恒隆集團有限公司
HANG LUNG GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00010)

2020 ANNUAL RESULTS

CONTENTS

FINANCIAL HIGHLIGHTS
in HK$ Million (unless otