.

Property Sales

The last unit (duplex) of The Long Beach was sold in 2020 (2019: one house at 23-39 Blue Pool Road). Revenue from property sales fell by 79% to HK$62 million. Taking into account pre-sale marketing expenses for projects launching in 2021, operating profit from property sales was HK$44 million and the corresponding profit margin was 71%.

In December 2020, a total of 44 car parking spaces held as investment properties at AquaMarine and The Long Beach were sold. The transactions will be completed in the first half of 2021. These properties were reclassified as assets held for sale as of December 31, 2020, valued with reference to the selling prices. A gain on disposal of HK$45 million was included as part of the fair value change of properties for the year.

Property Revaluation

The total value of our investment properties and investment properties under development amounted to HK$191,866 million as of December 31, 2020, comprising the value of the mainland China portfolio and the Hong Kong portfolio standing at HK$130,769 million and HK$61,097 million, respectively. These properties were revalued by Savills, an independent valuer, as of December 31, 2020.

A revaluation loss of HK$6,664 million (2019: gain of HK$8,797 million) was recorded, representing a 4% decrease in valuation compared to the value as of December 31, 2019. Our investment properties are held to earn recurring rental income as long-term investments. The revaluation loss is non-cash in nature with no material effect on cash flows and dividend distribution capability.

The mainland China portfolio recorded a loss of HK$2,529 million (2019: gain of HK$9,281 million), a 2% decrease in valuation against year-end 2019 and stayed flat versus June 30, 2020, respectively, largely reflecting the adverse effect of COVID-19 on shopping malls that have lesser luxury content and the market conditions of offices.

The Hong Kong portfolio had a revaluation loss of HK$4,135 million (2019: HK$484 million), a 6% and 3% decline against year-end 2019 and June 30, 2020, respectively. The decrease in the appraised value of our investment properties in Hong Kong signified the dampening effects of the pandemic on consumer spending and uncertainties on the ensuing recovery.

Property Development and Capital Commitment

The aggregated values of development projects in investment properties for leasing and properties for sale were HK$27,544 million and HK$7,022 million, respectively. These comprised mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou and Shenyang, and redevelopment projects in Hong Kong. At the reporting date, our capital commitments for the development of investment properties amounted to HK$19 billion.

Mainland China

The construction works at **Heartland 66** in Wuhan are progressing well despite a temporary work suspension in the first quarter of 2020 resulting from the outbreak of COVID-19. Following the opening of the office tower in November 2020, the mall is scheduled to commence operations around the end of March 2021. Construction of the three blocks of apartments has started and is scheduled for completion, in stages, from the second half of 2022. The pre-sale of apartments will begin in the second half of 2021.

Phase two of **Center 66** in Wuxi comprises luxury apartments and a boutique hotel, with a total gross floor area of 108,982 square meters. The master layout plan of the project has been approved and piling is in progress. The project is expected to reach completion from 2023 onwards.

The remaining development at **Spring City 66** in Kunming comprises the five-star Grand Hyatt Kunming hotel and the luxury branded residences. Construction has begun and is scheduled for completion in 2023. The hotel is expected to open in mid-2023.

The piling works of **Westlake 66** in Hangzhou are making good progress. The project has a total gross floor area of 194,100 square meters above-ground, and will be developed into a high-end commercial complex comprising a retail podium covering a gross floor area of 99,000 square meters, five Grade A office towers and a luxury hotel. The project is scheduled for completion, in phases, from 2024 onwards.

The remaining phases of **Forum 66** in Shenyang consist of offices, apartments and a retail podium with a total gross floor area of 502,660 square meters. Construction works commenced in September 2020.

Hong Kong

The construction works of the redevelopment of a Grade A office tower at 226-240 Electric Road in North Point are in progress. The project is a joint development with our parent company, Hang Lung Group Limited (Hang Lung Group), spanning a total gross floor area of approximately 105,000 square feet, inclusive of a retail area across the lower floors. The project is scheduled for completion in 2022.

The former Amoycan Industrial Centre, which is close to MTR Kowloon Bay Station and the future East Kowloon Cultural Centre, is being redeveloped into residential units for sale with a total gross floor area of 155,000 square feet, and some commercial areas on the podium floors. Construction is progressing well and the project is targeted for completion in 2023. The pre-sale of apartments is planned for the second half of 2021.

On September 9, 2020, Hang Lung Properties won the tender for a land site at 37 Shouson Hill Road in the Southern District of Hong Kong Island worth HK$2,566 million for redevelopment. The transaction was not completed as scheduled by December 30, 2020 as it involves foreign affairs and diplomatic matters that are within the prerogative of China and the U.S. as Sovereign States, and hence outside of our control. We will continue to evaluate the appropriate actions that may be taken. For more details, please refer to the joint announcement of Hang Lung Group and Hang Lung Properties on December 30, 2020.

Financing Management

The prime objective of our financial management strategy is to maintain an appropriate capital structure with a high degree of agility. The aim is to ensure access to sufficient financial resources for meeting operational needs and business expansions and to cushion the Company from unexpected external financial shock. All financial risk management, including debt re-financing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

Funding needs are closely monitored and regularly reviewed to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. We also maintain multiple channels of debt financing to mitigate concentration risks.

For debt portfolio management, we focus on mitigating foreign exchange, interest rate, and re-financing risks through an appropriate mix of RMB/HKD/USD borrowings, fixed/floating-rate debts, a staggered debt repayment profile, and a diversified source of funding.

As part of our ESG (environmental, social and governance) initiatives, Hang Lung Properties had made good progress during the year in sustainable financing. Under the Green Finance Framework launched in 2019, we have issued green bonds worth HK$2.0 billion and arranged green loan facilities to the value of HK$1.9 billion in 2020. We also obtained two sustainability-linked loan facilities totaling HK$1.5 billion during the year as part of the efforts to drive our long-term sustainability performance. Sustainable finance now accounts for 13% of our total debts and available facilities and we aim to further increase this proportion.

Cash Management

As of December 31, 2020, total cash and bank balances amounted to HK$6,319 million (December 31, 2019: HK$3,306 million). All deposits are placed with banks carrying strong credit ratings. The counterparty risk is monitored on a regular basis.

The cash and bank balances at the reporting date comprised the following currencies:

	At December 31, 2020		At December 31, 2019	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**2,584**	41%	2,056	62%
RMB	**3,602**	57%	1,150	35%
USD	**133**	2%	100	3%
Total cash and bank balances	**6,319**	100%	3,306	100%

Debt Portfolio

As of December 31, 2020, total borrowings amounted to HK$37,917 million (December 31, 2019: HK$29,673 million), of which 34% was denominated in RMB as a natural hedge to the net investments in mainland China. The higher debt balance against 2019 was mainly due to payments for construction in mainland China and Hong Kong.

In 2020, Hang Lung Properties entered a number of interest rate swap contracts converting HK$4.5 billion in floating-rate borrowings to a fixed rate as part of our interest rate management strategy. Also, additional Medium Term Notes (MTN) of HK$6.1 billion were issued during the year. As a result, fixed-rate borrowings accounted for 63% of our total borrowings as of December 31, 2020.

The composition of our debt portfolio can be categorized as follows:

i) by currency (after currency swap):

	At December 31, 2020		At December 31, 2019	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**25,007**	66%	18,116	61%
RMB	**12,910**	34%	11,557	39%
Total borrowings	**37,917**	100%	29,673	100%

ii) by fixed or floating interest (after interest rate swap):

	At December 31, 2020		At December 31, 2019	
	HK$ Million	% of Total	HK$ Million	% of Total
Fixed	**23,772**	63%	13,466	45%
Floating	**14,145**	37%	16,207	55%
Total borrowings	**37,917**	100%	29,673	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$31,598 million (December 31, 2019: HK$26,367 million). Net debt to equity ratio was 21.3% (December 31, 2019: 17.8%) and debt to equity ratio was 25.6% (December 31, 2019: 20.1%). The increases were largely due to capital expenditures in mainland China and Hong Kong.

Maturity Profile and Refinancing

At the reporting date, the average tenure of the entire loan portfolio was 2.9 years (December 31, 2019: 2.9 years). The maturity profile was staggered over more than 10 years. Around 57% of the loans were repayable after 2 years.

	At December 31, 2020		At December 31, 2019	
	HK$ Million	% of Total	HK$ Million	% of Total
Repayable:				
Within 1 year	**7,464**	20%	2,694	9%
After 1 but within 2 years	**8,585**	23%	7,235	25%
After 2 but within 5 years	**18,645**	49%	18,172	61%
Over 5 years	**3,223**	8%	1,572	5%
Total borrowings	**37,917**	100%	29,673	100%

As of December 31, 2020, total undrawn committed banking facilities amounted to HK$12,563 million (December 31, 2019: HK$9,399 million). The available balances of the USD4 billion (December 31, 2019: USD3 billion) MTN Program amounted to USD1,670 million, equivalent to HK$12,945 million (December 31, 2019: HK$10,965 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2020, the gross finance costs stayed flat at HK$1,470 million, as the effect of the increase in total borrowings were offset by a lower average cost of fund. The net amount charged to the statement of profit or loss for the year increased to HK$174 million. The increase was due to a reduction in finance costs capitalized for projects under development after the completion and opening of new properties in 2019 and 2020.

Interest income for the year decreased by 57% to HK$63 million due to our concrete efforts to better utilize surplus cash for construction payments.

For 2020, finance costs in excess of interest income, i.e. net interest expense, was HK$111 million (2019: net interest income of HK$100 million). The average effective cost of borrowings for the year was lowered to 4.4% (2019: 4.8%), benefitting from the lower HIBOR and lower coupon rates for the MTN issued in 2020.

Interest cover for 2020 was 4 times (2019: 4 times).

Foreign Exchange Management

Normal operations in mainland China and the two USD500 million bonds issued expose our business activities to foreign exchange fluctuations. Appropriate measures have been taken to mitigate our risk.

(a) RMB Exposure

Our RMB exposure is mainly derived from the currency translation risk arising from the net assets of our subsidiaries in mainland China.

As of December 31, 2020, net assets denominated in RMB accounted for about 71% of our total net assets. Following the RMB's appreciation against the HKD by 6.4% compared with December 31, 2019, the re-translation of these net assets converted from RMB into HKD at the exchange rate as of the reporting date resulted in a re-translation gain of HK$6,233 million (2019: loss of HK$2,028 million). The re-translation gain was recognized in other comprehensive income/ exchange reserve.

Our business operations and projects under development in mainland China are funded by cash inflows from local operations, RMB borrowings and capital injections from Hong Kong. We have adopted a systematic approach to mitigate the currency risks and practiced the strict discipline of not speculating on the movement of the RMB against the HKD. Regular business reviews assess the level of funding needs for our mainland China projects based on factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of changing circumstances.

(b) USD Exposure

Our USD foreign exchange exposure is related to the two USD500 million fixed-rate bonds issued, equivalent to HK$7,753 million at the reporting date. The related currency exchange risk was covered back-to-back by two USD/HKD cross-currency swap contracts.

Charge of Assets

Assets of Hang Lung Properties were not charged to any third parties as of December 31, 2020.

Contingent Liabilities

Hang Lung Properties did not have any material contingent liabilities as of December 31, 2020.

Westlake 66, Hangzhou

Parc 66, Jinan

Forum 66, Shenyang

OPENNESS

We are open to new ideas and respect different opinions
with a welcoming and hospitable spirit

SUSTAINABLE DEVELOPMENT

Hang Lung is committed to embedding an unwavering culture of sustainability across its business operations and value chain. In 2020, we joined efforts across borders to curb the impact of COVID-19 on our valued employees, customers, and communities. We also established a set of ambitious, long-term sustainability goals and targets to be achieved by 2030. Our key priority is to become a sustainability leader in the real estate industry over the next ten years and beyond.

Reporting Approach and Standards

The Sustainable Development section of this report briefly summarizes the Company's new sustainability framework, goals, targets, and performance in 2020. Our standalone *Sustainability Report 2020* will disclose our sustainability policies, metrics, and performance in greater detail. The sustainability report will follow the Global Reporting Initiative (GRI) Standards and the "mandatory disclosure requirements" and "comply and explain" provisions of the ESG Reporting Guide in Appendix 27 of the Listing Rules.

Sustainability Priorities, Goals, and Targets

In 2019, following consultation with our stakeholders and benchmarking against our peers globally, we updated our sustainability framework to incorporate several improvements. In January 2020, the Boards of Hang Lung Group and Hang Lung Properties endorsed a new framework comprising four priorities. In November 2020, the Boards approved four goals and ten targets within the framework for the end of 2030. The new goals and targets will escalate and refine our sustainability drive across the next decade. The priorities, goals, and targets are summarized below.

	Climate Resilience	Resource Management	Wellbeing	Sustainable Transactions
2030 GOALS	Reduce carbon footprint in line with climate science	Accelerate the transition to a circular economy by minimizing resource consumption and maximizing recycling	Ensure employees, customers, and communities enjoy an unrivalled environment that promotes their health and wellbeing	Collaborate with all suppliers and customers to advance our sustainability priorities
2030 TARGETS	• Demonstrate best efforts to achieve a 70% reduction in scopes 1 and 2 greenhouse gas emissions intensity (per m^2), compared to 2018 baseline • Build a nearly net zero carbon building	• Incorporate circular building principles in new properties • Implement water management program in all properties • Divert 90% of waste from landfills	• Assess wellbeing for all employees and key customers • Meet or exceed wellbeing standards for new properties • Work with youth on sustainability solutions in all cities where we have assets	• Implement supplier evaluation and ranking system • Engage all tenants on emissions reduction, resource management, and wellbeing enhancement

To formalize board oversight of sustainability issues and progress with sustainability goals and targets, the Boards of Hang Lung Group and Hang Lung Properties approved the Joint Statement on Oversight and Management of Environmental, Social, and Governance Issues in November 2020, which was prepared following the Listing Rules.

Our senior management team rolled up their sleeves to pack and distribute anti-epidemic pack to show appreciation for our staff's dedication

Stalls with free snacks and hot drinks at our office towers across multiple Mainland cities thanked delivery workforce, couriers and security guards for their contributions

Fight against COVID-19

Throughout the COVID-19 pandemic, the wellbeing of our employees, customers, and communities has been our topmost priority.

We provide personal protective equipment, including surgical masks, face shields, and gloves to protect our staff at work. Since February 2020, we adopted flexible yet productive work arrangements and a stringent reporting and self-quarantine protocol to reduce social contact and potential for spreading the virus.

We implemented extensive precautionary measures at all our properties in Hong Kong and mainland China to ensure the safety of our customers and tenants. Among others, we increased the frequency of thorough sanitization and disinfection with new technologies at our malls, office towers, and common areas. We also stepped up the sanitization of ventilation systems with fresh air intake to improve indoor air quality and provide hand sanitizers and thermometers at our malls.

We further earmarked a donation of RMB10 million from the "Hang Lung Novel Coronavirus Relief Fund" in February 2020 to serve our communities during the pandemic. Leishenshan Hospital in Wuhan received RMB6 million to fund COVID-19 preparedness measures. The remaining RMB4 million was allocated to support various community initiatives, including distributing protective anti-epidemic items, fresh food packs, basic necessities, and meal coupons to over 14,000 beneficiaries in Hong Kong and mainland China throughout the year.

We also set up stalls with free snacks and hot drinks at Grand Gateway 66 in Shanghai, Olympia 66 in Dalian, and Palace 66 in Shenyang to thank the delivery workforce and couriers for their contributions and our security guards for their dedication and professionalism during the pandemic.

To mark the 60th anniversary of Hang Lung Group, around 1,000 of our Company's volunteers from Hong Kong and nine cities in mainland China came together for our first-ever, large-scale community services event in September 2020. Together, we provided support for 4,500 underprivileged people and enhanced their awareness of health and safety measures.

Climate Resilience

Carbon Emissions Reduction

To escalate our efforts to mitigate climate change, we set a 2030 portfolio-wide carbon reduction intensity target for our scopes 1 and 2 emissions, a target

Commemorating Hang Lung Group's 60th anniversary, our inaugural large-scale community services event supported 4,500 underprivileged people

informed by the Science Based Targets initiative (SBTi) methodology. In 2020, we completed the first greenhouse gas (GHG) mitigation plan for all properties in operation. Launching in 2021, the plan's key focus is to enhance energy efficiency as more than 90% of our scopes 1 and 2 emissions come from building energy consumption. We regularly monitor our carbon emissions to ensure we remain on track to achieve our carbon reduction target. We also migrated our carbon emissions data to an online platform in 2020 to improve traceability and reliability.

Adaptation to Physical Climate Risks

Hang Lung recognizes the need to adapt our properties to the physical risks arising from changes in means and extremes of climate patterns. In late 2020, with the support of an external climate modeling expert, we launched a physical climate risks analysis of all our properties for different climate scenarios. The first iteration of our climate adaptation plan is due for completion by the end of 2021. The plan will identify physical risks to our assets and operations, our existing control measures, residual risks, and recommended adaptation measures. The climate adaptation plan will be updated periodically as a core feature of our climate risk management strategy.

Resource Management

Energy Conservation

As part of our GHG mitigation plan, each property has identified energy efficiency and conservation measures under four major categories: 1) capital measures that retrofit or replace inefficient equipment; 2) improved building operating practices; 3) testing, calibration, and optimization of building facilities; and 4) behavioral change measures (e.g., turning off the lights). All planned measures will be implemented in 2021. The process will be repeated annually.

Water Conservation

Many of our operating cities are affected by water stress. As a result, we have implemented a broad spectrum of measures to reduce water consumption at our properties, from installing water-efficient fixtures to raising awareness of water conservation among our employees, customers, and tenants.

Waste Management

Waste management remains a key environmental challenge in Hong Kong and mainland China. New measures launched in 2020 are set to increase our waste reduction efforts.

In Hong Kong, we partnered with Mastercard and KeyChain Pay to digitize and streamline the rental process and cut down paper consumption for some of our serviced apartments. We observed a significant increase in the sales of takeaway meals by food and beverage (F&B) tenants during the year due to the pandemic. To engage customers in waste reduction, we encouraged patrons to bring reusable containers to purchase takeaway food in exchange for shopping vouchers.

Our properties in mainland China continued to enhance waste management provisions to cope with the new municipal solid waste classification regulations. For instance, Riverside 66 in Tianjin has provided waste classification bins with clear signs to help customers and tenants dispose of waste appropriately. Our cleaning staff verifies the waste classification during collection, and we maintain close communication with all our tenants to ensure they adhere to the new classification and disposal arrangements.

Finally, we are digitizing internal forms for our office operations in Hong Kong and mainland China to boost efficiency, save paper, and reduce printing.

Building Design and Construction

As a leading property developer in Hong Kong and mainland China, we are dedicated to enhancing industry standards for sustainable buildings across building operations, design, and construction. Our buildings are designed and constructed in line with international best practices as far as possible. In 2020, our Spring City 66 shopping mall and office tower in Kunming earned LEED (Leadership in Energy and Environmental Design) Gold certification for core and shell development. We also secured our first LEED Platinum pre-certifications for two office towers at Westlake 66 in Hangzhou.

The design guidelines for waste management provisions at our new buildings have also been updated to facilitate more effective waste disposal and recycling.

Wellbeing

Employee Wellbeing

Talent Attraction and Retention

Hang Lung provides competitive remuneration and benefits packages, which are regularly benchmarked against industry standards to ensure a fair and respectful workplace. We remain committed to ensuring the fair and equal treatment of all our employees and job candidates. Our Equal Employment Opportunities Policy prohibits any form of discrimination against employees or job candidates, including gender, age, marital status, family status, pregnancy, disability, race, ethnic origin, or religion. We also uphold and respect the rights of all our employees and job candidates in keeping with international standards, which forbids any unlawful forms of labor, including child or forced labor.

To mark the 60th anniversary of Hang Lung Group, our employees received an additional day of paid annual leave, named Founder's Day Leave, starting in 2020 to recognize their hard work and contributions. During the reporting year, we organized multiple virtual training events, including webinars on leadership, technology application, and recent regulations, to equip staff with the knowledge and skills required to remain agile during the pandemic.

Occupational Health and Safety

Our Occupational Health and Safety Policy describes the Company's and employees' roles in maintaining health and safety in the workplace. Regular training of employees across all levels reinforces our safety culture. In 2020, we completed the enhancement of our safety management system for property management operations in Hong Kong, including safety organizational structures, comprehensive guidelines, and management processes in line with the international standard ISO 45001. Based on our Hong Kong knowledge and achievements, we are on track to standardize safety management systems across our properties in mainland China by the end of 2021.

Wellness

We employ a multi-pronged approach to foster employee wellness. We formalized flexible working arrangements in Hong Kong and mainland China in March 2020 to help employees fulfill both work and family obligations and attain a better work-life balance. Office staff can apply to start and leave work up to one hour earlier or later than our standard working hours. They can also apply to work from home temporarily both in and outside of the pandemic. A series of online events for our colleagues in Hong Kong and mainland China, including webinars on the prevention of back pain and fitness classes, further raised awareness of health and wellness in 2020.

Undeterred by the pandemic, we continued supporting our communities virtually or through a safe combination of online and physical activities

Community Wellbeing

Hang Lung As One Volunteer Team

Our Hang Lung As One Volunteer Team aims to enhance the wellbeing of the communities where we operate. In 2020, our volunteering efforts focused on three areas, including youth development and education, environmental protection, and services for the elderly. Undeterred by the pandemic, we tackled social distancing constraints by serving communities virtually or through a safe combination of online and physical activities.

In Hong Kong, we collaborated with The Hong Kong Federation of Youth Groups to organize the "Let's Sportsor!" program for underprivileged teenagers. Each 18-hour set of exercises that was completed by a volunteer resulted in one full sponsorship of a three-month sports training scheme for a teenager, including soccer, skipping, roller skating, and gymnastics.

Students in the Hang Lung Young Architects Program participated in a design challenge to submit team proposals for a community learning space to foster creativity, knowledge sharing and sustainable development

Our volunteers also participated in Green Earth's Green Power Night Walk to raise funds for environmental programs that promote waste reduction. We partnered with Lok Kwan Social Service to pair single senior citizens with our volunteers to share health tips and provide remote companionship through weekly phone calls. We also joined forces with the Hong Kong Young Women's Christian Association to teach our volunteers about dementia and guide them through making simple training tools, which were handed out in gift bags to 150 families of dementia patients to resume rehabilitation at home during the pandemic.

In mainland China, we expanded our youth development efforts. In one instance, volunteers from Parc 66 in Jinan worked with tenants to organize a rice dumpling–making activity for children and their parents to learn more about the Tuen Ng Festival and Chinese culture.

To aid environmental protection, volunteers from Forum 66 and Palace 66 in Shenyang arranged a tree-planting event with Conrad Shenyang. In furthering our work with the elderly, volunteers from Grand Gateway 66 in Shanghai sent sachets with traditional Chinese medicine to senior citizens at a nearby nursing home. Volunteers from Spring City 66 in Kunming helped local elderly people clean their homes.

Hang Lung Young Architects Program

Following encouraging feedback, our Hang Lung Young Architects Program, co-organized with the social enterprise Walk in Hong Kong, returned for a second installment in 2020. The 10-month program facilitated 330 students from 66 secondary schools to expand their understanding of architecture in the community through a series of online and offline activities, including workshops, seminars, and walking tours. Students had access to over 11,000 hours of training to continue learning, interacting, and expanding their horizons during the pandemic. Putting their newly acquired skills to the test, participants were split into teams and required to identify a plot of land and design a community learning space to foster creativity, knowledge sharing, and sustainable development. The "Sketch Your Sky" project ended with three winning teams praised by the judging panel for their outstanding proposals.

Sustainable Transactions

Sustainable Financing

To further enhance our sustainability performance through sustainable financing, we signed two sustainability-linked loan (SLL) facility agreements worth HK$1.5 billion with Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB) and DBS Hong Kong (DBS). While the SLL proceeds can be used for general corporate funding purposes, we will prioritize funding initiatives that advance our sustainability performance in the long run.

Our SLL agreement with Crédit Agricole CIB converts an existing five-year credit facility of HK$500 million, while our deal with DBS is for a new five-year SLL of HK$1 billion. We will work towards the predetermined sustainability performance targets agreed with the two banks, including retaining our listing on the Dow Jones Sustainability Asia Pacific Index and an annual reduction in electricity intensity across parts of our portfolio.

Apart from the SLL initiatives, Hang Lung reinforces its sustainability leadership agenda through raising funds and financing environmental projects under the green finance framework launched in 2019. Under the framework, the Company issued green bonds worth HK$2 billion and arranged green loans to the value of HK$1.9 billion in 2020.

In 2020, we secured HK$5.4 billion in sustainable finance, up 440% from 2019.

Supply Chain Management

We work closely with our suppliers and service providers to incorporate sustainability into our value chain. In 2020, we replaced the Supplier Code of Conduct with the Code of Conduct for Contractors. Major additions address our standard of fair competition, anti-money laundering, confidentiality and data protection, and the prohibition of insider trading. All our suppliers and contractors must adhere to our Code of Conduct for Contractors and be regularly assessed to ensure compliance. We have also substituted our Central Environmental Purchasing Policy with a more comprehensive Sustainable Procurement Policy for Products and Services.

Designated safety consultants continue to enforce a stringent safety management system at our construction sites to ensure contractors adhere to safe working practices.

Sustainability Recognition

We have received both local and international recognition for our sustainability performance and disclosure. In Hong Kong, Hang Lung Group's Sustainability Report 2019 was recognized at the 20th Anniversary Best Corporate Governance Awards hosted by the Hong Kong Institute of Certified Public Accountants. One of only 30 winners among 500 companies evaluated, the Group won the Sustainability and Social Responsibility Reporting Award in the Non-Hang Seng Index (Medium Market Capitalization) category.

Hang Lung Properties has also been included in the following indices and achieved good ratings in industry benchmarks in Hong Kong and abroad.

Hang Seng Corporate Sustainability Index Series Member 2020-2021

Constituent of the Hang Seng Corporate Sustainability Index and the Hang Seng (Mainland and Hong Kong) Corporate Sustainability Index with an 'AA-' rating or above for 11 consecutive years.

Member of Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Constituent of the Dow Jones Sustainability Asia Pacific Index for four consecutive years.

GRESB ★★★★★ 2020

Received a three-star performance rating and an A-grade disclosure rating under GRESB for three consecutive years.

Riverside 66, Tianjin

INTEGRITY

We maintain the highest standards of integrity by operating according to the principles of fairness, impartiality, mutual respect and adherence to business ethics

Palace 66, Shenyang


Olympia 66, Dalian

CORPORATE GOVERNANCE REPORT

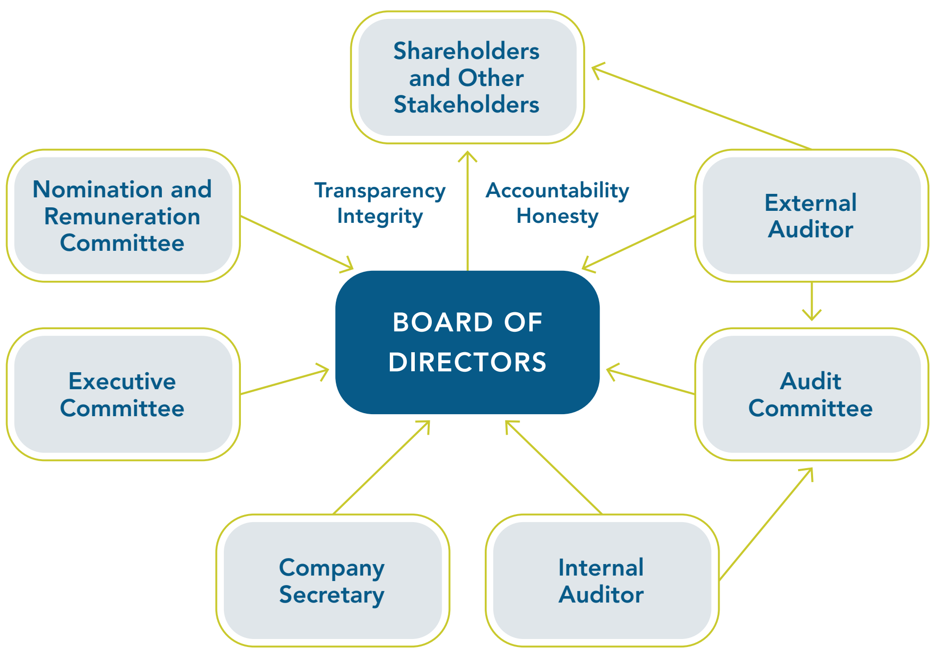
2020 has been an unprecedented year, full of events and situations that would challenge even the most robust and dynamic of companies. Despite these circumstances, Hang Lung has not only been resilient, but has even thrived. Credit must be given to the strong leadership shown by our experienced and professional Board, which is at the core of our governance structure.

Many of this year's challenges have highlighted the importance of sustainability. We recognize that sound corporate governance provides a strong foundation for sustainable business, and that this is one of our keys to long-term success.

Our Strong Belief in Good Governance

Hang Lung firmly believes that a comprehensive approach to governance is the foundation for delivering the corporate objective of maximizing returns to its stakeholders over the long-term. At the core of our governance structure is an effective and qualified Board, which is committed to maintaining the highest standards of corporate governance, facilitating sound internal controls and effective risk management, enhancing transparency and accountability, and being standard-bearers for integrity and honesty, in order to earn the confidence of our shareholders and other stakeholders.

Corporate Governance Structure



A Sound Corporate Culture

Good governance is essential to corporate success and a sound culture of governance must reach all levels of the organization. Cognizant of the necessity for the highest standards of integrity and honesty to be upheld by every employee in every process, the **We Do It Well** business philosophy extends from the Board through our professional management to all our people as we strive to instill integrity into every aspect of our business.

Professional and Accountable Board

The Board comprises professionals from different sectors of society, who bring with them a wide range of business and financial experience and expertise. The balanced composition of the Board has a strong independent element, which provides invaluable perspectives and facilitates impartial decision-making. To enhance the function of the Board, three Board committees, namely, the Executive Committee, Audit Committee and Nomination and Remuneration Committee, have been established to assume different responsibilities.

Prudent Risk Management and Effective Internal Controls

The Company recognizes the various risk factors it faces in its operations and properly deals with them in a prudent manner and with an effective internal control environment which is responsive to changing external environments and operational needs in fine-tuning strategies and improving processes. Further details are disclosed hereunder in this report.

Compliance with Corporate Governance Code

As good corporate citizens, we have adopted and fully complied with, and in many cases exceeded, the code provisions and recommended best practices of the CG Code.

The key areas are listed below:

Board & Board Committees

- Seven Board meetings, including six regular Board meetings, in 2020
- Four Audit Committee meetings in 2020
- Strong Board independence with over half of its members being INEDs
- Nomination and Remuneration Committee and Audit Committee comprising INEDs only
- Audit Committee members met External Auditor without the presence of management four times in 2020

Sustainability

- Sustainability framework in place since 2012 with the establishment of Sustainability Steering Committee
- Launch of the Sustainability Goals and Targets for 2030 under the latest sustainability framework in 2020
- ERM Working Group as a robust forum for risk management
- Well established framework for responsive crisis management
- Publication of separate sustainability reports since the financial year 2012
- Sustainability reports exceeded the requirements of the ESG Reporting Guide and received independent third-party assurance since the financial year 2014

Accountability
• Publication of results announcement within one month from the end of the accounting period
• Adoption of Code of Conduct since 1994
• Well-defined whistleblowing policy
• Whistleblowing cases reported to the Audit Committee on a half-yearly basis
• Confirmation of compliance with the Code of Conduct regarding "Transactions in the Company's Shares" by all executive staff on a half-yearly basis
• Declaration of interest in the Company, subsidiaries, or associated companies by all executive staff on a half-yearly basis
• Half-yearly reminder to all staff on the policy governing conflict of interest situations
Communications
• The Chair's detailed explanation of the business strategies and outlook of the Group in his Letter to Shareholders
• Open and direct dialogue between the Chair and shareholders at the AGM
• Serving of AGM notice with more than 20 clear business days

(I) Effective and Qualified Board

1. Composition, Board Diversity, Functions, and Board Process and Access to Information

Composition

The Board currently comprises 11 members:

- four Executive Board Members
  Mr. Ronnie C. Chan (Chair)
  Mr. Adriel Chan (Vice Chair)
  Mr. Weber W.P. Lo (CEO)
  Mr. H.C. Ho (CFO)

- one NED
  Mr. Philip N.L. Chen

- six INEDs
  Mr. Ronald J. Arculli
  Mr. Nelson W.L. Yuen
  Mr. Dominic C.F. Ho
  Dr. Andrew K.C. Chan
  Prof. H.K. Chang
  Ms. Anita Y.M. Fung

Our NED and INEDs possess diverse academic and professional qualifications or related financial management expertise and bring a wide range of business and financial experience to the Board.

Mr. Adriel Chan was appointed as Vice Chair of the Board on September 13, 2020, providing support to the Chair.

Mr. Ronnie C. Chan is the father of Mr. Adriel Chan.

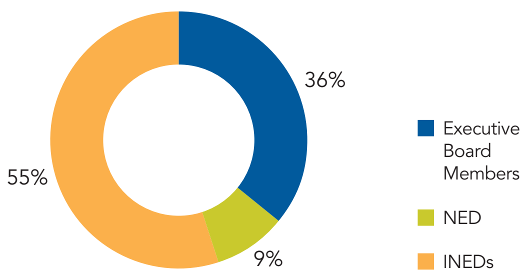
Board Diversity

The Board has a policy setting out the approach to achieve diversity on the Board (the Board Diversity Policy) with the aim of enhancing its effectiveness and corporate governance while sustainably achieving our business objectives. Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge, and length of service. Recognizing that the above are proxies for a diversity of thought, the ultimate selection of board members is based on merit, and the contribution that selected candidates are expected to bring.

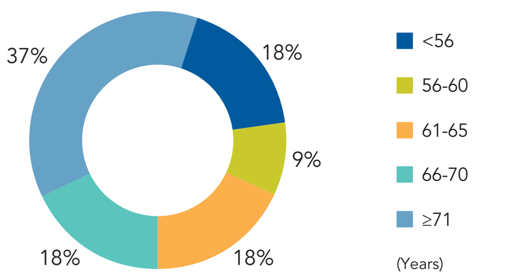
The Board Diversity Policy is available on our website under "Board of Directors" in the "Corporate Governance" subsection of the "Investor Relations" section.

Board composition and diversity as at December 31, 2020 is as follows:

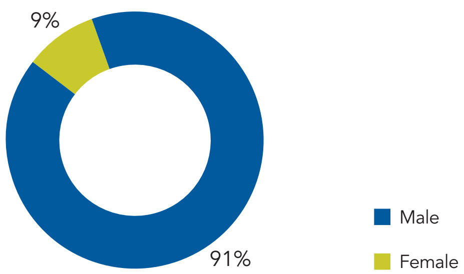
Designation



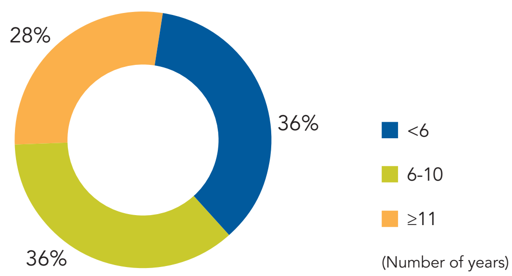
Age



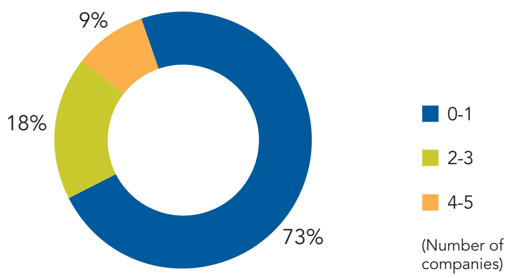
Gender



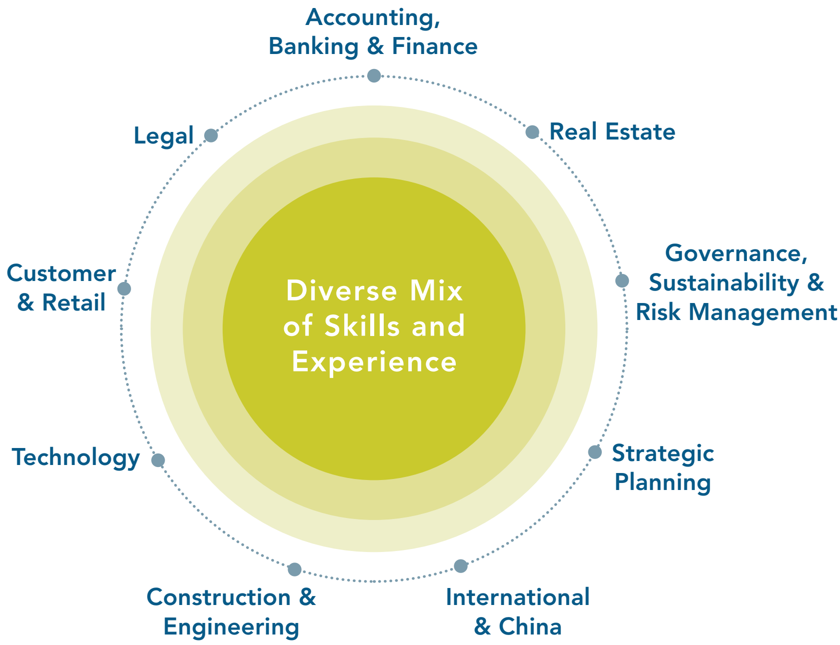
Directorship with the Company



Other Public Company Directorship



The current Board consists of a diverse mix of Board Members with skills and experience apposite to the leading and overseeing of the Company's business. Depending on the needs of our growing business and the availability of competent candidates to fulfill those needs, suitably qualified individuals will be considered in the future for membership.



Functions

An updated list of Board Members identifying their roles and functions and whether they are INEDs is maintained on our website and the website of HKEx. Their biographical details, disclosed on pages 131 to 136 of this annual report, are also maintained on our website under "Board of Directors" in the "Corporate Governance" subsection of the "Investor Relations" section.

The Board is responsible for, among other things:

- ensuring continuity of leadership;
- the development of sound business strategies;
- the deployment of adequate capital and managerial resources to implement the business strategies adopted; and
- the adequacy of systems of financial and internal control, risk management, and the conduct of business in conformity with applicable laws and regulations.

NED and INEDs have made a positive contribution to the development of the Company's strategies and policies, providing independent, constructive, and informed advice. They have given the Board and the committees on which they serve the benefit of their skills, expertise, and varied backgrounds and qualifications through regular attendance and active participation. The balanced composition between Executive Board Members and NEDs (including INEDs) has provided the checks and balances necessary for ensuring growth and safeguarding the interests of shareholders.

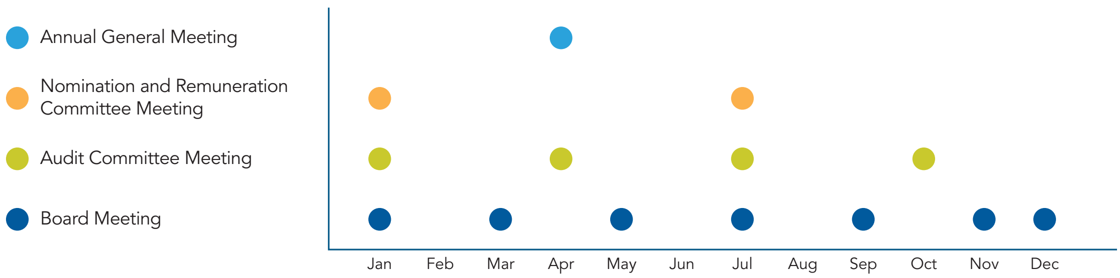
All Board Members are required to disclose to the Company any offices held in public companies or organizations, and other significant commitments. Each Board Member ensures that he/she gives sufficient time and attention to the affairs of the Company.

The Board held seven Board meetings (including six regular Board meetings) in Hong Kong in 2020.

The pandemic in 2020 has heightened market uncertainties across the globe, and management has taken timely and appropriate actions to cope with circumstances. The Executive Board Members reported to the Board members in regular Board meetings on how the pandemic has affected business operations, the progress of projects under construction, budgetary targets, and corporate strategies, as well as action taken to mitigate these issues. Our senior executive responsible for Leasing & Management has also attended these meetings to present updates on leasing strategies and operations.

Communication between Board members has also been robust. Taking an holistic view and having regard for the interests of all stakeholders (including investors, tenants, customers, employees, and society at large), they discussed issues relating to the pandemic. In addition, in at least three regular Board meetings and the Board retreat held during the course of the year, the Board also discussed and approved the sustainability framework, Board statement on ESG, and the sustainability goals and targets for 2030.

The timeline for the Board meetings, Committees meetings, and AGM held in 2020 is set out below:



In 2020, the average attendance rate of Board Members at Board meetings was 97%. To ensure attendance and active participation in the meetings during the pandemic, management arranged video conference participation for Board Members unable to attend Board meetings in person due to travel restrictions and social distancing measures.

Details of Board Members' attendance records in 2020 are set out below:

Board Members	Board	Audit Committee	Nomination and Remuneration Committee	2020 AGM
	Meetings Attended/Held			
Independent Non-Executive Directors				
Ronald J. Arculli	5/7	N/A	2/2	1/1
Nelson W.L. Yuen	7/7	N/A	N/A	1/1
Dominic C.F. Ho	7/7	4/4	2/2	1/1
Andrew K.C. Chan	7/7	4/4	N/A	1/1
H.K. Chang	7/7	4/4	2/2	1/1
Anita Y.M. Fung	7/7	3/4	N/A	1/1
Non-Executive Director				
Philip N.L. Chen	7/7	N/A	N/A	1/1
Executive Directors				
Ronnie C. Chan	7/7	N/A	N/A	1/1
Adriel Chan	7/7	N/A	N/A	1/1
Weber W.P. Lo	7/7	N/A	N/A	1/1
H.C. Ho	7/7	N/A	N/A	1/1

To facilitate attendance and active participation, the dates of regular Board meetings and meeting of the Board committees as well as the AGM for the full year 2020 were set at least three months before the commencement of 2020.

Board Process and Access to Information

Any Board Member can give notice to the Chair or the Company Secretary if he/she intends to include matters on the agenda of a Board meeting.

Board or committee papers are sent to all Board Members or committee members at least three days before the intended date of a Board meeting or committee meeting. In 2018, a digital meeting solution was introduced and used for the meetings of the Board and Board committees. This solution not only contributes to the Company's sustainability efforts (as it is paperless and reduces travel), but has also enabled the Board Members to access meeting materials in a timely, secure, efficient, and convenient manner, particularly during the pandemic.

Management also supplies the Board and its committees with sufficient information and analyses so as to enable them to make informed assessments of financial and other information put before the Board and its committees for discussion. Management is also invited to join Board meetings where appropriate. The Company Secretary has kept the minutes of Board meetings and committee meetings together with related board or committee papers and materials, which are available for inspection by Board Members.

Furthermore, management provides all Board Members with monthly updates which give a balanced and up-to-date assessment of the Company's performance, position, and prospects in sufficient detail to enable the Board as a whole and each Board Member to discharge his/her duties under the Listing Rules.

All Board Members are entitled to have access to timely information in relation to our business and to make further enquiries where necessary, and each also has separate and independent access to management.

In addition, all Board Members have access to the advice and services of the Company Secretary, a full time employee of the Company, who is responsible to the Board for ensuring that procedures are followed and that all applicable laws, rules and regulations are complied with. The Company Secretary supports the Board by ensuring good information flow within the Board and is also a source of advice to the Chair and to the Board on corporate governance issues and the implementation of the CG Code. The Company Secretary has confirmed that she took more than 15 hours of relevant professional training to update her skills and knowledge in 2020.

Procedures have also been agreed by the Board to enable Board Members to seek independent professional advice at the Company's expense.

Under the Articles of Association, a Board Member shall not vote or be counted in the quorum in respect of any transaction, contract or arrangement in which he/she or any of his/her associates is/are materially interested, unless otherwise stated.

We have also arranged appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against them arising from corporate activities. The insurance policy is reviewed every year to ensure fair and sufficient coverage.

2. Clear Division of Responsibilities between Chair and CEO

There is a clear division of responsibilities between the Chair and the CEO to ensure a balance of power and authority.

Chair

The Chair, Mr. Ronnie C. Chan, provides leadership for the Board. He is responsible for ensuring that all Board Members receive, in a timely manner, adequate information that is accurate, clear, complete and reliable, and that Board Members are properly briefed on issues arising at Board meetings. He also ensures that:

- the Board works effectively and discharges its responsibilities;
- all key and appropriate issues are discussed by the Board in a timely manner;
- good corporate governance practices and procedures are established; and
- appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

He, at least annually, holds meetings with the INEDs without the other NED and Executive Board Members being present.

He is primarily responsible for drawing up and approving the agenda for each Board meeting. He takes into account, where applicable, any matters proposed by the other Board Members for inclusion on the agenda, or delegates such responsibility to the Company Secretary.

He encourages all Board Members to make an active contribution to the Board's affairs and takes the lead in ensuring that the Board acts in the best interests of the Company. He encourages Board Members with different views to voice their concerns and ensures sufficient time for discussion of issues which the Board is charged to deliberate and reach decisions on.

He promotes a culture of openness and debate by facilitating the effective contribution of NED and INEDs, in particular, and ensures constructive relations between Executive Board Members, NED and INEDs.

He also arranges suitable training for Board Members to refresh their knowledge and skills.

CEO

The CEO, Mr. Weber W.P. Lo, is a member of the Executive Committee of the Company and is responsible for:

- leading the management team in business operations and in the implementation of policies and strategies adopted by the Board;
- the Company's day-to-day management in accordance with the instructions issued by the Board;
- developing strategic operating plans that reflect the objectives and priorities established by the Board and maintaining operational performance; and
- ensuring the adequacy of risk management, financial, and internal control systems, and the conduct of business in conformity with applicable laws and regulations.

The CEO chairs the monthly business review meetings. He also chairs the biweekly "Morning Prayer" meetings of the Company's key executives. Matters concerning the day-to-day operations of the Company are discussed in these meetings. He reports to the Board from time to time on matters of material importance.

To cope with the fast pace of expansion and the ever-changing operating environment, management, under the leadership of the CEO, has put great effort into enhancing our operating systems as well as enriching our corporate culture with an integrity program that reflects the essence of **We Do It Well** as the way Hang Lung engages in business.

To become the most admired commercial property developer in Hong Kong and mainland China, the CEO has also formulated and led the management team to implement Hang Lung's five overarching strategies for sustainable growth: Be Customer Centric, Build Hang Lung Branded Experience, Embrace Technology, Disciplined Execution, and Uphold Hang Lung Core Values.

3. Independence of INEDs

We have received from each of our INEDs an annual confirmation of his/her independence and we consider each INED to be independent.

To further enhance accountability, any appointment of an INED who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders. We will state in the notice of the AGM the reason why we consider the INED to still be independent and our recommendation to shareholders to vote in favor of the re-election of such INED.

4. Appointment, Re-election and Removal

In accordance with the Articles of Association, one-third of the Board Members are required to retire from office by rotation for re-election by shareholders at an AGM, and new appointments to the Board are subject to re-election by shareholders at the next general meeting. In addition, every Board Member is subject to retirement by rotation at least once every three years.

The names of such Board Members eligible and offering themselves for re-election, accompanied by detailed biographies, will be presented in the notice of the general meeting. In relation to the appointment or re-election of an INED, we also state in the notice of the general meeting the identifying process, the reason why we consider the INED to be independent, the perspectives, skills and experience that the INED can bring to the Board, and how the INED contributes to the diversity of the Board.

The NED and INEDs are appointed for specific terms, which coincide with their expected dates of retirement by rotation at least once every three years.

5. Continuous Professional Development

Each newly appointed Board Member first meets with fellow Board Members and key executives, and receives a comprehensive, formal, and tailored induction upon his/her appointment. Subsequently, he/she receives the briefings and professional development necessary to ensure he/she has a proper understanding of the Company's operations and business, and full awareness of his/her responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements, and, in particular, the Company's business and governance policies. The Company Secretary facilitates the induction and professional development of Board Members.

All Board Members are encouraged to participate in continuous professional development to broaden and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Chair also arranges suitable training for Board Members from time to time. In 2020, the Company organized a Board retreat over two days, to which external experts were invited to present and discuss topics relating to the broader China market, China-U.S. relations, and sustainability.

The training received by each Board Member in 2020 is summarized below:

Board Members	Types of Training
Ronnie C. Chan	A, B
Adriel Chan	A, B
Weber W.P. Lo	A, B
Ronald J. Arculli	A, B
Nelson W.L. Yuen	A, B
Dominic C.F. Ho	A, B
Philip N.L. Chen	A, B
Andrew K.C. Chan	A, B
H.K. Chang	A, B
Anita Y.M. Fung	A, B
H.C. Ho	A, B

A Attending seminar(s)/forum(s) and/or giving talk(s) relating to the business or directors' duties

B Reading materials relating to the business or directors' duties

(II) Delegation by the Board

The Executive Committee, Audit Committee, and Nomination and Remuneration Committee were formed in 1989, 1999 and 2003 respectively.

1. Executive Committee

The Executive Committee of the Board was formed in 1989. Its members are all the Executive Board Members of the Company, who meet regularly to establish the strategic direction of the Company and to monitor the performance of the management. Clear terms of reference have been adopted by the Board, and guidelines have also been set up for certain issues requiring Board approval. Each of the Committee members has full understanding for determining which issues require a decision of the full Board and which may be delegated by the Board to the Committee or management.

2. Audit Committee

An Audit Committee was established by the Board in 1999. The Committee currently comprises entirely INEDs, namely, Mr. Dominic C.F. Ho (Chair of the Committee), Dr. Andrew K.C. Chan, Prof. H.K. Chang and Ms. Anita Y.M. Fung, all of whom possess appropriate academic and professional qualifications or related financial management expertise.

Under the CG Code, it is required that meetings are held at least two times per year with the External Auditor. Separate meetings are also held with the External Auditor, in the absence of management, as and when required. The Audit Committee has exceeded the CG Code requirements and held four meetings in 2020 for the purpose of, inter alia, discussing the nature and scope of internal audit work and assessing the Company's internal controls. Moreover, the Committee met the External Auditor four times in 2020 without the presence of management.

The terms of reference detailing the Committee's role and authority, which include duties pertaining to corporate governance functions and the oversight of risk management, are available on both our website, under "Audit Committee" in the "Corporate Governance" subsection of the "Investor Relations" section, and the website of HKEx.

The Committee is authorized by the Board to investigate any activity within its terms of reference; to seek any information it requires from any employee (and all employees are directed to co-operate with any requests made by the Committee); to obtain outside legal or other independent professional advice; and to secure the attendance of outsiders with relevant experience and expertise at their meetings if necessary. Sufficient resources are provided to the Committee to discharge its duty.

In 2020, the Audit Committee executed, inter alia, the following:

Relationship with External Auditor, Review of Financial Information and Oversight of Financial Reporting System, Risk Management and Internal Control Systems

- reviewed and obtained an explanation from management and the External Auditor for the interim and annual results, including the changes from the previous accounting period, the effects on the application of new accounting policies, compliance with the Listing Rules and relevant legislation, and any audit issues, before recommending their adoption by the Board;
- considered and proposed to the Board the reappointment of KPMG as the Company's External Auditor and approved its terms of engagement;
- reviewed the procedures and guidelines for employing the External Auditor to perform non-audit assignments for the Company, and approved the scopes and fees for non-audit assignments;
- received and reviewed the internal audit reports from the Internal Auditor;
- held meetings with the External Auditor in the absence of management to discuss any material audit issues;
- held meetings with the Internal Auditor in private to discuss material internal audit issues;
- approved the internal audit plan for 2021;
- carried out reviews of the effectiveness of the Company's risk management and internal control systems including the structure of senior management, the adequacy of resources, staff qualifications and experience, as well as training for financial reporting and internal audit; and
- received the financial update and ERM report, reviewed the related risks (both financial and non-financial) and made recommendations on risk mitigation, including a review of the Group's insurance coverage for the social unrest, financial

management strategies for managing various financial risks (including foreign exchange exposure, interest rate volatility, and debt re-financing), and the management's actions taken in relation to the pandemic.

Corporate Governance Functions

- reviewed the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and the Code of Conduct, and made recommendations to the Board;
- reviewed and monitored the training and continuous professional development of Board Members; and
- reviewed the Company's compliance with the CG Code and disclosure in annual report on corporate governance and sustainable development.

The Audit Committee also reviewed ESG related risks and confirmed that the ESG risk management and internal control systems were in place and remained effective throughout 2020.

In view of our rapid expansion in mainland China, the Audit Committee also meets quarterly to review and monitor the progress and construction costs of Mainland development projects and major renovation projects. The Cost and Controls Department reports regularly in these Audit Committee meetings to facilitate effective checks and balances in the control of our sizeable capital expenditures, spending and investment, as well as the quality and safety aspects of these projects.

3. Nomination and Remuneration Committee

A Nomination and Remuneration Committee, set up in 2003, now comprises entirely INEDs, namely, Mr. Ronald J. Arculli (Chair of the Committee), Mr. Dominic C.F. Ho and Prof. H.K. Chang. Regular reviews of significant changes to the salary structure within the Group and the terms and conditions affecting Executive Board Members and senior management are conducted. The Committee met twice in 2020 to review, inter alia, the composition of Board Members and Board Members' remuneration.

The terms of reference of the Committee contains the criteria and principles for nomination of Board Members. These criteria and principles are formally regarded as the nomination policy for Board Members. The terms of reference of the Committee can be accessed on both our website, under "Nomination and Remuneration Committee" in the "Corporate Governance" subsection of the "Investor Relations" section, and the website of HKEx.

The major works performed by the Committee in 2020 include the following:

- a review of the Board Diversity Policy and its implementation;
- a review of the structure, size and diversity of the Board;
- an assessment of the independence of the INEDs;
- recommendations to the Board on the appointment of Mr. Adriel Chan as Vice Chair;
- recommendations to the Board on the selection of individuals nominated for directorship with reference to qualifications and related expertise;
- recommendations to the Board on the re-election of retiring Board Members at the AGM;
- recommendations to the Board on the Company's remuneration policy and structure for all Board Members and senior management;
- the determination of remuneration packages for individual Executive Board Members and senior management, including benefits in kind, pension rights, and compensation payments;
- recommendations to the Board on the remuneration of the NED and INEDs; and
- a review of the Company's share option scheme and grant of share options.

In the nomination policy, the Committee will:

- review the structure, size and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Board Members and select or make recommendations to the Board. In identifying suitable candidates, the Committee shall consider candidates on merit and against objective criteria, with due regard for the benefit of diversity on the Board; and
- make recommendations to the Board on the appointment or re-appointment of Board Members and succession planning for Board Members, in particular the Chair of the Board and the CEO, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience, and diversity needed in the future.

The remuneration package of Executive Board Members and senior management, including discretionary bonuses and share options, is based on the following criteria:

- individual performance;
- skills and knowledge;
- involvement in the Group's affairs;
- achievement of business targets; and
- the performance and profitability of the Group.

The Committee also considers factors such as salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group.

The Committee obtains benchmark reports for the evaluation of market trends and the competitiveness of the remuneration being offered to Board Members and senior management. Sufficient resources are provided to the Committee to discharge its duties. The Committee may consult the Chair and the CEO about remuneration proposals for Executive Board Members and has access to independent professional advice if necessary.

Details of remuneration payable to members of the senior management (which includes Executive Board Members only) are disclosed in Note 6 to the Financial Statements.

4. Management Functions

"Senior Management" refers to our Executive Board Members. Their duties are explained in the paragraph headed Executive Committee, above. Key executives are responsible for day-to-day operations and the administration function of the Group under the leadership of the Executive Board Members. The Board has given clear directions to management as to matters that must be approved by the Board before decisions are made on behalf of the Company. The types of decisions to be delegated by the Board to management include implementation of strategies and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements are reviewed periodically to ensure that they remain appropriate to our needs.

(III) Securities Transactions and Share Interests

1. Securities Transactions

We have set out guidelines regarding securities transactions by Board Members under "Transactions in the Company's Shares" in our Code of Conduct according to the required standard set out in the Model Code. The Company has made specific enquiries with all Board Members and confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding Board Members' securities transactions.

The Company has also set out guidelines regarding securities transactions by relevant employees who, because of their office in the Company or its subsidiaries, are likely to be in possession of inside information. The relevant employees are also required to comply with the required standard set out in the Model Code. All the relevant employees are reminded of the necessity for compliance with the guidelines every six months.

2. Share Interests

Details of Board Members' interests in shares of the Company and HLG as at December 31, 2020 are as follows:

	The Company		Hang Lung Group Limited
Board Members	**Number of Shares**	**Number of Shares under Option**	**Number of Shares**
Ronnie C. Chan	16,330,000	17,525,000	18,009,500 (Note 1)
Adriel Chan	2,644,956,340 (Note 2)	4,400,000	528,641,080 (Notes 1 & 2)
Weber W.P. Lo	–	12,750,000	–
Ronald J. Arculli	724,346	–	1,089,975
Nelson W.L. Yuen	8,000,000	–	–
Dominic C.F. Ho	–	–	–
Philip N.L. Chen	–	14,000,000	–
Andrew K.C. Chan	–	–	–
H.K. Chang	–	–	–
Anita Y.M. Fung	–	–	–
H.C. Ho	–	11,600,000	–

Notes

1. These interests included 6,219,500 shares of HLG held by a trust of which Mr. Ronnie C. Chan and Mr. Adriel Chan were discretionary beneficiaries. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.
2. These interests included 2,644,956,340 shares of the Company and another 522,421,580 shares of HLG held/deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.

(IV) Accountability and Audit

1. Financial Reporting

Board Members acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the Listing Rules, the Companies Ordinance, and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. A statement by the External Auditor, KPMG, about its reporting responsibilities is included in the Independent Auditor's Report on the Company's consolidated financial statements.

The Board Members endeavor to ensure a balanced, clear and coherent assessment of the Company's position and prospects in annual reports, interim reports, inside information announcements, and other disclosures required under the Listing Rules and other statutory regulations.

2. Risk Management and Internal Controls

Risk Management Framework

The Board has overall responsibility for risk management and for evaluating and determining the nature and extent of significant risks it is willing to take to achieve the Company's strategic objectives. The Audit Committee is delegated to oversee the effectiveness of our risk management system on an ongoing basis. Management is tasked with the design, implementation, and maintenance of a sound and effective risk management framework with reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) principles, which is crucial in bringing corporate strategies to fruition and ensuring business sustainability.

Risks are inherent in every area of our business. It is important to have a risk-aware culture throughout the organization, as well as a systematic approach to identify and assess risks such that they can be mitigated, transferred, avoided or understood. We are committed to continuously enhancing our risk management framework, linking it to our corporate strategies as well as integrating it into our day-to-day operations and decision-making processes. Our risk governance structure is guided by the "Three Lines of Defense" model as illustrated below:

Three Lines of Defense

As the first line of defense, risk owners of all corporate departments and business units conduct risk and control assessments on a regular basis to evaluate the implications of identified risks as well as the adequacy and effectiveness of controls in place to mitigate such risks.

As the second line of defense, specific functions are established to effectuate risk management and ensure the first line of defense is functioning properly. The responsibilities of these functions include but are not limited to risk management, financial controls, legal and compliance, cost and quality. Under its approved terms of reference, the ERM Working Group (comprising our CEO as Chair and unit heads from all business units and support divisions) oversees risk management activities across all functions and it takes a robust assessment of the principal risks and uncertainties that the Company is exposed to. In 2020, it met four times and achieved the following:

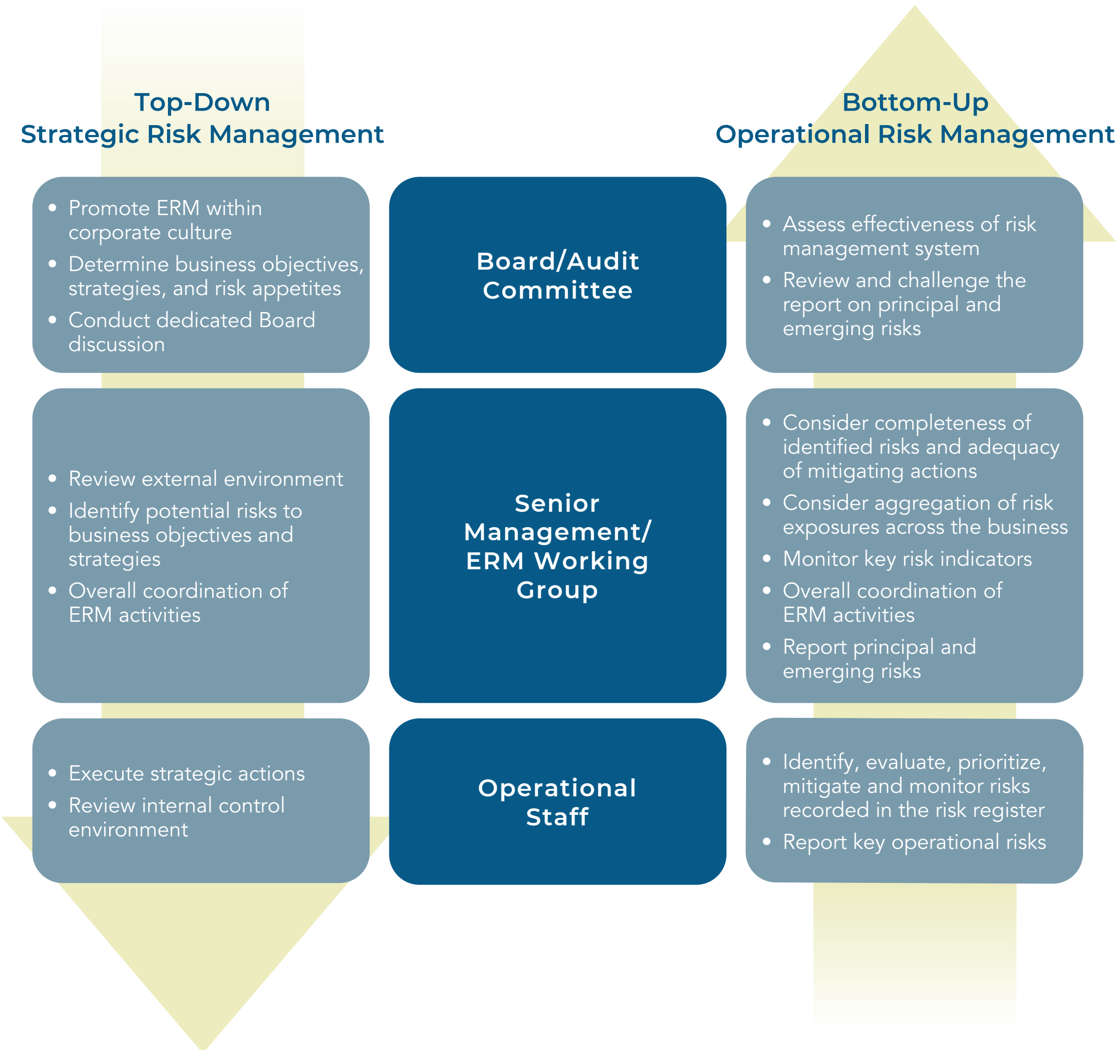
- reviewed the effectiveness of the Company's ERM framework;
- reviewed risk assessment criteria to ensure that they were appropriately defined and continued to be relevant in light of the Company's business and risk profile;
- organized various workshops for management and operational staff to promote understanding of the ERM framework and to embed a risk-aware culture for monitoring and reporting risks within the Company;
- identified and evaluated the Company's principal risks and key emerging risks;
- evaluated the comprehensiveness of identified risks at operational level;
- challenged the risk owners on the mitigation measures and their effectiveness;
- analyzed root causes and checked risk enforcement in key areas where controls were previously inadequate or ineffective;
- examined crisis management capacities for handling large-scale, sudden operational adversities; and
- compiled relevant and timely risk reports including "deep-dives" for the Board and the Audit Committee.

The Internal Audit Department, as the third line of defense, plays an important role in assessing the effectiveness of the risk management system, and reports regularly to the Audit Committee on key findings as well as making recommendations for improvement and tracking the implementation of such measures.

The Board and the Audit Committee reviewed the Company's top and emerging risks and conducted the annual review of the effectiveness of the ERM framework. Taking into consideration the principal risks and mitigating actions, the Board believes that the Company has the ability to adequately respond to changes to our business and the external environment.

Risk Management Process

The Company takes proactive measures to identify, evaluate, and manage significant risks arising from our business and from the constantly changing business environment at different levels within the organization. This integrated approach combines top-down strategic view with complementary bottom-up operational processes as illustrated below:



A list of principal risks, covering both strategic and operational risks as identified by our risk assessment process, is compiled with reference to their residual risk impact and likelihood (after taking into consideration mitigation measures and controls). Action plans are developed, and risk ownership is assigned for each principal risk. The risk owners coordinate the mitigation measures to ensure proper implementation of these action plans. They are also required to continuously monitor, evaluate, and report on risks for which they bear responsibility. Mitigation controls are subject to internal audit review and testing.

The Company has continued its program to formalize and fine-tune the risk management system for operating sites and sites under development. Various risk management workshops have been conducted for local management teams not only to further promote risk awareness across all levels of the organization, but also to fully engage our teams in the risk assessment process. When compiling their risk registers, each site identified key risks and mitigation actions, and rated the residual risks according to likelihood and impact parameters at site level (scaled down from enterprise level). Top risks at operational level were then extracted from each site's detailed risk register and reported to the Audit Committee.

Through this integrated top-down and bottom-up risk review processes, which enables risks identification and prioritization throughout the Company, we maintain effective lines of communication to ensure timely escalation of potential risks and initiation of mitigating actions to manage them.

Internal Control Framework

The Board is responsible for maintaining an effective internal control system. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Specifically, our internal control system monitors the Company's overall financial position and ensures it is accurately reflected in its financial and management reporting; safeguards its assets against major losses and misappropriation; provides reasonable assurance against material fraud and error; and efficiently identifies and corrects non-compliance.

To ensure efficient and effective operations in our expanding business units and functions, relevant internal control policies and procedures, committees, and working groups are in place in order to achieve, monitor, and enforce internal controls. These policies and procedures are reviewed from time to time and updated when necessary. All employees are made aware of the policies and procedures in place, with comprehensive staff communications and training programs to ensure understanding and awareness.

The Audit Committee is delegated to oversee the effectiveness of internal controls, while management is responsible for designing, implementing, and maintaining an effective internal control system with reference to the COSO principles. In particular, proper policies and procedures governing the activities of the Executive Committee, Board Members, executives, and senior staff, such as delegation of authority, approval of annual and mid-year budgets for all capital, revenue, and expenditure items, etc., have been put in place. Management also continuously reviews, updates, and refines the internal control system to anticipate future challenges.

Our Internal Audit Department is independent from our operations and accounting functions. The Deputy Director (Head of Corporate Audit) reports directly to the Audit Committee.

A risk-based internal audit program is approved by the Audit Committee each year. Based on the audit program, the Internal Auditor performs an assessment of risks and testing of controls across all business and support units of the Company in order to provide reasonable assurance that adequate controls and governance are in effect. In line with the Company's zero tolerance for fraud and bribery, the Internal Auditor is responsible for the conduct of relevant investigations should fraud or irregularities be uncovered or suspected.

In 2020, the Audit Committee met quarterly to discuss internal audit issues with the Internal Auditor, as well as to discuss financial and internal control matters with the External Auditor. The Audit Committee held four direct discussions with the External Auditor in the absence of management. The Audit Committee reported to the Board on key issues arising from these meetings.

There were no significant control failings or weaknesses identified in 2020. Our internal audit function has been operating effectively.

Annual Assessment

With the confirmation of the management and the foregoing review by the Audit Committee covering all material controls, including financial, operational and compliance controls, and risk management functions of the Company and its subsidiaries for the financial year ended December 31, 2020, the Board concluded that effective and adequate risk management and internal control systems had been in operation.

The level of resources, staff qualifications and experience, training programs, and budget for the Company's internal audit, accounting and financial reporting functions were assessed and considered adequate.

Principal Risks of the Company

The principal risks that the Company faces may not change significantly from year to year, although the magnitude and significance of these risks can and do vary. Our ongoing review of these principal risks focuses on how changes might arise and how our controls need to be adapted in response to evolving business conditions and organizational changes. The Company's principal risks in 2020 are listed below:

Business and Market Risk

The advent of digital technologies and evolving consumer behaviors always present new challenges to our business. This has been compounded in 2020 by the implications of both the social unrest and the impact of the pandemic, which has severely affected our business operations in Hong Kong.

The ability to acquire suitable land for development is critical for the Company in order to sustain continuous growth and the desired return on investment. Complexity of design and tight deadlines present implementation challenges in delivering our projects safely, on budget, on time, and to the desired quality.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Fast-paced technological innovations such as e-commerce and artificial intelligence, as well as rapidly changing consumer behaviors and tastes could impact the Company's business model or strategy	Advances in technology and changing consumer tastes undermining competitiveness	• Stay in touch with the latest relevant technologies for understanding customers through data analytics, smart retail solutions, and facial recognition • Explore and adopt applicable new technologies such as virtual reality/augmented reality, 3D imaging, and innovative digital platform solutions for creating exciting new experiences • Ensure IT infrastructure readiness for anticipated IT developments such as big data and cloud technology • Conduct a holistic customer survey to understand consumer preferences and pain points, so as to increase customer satisfaction and loyalty • Establish targeted CRM programs to better understand customers and drive sales

Key – Risk Trend (Change from last year) Upward/increasing risk trend Risk trend remains similar

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Challenges to re-position or re-define our leasing strategy for Hong Kong projects under turbulent market conditions	Lasting impact of global pandemic throughout the year and repeated outbreaks of social unrest	• Step up hygiene precautions at various projects across Hong Kong in response to COVID-19 outbreak • Enhance precautions and regular deep cleaning of office buildings with medical tenants, as well as our serviced apartments with overseas returnees • Provide rental relief to our tenants on individual cases and retain quality tenants • Evaluate our existing leasing strategy from the perspective of these special circumstances, and re-position the at-risk malls with a change of focus or by improving tenant mix • Conduct periodic operational reviews in response to social unrest and implement countermeasures to minimize the impact on our business as much as possible
Heavy capital investment coupled with a long investment period and market cycles provide both opportunities and challenges in land acquisition		• Set investment strategy, criteria and risk appetite prior to land acquisition • Consolidate local market information • Conduct appropriate due diligence including third party expert reviews • Identify critical resource constraints in funding or manpower for proper planning • Undertake structured analyses of business opportunities • Exercise financial prudence and continuously monitor return on investment
Complexity of design, tight deadlines and fluctuations in material cost after tender award present implementation challenges in delivering projects safely, on budget, on time and in line with required quality		• Establish clear roles and responsibilities for accountability and division of duties between the Development and Design, Project Management, Cost and Controls, Leasing and Management, and Service Delivery departments at various stages of the development cycle • Closely monitor project progress and review all aspects of a development's planning and construction • Closely monitor the cost and supply of materials, tighten controls on price variation claims, define terms in both the tenders and the contracts, and conduct careful tender analysis to verify the returned tender prices • Carry out factory inspections to ensure quality of materials before delivery to site and set up workmanship mockup for inspection before commencement of works • Identification and rectification of any non-compliance cases by the designated safety manager and external safety consultant • Establish clear and comprehensive policies and procedures with periodic enhancements to tighten controls • Provide regular and comprehensive reports to the Board and the Audit Committee, and strengthen management supervision

Social and Political Risk

We ensure that our properties remain highly competitive through close monitoring of and agile responses to changing business environments and market trends. However, dynamic socio-political conditions as well as changes in government policy and the regulatory environment in mainland China present implementation challenges to both our project development and leasing strategies.

The adverse impact of the pandemic seriously affected our customer footfall and leasing revenue in both mainland China and Hong Kong in the first half of 2020. Although most of our Mainland malls have gradually recovered since mid-2020, ongoing pandemic control measures in Hong Kong have led to varying degrees of impact on customer footfall and leasing revenue at our malls throughout the year.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Introduction of new government regulations or sudden policy changes without sufficient consultation and guidelines could adversely affect a project's development and/or our business operations		• Closely monitor regulatory development and market/public sentiments • Actively engage with regulatory bodies and professional firms on updates to laws and regulations • Allocate sufficient internal resources to ensure timely responses to and compliance with regulatory changes • Monitor the impact of major breaches or non-compliance with regulatory requirements, as well as exposure to potential litigation or claims, if any, and their magnitude • Continue monitoring and assessing the practical implications and impact of regulatory changes, prepare legal updates on a quarterly basis and conduct legislative trend analyses • Maintain proper and sufficient documentation as far as possible
Major external disasters or crises, such as epidemics, floods, earthquakes, cyber-crimes, etc., that could impact assets or business sustainability	Adverse impact of COVID-19, especially in Hong Kong that triggered rental negotiations/ reversion and reduction in customer footfall	• Review, update and test business continuity plans of each critical function, such as remote working arrangements and flexible working schedules • Keep track of premises with cases of infection, ensure timely communication with tenants, customers, staff, the media, and other stakeholders • Proactively participate in dialogue and discussion with tenants on rental arrangements • Continue to enhance IT security policies and guidelines, such as conducting IT disaster recovery drills, security awareness education and penetration tests • Implement crisis management training and conduct drills, including cyber-attack scenarios and media handling • Ensure appropriate insurance coverage for properties and business
Social unrest in Hong Kong undermines ongoing business and overall business environment		• Round the clock monitoring of social unrest developments and flagging of alerts in a timely manner • Strengthen safety measures and protocols, step up crisis preparedness, and update business continuity plans • Keep track of any damage to properties, facilities, and systems, with timely follow-up on repair and maintenance needs • Timely communication with tenants, monitor occupancy costs, and provide tailored assistance according to impact • Provide incentives and awards to employees to boost morale and retain existing staff

People Risk

Inadequate supply of qualified and competent manpower in second-tier cities in mainland China, especially for executive and managerial grades, continued to affect our new projects. Moreover, competition for talented and experienced staff across the property management sector presented challenges to our frontline operations in ensuring a superior level of service in our Hong Kong malls.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Failure to recruit, develop or retain staff with suitable capabilities and the capacity to support expansion/growth of the Company	Challenges in recruiting talents in mainland China in Hong Kong	• Formulate a manpower plan led by functional heads to match existing and future human capital needs against our business strategy • Fully utilize the China Management Office as an arm of the Hong Kong Head Office to facilitate talent development and attract local talents on the Mainland • Promote employer brand to attract and retain talents • Review the competitiveness of our compensation and conduct benefits enhancements • Facilitate internal rotation and staff initiated career development under an internal job posting platform "CareerConnect" • Conduct talent review sessions to identify and retain staff with development potential • Provide training to ensure our staff possess the expertise and skills to support our business growth. Provide financial assistance for staff attending recognized professional development programs • Continue to enhance Management Trainee Program, design Executive Development Program, Management Development Program, and Personal Development Program • Operate an effective grievance reporting system
Fraud and corrupt activities could result in significant financial losses and/or impact the reputation of the business		• Strengthen commitment to the highest standards of integrity and accountability • Provide continuous training and reinforce communications with staff on integrity, impartiality, and honesty • Operate an effective whistleblowing mechanism • Review and update Staff Handbook and Code of Conduct periodically to emphasize zero tolerance for unethical behavior

Financial Risk

In keeping with the principle of prudent financial management, we have processes in place to identify and manage financial risks associated with our operations. Key financial risks include interest rate and foreign exchange rate risks, funding and liquidity risks, credit/counterparty risks as well as property valuation risks.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Prolonged economic downturn and unfavorable market conditions impact property valuations and affect the Company's borrowing capabilities	Outbreak of COVID-19 is further hurting the already weak retail market in Hong Kong and impacting our property valuations	• Understand the basis of the asset valuation models of our properties and review capitalization rates with our independent valuer • Periodically review our exposure to potential decreases in property valuation and carry out stress tests • Review financial risk exposure in accordance with the covenants of the borrowings • Perform gearing ratio projections based on reasonable assumptions taking future financial commitments into account
Portions of the Company's borrowings are floating-rate bank loans, which could expose us to rising interest rates		• Utilize a broad spectrum of financing instruments such as the issuance of fixed rate bonds and loans, and the use of derivatives such as interest rate swaps for achieving an appropriate mix of fixed/floating debts • Maintain a relatively conservative gearing ratio
Our business in mainland China has, by nature, currency risk derived from capital investment, as well as risks from revenue/debt currency mismatch		• Maintain an appropriate level of RMB resources for the Company's capital requirements in mainland China • Monitor currency risks and perform periodic sensitivity analyses • Modify the currency hedging strategy as necessary
Market liquidity may change from time to time and inhibit our ability to acquire adequate and cost-effective funding		• Centralize management of cash and financing at corporate level by the treasury team • Maintain closer relationships with banks and intermediaries • Manage the maturity profile of deposits and loans to minimize refinancing risk • Establish and maintain diversified channels of debt financing
Credit/counterparty risk exposure primarily from rents receivable and deposits placed with banks		• Undertake comprehensive credit assessments of prospective tenants • Require rental deposits and rent in advance, and closely monitor outstanding rents to mitigate rents receivable risk • Assign bank exposure limits to mitigate concentration risk on our deposits • Only make deposits with banks that have sound financial strength and/or good credit ratings

In additional to the principal risk categories detailed above, the Company has identified and monitored specific emerging risks such as the China-U.S. trade dispute, which could potentially lead to movement of multinational corporations businesses out of their mainland China and Hong Kong offices. Recognizing that the potential impact of such emerging risks may become more significant in the future, periodic assessment, and review of risks and mitigating actions have been undertaken during the year.

3. Code of Conduct

The Company adopted a corporate Code of Conduct in 1994 and has maintained it with regular reviews and updates from time to time, as necessary. The latest update was made in August 2020. The Code of Conduct is uploaded on our intranet and website to enable easy accessibility by all our employees and the public.

The Code of Conduct clearly spells out the Company's policy regarding legal requirements, conflicts of interest, the handling of confidential information and company property, the use of information and communication systems, personal social media activities, our whistleblowing policy, relations with suppliers and contractors, responsibilities to shareholders and the financial community, relations with customers and consumers, employment practices, and responsibilities to the community. In essence, it details the Group's philosophy in running its business and acts as a benchmark for all staff and suppliers to follow.

In order to monitor and enforce compliance with the Code of Conduct, functional managers are responsible for ensuring their subordinates fully understand and adhere to the standards and requirements stipulated. Violations result in disciplinary action which may include termination of employment or reporting of the offense to the appropriate authorities if necessary. Executive Board Members answer directly to the Board on the impartial and efficient handling of complaints received from shareholders and potential shareholders, customers and consumers, suppliers and contractors, and our employees. As part of our commitment to good governance, all executive staff are required to submit a signed declaration of compliance with the Code of Conduct regarding Transactions in the Company's Shares, on a half-yearly basis.

A well-defined whistleblowing mechanism has been put in place for our employees and other related third parties such as contractors and tenants. It is designed to encourage the confidential reporting of concerns regarding misconduct, fraudulent activities, or malpractices in any matter related to the Group. An email account (whistleblowing@hanglung.com) has been set up for this purpose. All reported cases are directly addressed to the Deputy Director (Head of Corporate Audit) and investigated by the Internal Audit Department in complete confidence. Our Internal Audit Department monitors and reports cases to the Audit Committee on a half-yearly basis.

Staff at all levels of the organization are made aware of the Company's emphasis on integrity and zero-tolerance for unethical behavior through the Code of Conduct as well as policies and procedures issued from time to time. In addition, the Hang Lung Integrity Program, established in 2013, is a channel through which the highest standards of integrity and honesty are promoted to every employee and in every process of our diverse functions across our operations in Hong Kong and mainland China. The program espouses the centricity of ethical conduct to our business through the provision of webinars and e-learning programs for all employees. In 2020, about 100,200 training hours were delivered to our employees, of which about 1,100 training hours were delivered as part of the program.

In addition, to ensure that all operations are managed in accordance with our high standards of professional practice and corporate governance, all employees are reminded of the policy governing conflict of interest situations every six months. All executive staff are also required to complete and sign an electronic declaration form every six months, declaring their interest (if any), directly or indirectly, with the Company, its subsidiaries, or associated companies.

4. Inside Information

The Company has adopted a Policy on Disclosure of Inside Information since 2013 setting out the procedures and controls for handling and dissemination of inside information in compliance with the SFO and the Listing Rules, including:

- disclosure of inside information as soon as reasonably practicable under the applicable laws and regulations;
- publication of interim and annual results within one month from the end of accounting periods to minimize the risk of leakage;
- conduct of its affairs with close adherence to the "Guidelines on Disclosure of Inside Information" issued by Securities and Futures Commission;
- authorizing designated person(s) as spokespersons for communications with stakeholders;
- imposing a strict prohibition on the unauthorized disclosure and use of inside information in its Code of Conduct; and
- reminders to the Board Members and staff members (through key executives) of the necessity for policy compliance every six months.

The Company and its listed parent company, HLG, issued a joint announcement on December 30, 2020, informing the market of the inside information relating to the status of the proposed acquisition of No. 37 Shouson Hill Road, Hong Kong, in compliance with the SFO and the Listing Rules.

5. Independence of External Auditor

KPMG conducts audits on the annual consolidated financial statements of the Company and confirms every year its independence and objectivity. To ensure the independence of KPMG,

- the Audit Committee regularly reviews and monitors the independence of KPMG;
- the Audit Committee reviews the audit scope as well as non-audit services and approves the relevant fees;
- the policy on engaging the External Auditor for non-audit services is in place and regularly reviewed by the Audit Committee. KPMG will confirm its independence before accepting the engagement of non-audit services; and
- the Audit Committee considers and proposes to the Board every year for the re-appointment of KPMG as the auditor.

KPMG confirms its independence with regard to The Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants regarding auditor independence.

Total remuneration in respect of services provided by KPMG is as follows:

	Year ended December 31, 2020 HK$ (in million)	Year ended December 31, 2019 HK$ (in million)
Statutory audit services	**9**	9
Non-audit services	**2**	2

(V) Communication With Stakeholders

1. Shareholders

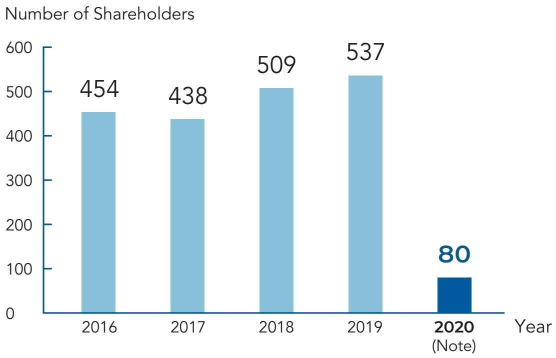
The Board has a shareholders communication policy setting out strategies to promote effective communication between the Company and its shareholders, with the aim of ensuring that sufficient information is provided to enable active engagement with the Company and the proper exercise of shareholder rights in an informed manner. This policy is regularly reviewed to ensure its effectiveness.

Letters to Shareholders & AGMs

Our commitment to transparency and clarity of communication with our shareholders is perhaps most keenly evidenced in the Letters to Shareholders from the Chair. These Letters, personally penned by the Chair and accompanying each annual and interim report, have consistently provided in-depth discussion and analyses of the Group's business, the markets in which we operate, and the regional and global socioeconomic developments impacting our markets.

Our AGM, also, provides an excellent platform for open communication between shareholders and the Board. The chairs of the Board and of its committees are routinely present to answer queries raised by shareholders. The External Auditor also attends and reports to shareholders at the AGM every year. Notice of the AGM and related papers are sent to shareholders at least 20 clear business days before the meeting. Each separate issue is proposed by a separate resolution from the Chair. The meeting enjoys strong participation from shareholders.

Shareholder Participation in AGMs is illustrated as follows:



Note

At the recommendation of the Company, the number of shareholders physically present at the 2020 AGM was substantially reduced due to the pandemic. As a part of precautionary measures, the Company recommended that shareholders exercised their voting rights by appointing the chair of the AGM as their proxy to vote at the 2020 AGM, as an alternative to attending in person.

In addition to the Letter to Shareholders, the Chair uses the AGM as an opportunity to open a dialogue with shareholders and to elaborate on the outlook of the Group and its business strategies.

2020 AGM

Our last AGM was held on April 29, 2020 at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The meeting was attended by 80 shareholders present in person or by proxy. At the meeting, the Chair had demanded a poll on each of the resolutions submitted for voting, and the shareholders were provided with detailed procedures for conducting the poll.

The resolutions tabled at the 2020 AGM included:

- the adoption of the financial statements;
- the declaration of a final dividend;
- the re-election of Board Members;
- the re-appointment of the auditor; and
- the renewal of general mandates.

All these resolutions were voted on by poll, and the results of poll voting were posted on the websites of the Company and of HKEx in the evening of the same day.

There were no changes in the Articles of Association, which is available on our website and the website of HKEx, in 2020.

The Board confirms that there are no changes proposed to the Articles of Association at the forthcoming AGM to be held on April 30, 2021. The important shareholders' dates for the coming financial year, which include the Board meetings for considering the payments of interim and final dividends for the year ending December 31, 2021, and the AGM, are expected to be held in late July 2021, late January 2022, and in April 2022 respectively.

Procedure for Shareholders to Convene General Meetings

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders of the Company may make a request to convene a general meeting pursuant to the Companies Ordinance. The request must state the business to be dealt with at the meeting and be signed by the relevant shareholder(s) and deposited at the registered office for the attention of the Company Secretary. The same request, authenticated by the person or persons making it, may also be sent to the Company in electronic form to ir@hanglung.com.

Procedure for Shareholders to Put Forward Proposals in General Meetings

Furthermore, the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all the shareholders of the Company, or (ii) at least 50 shareholders entitled to vote, can put forward proposals for consideration at a general meeting of the Company by sending a request in writing to the registered office for the attention of the Company Secretary. The same request, authenticated by the person or persons making it, may also be sent to the Company in electronic form to ir@hanglung.com.

Procedure for Shareholders to Propose a Person for Election as a Board Member

According to the Articles of Association, if any shareholder(s), representing not less than 10% of the total voting rights of all the shareholders of the Company, wish(es) to propose a person (other than a retiring Board Member) for election as a Board Member (the Candidate) at a general meeting of the Company, the following documents must be lodged at the registered office:

(i) a written notice of such a proposal duly signed by the shareholder(s) concerned; and

(ii) a written consent duly signed by the Candidate indicating his/her willingness to be elected.

The period for lodgment of the above documents (being a period of at least seven days) shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such an election, and end no later than seven days prior to the date of said meeting.

Enquiries from Shareholders

Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the registered address or by email to the Company at ir@hanglung.com. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings or entitlement to dividend. Relevant contact details are set out under the Listing Information section of this annual report.

2. Investors

Details of shareholders by domicile as at December 31, 2020 are as follows:

	Shareholders		Shareholdings	
Domicile	**Number**	**%**	**Number of Shares**	**%**
Hong Kong	2,736	94.25	4,488,977,917	99.81
Mainland China	51	1.76	3,767,554	0.08
Macau	8	0.28	387,433	0.01
Taiwan	2	0.07	593	0.00
Australia and New Zealand	8	0.28	13,885	0.00
Canada and United States of America	41	1.41	2,369,259	0.05
South East Asia	46	1.57	2,266,267	0.05
United Kingdom	7	0.24	13,400	0.00
Others	4	0.14	3,362	0.00
TOTAL	**2,903**	**100.00**	**4,497,799,670**	**100.00**

Details of shareholders by holding range as at December 31, 2020 are as follows:

	Shareholders*		Shareholdings*	
Holding Range	**Number**	**%**	**Number of Shares**	**%**
1 – 1,000 shares	1,394	48.02	607,190	0.01
1,001 – 5,000 shares	751	25.87	2,127,739	0.05
5,001 – 10,000 shares	270	9.30	2,193,508	0.05
10,001 – 100,000 shares	403	13.88	13,885,289	0.31
Over 100,000 shares	85	2.93	4,478,985,944	99.58
TOTAL	**2,903**	**100.00**	**4,497,799,670**	**100.00**

* incorporating, in their respective shareholdings range, 330 participants of Central Clearing and Settlement System holding a total of 2,841,460,269 shares registered in the name of HKSCC Nominees Limited

Based on information that is publicly available to the Company and within the knowledge of the Board Members as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Investor Engagement

To engage effectively with our investors, management maintains consistent and regular dialogue with institutional investors and analysts through presentations, meetings, conference calls, and overseas roadshows.

We are committed to disclosing relevant information on our activities to our shareholders and investors through regular analysts' briefings, press conferences and press releases, emails and through the corporate website in addition to through annual and interim reports. All enquiries and proposals received from shareholders, investors, the media or the public are responded to by Executive Board Members, the Company Secretary, or appropriate key executives.

The Company's information is accessible to all via the corporate website. Besides providing traditional financial data, our website contains the most current information including properties available for sale and leasing, the latest number of issued shares, updated substantial shareholders' interests in shares, corporate brochures, newsletters, details of major corporate events, and frequently asked questions.

We also recognize the importance of timely and transparent sharing of material information with our shareholders and investors. During the year, the Company and HLG issued a joint announcement on a voluntary basis to disclose the potential impact of the pandemic on the 2020 financial results based on the Board's preliminary assessment.

Moving Forward

Strong corporate governance is integral to sustainable business. Although our long track record of good corporate governance speaks for itself, we recognize that the environment is constantly changing, and that we must continue to adapt and improve. For example, sustainability has been highlighted repeatedly by stakeholders as a key concern. Yet, despite already having a strong reputation for sustainability, the Board has additionally educated and informed itself on the topic over the past 12 months, and continues to do so.

The Board and Management are committed to ongoing excellence in corporate governance. As expectations and norms evolve, shareholders should be confident that we will adapt to maintain our leadership position.

PROFILE OF THE DIRECTORS

Mr. Ronnie Chichung Chan GBM

Chair

Aged 71, Mr. Chan joined the Hang Lung group in 1972, was appointed to the Board of Hang Lung Properties Limited in 1986, and became Chair in 1991. He also serves as Chair of Hang Lung Group Limited. Mr. Chan is Vice-President of The Real Estate Developers Association of Hong Kong, Chair Emeritus of Asia Society and Chairman of its Hong Kong Center, Chairman of the Executive Committee of The Better Hong Kong Foundation and former Chairman of the Executive Committee of One Country Two Systems Research Institute. He is also former Vice President and former Advisor of China Development Research Foundation in Beijing. Mr. Chan sits on the governing or advisory bodies of several think-tanks and universities, including The Hong Kong University of Science and Technology, and Peterson Institute for International Economics. He is a former Trustee of University of Southern California, USA, where he received his MBA. Mr. Chan is a Fellow of American Academy of Arts and Sciences. He is the father of Mr. Adriel Chan, Vice Chair of the Company.

Mr. Adriel Wenbwo Chan

Vice Chair

Aged 38, Mr. Chan joined the Group in 2010. He was appointed to the Board of the Company and of its listed holding company, Hang Lung Group Limited, in 2016, and became Vice Chair in September 2020. He is now mainly responsible for the Development and Design Department, Project Management Department (including its asset assurance & improvement team) and Cost & Controls Department. Mr. Chan is also the chair of the Sustainability Steering Committee and a member of Enterprise Risk Management Working Group, among his other responsibilities within the Group.

Prior to joining the Group, he worked in finance, audit, advisory, and risk management fields. Mr. Chan is a member of the executive committee of The Real Estate Developers Association of Hong Kong, the advisory council of The Hong Kong University of Science and Technology (the "HKUST") Business School, and overseers committee of Morningside College of The Chinese University of Hong Kong. He holds an Executive Master of Business Administration degree jointly awarded by the Kellogg School of Management at Northwestern University, USA and the HKUST, and a Bachelor of Arts degree in International Relations from University of Southern California, USA. Mr. Chan is a son of Mr. Ronnie Chan, Chair of the Group.

Mr. Weber Wai Pak Lo

Chief Executive Officer

Aged 50, Mr. Lo joined the Company and its listed holding company, Hang Lung Group Limited, as Chief Executive Officer Designate in May 2018, and became Chief Executive Officer in July 2018. He has more than 25 years of experience in business management across the banking and fast-moving consumer goods sectors in Hong Kong and mainland China. Mr. Lo is a Director of The Real Estate Developers Association of Hong Kong, a Member of the Board of Inland Revenue of the Government of the HKSAR, and a Member of the Advisory Committee of The Jockey Club CPS Limited (Tai Kwun). He is also a Member of the Court of The University of Hong Kong. Mr. Lo graduated from The University of Hong Kong in 1993 with a Bachelor of Social Sciences degree.

Mr. Ronald Joseph Arculli

GBM, CVO, GBS, OBE, JP

Independent Non-Executive Director

Aged 82, Mr. Arculli joined the Board in 1980. He is a practicing solicitor and was a Member of the Legislative Council of Hong Kong from 1988 to 2000, representing the Real Estate and Construction functional constituency between 1991 and 2000. Mr. Arculli was a Non-Official Member of the Executive Council of the HKSAR from November 2005 to June 2012, and served as Convenor from October 2011 to June 2012. He was the Independent Non-Executive Chairman of Hong Kong Exchanges and Clearing Limited from April 2006 to April 2012, and remained as an Independent Non-Executive Director until his retirement in April 2013. Mr. Arculli has a distinguished record of public service and has served on numerous government committees and advisory bodies. He is a Non-Executive Director of HKR International Limited, Sino Hotels (Holdings) Limited, Sino Land Company Limited, Tsim Sha Tsui Properties Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments) and HK Electric Investments Limited (all are listed companies except HK Electric Investments Manager Limited).

Mr. Nelson Wai Leung Yuen

Independent Non-Executive Director

Aged 70, Mr. Yuen joined Hang Lung in 1978, became an Executive Director of the Company in 1986, and was appointed as Managing Director of the Company and its holding company, Hang Lung Group Limited, in 1992 until he retired in July 2010. He became a Non-Executive Director of the Company in March 2011 and was re-designated as Independent Non-Executive Director in November 2014. Mr. Yuen is a graduate of The University of Manchester, UK and a Fellow of The Institute of Chartered Accountants in England and Wales.

Mr. Dominic Chiu Fai Ho

Independent Non-Executive Director

Aged 70, Mr. Ho joined the Board as an Independent Non-Executive Director in April 2008. He retired as co-chairman of KPMG, China and HKSAR in March 2007. Mr. Ho obtained his degrees at the University of Houston in the United States and is a member of the American Institute of Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He was a past member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and of the Insurance Advisory Committee, both in Hong Kong. Mr. Ho is an Independent Non-Executive Director of Singapore Airlines Limited and DBS Bank (Hong Kong) Limited, and the Non-Executive Chairman of DBS Bank (China) Limited.

Mr. Philip Nan Lok Chen

Non-Executive Director

Aged 65, Mr. Chen joined the Company and its listed holding company, Hang Lung Group Limited, as Chief Executive Officer in 2010 until he retired in July 2018. Upon his retirement, he was re-designated as Non-Executive Director of the Company, and was appointed as Adviser to Chair until July 2019.
Mr. Chen has more than 30 years of management experience, mostly in the aviation industry, acquiring a wealth of experience in Hong Kong, mainland China and beyond. He is the Chairman of The Hong Kong Jockey Club. Mr. Chen graduated from the University of Hong Kong in 1977 with a Bachelor of Arts degree and holds a Master's degree in Business Administration from the same university.

Dr. Andrew Ka Ching Chan BBS, JP

Independent Non-Executive Director

Aged 71, Dr. Chan joined the Board as a Non-Executive Director in October 2014 and was re-designated as Independent Non-Executive Director in December 2015. He is a Member of the Trustees' Board and Senior Consultant of the global Arup Group, one of the world's foremost multi-disciplinary engineering consultants. Previously, Dr. Chan was the Deputy Chairman of Arup Group and retired in October 2014. He is an expert in civil and geotechnical engineering with over 40 years of experience in the engineering profession, and is distinguished for his leadership in the creation, design and delivery of many innovative and award-winning building projects as well as major infrastructure schemes in many cities in Asia. Dr. Chan is a past President and Gold Medallist of The Hong Kong Institution of Engineers, Founding Chairman of the Hong Kong Green Building Council, Honorary Fellow of the Hong Kong University of Science and Technology, Fellow and past President of the Hong Kong Academy of Engineering Sciences, and Fellow of the Royal Academy of Engineering, UK's national academy. He obtained his PhD degree from the University of Cambridge in Soil Mechanics. Dr. Chan was appointed Justice of the Peace in 2006 and awarded the Bronze Bauhinia Star in 2012.

Prof. Hsin Kang Chang GBS, JP

Independent Non-Executive Director

Aged 80, Prof. Chang joined the Board as an Independent Non-Executive Director in April 2015. He became an Honorary Professor in 2006 and Yeh-Lu Xun Chair Professor from 2008 to 2015 at Peking University, and an Honorary Professor at Tsinghua University in 2007. Prof. Chang was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was Dean of the School of Engineering at the University of Pittsburgh in the US from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994, and Chairman of the Department of Biomedical Engineering at the University of Southern California in the US from 1985 to 1990. Prof. Chang taught at several major universities in North America and served in a number of scholarly societies and public advisory bodies in the US, serving as President of Biomedical Engineering Society of the US in 1988-89. In Hong Kong, he was Chairman of the Cultural and Heritage Commission from 2000 to 2003, a member of the Council of Advisors on Innovation and Technology from 2000 to 2004 and a member of Judicial Officers Recommendation Commission from 1999 to 2005. Prof. Chang is a Fellow of the Royal Academy of Engineering of the United Kingdom, Member of International Eurasian Academy of Sciences, Chévalier dans l'Ordre National de la Légion d'Honneur and Commandeur dans l'Ordre des Palmes Académiques of France. He obtained his Bachelor's degree in civil engineering from National Taiwan University in 1962, Master's degree in structural engineering from Stanford University in the US in 1964 and Ph.D degree in biomedical engineering from Northwestern University in the US in 1969. Prof. Chang is an Independent Non-Executive Director of HKT Trust and HKT Limited. He was an Independent Non-Executive Director of Brightoil Petroleum (Holdings) Limited. Prof. Chang was appointed Justice of the Peace in 1999 and awarded the Gold Bauhinia Star in 2002.

Ms. Anita Yuen Mei Fung BBS, JP

Independent Non-Executive Director

Aged 60, Ms. Fung joined the Board as an Independent Non-Executive Director in May 2015. She is former Group General Manager of HSBC Holdings plc and former Chief Executive Officer Hong Kong of The Hongkong and Shanghai Banking Corporation Limited. Ms. Fung has held a number of positions with key financial bodies in Hong Kong and has been actively promoting the development of the financial markets of Hong Kong as well as other regions. She is a former Member of the Financial Infrastructure Sub-Committee of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority. Ms. Fung also serves on a number of public bodies and advisory bodies including a Director of The Hong Kong Mortgage Corporation Limited, a Member of the Museum Advisory Committee and a Member of the Judicial Officers Recommendation Commission, and previously served as an Independent Non-Executive Member of the Board of Airport Authority Hong Kong, a Non-Official Member of Hong Kong Housing Authority and a Member of the Board of West Kowloon Cultural District Authority. She is also a Trustee of Asia Society Hong Kong Center, an Honorary Professor of the School of Economics and Finance of The University of Hong Kong, and a Court Member of The Hong Kong University of Science and Technology and its former Council Member. Ms. Fung is an Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited and China Construction Bank Corporation, former Independent Non-Executive Director of Westpac Banking Corporation and former Non-Executive Director of Bank of Communications Co., Ltd and Hang Seng Bank, Limited. She obtained her Bachelor's degree in Social Science from The University of Hong Kong and Master's degree in Applied Finance from Macquarie University, Australia. Ms. Fung was awarded the Bronze Bauhinia Star in 2013 and appointed Justice of the Peace in 2015.

Mr. Hau Cheong Ho

Chief Financial Officer

Aged 61, Mr. Ho joined the Group in 2008. He was appointed to the Board of the Company and of its listed holding company, Hang Lung Group Limited, in 2010. Mr. Ho possesses over 30 years of management experience covering a wide range of industries in England, Australia, Hong Kong and mainland China. He qualified as a chartered accountant in England and Wales and Australia and holds an MBA from the University of Melbourne, Australia and a Bachelor of Commerce Degree in Accounting from the University of Birmingham, UK.

PROFILE OF KEY EXECUTIVES

Mr. Norman Ka Ngok Chan

Executive Director

Mr. Chan joined the Group in 2013. He is responsible for formulating and implementing strategies and business plans for the development of the Group's property leasing and management in Hong Kong and on the Mainland. Mr. Chan possesses over 35 years of experience in property leasing and management. He holds a Bachelor of Commerce degree from The University of Alberta, Canada. He is a Chartered Accountant of The Institute of Chartered Accountants of Alberta, a Fellow Member and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Symon Bridle

Director – Hotel Development & Asset Management

Mr. Bridle joined the Group in 2019. He possesses over 38 years of experience in hotel management. He holds a Higher National Diploma in Hotel Management from Westminster Hotel College, United Kingdom.

Mr. Gabriel Kai Wah Cheung

Director – Cost & Controls

Mr. Cheung joined the Group in 2013. He possesses over 35 years of experience in cost & controls management in Hong Kong and on the Mainland. He holds a Master of Construction Management degree from the University of New South Wales, Australia. Mr. Cheung is a Registered Professional Surveyor (Quantity Surveying) of Hong Kong, a Fellow of the Hong Kong Institute of Construction Managers, a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors, a Member of the Chartered Institute of Arbitrator and a Member of the Association of Cost Engineers. He is also an Honorary Fellow of Shenzhen Cost Engineer Association and holds the qualification for Registered Cost Engineer in mainland China.

Mr. Mikael Jaeraas

Director – Central Retail Leasing & Management

Mr. Jaeraas joined the Group in 2016. He possesses 16 years of experience in international retail business and supply chain development. He holds a Master of Social Science degree in Business Administration from Lund University, Sweden.

Mr. Chuk Fai Kwan

Director – Corporate Communications & Investor Relations

Mr. Kwan joined the Group in 2011. He possesses over 30 years of experience in public relations and corporate affairs. He holds an Executive MBA degree from The University of Western Ontario, Canada, and a Bachelor of Arts degree from The University of Hong Kong.

Mr. Peter Ting San Leung

Director – Project Management

Mr. Leung joined the Group in 2014. He possesses over 30 years of experience in developing and managing projects on the Mainland and overseas. He holds a Postgraduate Diploma in Construction Project Management from The University of Hong Kong, a Bachelor of Architecture degree and a Bachelor of Science (Architecture) degree from McGill University, Canada. He is also a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and holds a PRC Class 1 Registered Architect Qualification.

Mr. Moses Woon Tim Leung

Director – Development & Design

Mr. Leung joined the Group in 2007. He possesses over 25 years of experience in project design with various consultant firms and in exposure to Mainland projects. Mr. Leung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and an Authorized Person under the Buildings Ordinance.

Mr. Adrian Kin Leung Lo

Director – Project Management

Mr. Lo joined the Group in 2013. He possesses over 30 years of experience in architectural design and project management for both Hong Kong and Mainland projects. Mr. Lo holds a Master of Business Administration degree from Asia International Open University, Macau, a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is also a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects, and an Authorized Person under Buildings Ordinance.

Mr. Denny Chi Sing Chen

Group Financial Controller

Mr. Chen joined the Group in 2020. He possesses over 20 years of experience in accounting and finance. He holds a Master of Business Administration degree from Simon Fraser University, Canada. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and also a Member of the American Institute of Certified Public Accountants.

Mr. Aris Maroulis

Director – Leasing & Management

Mr. Maroulis joined the Group in 2018. He possesses over 20 years of experience in brand management and business consulting. He holds a Master of Business Administration degree in Marketing from The Wharton School of the University of Pennsylvania, USA and a Bachelor of Arts degree in Economics from Vassar College, USA.

Mr. Derek Siu Fai Pang

Director – Central Office Leasing & Management

Mr. Pang joined the Group in 2012. He possesses over 20 years of experience in property leasing and management. He holds a Bachelor of Science degree from The University of Hong Kong. He is a member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors.

Mr. Joseph Kar Fai To

Director – Customer Franchise

Mr. To joined the Group in 2015 as Assistant Director – Leasing & Management and was appointed as Director – Customer Franchise in January 2020. He possesses over 25 years of experience in business development. He holds a Master of Arts degree in Marketing from The University of Lancaster, UK and a Bachelor of Commerce degree from The University of Birmingham, UK.

Ms. Margaret Ka Man Yan

Director – General Counsel & Company Secretary

Ms. Yan joined the Group in 2017. She possesses over 30 years of legal advisory experience. Ms. Yan is a solicitor qualified to practise in Hong Kong. She holds a Postgraduate Certificate in Laws and a Bachelor of Laws degree from The University of Hong Kong. She is also a member of The Law Society of Hong Kong, The Law Society of England & Wales and The Law Society of ACT, Australia.

Mr. William Wing Chung Yiu

Director – Leasing & Management

Mr. Yiu joined the Group as Assistant Director – Corporate Audit in 2011 and was appointed as Assistant Director – Leasing & Management in 2013. He is currently as Director – Leasing & Management. He possesses 25 years of experience in finance, internal audit, mainland China taxation, leasing and management. He holds a Master of Business Administration degree from the California State University, Hayward, USA, and a Bachelor of Economics degree from Monash University, Australia. He is a Certified Practising Accountant of the Australian Society of Certified Practising Accountants, an Associate of the Hong Kong Institute of Certified Public Accountants and a Member of the Institute of Internal Auditors.

Mr. Sammy Kam Hung Chow

Deputy Director (Head of Corporate Audit)

Mr. Chow joined the Group in 2012 and is appointed as Deputy Director (Head of Corporate Audit) in 2020. He possesses over 20 years of experience in auditing and risk management. He holds a Bachelor of Commerce degree in Accounting and Information Systems from The University of New South Wales, Australia. He is a Fellow of Hong Kong Institute of Certified Public Accountants, a Certified Practising Accountant of CPA Australia and a Certified Internal Auditor of the Institute of Internal Auditors.

Mr. Raymond Yuk Ming Ip

Deputy Director – Leasing & Management

Mr. Ip joined the Group in 2017 and is appointed as Deputy Director – Leasing & Management in 2020. He possesses over 29 years of experience in property leasing and management. He holds a Master of Business degree from The University of Newcastle, Australia and a Bachelor of Commerce degree in Management & Marketing from Curtin University of Technology, Australia. He is also a Chartered Member of the Chartered Institute of Housing and a Professional Member of The Royal Institution of Chartered Surveyors.

Mr. Anthony Wai Keung Pau

Deputy Director (Head of Group Service Delivery)

Mr. Pau joined the Group in 2014 and was appointed as Deputy Director (Head of Group Service Delivery) in 2019. He possesses over 35 years of experience in engineering & mechanical management and project management. He holds a Master of Environmental Engineering Management degree and a Master of Engineering Management degree from the University of Technology, Sydney. He is a Chartered Engineer in UK, a Registered Professional Engineer (Building Services) in HK as well as a Master of Science degree in Inter-disciplinary Design and Management from The University of Hong Kong. He is a Fellow Member of the HK Institution of Engineers, a Senior Member of The Chinese Mechanical Engineering Society, a Professional Member of The Royal Institution of Chartered Surveyors, a Full Individual Member of China Green Building (Hong Kong) Council, a Registered RCx Professional of Hong Kong Green Building Council Limited and Property Management Practitioner Licence (Tier 1) holder issued by The Property Management Services Authority.

Ms. Helen Lau

Deputy Director
(Head of Hong Kong Leasing and Management)

Ms. Lau joined the Group in 2015 and is appointed as Deputy Director (Head of Hong Kong Leasing and Management) in 2021. She possesses 25 years of experience in leasing and portfolio management and holds a Bachelor of Science degree in Surveying from The University of Hong Kong. She is also a Professional Member of The Royal Institution of Chartered Surveyors.

Ms. Janet Shun Ngar Poon

Deputy Director
(Head of Group HR & Administration)

Ms. Poon joined the Group in 2012. She possesses over 20 years of experience in human resources management in real estate industry. She holds a Master of Science degree in Training and Human Resources Management from the University of Leicester and a Bachelor of Business Administration degree from The Chinese University of Hong Kong.

Mr. Louis Lung Tim Tong

Deputy Director – Project Management

Mr. Tong joined the Group in 2014 as Senior Manager and was appointed as Deputy Director – Project Management in 2020. He possesses over 30 years of experience in project management for both Hong Kong and Mainland projects. He holds a Bachelor of Science in Building degree from The City University of Hong Kong and an Executive MBA degree from the Shanghai Fudan University. He is also a Member of Chartered Institute of Building and a Member of Association of Cost Engineers.

Ms. Vera Wai Ngar Wu

Deputy Director – Leasing & Management

Ms. Wu joined the Group in 2002 and is appointed as Deputy Director – Leasing & Management in 2021. She possesses over 20 years of experience in corporate communications, marketing, property leasing and management. She holds a Bachelor of Commence degree from the University of British Columbia, Canada.

REPORT OF THE DIRECTORS

The Directors of the Board have pleasure in submitting their report together with the audited consolidated Financial Statements for the year ended December 31, 2020.

Principal Activities

The principal activities of the Company are investment holding, and through its subsidiaries, property investment for rental income, property development for sales and leasing, car park management and property management.

An analysis of the revenue and trading results of the Company and its subsidiaries (collectively referred to as the Group) by operating segments during the financial year is set out in Note 2 to the Financial Statements.

Principal Subsidiaries and Joint Ventures

A list of principal subsidiaries and joint ventures, together with their places of operations and incorporation and particulars of their issued share capital/registered capital is set out in Notes 36 and 37 to the Financial Statements.

Financial Results

The results of the Group for the year ended December 31, 2020 are set out in the consolidated Financial Statements on pages 153 to 213.

Dividends

The Board now recommends a final dividend of HK59 cents per share which, together with the interim dividend of HK17 cents per share paid on September 29, 2020, makes a total of HK76 cents per share in respect of the year ended December 31, 2020. The proposed final dividend, if approved by the shareholders at the AGM on April 30, 2021, will be paid on May 20, 2021 to shareholders whose names appear on the register of members on May 6, 2021.

The Company aims at providing a stable dividend to shareholders. The dividend will reflect the financial performance of the core leasing business. In recommending a dividend, the Company will take into account the return to shareholders and its funding requirements for future business growth.

Business Review

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year along with the material factors underlying its results and financial position are included in the Review of Operations and Financial Review sections on pages 40 to 78 and pages 79 to 89, respectively, of this annual report. A description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Corporate Governance Report on pages 102 to 130. The particulars of important events affecting the Company which have occurred since the end of the financial year 2020, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed in the Review of Operations section on pages 40 to 78 of this annual report.

An analysis of the Group's performance using financial key performance indicators is provided in the Financial Highlights and Financial Review sections on pages 6 to 7 and pages 79 to 89, respectively, of this annual report. A discussion of the Company's environmental policies and performance and an account of the Company's relationships with its key stakeholders are provided in the Sustainable Development section on pages 92 to 99 of this annual report.

Compliance procedures are in place to ensure adherence to relevant laws and regulations, in particular, those which have a significant impact on the Group. The Audit Committee of the Company is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements. Any new enactment of, or changes in, the relevant laws and regulations are communicated through regular legal updates to ensure compliance. The legal updates are circulated to all executive staff to ensure that they are aware of the changes and can disseminate relevant information to their subordinates. Reminders to relevant staff on compliance are also sent out regularly, where necessary. Training is provided, as needs arise, to build awareness.

The Group has set up systems and policies to ensure compliance with the relevant laws and regulations which have a significant impact on the Group in conducting its business, including but not limited to, the Buildings Ordinance, the Residential Properties (First-hand Sales) Ordinance, the Competition Ordinance, the Personal Data (Privacy) Ordinance, the Minimum Wage Ordinance, the Employment Ordinance, and the Occupational Safety and Health Ordinance in Hong Kong; and the Construction Law, the Fire Safety Law, the Anti-Monopoly Law, the Anti-Unfair Competition Law, the Cyber Security Law, the Labour Law, the Labour Contract Law and the Trade Union Law in the People's Republic of China. At a corporate level, the Company also complies with the Listing Rules, the Companies Ordinance and the SFO.

Ten-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 214 and 215.

Major Suppliers and Customers

During the year, both the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined were less than 30% of the total purchases and total revenue of the Group respectively.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at December 31, 2020 amounted to HK$23,307 million (2019: HK$22,796 million).

Donations

Donations made by the Group during the year amounted to HK$25 million (2019: HK$17 million).

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at December 31, 2020 are set out in Note 18 to the Financial Statements.

Borrowing Costs Capitalization

Borrowing costs capitalized by the Group during the year amounted to HK$1,296 million (2019: HK$1,429 million).

Major Group Properties

Details of major properties of the Group as at December 31, 2020 are set out on pages 75 to 78.

Share Capital

During the year, as a result of the exercise of share options under the Company's share option scheme, 81,000 shares (2019: Nil), fully paid, were issued for a total consideration of HK$1,618,380 (2019: Nil).

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

Equity-Linked Agreements

Other than the share option schemes of the Company as disclosed, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Particulars of the share option schemes are set out in Note 27 to the Financial Statements and the paragraphs below.

Directors

The Directors of the Board during the year and up to the date of this report are:

Mr. Ronnie C. Chan
Mr. Adriel Chan
Mr. Weber W.P. Lo
Mr. Ronald J. Arculli
Mr. Nelson W.L. Yuen
Mr. Dominic C.F. Ho
Mr. Philip N.L. Chen
Dr. Andrew K.C. Chan
Prof. H.K. Chang
Ms. Anita Y.M. Fung
Mr. H.C. Ho

The brief biographical details of the Directors of the Board are set out on pages 131 to 136. Details of their remuneration are set out in Note 6 to the Financial Statements.

In accordance with article 103 of the Articles of Association, Mr. Ronald J. Arculli, Mr. Ronnie C. Chan, Mr. Weber W.P. Lo and Mr. H.C. Ho will retire from the Board by rotation at the forthcoming AGM. Mr. Ronnie C. Chan, Mr. Weber W.P. Lo and Mr. H.C. Ho, being eligible, will offer themselves for re-election. Mr. Ronald J. Arculli will not offer himself for re-election and will retire from the Board with effect from the conclusion of the forthcoming AGM.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at http://www.hanglung.com under "Constitutional Document & Directors of Subsidiaries" in the "Corporate Governance" subsection of the "Investor Relations" section.

Directors' Service Contracts

No Director of the Board proposed for re-election at the forthcoming AGM has a service contract with the Company, its holding company or any of their respective subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transaction, Arrangement or Contract

Save as disclosed, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of their respective subsidiaries was a party, and in which a Director of the Board or his/her connected entity was materially interested, whether directly or indirectly, subsisted at any time during or at the end of the year.

Permitted Indemnity

Pursuant to the Articles of Association, every Director of the Board or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Companies Ordinance. Such permitted indemnity provision for the benefit of the Directors of the Board was in force during the year and remained in force as of the date of this report.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2020, the interests or short positions of each of the Directors of the Board in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO are as follows:

		The Company (Long Position)			Hang Lung Group Limited (Long Position)	
Name	**Capacity**	**Number of Shares**	**% of Number of Issued Shares**	**Number of Shares under Option** (Note 3)	**Number of Shares**	**% of Number of Issued Shares**
Ronnie C. Chan	Personal & Other	16,330,000	0.36	17,525,000	18,009,500 (Note 1)	1.32
Adriel Chan	Personal & Other	2,644,956,340 (Note 2)	58.81	4,400,000	528,641,080 (Notes 1 & 2)	38.82
Weber W.P. Lo	Personal	–	–	12,750,000	–	–
Ronald J. Arculli	Personal & Corporate	724,346	0.02	–	1,089,975	0.08
Nelson W.L. Yuen	Personal	8,000,000	0.18	–	–	–
Dominic C.F. Ho	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	14,000,000	–	–
Andrew K.C. Chan	–	–	–	–	–	–
H.K. Chang	–	–	–	–	–	–
Anita Y.M. Fung	–	–	–	–	–	–
H.C. Ho	Personal	–	–	11,600,000	–	–

Notes

1. Other interests included 6,219,500 shares of HLG held by a trust of which Mr. Ronnie C. Chan and Mr. Adriel Chan were discretionary beneficiaries. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.
2. Other interests included 2,644,956,340 shares of the Company and another 522,421,580 shares of HLG held/deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.

3. Movements of Options under the Share Option Schemes of the Company

(i) Share Option Scheme adopted on November 22, 2002

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option As at Jan 1, 2020	Lapsed during the Year	As at Dec 31, 2020	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
02/08/2010	Ronnie C. Chan Nelson W.L. Yuen	6,500,000 6,500,000	6,500,000 6,500,000	– –	$26.46	02/08/2012 : 10% 02/08/2013 : 20% 02/08/2014 : 30% 02/08/2015 : 40%	02/07/2020
07/29/2010	Philip N.L. Chen	10,000,000	10,000,000	–	$33.05	07/29/2012 : 10% 07/29/2013 : 20% 07/29/2014 : 30% 07/29/2015 : 40%	07/28/2020
09/29/2010	H.C. Ho	2,000,000	2,000,000	–	$36.90	09/29/2012 : 10% 09/29/2013 : 20% 09/29/2014 : 30% 09/29/2015 : 40%	09/28/2020
06/13/2011	Ronnie C. Chan Philip N.L. Chen H.C. Ho	4,500,000 4,500,000 3,000,000	– – –	4,500,000 4,500,000 3,000,000	$30.79	06/13/2013 : 10% 06/13/2014 : 20% 06/13/2015 : 30% 06/13/2016 : 40%	06/12/2021

(ii) Share Option Scheme adopted on April 18, 2012

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option As at Jan 1, 2020	Exercised during the Year	As at Dec 31, 2020	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
06/04/2013	Ronnie C. Chan Adriel Chan Philip N.L. Chen H.C. Ho	4,500,000 200,000 4,500,000 3,000,000	– – – –	4,500,000 200,000 4,500,000 3,000,000	$28.20	06/04/2015 : 10% 06/04/2016 : 20% 06/04/2017 : 30% 06/04/2018 : 40%	06/03/2023
12/05/2014	Ronnie C. Chan Adriel Chan Philip N.L. Chen H.C. Ho	2,750,000 150,000 2,500,000 1,850,000	– – – –	2,750,000 150,000 2,500,000 1,850,000	$22.60	12/05/2016 : 10% 12/05/2017 : 20% 12/05/2018 : 30% 12/05/2019 : 40%	12/04/2024
08/10/2017	Ronnie C. Chan Adriel Chan Philip N.L. Chen H.C. Ho	2,750,000 1,850,000 2,500,000 1,850,000	– – – –	2,750,000 1,850,000 2,500,000 1,850,000	$19.98	08/10/2019 : 10% 08/10/2020 : 20% 08/10/2021 : 30% 08/10/2022 : 40%	08/09/2027
05/16/2018	Weber W.P. Lo	10,000,000	–	10,000,000	$18.98	05/16/2020 : 10% 05/16/2021 : 20% 05/16/2022 : 30% 05/16/2023 : 40%	05/15/2028
06/28/2019	Ronnie C. Chan Adriel Chan Weber W.P. Lo H.C. Ho	3,025,000 2,200,000 2,750,000 1,900,000	– – – –	3,025,000 2,200,000 2,750,000 1,900,000	$18.58	06/28/2021 : 10% 06/28/2022 : 20% 06/28/2023 : 30% 06/28/2024 : 40%	06/27/2029

Save as disclosed above, none of the Directors of the Board had, as at December 31, 2020, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

Other than as stated above, at no time during the year was the Company, its holding company or any of their respective subsidiaries a party to any arrangement to enable the Directors of the Board to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2020, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Note	Number of Shares or Underlying Shares Held (Long Position)	% of Number of Issued Shares (Long Position)
Chan Tan Ching Fen	1	2,644,956,340	58.81
Cole Enterprises Holdings (PTC) Limited	1	2,644,956,340	58.81
Merssion Limited	1	2,644,956,340	58.81
Adriel Chan	1	2,644,956,340	58.81
Hang Lung Group Limited	2	2,616,623,240	58.18
Prosperland Housing Limited	3	1,267,608,690	30.60
Purotat Limited	3	354,227,500	8.55

Notes

1. These shares were the same parcel of shares held by controlled corporations of Merssion Limited which was held under a trust. As Ms. Chan Tan Ching Fen was the founder, Cole Enterprises Holdings (PTC) Limited was the trustee and Mr. Adriel Chan was a discretionary beneficiary of the trust, they were deemed to be interested in such shares under the SFO.

   The controlled corporations included HLG in which Merssion Limited had 38.37% interests. Accordingly, the 2,616,623,240 shares held by HLG through its subsidiaries were included in the 2,644,956,340 shares.

2. These shares were held by the wholly-owned subsidiaries of HLG.

3. These companies were wholly-owned subsidiaries of HLG. Their interests were included in the 2,616,623,240 shares held by HLG.

Save as disclosed above, as at December 31, 2020, no other interests or short positions in the shares or underlying shares of the Company required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

Related Party Transactions

Details of the material related party transactions undertaken in the usual course of business are set out in Note 28 to the Financial Statements. None of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

Management Contracts

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

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 102 to 130.

Auditor

The consolidated Financial Statements for the year ended December 31, 2020 have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Company until the conclusion of the next AGM is to be proposed at the forthcoming AGM.

By Order of the Board
Margaret Ka Man Yan
Company Secretary
Hong Kong, January 28, 2021

Independent auditor's report to the members of Hang Lung Properties Limited
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Hang Lung Properties Limited ("the Company") and its subsidiaries ("the Group") set out on pages 153 to 213, which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Valuation of investment properties and investment properties under development

(Refer to note 10 (property, plant and equipment) and note 1(f) (accounting policy))

The Key Audit Matter

The aggregate fair values of the Group's investment properties and investment properties under development as at December 31, 2020 amounted to HK$191,866 million, representing 91% of the Group's total assets as at that date.

The net decrease in fair values of the Group's investment properties and investment properties under development recorded in the consolidated statement of profit or loss for the year ended December 31, 2020 amounted to HK$6,664 million.

The Group's investment properties, which are located in Hong Kong and Mainland China, mainly comprise shopping malls, office premises, industrial premises, residential premises and car parking bays.

The fair values of the Group's investment properties and investment properties under development were assessed by management based on independent valuations prepared by an external property valuer.

We identified valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's consolidated financial statements and because the determination of the fair values involves significant judgement and estimation, including selecting the appropriate valuation methodology, capitalization rates and market rents and, for investment properties under development, an estimation of costs to complete each property development project.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties and investment properties under development included the following:

- assessing the competence, capability, experience of the locations and types of properties subject to valuation, independence and objectivity of the external property valuer;
- evaluating the valuation methodology used by the external property valuer based on our knowledge of other property valuers for similar types of properties;
- on a sample basis, comparing the tenancy information included in the valuation models, which included committed rents and occupancy rates, with underlying contracts and related documentation;
- discussing the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalization rates, by comparing them with historical rates and available market data, taking into consideration comparability and other local market factors, with the assistance of our internal property valuation specialists; and
- for investment properties under development, comparing the estimated construction costs to complete each property development project with the Group's updated budgets (see further details set out in the key audit matter below).

Assessing the development costs of investment properties under development

(Refer to note 10 (property, plant and equipment) and note 1(f) (accounting policy))

The Key Audit Matter	How the matter was addressed in our audit
The fair value of the Group's investment properties under development is determined using the direct comparison valuation methodology, with reference to comparable market transactions, to derive the fair value of the property and, where appropriate, after deducting (1) the estimated development costs to be expended to complete each property development project and (2) the estimated profit margin. Therefore, any increase in the estimated development costs to be expended to complete each property development project compared with the original management approved budgets could have a significant negative impact on the fair value of the Group's investment properties under development and, hence, the results for the year. The Group's investment properties under development comprise shopping malls, office premises and residential premises. We identified the assessing of the development costs of the Group's investment properties under development as a key audit matter because the determination of estimated development costs involves significant management judgement and estimation, in particular in relation to project feasibility studies, estimating future development costs to be expended to complete each property development project and the estimated profit margin.	Our audit procedures to assess the development costs of investment properties under development included the following: • assessing the design, implementation and operating effectiveness of management's key internal controls over the preparation and monitoring of management budgets and forecasts of construction costs for each investment property under development; • discussing the valuations of investment properties under development with the external property valuer in a separate private session and challenging key estimates adopted in the valuations including those relating to market selling prices, by comparing them with available market data, taking into consideration comparability and other local market factors; • performing a retrospective review for all investment properties under development by comparing the actual construction costs incurred during the current year with those included in the prior year's forecasts in order to assess the accuracy of the Group's budgeting process; • conducting site visits to all investment properties under development and discussing with management and the in-house quantity surveyor the development progress and the development budgets reflected in the latest forecasts for each property development project; and • comparing, on a sample basis, the quantity surveyor's reports for the construction costs incurred for property development projects with the underlying payment records and other documentation relevant to the construction cost accruals and/or payments.

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. We obtained all of the other information prior to the date of this auditor's report apart from "Chair's Letter to Shareholders" and "Vice Chair's Notes". The remaining information is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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 Cheung Wing Han, Ivy.

KPMG
Certified Public Accountants

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

January 28, 2021

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

	Note	2020 HK$ Million	2019 HK$ Million	For information purpose only 2020 RMB Million	For information purpose only 2019 RMB Million
Revenue	2(a)	**8,973**	8,852	**7,970**	7,810
Direct costs and operating expenses		**(2,492)**	(2,365)	**(2,210)**	(2,090)
		6,481	6,487	**5,760**	5,720
Other net income	3	**50**	9	**44**	8
Administrative expenses		**(531)**	(593)	**(476)**	(524)
Profit from operations before changes in fair value of properties		**6,000**	5,903	**5,328**	5,204
Net (decrease)/increase in fair value of properties	2(b)	**(6,664)**	8,797	**(5,947)**	7,869
(Loss)/profit from operations after changes in fair value of properties		**(664)**	14,700	**(619)**	13,073
Interest income		**63**	146	**55**	127
Finance costs		**(174)**	(46)	**(152)**	(41)
Net interest (expense)/income	4	**(111)**	100	**(97)**	86
Share of (losses)/profits of joint ventures	12	**(88)**	9	**(76)**	8
(Loss)/profit before taxation	5	**(863)**	14,809	**(792)**	13,167
Taxation	7(a)	**(1,193)**	(5,009)	**(1,050)**	(4,476)
(Loss)/profit for the year	2(b)	**(2,056)**	9,800	**(1,842)**	8,691
Attributable to:					
Shareholders	22(a)	**(2,571)**	6,172	**(2,297)**	5,440
Non-controlling interests		**515**	3,628	**455**	3,251
		(2,056)	9,800	**(1,842)**	8,691
(Loss)/earnings per share	9(a)				
Basic		**(HK$0.57)**	HK$1.37	**(RMB0.51)**	RMB1.21
Diluted		**(HK$0.57)**	HK$1.37	**(RMB0.51)**	RMB1.21

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Note	2020 HK$ Million	2019 HK$ Million	*For information purpose only* 2020 RMB Million	*For information purpose only* 2019 RMB Million
(Loss)/profit for the year		**(2,056)**	9,800	**(1,842)**	8,691
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in exchange reserve:					
Exchange difference arising from translation to presentation currency		**6,313**	(2,048)	**(2,469)**	925
Net investment hedge – net (loss)/gain	29(d)	**(80)**	20	**(69)**	18
Movement in hedging reserve:					
Effective portion of changes in fair value		**(132)**	82	**(117)**	72
Net amount transferred to profit or loss		**62**	54	**55**	48
Deferred tax		**10**	–	**9**	–
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		**(10)**	(6)	**(8)**	(5)
Other comprehensive income for the year, net of tax		**6,163**	(1,898)	**(2,599)**	1,058
Total comprehensive income for the year		**4,107**	7,902	**(4,441)**	9,749
Total comprehensive income attributable to:					
Shareholders		**2,988**	4,415	**(4,899)**	6,511
Non-controlling interests		**1,119**	3,487	**458**	3,238
		4,107	7,902	**(4,441)**	9,749

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

	Note	2020 HK$ Million	2019 HK$ Million	*For information purpose only* 2020 RMB Million	2019 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties		**164,322**	159,534	**138,157**	142,956
Investment properties under development		**27,544**	27,602	**23,181**	24,726
Other property, plant and equipment		**253**	234	**213**	210
	10	**192,119**	187,370	**161,551**	167,892
Interest in joint ventures	12	**1,161**	1,296	**974**	1,162
Other assets	13	**77**	87	**65**	78
Deferred tax assets	20(b)	**84**	–	**70**	–
		193,441	188,753	**162,660**	169,132
Current assets					
Cash and deposits with banks	14	**6,319**	3,306	**5,307**	2,963
Trade and other receivables	15	**3,499**	2,279	**2,942**	2,042
Properties for sale	16	**7,988**	5,642	**6,713**	5,057
Assets held for sale	17	**69**	–	**58**	–
		17,875	11,227	**15,020**	10,062
Current liabilities					
Bank loans and other borrowings	18	**7,464**	2,694	**6,269**	2,414
Trade and other payables	19	**10,978**	8,911	**9,233**	7,986
Lease liabilities	11(a)	**26**	23	**22**	21
Current tax payable	20(a)	**606**	809	**510**	725
		19,074	12,437	**16,034**	11,146
Net current liabilities		**1,199**	1,210	**1,014**	1,084
Total assets less current liabilities		**192,242**	187,543	**161,646**	168,048
Non-current liabilities					
Bank loans and other borrowings	18	**30,453**	26,979	**25,582**	24,182
Lease liabilities	11(a)	**302**	293	**254**	262
Deferred tax liabilities	20(b)	**13,299**	12,459	**11,192**	11,161
		44,054	39,731	**37,028**	35,605
NET ASSETS		**148,188**	147,812	**124,618**	132,443
Capital and reserves					
Share capital	21	**39,916**	39,915	**37,434**	37,433
Reserves	22	**98,379**	98,754	**78,858**	86,820
Shareholders' equity		**138,295**	138,669	**116,292**	124,253
Non-controlling interests		**9,893**	9,143	**8,326**	8,190
TOTAL EQUITY		**148,188**	147,812	**124,618**	132,443

Weber W.P. Lo
Chief Executive Officer

H.C. Ho
Chief Financial Officer

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

HK$ Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital (Note 21)	Other reserves (Note 22)	Retained profits (Note 22)	Total		
At January 1, 2019	39,915	(1,117)	98,763	137,561	6,033	143,594
Profit for the year	–	–	6,172	6,172	3,628	9,800
Exchange difference arising from translation to presentation currency	–	(1,907)	–	(1,907)	(141)	(2,048)
Net investment hedge – net gain	–	20	–	20	–	20
Cash flow hedges: net movement in hedging reserve	–	136	–	136	–	136
Net change in fair value of equity investments	–	(6)	–	(6)	–	(6)
Total comprehensive income for the year	–	(1,757)	6,172	4,415	3,487	7,902
Final dividend in respect of previous year	–	–	(2,609)	(2,609)	–	(2,609)
Interim dividend in respect of current year	–	–	(765)	(765)	–	(765)
Employee share-based payments	–	30	37	67	–	67
Dividends paid to non-controlling interests	–	–	–	–	(377)	(377)
At December 31, 2019 and January 1, 2020	39,915	(2,844)	101,598	138,669	9,143	147,812
Loss for the year	**–**	**–**	**(2,571)**	**(2,571)**	**515**	**(2,056)**
Exchange difference arising from translation to presentation currency	**–**	**5,709**	**–**	**5,709**	**604**	**6,313**
Net investment hedge – net loss	**–**	**(80)**	**–**	**(80)**	**–**	**(80)**
Cash flow hedges: net movement in hedging reserve	**–**	**(60)**	**–**	**(60)**	**–**	**(60)**
Net change in fair value of equity investments	**–**	**(10)**	**–**	**(10)**	**–**	**(10)**
Total comprehensive income for the year	**–**	**5,559**	**(2,571)**	**2,988**	**1,119**	**4,107**
Final dividend in respect of previous year	**–**	**–**	**(2,653)**	**(2,653)**	**–**	**(2,653)**
Interim dividend in respect of current year	**–**	**–**	**(765)**	**(765)**	**–**	**(765)**
Issue of shares	**1**	**–**	**–**	**1**	**–**	**1**
Employee share-based payments	**–**	**(134)**	**189**	**55**	**–**	**55**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(369)**	**(369)**
At December 31, 2020	**39,916**	**2,581**	**95,798**	**138,295**	**9,893**	**148,188**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

For information purpose only

RMB Million	Shareholders' equity					
	Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
At January 1, 2019	37,433	498	82,733	120,664	5,286	125,950
Profit for the year	–	–	5,440	5,440	3,251	8,691
Exchange difference arising from translation to presentation currency	–	938	–	938	(13)	925
Net investment hedge – net gain	–	18	–	18	–	18
Cash flow hedges: net movement in hedging reserve	–	120	–	120	–	120
Net change in fair value of equity investments	–	(5)	–	(5)	–	(5)
Total comprehensive income for the year	–	1,071	5,440	6,511	3,238	9,749
Final dividend in respect of previous year	–	–	(2,288)	(2,288)	–	(2,288)
Interim dividend in respect of current year	–	–	(694)	(694)	–	(694)
Employee share-based payments	–	27	33	60	–	60
Dividends paid to non-controlling interests	–	–	–	–	(334)	(334)
At December 31, 2019 and January 1, 2020	37,433	1,596	85,224	124,253	8,190	132,443
Loss for the year	**–**	**–**	**(2,297)**	**(2,297)**	**455**	**(1,842)**
Exchange difference arising from translation to presentation currency	**–**	**(2,472)**	**–**	**(2,472)**	**3**	**(2,469)**
Net investment hedge – net loss	**–**	**(69)**	**–**	**(69)**	**–**	**(69)**
Cash flow hedges: net movement in hedging reserve	**–**	**(53)**	**–**	**(53)**	**–**	**(53)**
Net change in fair value of equity investments	**–**	**(8)**	**–**	**(8)**	**–**	**(8)**
Total comprehensive income for the year	**–**	**(2,602)**	**(2,297)**	**(4,899)**	**458**	**(4,441)**
Final dividend in respect of previous year	**–**	**–**	**(2,440)**	**(2,440)**	**–**	**(2,440)**
Interim dividend in respect of current year	**–**	**–**	**(672)**	**(672)**	**–**	**(672)**
Issue of shares	**1**	**–**	**–**	**1**	**–**	**1**
Employee share-based payments	**–**	**(118)**	**167**	**49**	**–**	**49**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(322)**	**(322)**
At December 31, 2020	**37,434**	**(1,124)**	**79,982**	**116,292**	**8,326**	**124,618**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2020

				For information purpose only	
	Note	**2020 HK$ Million**	2019 HK$ Million	**2020 RMB Million**	2019 RMB Million
Operating activities					
Cash generated from operations	23	**4,822**	6,180	**4,248**	5,417
Tax paid					
Hong Kong Profits Tax paid		**(887)**	(101)	**(789)**	(89)
Mainland China Income Tax paid		**(522)**	(760)	**(474)**	(671)
Net cash generated from operating activities		**3,413**	5,319	**2,985**	4,657
Investing activities					
Payment for property, plant and equipment		**(3,107)**	(12,262)	**(2,763)**	(10,777)
Net sale proceeds from disposal of property, plant and equipment		**6**	117	**5**	103
Net sale proceeds from disposal of assets held for sale		**–**	95	**–**	83
Interest received		**142**	168	**126**	146
Dividend received from a joint venture		**47**	43	**42**	38
Decrease in bank deposits with maturity greater than 3 months		**716**	1,874	**636**	1,653
Net cash used in investing activities		**(2,196)**	(9,965)	**(1,954)**	(8,754)
Financing activities					
Proceeds from new bank loans and other borrowings	25	**17,861**	11,919	**15,885**	10,510
Repayment of bank loans and other borrowings	25	**(10,406)**	(9,228)	**(9,254)**	(8,128)
Capital element of lease rentals paid	25	**(8)**	(8)	**(7)**	(7)
Proceeds from exercise of share options		**1**	–	**1**	–
Interest and other borrowing costs paid		**(1,341)**	(1,398)	**(1,190)**	(1,231)
Interest element of lease rentals paid	25	**(15)**	(16)	**(14)**	(14)
Dividends paid		**(3,418)**	(3,374)	**(3,112)**	(2,982)
Dividends paid to non-controlling interests		**(369)**	(377)	**(322)**	(334)
Net cash generated from/(used in) financing activities		**2,305**	(2,482)	**1,987**	(2,186)
Increase/(decrease) in cash and cash equivalents		**3,522**	(7,128)	**3,018**	(6,283)
Effect of foreign exchange rate changes		**139**	(55)	**(20)**	6
Cash and cash equivalents at January 1		**1,373**	8,556	**1,230**	7,507
Cash and cash equivalents at December 31	14	**5,034**	1,373	**4,228**	1,230

The accompanying notes form part of these financial statements.

1 Significant Accounting Policies

(a) Statement of compliance

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in joint ventures.

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments 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 recognized 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.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 30.

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared according to note 1(y) as if the presentation currency is Renminbi.

1 Significant Accounting Policies (Continued)

(c) 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 unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, 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. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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 recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (Note 1(n)).

1 Significant Accounting Policies (Continued)

(d) Joint ventures

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

The Group's interests in joint ventures are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the joint ventures' net assets. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. The consolidated statement of profit or loss includes the Group's share of the post-acquisition, post-tax results of the joint ventures for the year, whereas the Group's share of the post-acquisition, post-tax items of the joint ventures' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

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

When the Group ceases to have 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 recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

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

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date.

Goodwill is stated at cost less accumulated impairment losses and is tested regularly for impairment (Note 1(n)).

Any excess of the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date over the cost of a business combination is recognized immediately in profit or loss as a gain on a bargain purchase.

On disposal of an entity, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 Significant Accounting Policies (Continued)

(f) Investment properties and investment properties under development

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

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss.

(g) Properties for sale

1. Properties under development for sale

Properties under development for sale are classified under current assets and stated at the lower of cost and net realizable value. Costs include the acquisition cost of land, aggregate cost of development, borrowing costs capitalized (Note 1(t)) and other direct expenses. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions less estimated costs of completion and costs to be incurred in selling the property.

2. Completed properties for sale

Completed properties for sale are classified under current assets and stated at the lower of cost and net realizable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalized (Note 1(t)), attributable to unsold properties. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property.

(h) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (Note 1(n)). Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

(i) Leases

At inception of a contract, the Group assesses whether a 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.

1 Significant Accounting Policies (Continued)

(i) Leases (Continued)

1. As a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a corresponding lease liability with respect to all leases, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and the interest expense is calculated using the effective interest method.

The right-of-use asset recognized 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.

The right-of-use assets that meet the definition of investment property are subsequently stated at fair value in accordance with note 1(f). Otherwise, they are subsequently stated at cost less accumulated depreciation (Note 1(h)) and impairment losses (Note 1(n)).

Lease payments included in the measurement of the lease liability comprise the fixed payments (including in-substance fixed payments) less any lease incentives. Variable lease payments that do not depend on an index or rate are charged to profit or loss in the accounting period in which they are incurred.

2. 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.

Rental income from operating leases is recognized in accordance with note 1(w)(2).

1 Significant Accounting Policies (Continued)

(j) Depreciation

1. Investment properties

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

2. Other property, plant and equipment

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

Buildings	50 years or unexpired lease term, whichever is shorter
Furniture and equipment	4 – 20 years
Motor vehicles	5 years

(k) Investments in equity instruments

Investments in equity instruments are classified and measured at fair value through profit or loss (i.e. FVTPL) except when the equity investment is not held for trading and an election is made to present the fair value changes in other comprehensive income (i.e. FVTOCI). This election is made on an investment-by-investment basis on initial recognition and is irrevocable. The gains or losses (both on subsequent measurement and derecognition) of investments that are measured at FVTPL are recognized in profit or loss. If the equity investment is designated as at FVTOCI, all gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, except for dividend income that is generally recognized in profit or loss in accordance with the policy set out in note 1(w)(5).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments.

(l) Derivative financial instruments

Derivative financial instruments are recognized 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 recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting (Note 1(m)(1)).

(m) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates, and non-derivative financial liabilities as hedging instruments to hedge the foreign exchange risk on net investments in foreign operations.

1. Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge of a recognized asset or liability or a highly probable forecast transaction, the effective portion of changes in fair value of the hedging instruments is recognized in other comprehensive income and accumulated in a hedging reserve as a separate component of equity. Any ineffective portion of changes in fair value is recognized immediately in profit or loss. The amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

1 Significant Accounting Policies (Continued)

(m) Hedging (Continued)

2. Hedge of net investments in foreign operations

When a non-derivative financial liability is designated as the hedging instrument in a hedge of net investment in a foreign operation, the effective portion of any foreign exchange gain or loss on the non-derivative financial liabilities is recognized in other comprehensive income and accumulated in the exchange reserve within equity until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Any ineffective portion is recognized immediately in profit or loss.

(n) Impairment of assets

– For other property, plant and equipment, investments in joint ventures, goodwill and investments in subsidiaries in the Company's statement of financial position, an assessment is carried out at the end of each reporting period to determine whether there is objective evidence that these assets are impaired. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount 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. An impairment loss is recognized in profit or loss if the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized. An impairment loss in respect of goodwill is not reversed.

– For trade and other receivables and other financial assets measured at amortized cost (including cash and deposits with banks and advances to unlisted investee companies), the Group recognizes a loss allowance which is equal to 12-month expected credit losses unless the balance is a trade receivable or there has been a significant increase in credit risk of the financial asset since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

  Expected credit losses are a probability-weighted estimate of credit losses measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), unless the balances are credit-impaired at the end of the reporting period where expected credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

  At the end of each reporting period, the Group assesses whether the balances are credit-impaired (i.e. when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred, such as significant financial difficulty of the debtor).

  The allowance for expected credit losses is presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The adjustment to the allowance for credit losses is recognized in profit or loss, as an impairment or reversal of impairment.

1 Significant Accounting Policies (Continued)

(n) Impairment of assets (Continued)

The gross carrying amount is written off to the extent that there is no realistic prospect of recovery. Subsequent recoveries that were previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(o) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for credit losses (Note 1(n)), except where the receivables are interest-free loans without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for credit losses (Note 1(n)).

(p) 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. 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 cash flow statement. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 1(n).

(q) Assets held for sale

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

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

(r) Trade and other payables (including contract liabilities)

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(u), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the revenue arising from contract with customers within the scope of HKFRS 15, *Revenue from contracts with customers*. A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

1 Significant Accounting Policies (Continued)

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (Note 1(t)).

(t) 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 capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization 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. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

(u) 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.

Financial guarantees issued are initially recognized within trade and other payables at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or 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 recognized 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 recognized in profit or loss.

Subsequent to initial recognition, the amount initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when expected credit losses on the financial guarantees are determined to be higher than the amount carried in trade and other payables in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

1 Significant Accounting Policies (Continued)

(u) Financial guarantees issued (Continued)

To determine expected credit losses, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month expected credit loss is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime expected credit loss is measured.

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

(v) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of 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 the money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(w) Revenue and other income

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

Revenue is recognized 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.

Further details of the Group's revenue and other income recognition policies are as follows:

1. Sale of properties

Revenue from sale of completed properties is recognized when the legal assignment is completed, which is the point in time when the buyer has the ability to direct the use of the property and obtains substantially all of the remaining benefits of the property.

1 Significant Accounting Policies (Continued)

(w) Revenue and other income (Continued)

2. Rental income

Rental income under operating leases is recognized on a straight-line basis over the terms of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payment receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

3. Building management fees and other income from property leasing

Building management fees and other income from property leasing are recognized when the related services are rendered.

4. Interest income

Interest income is recognized as it accrues using the effective interest method.

5. Dividends

Dividends are recognized when the right to receive payment is established.

(x) Taxation

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 recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant Accounting Policies (Continued)

(x) Taxation (Continued)

When investment properties and investment properties under development are carried at fair value in accordance with the accounting policy set out in note 1(f), the amount of deferred tax recognized is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization 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 utilized. 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 recognized when the liability to pay the related dividends is recognized.

(y) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (functional currency).

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss, except those arising from the translation of non-derivative financial liabilities designated as the hedging instruments to hedge the foreign exchange risk on net investments in foreign operations. Such exchange gains or losses to the extent that the hedge is effective are recognized in other comprehensive income (Note 1(m)(2)).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 Significant Accounting Policies (Continued)

(y) Translation of foreign currencies (Continued)

The results and financial position of all operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
2. income and expenses are translated at the exchange rates approximating the exchange rates ruling at the dates of the transactions; and
3. all resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(z) Related parties

1. A person, or a close member of that person's family, is related to the Group if that person:
   (i) has control or joint control over the Group;
   (ii) has significant influence over the Group; or
   (iii) is a member of the key management personnel of the Group or the Group's parent.
2. An entity is related to the Group if any of the following conditions applies:
   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint ventures of the same third party.
   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
   (vi) The entity is controlled or jointly controlled by a person identified in (1).
   (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

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

1 Significant Accounting Policies (Continued)

(aa) Segment reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. For disclosure purpose, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics and nature of the regulatory environment, or single operating segments which are disclosable separately because they cannot be aggregated or they exceed quantitative thresholds.

(ab) Employee benefits

1. Short term employee benefits and contributions to defined contribution retirement schemes

Salaries, annual bonuses, paid annual leave, the cost of non-monetary benefits and obligation for contributions to defined contribution retirement schemes, including those payables in mainland China and Hong Kong under relevant legislation, are accrued in the year in which the associated services are rendered by employees of the Group.

2. Share-based payments

The fair value of share options granted to employees is measured at grant date, taking into account the terms and conditions upon which the options were granted, and is expensed on a straight-line basis over the vesting period taking into account the probability that the options will vest, with a corresponding increase in equity (employee share-based compensation reserve).

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the employee share-based compensation reserve).

At the time when the share options are exercised, the related employee share-based compensation reserve is transferred to share capital. If the options expire or lapse after the vesting period, the related employee share-based compensation reserve is transferred directly to retained profits.

2 Revenue and Segment Information

The Group manages businesses according to the nature of services and products provided. Management has determined property leasing and property sales to be the reportable operating segments for the measurement of performance and the allocation of resources.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interest in joint ventures, other assets, deferred tax assets and cash and deposits with banks.

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

HK$ Million	2020	2019
Under the scope of HKFRS 16, *Leases:*		
Rental income (Note 11(b))	**7,990**	7,713
Under the scope of HKFRS 15, *Revenue from contracts with customers:*		
Sales of completed properties	**62**	296
Building management fees and other income from property leasing	**921**	843
	983	1,139
	8,973	8,852

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

– building management fees and other income from property leasing, as the Group recognizes 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; and

– revenue from sales of completed properties, as the performance obligation is part of a contract that has an original expected duration of one year or less.

2 Revenue and Segment Information (Continued)

(b) Revenue and results by segments

HK$ Million	2020			2019		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue						
– Mainland China	5,277	–	5,277	4,544	–	4,544
– Hong Kong	3,634	62	3,696	4,012	296	4,308
	8,911	62	8,973	8,556	296	8,852
Profit from operations before changes in fair value of properties						
– Mainland China	3,202	(8)	3,194	2,663	(2)	2,661
– Hong Kong	2,752	54	2,806	3,078	164	3,242
	5,954	46	6,000	5,741	162	5,903
Net (decrease)/increase in fair value of properties	(6,664)	–	(6,664)	8,797	–	8,797
– Mainland China	(2,529)	–	(2,529)	9,281	–	9,281
– Hong Kong	(4,135)	–	(4,135)	(484)	–	(484)
Net interest (expense)/ income	(111)	–	(111)	100	–	100
– Interest income	63	–	63	146	–	146
– Finance costs	(174)	–	(174)	(46)	–	(46)
Share of (losses)/profits of joint ventures	(88)	–	(88)	9	–	9
(Loss)/profit before taxation	(909)	46	(863)	14,647	162	14,809
Taxation	(1,184)	(9)	(1,193)	(4,983)	(26)	(5,009)
(Loss)/profit for the year	(2,093)	37	(2,056)	9,664	136	9,800
Net (loss)/profit attributable to shareholders	(2,608)	37	(2,571)	6,036	136	6,172

2 Revenue and Segment Information (Continued)

(c) Total segment assets

HK$ Million	2020			2019		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Mainland China	**133,028**	**3,735**	**136,763**	123,824	1,604	125,428
Hong Kong	**62,589**	**4,323**	**66,912**	65,824	4,039	69,863
	195,617	**8,058**	**203,675**	189,648	5,643	195,291
Interest in joint ventures			**1,161**			1,296
Other assets			**77**			87
Deferred tax assets			**84**			–
Cash and deposits with banks			**6,319**			3,306
			211,316			199,980

3 Other Net Income

HK$ Million	2020	2019
Government grants	**21**	–
Gain on disposal of investment properties	**2**	–
Ineffectiveness on cash flow hedges	**1**	1
Dividend income from equity investments measured at FVTOCI	**–**	3
Others	**26**	5
	50	9

4 Net Interest (Expense)/Income

HK$ Million	2020	2019
Interest income on bank deposits	**63**	146
Interest expense on bank loans and other borrowings	**1,403**	1,415
Interest on lease liabilities	**15**	16
Other borrowing costs	**52**	44
Total borrowing costs	**1,470**	1,475
Less: Borrowing costs capitalized (Note)	**(1,296)**	(1,429)
Finance costs	**174**	46
Net interest (expense)/income	**(111)**	100

Note:

The borrowing costs were capitalized at an average rate of 4.5% (2019: 4.7%) per annum to properties under development.

5 (Loss)/Profit Before Taxation

HK$ Million	2020	2019
(Loss)/profit before taxation is arrived at after charging:		
Cost of properties sold	**5**	121
Staff costs (Note)	**1,272**	1,340
Depreciation	**48**	50
Auditors' remuneration		
– audit services	**9**	9
– non-audit services	**2**	2
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK$2,474 million (2019: HK$2,231 million)	**6,437**	6,325

Note:

The staff costs included employee share-based payments of HK$55 million (2019: HK$67 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized, were accounted for, staff costs would have been HK$1,559 million (2019: HK$1,604 million).

6 Emoluments of Directors and Senior Management

The Nomination and Remuneration Committee consists of three Independent Non-Executive Directors. The Committee makes recommendation to the Board on the Non-Executive Director's and Independent Non-Executive Directors' remuneration packages and determines the remuneration package of individual Executive Directors. The emoluments of Executive Directors are determined by their scope of responsibility and accountability, and performance, taking into consideration of the Group's performance and profitability, market practice and prevailing business conditions, etc.

6 Emoluments of Directors and Senior Management (Continued)

(a) Directors' emoluments

Details of directors' emoluments are summarized below:

HK$ Million Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	The Group's contributions to retirement schemes	2020	2019
Executive Directors						
Ronnie C. Chan	**1.0**	**28.6**	**10.3**	**2.9**	**42.8**	41.9
Adriel Chan	**0.7**	**7.3**	**3.5**	**0.5**	**12.0**	11.8
Weber W.P. Lo	**0.7**	**19.2**	**13.8**	**1.0**	**34.7**	36.1
H.C. Ho	**0.7**	**5.5**	**4.1**	**0.5**	**10.8**	10.6
Non-Executive Director						
Philip N.L. Chen	**0.7**	**–**	**–**	**–**	**0.7**	5.2
Independent Non-Executive Directors						
Ronald J. Arculli	**0.9**	**–**	**–**	**–**	**0.9**	0.9
Nelson W.L. Yuen	**0.7**	**–**	**–**	**–**	**0.7**	0.7
Dominic C.F. Ho	**1.2**	**–**	**–**	**–**	**1.2**	1.2
Andrew K.C. Chan	**0.9**	**–**	**–**	**–**	**0.9**	0.9
H.K. Chang	**1.1**	**–**	**–**	**–**	**1.1**	1.1
Anita Y.M. Fung	**0.9**	**–**	**–**	**–**	**0.9**	0.9
2020	**9.5**	**60.6**	**31.7**	**4.9**	**106.7**	111.3
2019	9.5	63.0	33.8	5.0	111.3	

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2019: four) are existing directors of the Company whose emoluments are disclosed in note 6(a). The emoluments in respect of the remaining one (2019: one) individual are as follows:

HK$ Million	2020	2019
Salaries, allowances and benefits in kind	**5.8**	5.6
Discretionary bonuses	**3.1**	2.9
The Group's contributions to retirement schemes	**0.4**	0.4
	9.3	8.9

(c) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of the Company, details of which are disclosed in note 27(b).

7 Taxation in the Consolidated Statement of Profit or Loss

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

HK$ Million	2020	2019
Current tax		
Hong Kong Profits Tax	394	470
Under-provision in prior years	2	4
	396	474
Mainland China Income Tax	797	669
Total current tax	1,193	1,143
Deferred tax		
Changes in fair value of properties	(42)	3,766
Other origination and reversal of temporary differences	42	100
Total deferred tax (Note 20(b))	–	3,866
Total income tax expense	1,193	5,009

Provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2019: 25%) and mainland China withholding income tax calculated at the applicable rates. The withholding tax rate applicable to Hong Kong companies in respect of dividend distributions from foreign investment enterprises in mainland China was 5% (2019: 5%).

(b) Share of joint ventures' taxation for the year ended December 31, 2020 of HK$8 million (2019: HK$9 million) is included in the "share of (losses)/profits of joint ventures".

(c) Reconciliation between actual tax expense and (loss)/profit before taxation at applicable tax rates is as follows:

HK$ Million	2020	2019
(Loss)/profit before taxation	(863)	14,809
Notional tax on (loss)/profit before taxation at applicable rates	(38)	3,552
Tax effect of non-taxable income	(244)	(228)
Tax effect of non-deductible expenses	769	262
Tax effect of unrecognized temporary differences	283	1,084
Tax effect of unrecognized tax losses	421	335
Under-provision in prior years	2	4
Actual tax expense	1,193	5,009

8 Dividends

(a) Dividends attributable to the year

HK$ Million	2020	2019
Interim dividend declared and paid of HK17 cents (2019: HK17 cents) per share	765	765
Final dividend of HK59 cents (2019: HK59 cents) per share proposed after the end of the reporting period	2,653	2,653
	3,418	3,418

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

(b) The final dividend of HK$2,653 million (calculated based on HK59 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2019 was approved and paid in the year ended December 31, 2020 (2019: HK$2,609 million).

9 (Loss)/Earnings Per Share

(a) The calculation of basic and diluted (loss)/earnings per share is based on the following data:

HK$ Million	2020	2019
Net (loss)/profit attributable to shareholders	(2,571)	6,172

	Number of shares	
	2020	2019
Weighted average number of shares used in calculating basic and diluted (loss)/earnings per share (Note)	4,497,730,513	4,497,718,670

Note:

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as there was no dilutive effect on the potential ordinary shares during the years.

(b) The underlying net profit attributable to shareholders, which excluded changes in fair value of properties net of related income tax and non-controlling interests, is calculated as follows:

HK$ Million	2020	2019
Net (loss)/profit attributable to shareholders	(2,571)	6,172
Effect of changes in fair value of properties	6,664	(8,797)
Effect of corresponding income tax	(42)	3,842
Effect of changes in fair value of investment properties of joint ventures	129	38
	6,751	(4,917)
Non-controlling interests	21	3,219
	6,772	(1,698)
Underlying net profit attributable to shareholders	4,201	4,474

The earnings per share based on underlying net profit attributable to shareholders were:

	2020	2019
Basic	HK$0.93	HK$0.99
Diluted	HK$0.93	HK$0.99

10 Property, Plant and Equipment

HK$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2019	136,687	31,186	574	168,447
Exchange adjustment	(1,775)	(698)	(24)	(2,497)
Additions (Note 10(b))	1,179	15,091	79	16,349
Disposals	(110)	–	(18)	(128)
Net increase/(decrease) in fair value	9,850	(1,519)	–	8,331
Transfer in/(out)	14,854	(14,854)	–	–
Transfer to properties for sale (Note 16)	(1,819)	(1,604)	–	(3,423)
Transfer from properties for sale (Note 16)	668	–	–	668
At December 31, 2019 and January 1, 2020	159,534	27,602	611	187,747
Exchange adjustment	**6,034**	**1,789**	**25**	**7,848**
Additions	**544**	**4,691**	**56**	**5,291**
Disposals	**(4)**	**–**	**(5)**	**(9)**
Net decrease in fair value	**(4,714)**	**(1,950)**	**–**	**(6,664)**
Transfer in/(out)	**2,997**	**(2,997)**	**–**	**–**
Transfer to properties for sale (Note 16)	**–**	**(1,591)**	**–**	**(1,591)**
Transfer to assets held for sale (Note 17)	**(69)**	**–**	**–**	**(69)**
At December 31, 2020	**164,322**	**27,544**	**687**	**192,553**
Accumulated depreciation:				
At January 1, 2019	–	–	358	358
Exchange adjustment	–	–	(21)	(21)
Charge for the year	–	–	50	50
Written back on disposals	–	–	(10)	(10)
At December 31, 2019 and January 1, 2020	–	–	377	377
Exchange adjustment	**–**	**–**	**13**	**13**
Charge for the year	**–**	**–**	**48**	**48**
Written back on disposals	**–**	**–**	**(4)**	**(4)**
At December 31, 2020	**–**	**–**	**434**	**434**
Net book value:				
At December 31, 2020	**164,322**	**27,544**	**253**	**192,119**
At December 31, 2019	159,534	27,602	234	187,370

Cost or valuation of the property, plant and equipment is made up as follows:

	Investment properties	Investment properties under development	Others	Total
December 31, 2020				
Valuation	**164,322**	**27,544**	**–**	**191,866**
Cost	**–**	**–**	**687**	**687**
	164,322	**27,544**	**687**	**192,553**
December 31, 2019				
Valuation	159,534	27,602	–	187,136
Cost	–	–	611	611
	159,534	27,602	611	187,747

10 Property, Plant and Equipment (Continued)

(a) The investment properties include right-of-use assets.

(b) During the year ended December 31, 2019, the additions to investment properties under development included the final payment to Hangzhou Land Resources Bureau for acquiring the land in Xiacheng District, Hangzhou, Zhejiang Province, PRC, and assets acquired through obtaining control of a group of subsidiaries (Note 24).

(c) Fair value measurement of properties

(i) Fair value hierarchy

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

HK$ Million	**Fair value measurement at 2020**		
	Level 1	**Level 2**	**Level 3**
Investment properties	**–**	**164,322**	**–**
Investment properties under development	**–**	**–**	**27,544**

HK$ Million	Fair value measurement at 2019		
	Level 1	Level 2	Level 3
Investment properties	–	159,534	–
Investment properties under development	–	–	27,602

The Group's policy is to recognize transfers between levels of fair value hierarchy at the time at which they occur. During the year, other than the transfers from investment properties under development to investment properties upon their completion, there were no transfers between levels of fair value hierarchy.

The Group's investment properties and investment properties under development were revalued as of December 31, 2020 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis. Management has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

10 Property, Plant and Equipment (Continued)

(c) Fair value measurement of properties (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the Group's investment properties is determined by using income capitalization approach with reference to current market rents and capitalization rates using market data.

(iii) Information about Level 3 fair value measurements

The fair value of investment properties under development is determined by using direct comparison approach, with reference to comparable market transactions as available in the market to derive the fair value of the property and, where appropriate, after deducting the following items:

- Estimated development costs to be expended to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated development costs or profit margin, the lower the fair value of investment properties under development.

The main Level 3 unobservable inputs used by the Group are as follows:

The total estimated development costs to be incurred for each of the Group's investment properties under development ranged from HK$0.2 billion to HK$11.1 billion (2019: HK$0.2 billion to HK$10.7 billion). The estimates are largely consistent with the budgets developed internally by the Group based on management experience and knowledge of market conditions.

The movements in the investment properties under development during the year represent the movements in the balances of these Level 3 fair value measurements.

Fair value adjustments of investment properties and investment properties under development is recognized in "net (decrease)/increase in fair value of properties" in the consolidated statement of profit or loss.

10 Property, Plant and Equipment (Continued)

(d) An analysis of net book value of investment properties and investment properties under development is as follows:

HK$ Million	Investment properties		Investment properties under development	
	2020	2019	**2020**	2019
In Hong Kong				
– long-term leases (over 50 years)	**39,956**	42,707	**–**	–
– medium-term leases (10 to 50 years)	**20,658**	21,952	**483**	500
Outside Hong Kong				
– long-term leases (over 50 years)	**–**	–	**23**	812
– medium-term leases (10 to 50 years)	**103,708**	94,875	**27,038**	26,290
	164,322	159,534	**27,544**	27,602

(e) The net book value of other property, plant and equipment of the Group included long-term leases of HK$14 million (2019: HK$14 million) in respect of land and buildings held in Hong Kong, medium-term leases of HK$4 million (2019: HK$4 million) and long-term leases of HK$30 million (2019: HK$31 million) in respect of land and buildings held outside Hong Kong.

11 Leases

(a) As a lessee

The Group leases properties for property leasing business and administrative use.

Most of the Group's leased properties meet the definition of investment properties and are presented in the consolidated statement of financial position as investment properties. The Group did not recognize right-of-use assets and lease liabilities for other leases as these leases are of short-term or of low-value assets.

Amounts recognized in profit or loss:

HK$ Million	**2020**	2019
Interest on lease liabilities	**15**	16
Expenses relating to short-term leases	**10**	7
	25	23

Lease liabilities recognized in the consolidated statement of financial position:

HK$ Million	**2020**	2019
Current liabilities	**26**	23
Non-current liabilities	**302**	293
	328	316

A maturity analysis of lease liabilities is disclosed in note 29(b).

11 Leases (Continued)

(a) As a lessee (Continued)

Amounts included in the cash flow statement:

HK$ Million	2020	2019
Within operating cash flows	(10)	(9)
Within financing cash flows	(23)	(24)
	(33)	(33)

(b) As a lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease after that date, at which time all terms are renegotiated. Certain long-term leases contain rent review or adjustment clauses and the Group has a regular proportion of leases up for renewal each year. Certain leases include variable lease payments calculated with reference to the revenue of tenants.

Lease income from lease contracts in which the Group acts as a lessor is as below:

HK$ Million	2020	2019
Operating leases		
Fixed or variable depending on an index or rate	6,966	7,226
Variable not depending on an index or rate	1,024	487
	7,990	7,713

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments under non-cancellable operating leases to be received after the reporting date.

HK$ Million	2020	2019
Within 1 year	6,012	5,573
After 1 year but within 2 years	3,893	3,600
After 2 years but within 3 years	2,297	2,091
After 3 years but within 4 years	1,360	1,331
After 4 years but within 5 years	805	764
After 5 years	882	1,307
	15,249	14,666

12 Interest in Joint Ventures

HK$ Million	2020	2019
Share of net assets	**1,161**	1,296

Details of joint ventures are set out in note 37. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

HK$ Million	2020	2019
Non-current assets	**1,182**	1,333
Current assets	**10**	5
Non-current liabilities	**(9)**	(9)
Current liabilities	**(22)**	(33)
Net assets	**1,161**	1,296

HK$ Million	2020	2019
Revenue	**59**	66
(Loss)/profit and total comprehensive income for the year	**(88)**	9

13 Other Assets

As of December 31, 2020, other assets comprised investments in unlisted equity instruments of HK$77 million (2019: HK$87 million), which were measured at fair value through other comprehensive income. These equity instruments are of Ever Light Limited, a company engaged in property leasing, and are expected to be held for long-term strategic purposes.

14 Cash and Deposits with Banks

HK$ Million	2020	2019
Cash at banks	**1,324**	700
Time deposits	**4,995**	2,606
Cash and deposits with banks in the consolidated statement of financial position	**6,319**	3,306
Less: Bank deposits with maturity greater than 3 months	**(1,285)**	(1,933)
Cash and cash equivalents in the consolidated cash flow statement	**5,034**	1,373

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 1.7% (2019: 2.3%) per annum. The currencies of cash and deposits with banks at the year end date were as follows:

HK$ Million	2020	2019
Hong Kong Dollars	**2,584**	2,056
Hong Kong Dollar equivalent of:		
Renminbi	**3,602**	1,150
United States Dollars	**133**	100
	6,319	3,306

After deducting cash and deposits with banks from bank loans and other borrowings, the net debt position of the Group at the end of the reporting period was as follows:

HK$ Million	2020	2019
Bank loans and other borrowings (Note 18)	**37,917**	29,673
Less: Cash and deposits with banks	**(6,319)**	(3,306)
Net debt	**31,598**	26,367

15 Trade and Other Receivables

(a) Included in trade and other receivables are trade receivables (based on the due date) with the following aging analysis:

HK$ Million	2020	2019
Not past due or less than 1 month past due	**115**	23
1 – 3 months past due	**25**	27
More than 3 months past due	**11**	2
	151	52

Provision for expected credit losses was assessed and adequately made on a case-by-case basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding balances. The details on the Group's credit policy are set out in note 29(c).

15 Trade and Other Receivables (Continued)

(b) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK$297 million (2019: HK$279 million).

(c) On September 16, 2020, a subsidiary of the Company (as the purchaser) and the United States of America (the "U.S.", as the vendor) entered into a memorandum of agreement for sale and purchase (the "Memorandum of Agreement") of No.37 Shouson Hill Road, Hong Kong, at a consideration of HK$2,566 million (the "Transaction").

The completion of the Transaction did not take place as scheduled at or before noon on December 30, 2020 for reasons as mentioned in the Company's joint announcement with Hang Lung Group Limited dated December 30, 2020.

The Group is currently evaluating the various appropriate actions that may be taken in relation to the Transaction, including exploring the feasibility of extending the time for the completion of the Transaction.

Included in "other receivables" of the Group are a deposit and stamp duty paid relating to the Transaction of HK$257 million and HK$770 million respectively (2019: Nil).

16 Properties for Sale

HK$ Million	**2020**	2019
In mainland China		
– Properties under development for sale	**3,735**	1,604
In Hong Kong		
– Completed properties for sale	**966**	935
– Properties under development for sale	**3,287**	3,103
	4,253	4,038
	7,988	5,642

During the year ended December 31, 2019, properties for sale with a carrying amount of HK$202 million were transferred to investment properties upon the change in intended use. The fair value of these properties at the date of transfer was HK$668 million. The difference between the fair value and carrying amount was recognized as "net increase in fair value of properties" in the consolidated statement of profit or loss.

During the year ended December 31, 2020, investment properties and investment properties under development with a carrying amount of HK$1,591 million (2019: HK$3,423 million) were transferred to properties for sale upon the change in intended use (Note 10).

The amounts of properties under development for sale are expected to be recovered after more than one year.

17 Assets Held for Sale

In December 2020, the Group entered into sale and purchase agreements with independent third parties to dispose of 44 car parking spaces at AquaMarine and The Long Beach in Hong Kong. Accordingly, the relevant assets are presented as assets held for sale. The transactions will be completed in the first half of 2021.

The investment properties were stated at fair value with reference to the agreed selling prices as stated in the sale and purchase agreements and the fair value measurement of the properties was classified as Level 2 valuation (Note 10(c)(i)) as there was no significant unobservable input.

18 Bank Loans and Other Borrowings

At the end of the reporting period, bank loans and other borrowings were unsecured and repayable as follows:

HK$ Million	**2020**	2019
Bank loans (Note 18(a))		
Within 1 year or on demand	**1,794**	2,259
After 1 year but within 2 years	**2,804**	1,632
After 2 years but within 5 years	**12,574**	10,815
Over 5 years	**1,627**	1,572
	18,799	16,278
Other borrowings (Note 18(b))		
Within 1 year or on demand	**5,673**	435
After 1 year but within 2 years	**5,800**	5,615
After 2 years but within 5 years	**6,185**	7,468
Over 5 years	**1,600**	–
	19,258	13,518
	38,057	29,796
Less: unamortized front end fees	**(140)**	(123)
Total bank loans and other borrowings	**37,917**	29,673
Amount due within 1 year included under current liabilities	**(7,464)**	(2,694)
	30,453	26,979

18 Bank Loans and Other Borrowings (Continued)

(a) All bank loans are interest-bearing at rates ranging from 0.7% to 5.5% (2019: 3.0% to 5.7%) per annum.

Certain of the Group's borrowings 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, all these covenants have been complied with by the Group.

At December 31, 2020, the Group had HK$12,563 million (2019: HK$9,399 million) of undrawn committed banking facilities.

(b) Other borrowings represent bonds issued at coupon rates ranging from 2.20% to 5.00% (2019: 2.95% to 5.00%) per annum.

At December 31, 2020, the available balances of the Group's USD4 billion (2019: USD3 billion) Medium Term Note Program amounted to USD1,670 million (2019: USD1,408 million), equivalent to HK$12,945 million (2019: HK$10,965 million).

19 Trade and Other Payables

HK$ Million	2020	2019
Creditors and accrued expenses (Note 19(a))	**8,255**	6,323
Contract liabilities (Note 19(b))	**61**	62
Deposits received (Note 19(c))	**2,662**	2,526
	10,978	8,911

(a) Creditors and accrued expenses include retention money payable of HK$304 million (2019: HK$291 million) which is not expected to be settled within one year.

Included in trade and other payables is an amount of HK$601 million (2019: HK$601 million) due to a fellow subsidiary, which is the joint developer of a project in which the Group and the fellow subsidiary hold respective interests of 66.67% and 33.33%. The amount represents the contribution by the fellow subsidiary in proportion to its interest to finance the project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

19 Trade and Other Payables (Continued)

(b) Contract liabilities represent building management fees and other income from property leasing received in advance of HK$61 million (2019: HK$62 million).

Building management fees and other rental related charges are due for payment on the first day of the service period. The fees and charges received before the payment due date are classified as contract liabilities and recognized as revenue when the services are rendered.

(c) In the amount of deposits received, HK$1,493 million (2019: HK$1,505 million) are not expected to be settled within one year.

Included in trade and other payables are trade creditors with the following aging analysis:

HK$ Million	2020	2019
Due within 3 months	4,339	3,995
Due after 3 months	2,021	816
	6,360	4,811

20 Taxation in the Consolidated Statement of Financial Position

(a) Current taxation

HK$ Million	2020	2019
Hong Kong Profits Tax	124	615
Mainland China Income Tax	482	194
	606	809

(b) Deferred taxation

HK$ Million	2020	2019
Deferred tax liabilities	13,299	12,459
Deferred tax assets	(84)	–
	13,215	12,459

20 Taxation in the Consolidated Statement of Financial Position (Continued)

(b) Deferred taxation (Continued)

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

HK$ Million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Future benefit of tax losses	Others	Total
At January 1, 2019	1,586	7,173	(65)	82	8,776
Exchange adjustments	(25)	(157)	–	(1)	(183)
Charged/(credited) to profit or loss (Note 7(a))	94	3,766	(6)	12	3,866
At December 31, 2019 and January 1, 2020	1,655	10,782	(71)	93	12,459
Exchange adjustments	**77**	**687**	**–**	**2**	**766**
Charged/(credited) to					
– profit or loss (Note 7(a))	**106**	**(42)**	**(3)**	**(61)**	**–**
– other comprehensive income	**–**	**–**	**–**	**(10)**	**(10)**
At December 31, 2020	**1,838**	**11,427**	**(74)**	**24**	**13,215**

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK$8,136 million (2019: HK$6,056 million) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilized is not probable at December 31, 2020. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in mainland China expire five years after the relevant accounting year end date.

21 Share Capital

	2020		2019	
	Number of shares Million	**Amount of share capital HK$ Million**	Number of shares Million	Amount of share capital HK$ Million
Ordinary shares, issued and fully paid:				
At January 1	**4,498**	**39,915**	4,498	39,915
Shares issued under share option scheme	**–**	**1**	–	–
At December 31	**4,498**	**39,916**	4,498	39,915

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

22 Reserves

(a) The Group

HK$ Million	Other reserves						
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	Total	Retained profits	Total reserves
At January 1, 2019	(1,801)	(143)	93	734	(1,117)	98,763	97,646
Profit for the year	–	–	–	–	–	6,172	6,172
Exchange difference arising from translation to presentation currency	(1,907)	–	–	–	(1,907)	–	(1,907)
Net investment hedge – net gain	20	–	–	–	20	–	20
Cash flow hedges: net movement in hedging reserve	–	136	–	–	136	–	136
Net change in fair value of equity investments	–	–	(6)	–	(6)	–	(6)
Total comprehensive income for the year	(1,887)	136	(6)	–	(1,757)	6,172	4,415
Final dividend in respect of previous year	–	–	–	–	–	(2,609)	(2,609)
Interim dividend in respect of current year	–	–	–	–	–	(765)	(765)
Employee share-based payments	–	–	–	30	30	37	67
At December 31, 2019 and January 1, 2020	(3,688)	(7)	87	764	(2,844)	101,598	98,754
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(2,571)**	**(2,571)**
Exchange difference arising from translation to presentation currency	**5,709**	**–**	**–**	**–**	**5,709**	**–**	**5,709**
Net investment hedge – net loss	**(80)**	**–**	**–**	**–**	**(80)**	**–**	**(80)**
Cash flow hedges: net movement in hedging reserve	**–**	**(60)**	**–**	**–**	**(60)**	**–**	**(60)**
Net change in fair value of equity investments	**–**	**–**	**(10)**	**–**	**(10)**	**–**	**(10)**
Total comprehensive income for the year	**5,629**	**(60)**	**(10)**	**–**	**5,559**	**(2,571)**	**2,988**
Final dividend in respect of previous year	**–**	**–**	**–**	**–**	**–**	**(2,653)**	**(2,653)**
Interim dividend in respect of current year	**–**	**–**	**–**	**–**	**–**	**(765)**	**(765)**
Employee share-based payments	**–**	**–**	**–**	**(134)**	**(134)**	**189**	**55**
At December 31, 2020	**1,941**	**(67)**	**77**	**630**	**2,581**	**95,798**	**98,379**

22 Reserves (Continued)

(a) The Group (Continued)

The retained profits of the Group at December 31, 2020 included HK$921 million (2019: HK$921 million) in respect of statutory reserves of the subsidiaries in mainland China.

The exchange reserve of the Group comprises exchange differences arising from the translation of the Group's operations in mainland China and the effective portion of any foreign exchange differences arising from hedging of net investments in foreign operations (Note 1(m)(2)).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss (Note 1(m)(1)).

The table below provides a reconciliation of the hedging reserve in respect of interest rate risk (Note 29(a)) and currency risk (Note 29(d)):

HK$ Million	Interest rate risk	Currency risk	Total
At January 1, 2019	–	(143)	(143)
Effective portion of cash flow hedge recognized in other comprehensive income	–	82	82
Amount reclassified to profit or loss	–	54	54
At December 31, 2019 and January 1, 2020	–	(7)	(7)
Effective portion of cash flow hedge recognized in other comprehensive income	**(69)**	**(63)**	**(132)**
Amount reclassified to profit or loss	**10**	**52**	**62**
Related tax	**10**	**–**	**10**
At December 31, 2020	**(49)**	**(18)**	**(67)**

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments measured at FVTOCI (Note 1(k)).

The employee share-based compensation reserve comprises the fair value of share options granted which are not yet exercised, as explained in note 1(ab).

22 Reserves (Continued)

(b) The Company

HK$ Million	Employee share-based compensation reserve	Retained profits	Total reserves
At January 1, 2019	734	21,647	22,381
Profit and total comprehensive income for the year	–	4,486	4,486
Final dividend in respect of previous year	–	(2,609)	(2,609)
Interim dividend in respect of current year	–	(765)	(765)
Employee share-based payments	30	37	67
At December 31, 2019 and January 1, 2020	764	22,796	23,560
Profit and total comprehensive income for the year	**–**	**3,740**	**3,740**
Final dividend in respect of previous year	**–**	**(2,653)**	**(2,653)**
Interim dividend in respect of current year	**–**	**(765)**	**(765)**
Employee share-based payments	**(134)**	**189**	**55**
At December 31, 2020	**630**	**23,307**	**23,937**

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2020 was HK$23,307 million (2019: HK$22,796 million).

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and to secure access to finance at a reasonable cost.

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

The Group monitors its capital structure by reviewing its leveraging ratio (net debt to equity ratio and debt to equity ratio) and cash flow requirements, taking into account future financial obligations and commitments. Net debt represents bank loans and other borrowings less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

The Group has a net debt position as of December 31, 2020 (Note 14). Net debt to equity ratio and debt to equity ratio as of December 31, 2020 were 21.3% (2019: 17.8%) and 25.6% (2019: 20.1%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23 Cash Generated from Operations

HK$ Million	2020	2019
(Loss)/profit before taxation	**(863)**	14,809
Adjustments for:		
Gain on disposal of investment properties	**(2)**	–
Ineffectiveness on cash flow hedges	**(1)**	(1)
Dividend income from equity investments measured at FVTOCI	**–**	(3)
Loss on disposal of other property, plant and equipment	**1**	1
Employee share-based payments	**55**	67
Depreciation	**48**	50
Net decrease/(increase) in fair value of properties	**6,664**	(8,797)
Interest income on bank deposits	**(63)**	(146)
Finance costs	**174**	46
Share of losses/(profits) of joint ventures	**88**	(9)
(Increase)/decrease in properties for sale	**(318)**	83
Increase in trade and other receivables	**(1,218)**	(248)
Increase in creditors and accrued expenses and contract liabilities	**219**	170
Increase in deposits received	**38**	158
Cash generated from operations	**4,822**	6,180

24 Acquisition of Subsidiaries

During the year ended December 31, 2019, by forming a subsidiary in which the Group and a fellow subsidiary hold respective interests of 66.67% and 33.33%, the Group obtained control over a group of subsidiaries from the fellow subsidiary with the following amounts of assets and liabilities at the time when the transaction took place:

HK$ Million	2019 (Note)
Investment properties under development	601
Trade and other payables	601

Note:

The transaction did not require settlement by cash or cash equivalents.

25 Reconciliation of Liabilities Arising from Financing Activities

HK$ Million	**Bank loans and other borrowings** (Note 18)	**Lease liabilities** (Note 11)	**Total**
At January 1, 2019	27,253	331	27,584
Cash flows	2,691	(24)	2,667
Non-cash changes:			
Unwind of discount and amortization of transaction costs	41	16	57
Exchange adjustment	(312)	(7)	(319)
At December 31, 2019 and January 1, 2020	29,673	316	29,989
Cash flows	**7,455**	**(23)**	**7,432**
Non-cash changes:			
Unwind of discount and amortization of transaction costs	**49**	**15**	**64**
Exchange adjustment	**740**	**20**	**760**
At December 31, 2020	**37,917**	**328**	**38,245**

26 Commitments

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

HK$ Million	**2020**	2019
Contracted for	**4,304**	4,721
Authorized but not contracted for	**15,045**	21,117
	19,349	25,838

The above commitments include mainly the construction related costs to be incurred in respect of the Group's development of investment properties in various cities in mainland China.

27 Employee Benefits

(a) Retirement benefits

Staff of the Group's entities operating in Hong Kong are offered either an MPF Exempted Occupational Retirement Scheme (the "ORSO Scheme") or a master trust Mandatory Provident Fund Scheme (the "MPF Scheme"). The eligibility for membership of the ORSO and MPF schemes is identical for new employees.

The ORSO Scheme is a defined contribution provident fund scheme, the assets of which are held separately from those of the Group by an independent corporate trustee and managed by professional fund managers. Contributions are made by both the employer and the employees at a certain percentage of employees' basic salaries, the percentage varying with their length of service. When an employee leaves the scheme prior to his or her interest in the Group's contributions being fully vested, forfeited contributions are refunded to the Group. Total contributions made by the Group for the year amounted to HK$35 million (2019: HK$34 million) and forfeited sums refunded to the Group amounted to HK$7 million (2019: HK$4 million).

The MPF Scheme is operated by an independent service provider. Mandatory contributions are made by both the employer and the employees at 5% of the employees' monthly relevant income, up to a limit of HK$30,000. The Group's contributions will be fully and immediately vested in the employees' accounts as their accrued benefits in the scheme. Total MPF contributions made by the Group for the year amounted to HK$8 million (2019: HK$7 million).

Staff of the Group's mainland China subsidiaries are members of a retirement benefits scheme (the "Mainland RB Scheme") operated by the local municipal government in mainland China. The only obligation of the subsidiaries in mainland China is to contribute a certain percentage of their payroll to Mainland RB Scheme to fund the retirement benefits. The local municipal government in mainland China undertakes to assume the retirement benefits obligations of all existing and future retired employees of subsidiaries in mainland China. Total contributions made by subsidiaries in mainland China for the year amounted to HK$12 million (2019: HK$57 million).

27 Employee Benefits (Continued)

(b) Equity compensation benefits

The share option scheme adopted by the Company on November 22, 2002 (the "2002 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 18, 2012 (the "2012 Share Option Scheme", together with the 2002 Share Option Scheme are referred to as the "Schemes"). No further options shall be offered under the 2002 Share Option Scheme, but in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2012 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

The purposes of the Schemes are to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group, to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

Under the Schemes, the board of directors of the Company (the "Board") is authorized to grant options to selected participants, including employees and directors of any company in the Group, subject to the terms and conditions such as performance targets as the Board may specify on a case-by-case basis or generally. The exercise price of the options is determined by the Board at the time of grant, and shall not be less than the higher of the nominal value of the shares, the closing price of the shares at the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of shares subject to each option are determined by the Board at the time of grant.

As of the date of this report, the total number of shares available for issue under the 2012 Share Option Scheme is 199,275,253 shares, representing 4.43% of the total number of issued shares of the Company. The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant in any 12-month period shall not exceed 1% of the shares of the Company in issue.

27 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

The movements of share options during the year are as follows:

(i) 2002 Share Option Scheme

	Number of share options					
Date granted	Outstanding on January 1, 2020	Exercised	Forfeited/ Lapsed	**Outstanding on December 31, 2020**	Period during which options are exercisable	Exercise price (HK$)
February 8, 2010 to June 1, 2010	13,380,000	–	(13,380,000)	**–**	February 8, 2012 to May 31, 2020	26.46 – 27.27
July 29, 2010 to June 13, 2011	30,340,000	–	(12,720,000)	**17,620,000**	July 29, 2012 to June 12, 2021	30.79 – 36.90
Total	43,720,000	–	(26,100,000)	**17,620,000**		

All the above options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were exercised or cancelled during the year.

During the year, 720,000 options (2019: 650,000 options) were forfeited upon cessations of grantees' employments and 25,380,000 options (2019: Nil) lapsed due to the expiry of the period for exercising the options.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Weighted average exercise price (HK$)	**Number of options**	Weighted average exercise price (HK$)	Number of options
Outstanding at January 1	**30.27**	**43,720,000**	30.28	44,370,000
Forfeited	**30.79**	**(720,000)**	30.79	(650,000)
Lapsed	**29.89**	**(25,380,000)**	–	–
Outstanding at December 31	**30.79**	**17,620,000**	30.27	43,720,000
Exercisable at December 31	**30.79**	**17,620,000**	30.27	43,720,000

The weighted average remaining contractual life of options outstanding at the end of the reporting period was 0.4 year (2019: 0.8 year).

27 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme

	Number of share options					
Date granted	Outstanding on January 1, 2020	Exercised	Forfeited/ Lapsed	**Outstanding on December 31, 2020**	Period during which options are exercisable	Exercise price (HK$)
June 4, 2013	26,050,000	–	(1,830,000)	**24,220,000**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	22,460,000	–	(1,640,000)	**20,820,000**	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	35,572,500	(81,000)	(2,560,500)	**32,931,000**	August 10, 2019 to August 9, 2027	19.98
May 16, 2018	10,000,000	–	–	**10,000,000**	May 16, 2020 to May 15, 2028	18.98
June 28, 2019	53,196,000	–	(4,377,000)	**48,819,000**	June 28, 2021 to June 27, 2029	18.58
Total	147,278,500	(81,000)	(10,407,500)	**136,790,000**		

All the above options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were granted or cancelled during the year.

During the year, 10,407,500 options (2019: 8,680,500 options) were forfeited upon cessations of the grantees' employments.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Weighted average exercise price (HK$)	**Number of options**	Weighted average exercise price (HK$)	Number of options
Outstanding at January 1	**21.26**	**147,278,500**	22.73	100,467,000
Granted	**–**	**–**	18.58	55,492,000
Exercised	**19.98**	**(81,000)**	–	–
Forfeited	**21.25**	**(10,407,500)**	21.19	(8,680,500)
Outstanding at December 31	**21.26**	**136,790,000**	21.26	147,278,500
Exercisable at December 31	**24.50**	**55,919,300**	25.22	52,067,950

27 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme (Continued)

No share options were exercised by the directors during the year. The weighted average closing price of the shares immediately before the dates of exercise by the employees during the year was HK$20.60.

The weighted average closing share price at the dates of exercise for share options during the year was HK$20.92.

The weighted average remaining contractual life of options outstanding at the end of the reporting period was 6.2 years (2019: 7.2 years).

(iii) In respect of share options granted to the directors, the related charge recognized for the year ended December 31, 2020, estimated in accordance with the Group's accounting policy in note 1(ab)(2) was as follows:

(1) Mr. Ronnie C. Chan, HK$3.7 million (2019: HK$4.0 million);
(2) Mr. Adriel Chan, HK$2.6 million (2019: HK$2.1 million);
(3) Mr. Weber W.P. Lo, HK$8.7 million (2019: HK$8.5 million);
(4) Mr. H.C. Ho, HK$2.4 million (2019: HK$2.6 million); and
(5) Mr. Philip N.L. Chen, HK$1.5 million (2019: HK$2.7 million).

28 Material Related Party Transactions

Except for the emoluments to directors and key management personnel disclosed in notes 6 and 27(b) and the transactions and balances already disclosed elsewhere in the financial statements, the Group did not have any material related party transactions in the ordinary course of business.

The acquisition of subsidiaries during the year ended December 31, 2019 as disclosed in note 24 constitutes a connected transaction as defined in Chapter 14A of the Listing Rules and the Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing rules.

29 Financial Risk Management Objectives and Policies

Exposure to interest rate, liquidity, credit and currency risks arises in the normal course of the Group's business. The Group has policies and practices approved by management as described below in managing these risks.

(a) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and floating rate bank borrowings. Interest rate trends and movements are closely monitored and, if appropriate, existing borrowings will be replaced with new bank facilities when favorable pricing opportunities arise.

In 2020, the Group entered into floating-for-fixed interest rate swaps to manage its exposure to interest rate risk. In addition, the Group maintains the Medium Term Note Program which facilitate the Group to mitigate future interest rate volatility and re-financing risks.

The Group has designated the interest rate swaps in their entirety as the hedging instruments of the interest rate risk on variability in cash flows arising from certain floating rate bank loans. The table below summarizes the details of hedging instruments as of the end of the reporting period and the effect of the hedge accounting during the year:

HK$ Million	**2020**
Notional amount of hedging instruments	**4,500**
Carrying amount of hedging instruments	
– Trade and other payables	**(59)**
Change in fair value used for measuring hedge ineffectiveness	
– Hedging instruments	**(69)**
– Hedged items	**69**
Change in fair value of hedging instruments recognized in other comprehensive income	**(69)**
Amount reclassified from hedging reserve to profit or loss that are charged to finance costs	**10**

These interest rate swaps will mature in 2023, of which the Group receives Hong Kong Interbank Offered Rate and pays fixed rates ranging from 0.7% to 0.79%. The hedge ratio is determined to be 1:1 as the Group uses interest rate swaps to match the critical terms of the bank loans, including the notional amounts, benchmark interest rates, interest repricing dates and interest payment/receipt dates. Hedge ineffectiveness is expected to be insignificant.

After taking into account the effect of interest rate swaps, the interest rate risk profile of the Group's borrowings at the end of the reporting period is as follows:

HK$ Million	**2020**	2019
Fixed	**23,772**	13,466
Floating	**14,145**	16,207
Total borrowings	**37,917**	29,673

29 Financial Risk Management Objectives and Policies (Continued)

(a) Interest rate risk (Continued)

Based on the simulations performed at year end in relation to the Group's bank deposits as disclosed in note 14 and floating rate borrowings as listed above, it was estimated that the impact of a 100 basis-point increase in market interest rates from the rates applicable at the year end date, with all other variables held constant, would increase the Group's annual net interest payments by approximately HK$79 million (2019: HK$130 million).

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

– changes in market interest rates affect the interest income and interest expense of floating rate financial instruments and bank loans (after taking into account the effect of interest rate swaps); and

– all other financial assets and liabilities are held constant.

The analysis was performed on the same basis for 2019.

(b) Liquidity risk

The Group manages surplus cash centrally and the liquidity risk of the Company and subsidiaries at the corporate level. The Group maintains adequate amount of cash and undrawn committed bank facilities to meet all funding requirements. Significant flexibility is achieved through diverse sources of committed credit lines for capturing future expansion opportunities.

HK$ Million		Contractual undiscounted cash flow				
	Carrying amount	**Total**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
Bank loans and other borrowings	**37,917**	**42,519**	**8,711**	**9,532**	**20,299**	**3,977**
Trade and other payables	**10,978**	**10,978**	**9,181**	**966**	**749**	**82**
Lease liabilities	**328**	**491**	**26**	**26**	**79**	**360**
At December 31, 2020	**49,223**	**53,988**	**17,918**	**10,524**	**21,127**	**4,419**

HK$ Million		Contractual undiscounted cash flow				
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	29,673	34,040	3,961	8,243	19,559	2,277
Trade and other payables	8,911	8,911	7,113	869	793	136
Lease liabilities	316	485	23	25	75	362
At December 31, 2019	38,900	43,436	11,097	9,137	20,427	2,775

29 Financial Risk Management Objectives and Policies (Continued)

(c) 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 receivables with tenants and deposits held with reputable banks and financial institutions.

The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

Surplus cash is placed with reputable banks and financial institutions in accordance with pre-determined limits based on credit ratings and other factors to minimize concentration risk.

The Group does not provide any financial guarantee which would expose the Group to material credit risk.

There are no significant concentrations of credit risk within the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group measures loss allowances for trade receivables with tenants in accordance with note 1(n).

(d) Currency risk

The Group adopts a conservative risk management policy to manage foreign currency exposure. The level of hedge is decided through cost and benefit analysis with reference to prevailing market situation. If appropriate, the Group may use derivative financial instruments solely for hedging purposes. These derivatives reduce the uncertainty of interest payments and principal repayments of foreign currency debts and can be entered into on or after the issuance of a foreign currency debt.

Currency risk arises from assets and liabilities denominated in a currency other than the functional currency of the Group's entities to which they related. The Group has bonds outstanding amounting to USD1,000 million (2019: USD1,000 million). The currency risk arising from the USD denominated bonds is hedged by back-to-back USD/HKD cross currency swaps, at exchange rate of 7.75 HKD/USD and fixed interest rates ranging from 4.395% to 4.715% per annum. These swaps will mature in 2021 and 2022.

29 Financial Risk Management Objectives and Policies (Continued)

(d) Currency risk (Continued)

The Group has designated the cross currency swaps in their entirety as the hedging instruments of the foreign currency risk arising from the USD denominated bonds. The table below summarizes the effect of the hedge accounting:

HK$ Million	**2020**	2019
Notional amount of hedging instruments	**7,750**	7,750
Carrying amount of hedging instruments		
– Trade and other receivables	**2**	67
– Trade and other payables	**(1)**	–
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	**(62)**	83
– Hedged items	**63**	(82)
Hedge ineffectiveness* recognized in profit or loss		
– Other net income	**1**	1
Change in fair value of hedging instruments recognized in other comprehensive income	**(63)**	82
Amount reclassified from hedging reserve to profit or loss that are charged to		
– Finance costs	**15**	12
– Other net loss	**37**	42

* The hedge ratio is determined to be 1:1 as all critical terms were matched. However, as the cross currency swaps were not entered into on January 1, 2017 (the date designated as the hedging instruments), ineffectiveness arose as terms of cross currency swaps were not exactly the same as the market position of the bonds.

The Group engages in property development and investments in mainland China through local subsidiaries whose net carrying values are exposed to currency risk. In addition, the Group has Renminbi deposits of RMB3,026 million (2019: RMB1,030 million), for which there are currency risks but which are held to meet ongoing Renminbi payment obligations in relation to development projects in mainland China. Where appropriate, the Group seeks to minimize the exposure to currency risk in mainland China through borrowings denominated in Renminbi.

The Group has designated its Renminbi denominated borrowings outside mainland China as a hedging instrument for the changes in the value of the net investment in mainland China attributable to changes in the HKD/RMB spot rate. It is the Group's policy to monitor the currency risk arising from the net investment in mainland China and to adjust the hedging strategy when necessary. The risk management policy and hedging strategy are reviewed in light of the changes in the value of the Group's total net investment in mainland China.

The carrying amount of the Renminbi denominated borrowings designated as hedging instruments at December 31, 2020 was HK$1,287 million (2019: HK$1,114 million). The hedge was determined to be fully effective as the carrying value of the hedged item did not drop below the carrying amount of the hedging instrument throughout the hedging period. A foreign exchange loss of HK$80 million (2019: gain of HK$20 million) was recognized in the Group's other comprehensive income for the year on translation of the Renminbi denominated borrowings to Hong Kong dollars.

29 Financial Risk Management Objectives and Policies (Continued)

(d) Currency risk (Continued)

Management estimated that a 5% (2019: 5%) appreciation/depreciation of Renminbi against Hong Kong dollar would increase/decrease the Group's equity attributable to shareholders by HK$4,731 million (2019: HK$4,198 million).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2019.

(e) Fair value

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

(i) Financial assets and liabilities measured at fair value

(1) The level of fair value hierarchy within which the fair value measurements are categorized and analyzed below:

HK$ Million	Fair value		Fair value measurements categorized into
	2020	2019	
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**2**	67	Level 2
Other assets			
Investment in equity instruments	**77**	87	Level 3
Financial liabilities			
Trade and other payables			
Cross currency swaps (cash flow hedges)	**(1)**	–	Level 2
Interest rate swaps (cash flow hedges)	**(59)**	–	Level 2

29 Financial Risk Management Objectives and Policies (Continued)

(e) Fair value (Continued)

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

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

The fair value of non-publicly traded equity investments is determined by reference to the net asset value of these investments.

(2) Transfers of instruments between the three-level fair value hierarchy

During the year, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as of December 31, 2019 and 2020.

30 Significant Accounting Estimates and Judgments

Key sources of estimation uncertainty

Note 10(c) contains information about the assumptions and the risk relating to valuation of investment properties and investment properties under development.

Besides, the Group determines the net realizable value of properties for sale based on estimation of future selling price less estimated costs of completion and costs to be incurred in relation to the sale, with reference to the prevailing market data and market survey reports available from independent property valuers.

31 Company-Level Statement of Financial Position

At December 31, 2020

HK$ Million	Note	2020	2019
Non-current assets			
Interest in subsidiaries	32	**67,022**	67,721
Current assets			
Cash and deposits with banks		**1**	–
Trade and other receivables		**4**	4
Amount due from a subsidiary	32(b)	**1,188**	–
		1,193	4
Current liabilities			
Trade and other payables		**51**	49
Borrowings		**1,191**	–
		1,242	49
Net current liabilities		**49**	45
Total assets less current liabilities		**66,973**	67,676
Non-current liabilities			
Borrowings		**–**	1,114
Amounts due to subsidiaries	32(c)	**3,120**	3,087
		3,120	4,201
NET ASSETS		**63,853**	63,475
Capital and reserves			
Share capital	21	**39,916**	39,915
Reserves	22(b)	**23,937**	23,560
TOTAL EQUITY		**63,853**	63,475

Weber W.P. Lo
Chief Executive Officer

H.C. Ho
Chief Financial Officer

32 Interest in Subsidiaries and Amount due from a Subsidiary

HK$ Million	**2020**	2019
Non-current assets		
Unlisted shares, at cost	**8**	8
Amounts due from subsidiaries (Note 32(b))	**67,014**	67,713
	67,022	67,721
Current assets		
Amount due from a subsidiary (Note 32(b))	**1,188**	–

(a) Details of principal subsidiaries are set out in note 36.

(b) Except for an amount of HK$1,188 million under current assets (2019: HK$1,112 million under non-current assets) which is interest bearing at 5.25% (2019: 5.25%) per annum and repayable in July 2021, the amounts due from subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next 12 months.

(c) Amounts due to subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current liabilities as they are not expected to be repaid within the next 12 months.

33 Ultimate Holding Company

The ultimate holding company is Hang Lung Group Limited, a company incorporated in Hong Kong.

34 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended December 31, 2020 and which have not been adopted in these financial statements.

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

35 Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 28, 2021.

36 Principal Subsidiaries

At December 31, 2020

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	100	100	Property leasing	Hong Kong
AP City Limited	2	100	–	Property leasing	Hong Kong
AP Joy Limited	2	100	–	Property leasing	Hong Kong
AP Properties Limited				Property leasing	Hong Kong
'A' shares	34	100	–		
'B' shares	6	100	–		
AP Star Limited*	2	100	–	Investment holding	Hong Kong
AP Success Limited	2	100	–	Property leasing	Hong Kong
AP Universal Limited*	2	100	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	100	–	Property leasing	Hong Kong
AP World Limited	2	100	100	Property leasing	Hong Kong
Bonna Estates Company Limited	1,000,000	100	100	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	100	–	Property leasing	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	79.8	–		
'B' share	1	100	–		
Dokay Limited*	2	100	–	Property leasing	Hong Kong
Easegood Enterprises Limited	2	100	–	Investment holding	Hong Kong
Fu Yik Company Limited*	3	100	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	100	100	Investment holding	Hong Kong
Grand Centre Limited	4	100	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	100	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	1,004,834,694	100	–		
'B' shares	6,000,000	100	–		
Hang Chui Company Limited	2	100	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	100	–	Property leasing	Hong Kong
Hang Kwok Company Limited*	10,000	100	–	Property leasing	Hong Kong
Hang Lung (Administration Limited	10,000	100	100	Management services	Hong Kong
Hang Lung (Dalian) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited	1	100	–	Investment holding	Hong Kong

36 Principal Subsidiaries (Continued)

At December 31, 2020

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Hang Lung (Jinan) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited	2	100	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	100	–	Investment holding	Hong Kong
Hang Lung (Wuhan) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung Gala Place Limited	2	100	–	Property leasing	Hong Kong
Hang Lung Project Management Limited*	10,000	100	100	Project management	Hong Kong
Hang Lung Property Management Limited*	100,000	100	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	100	100	Property agencies	Hong Kong
Hang Top Limited*	3	66.7	–	Investment holding	Hong Kong
Hang Wise Company Limited*	200	66.7	–	Property development	Hong Kong
HLP (China) Administrative Limited	1	100	–	Management services	Hong Kong
HLP (China) Limited	2	100	100	Investment holding	Hong Kong
HLP Finance Limited#	US$1	100	100	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	100	–	Financial services	Hong Kong
HLP Treasury Limited	2	100	100	Financial services	Hong Kong
HLP Treasury Services Limited*	2	100	–	Financial services	Hong Kong
Hoi Sang Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	100	–	Property development	Hong Kong
Mansita Limited*	2	100	–	Property leasing	Hong Kong
Modalton Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	100	–	Property leasing	Hong Kong
Passion Success Limited*	1	100	–	Investment holding	Hong Kong
Pocaliton Limited	2	100	–	Property leasing	Hong Kong
Rago Star Limited	2	100	–	Property leasing	Hong Kong
Stooket Limited	2	100	100	Property leasing	Hong Kong
Superlane Development Limited	1,000	66.7	–	Property development	Hong Kong
Tegraton Limited	2	100	–	Property leasing	Hong Kong
Total Select Limited	1	100	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	100	–	Property leasing	Hong Kong
Yangli Limited*	2	100	–	Property leasing	Hong Kong

36 Principal Subsidiaries (Continued)

At December 31, 2020

Wholly Foreign Owned Enterprises in Mainland China	Registered Capital	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB5,586,877,355	100	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,767,500,000	100	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB7,900,000,000	100	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB8,055,634,575	100	–	Property development & leasing	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB8,040,096,324	100	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US$385,000,000	100	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US$349,990,000	100	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK$5,329,600,000	100	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB4,691,746,261	100	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB960,716,180	100	–	Property development	Mainland China

Equity Joint Ventures in Mainland China	Registered Capital (US$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	82	–	Property development & leasing	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	69.3^	–	Property development & leasing	Mainland China

Operated in Hong Kong

* Not audited by KPMG

^ Represents the Group's attributable interest in the commercial portion of the properties held either directly or indirectly by the subsidiary

The above list gives the principal subsidiaries of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

37 Joint Ventures

At December 31, 2020

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Country Link Enterprises Limited	5,000,000	36.8	–	Investment holding	Hong Kong
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	–	–		
'B' share	1	100	–		
Star Play Development Limited*	3	33.3	–	Property leasing	Hong Kong

* Not audited by KPMG

TEN-YEAR FINANCIAL SUMMARY

in HK$ million (unless otherwise stated)	For the years ended December 31			
	2020	2019	2018	2017
CONSOLIDATED STATEMENT OF PROFIT OR LOSS				
Revenue				
Property leasing	**8,911**	8,556	8,181	7,779
Property sales	**62**	296	1,227	3,420
	8,973	**8,852**	**9,408**	**11,199**
Operating profit				
Property leasing	**6,437**	6,325	6,060	5,672
Property sales	**44**	162	762	2,238
	6,481	**6,487**	**6,822**	**7,910**
Underlying net profit attributable to shareholders	**4,201**	**4,474**	**4,093**	**5,530**
Effect of changes in fair value of properties	**(6,772)**	1,698	3,985	2,594
Net (loss)/profit attributable to shareholders	**(2,571)**	**6,172**	**8,078**	**8,124**
Dividends for the year/period	**(3,418)**	(3,418)	(3,374)	(3,374)
	(5,989)	**2,754**	**4,704**	**4,750**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Net assets employed (Note 2)				
Investment properties	**164,322**	159,534	136,676	134,444
Investment properties under development	**27,544**	27,602	31,186	21,592
Properties for sale	**7,988**	5,642	2,442	1,612
Other assets	**5,143**	3,896	3,786	3,832
	204,997	196,674	174,090	161,480
Other liabilities	**(25,211)**	(22,495)	(15,606)	(16,521)
	179,786	**174,179**	**158,484**	**144,959**
Financed by				
Shareholders' equity	**138,295**	138,669	137,561	136,158
Non-controlling interests	**9,893**	9,143	6,033	6,087
Net debt/(cash)	**31,598**	26,367	14,890	2,714
	179,786	174,179	158,484	144,959
Number of shares issued (in million)	**4,498**	4,498	4,498	4,498
PER SHARE DATA				
Basic (loss)/earnings (HK$)	**($0.57)**	$1.37	$1.80	$1.81
Dividends (HK cents)	**76¢**	76¢	75¢	75¢
Interim	**17¢**	17¢	17¢	17¢
Final	**59¢**	59¢	58¢	58¢
Net assets attributable to shareholders (HK$)	**$30.7**	$30.8	$30.6	$30.3
FINANCIAL INDICATORS				
Dividend payout ratio	**N/A**	55%	42%	42%
Underlying dividend payout ratio	**81%**	76%	82%	61%
Net debt to equity	**21.3%**	17.8%	10.4%	1.9%
Debt to equity	**25.6%**	20.1%	19.0%	17.4%
Interest cover (times)	**4**	4	7	11
Return on average shareholders' equity	**N/A**	4.5%	5.9%	6.2%

Notes:

1. In November 2011, the Board of Directors approved the change of the Group's financial year end date from June 30 to December 31. Thus, the Group has a six-month financial period from July 1 to December 31, 2011.
2. Net assets employed are presented by excluding net debt/cash.

For the years ended December 31					July – December	For the year ended June 30
2016	2015	2014	2013	2012	2011 (Note 1)	2011
7,737	7,751	7,216	6,638	6,098	2,876	5,161
5,322	1,197	9,814	2,500	1,274	193	3
13,059	**8,948**	**17,030**	**9,138**	**7,372**	**3,069**	**5,164**
5,710	5,704	5,589	5,326	4,896	2,301	4,194
3,209	844	7,419	1,511	846	150	2
8,919	**6,548**	**13,008**	**6,837**	**5,742**	**2,451**	**4,196**
6,341	**4,387**	**10,022**	**5,050**	**6,178**	**1,650**	**2,741**
(146)	705	1,682	2,162	2,217	866	3,051
6,195	**5,092**	**11,704**	**7,212**	**8,395**	**2,516**	**5,792**
(3,373)	(3,373)	(3,409)	(3,359)	(3,313)	(1,610)	(3,175)
2,822	**1,719**	**8,295**	**3,853**	**5,082**	**906**	**2,617**
125,421	129,425	120,137	107,587	98,223	93,610	85,918
17,282	16,709	25,611	30,478	24,482	23,613	21,524
2,352	3,830	4,046	5,695	6,109	6,114	5,963
5,527	2,765	3,439	4,199	3,025	3,594	4,075
150,582	152,729	153,233	147,959	131,839	126,931	117,480
(15,680)	(16,355)	(19,078)	(16,134)	(14,150)	(12,911)	(13,022)
134,902	**136,374**	**134,155**	**131,825**	**117,689**	**114,020**	**104,458**
126,565	128,989	132,327	124,534	117,928	111,462	109,719
5,580	5,903	6,676	6,633	6,050	5,556	5,205
2,757	1,482	(4,848)	658	(6,289)	(2,998)	(10,466)
134,902	136,374	134,155	131,825	117,689	114,020	104,458
4,498	4,497	4,485	4,479	4,477	4,473	4,472
$1.38	$1.13	$2.61	$1.61	$1.88	$0.56	$1.33
75¢	75¢	76¢	75¢	74¢	36¢	71¢
17¢	17¢	17¢	17¢	17¢	–	17¢
58¢	58¢	59¢	58¢	57¢	36¢	54¢
$28.1	$28.7	$29.5	$27.8	$26.3	$24.9	$24.5
54%	66%	29%	47%	39%	64%	53%
53%	77%	34%	66%	54%	97%	113%
2.1%	1.1%	0.0%	0.5%	0.0%	0.0%	0.0%
20.5%	24.3%	25.2%	26.7%	24.0%	17.7%	14.6%
16	16	24	19	61	95	148
4.8%	3.9%	9.1%	5.9%	7.3%	4.6%	5.7%

GLOSSARY

Financial Terms

Finance costs	Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized
Total borrowings	Total of bank loans & other borrowings, net of unamortized other borrowing costs
Net debt	Total borrowings net of cash and deposits with banks
Net (loss)/profit attributable to shareholders	(Loss)/profit for the year (after tax) less amounts attributable to non-controlling interests
Underlying net profit attributable to shareholders	Net (loss)/profit attributable to shareholders excluding changes in fair value of properties net of related income tax and non-controlling interests

Financial Ratios

$$\text{Basic (loss)/ earnings per share} = \frac{\text{Net (loss)/profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets attributable to shareholders per share} = \frac{\text{Shareholders' equity}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$$

$$\text{Payout ratio} = \frac{\text{Dividends attributable to the year}}{\text{Net profit attributable to shareholders}}$$

General Terms

AGM	annual general meeting of the Company
Articles of Association	the articles of association of the Company
Board	board of directors of the Company
Board Member(s)	director(s) of the Board
CEO	chief executive officer
CFO	chief financial officer
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Hang Lung Properties Limited
CRM	customer relationship management
ERM	enterprise risk management
ESG	environmental, social and governance
ESG Reporting Guide	Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules
Executive Board Members	executive directors of the Board
Group	the Company and its subsidiaries
HKEx	Hong Kong Exchanges and Clearing Limited
HKSAR	the Hong Kong Special Administrative Region of the People's Republic of China
HLG	Hang Lung Group Limited (the ultimate listed holding company of the Company)
INED(s)	independent non-executive director(s)
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
NED	non-executive director
RMB	Renminbi
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited

CORPORATE INFORMATION

Directors

Ronnie C. Chan *GBM (Chair)*
Adriel Chan *(Vice Chair)*
Weber W.P. Lo *(Chief Executive Officer)*
Ronald J. Arculli *GBM, CVO, GBS, OBE, JP**
Nelson W.L. Yuen*
Dominic C.F. Ho*
Philip N.L. Chen#
Andrew K.C. Chan *BBS, JP**
H.K. Chang *GBS, JP**
Anita Y.M. Fung *BBS, JP**
H.C. Ho *(Chief Financial Officer)*

Non-Executive Director
* *Independent Non-Executive Director*

Audit Committee

Dominic C.F. Ho *(Chair)*
Andrew K.C. Chan *BBS, JP*
H.K. Chang *GBS, JP*
Anita Y.M. Fung *BBS, JP*

Nomination and Remuneration Committee

Ronald J. Arculli *GBM, CVO, GBS, OBE, JP (Chair)*
Dominic C.F. Ho
H.K. Chang *GBS, JP*

Authorized Representatives

Weber W.P. Lo
Margaret K.M. Yan

Company Secretary

Margaret K.M. Yan

Registered Office

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4 Des Voeux Road Central, Hong Kong
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Auditor

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

FINANCIAL CALENDAR

2020

July

Announcement of interim results	July 30, 2020

September

Interim dividend paid	September 29, 2020

2021

January

Announcement of annual results	January 28, 2021

April

Latest time for lodging transfers (for attending and voting at annual general meeting)	4:30 p.m. on April 26, 2021
Closure of share register (for attending and voting at annual general meeting)	April 27 to 30, 2021 (both days inclusive)
Annual general meeting (Details are set out in the notice of annual general meeting accompanying this annual report)	10:00 a.m. on April 30, 2021

May

Latest time for lodging transfers (for final dividend)	4:30 p.m. on May 5, 2021
Closure of share register (for final dividend)	May 6, 2021
Proposed final dividend payable	May 20, 2021

LISTING INFORMATION

At December 31, 2020

4,497,799,670 shares listed on The Stock Exchange of Hong Kong Limited

Stock Code

Hong Kong Stock Exchange: 00101
Reuters: 0101.HK
Bloomberg: 101HK

Board Lot Size (Share)

1,000

American Depositary Receipt (ADR)

Sponsored Level-1 (Over the Counter)
CUSIP Number/Ticker Symbol: 41043M104/HLPPY
ADR to Underlying Share Ratio: 1:5
Depositary Bank: The Bank of New York Mellon
Website: http://www.adrbnymellon.com

Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990

Investor Relations Contact

C.F. Kwan
Email: ir@hanglung.com

SHARE INFORMATION

	Share Price		Total Trading Volume
	High HK$	Low HK$	Number of Shares ('000)
2020			
First quarter	19.38	13.78	507,557
Second quarter	18.60	14.90	456,296
Third quarter	22.55	18.14	369,947
Fourth quarter	21.80	18.36	253,172
Share Price as at December 31, 2020:			**HK$20.45**
Market Capitalization as at December 31, 2020:			**HK$91.98 billion**

	Share Price		Total Trading Volume
	High HK$	Low HK$	Number of Shares ('000)
2019			
First quarter	19.40	14.38	377,954
Second quarter	20.00	16.44	329,226
Third quarter	20.50	16.84	433,194
Fourth quarter	18.32	15.76	309,664
Share Price as at December 31, 2019:			**HK$17.10**
Market Capitalization as at December 31, 2019:			**HK$76.91 billion**

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If there is any discrepancy or inconsistency between the English and the Chinese versions, the English version shall prevail.

STOCK CODE

00101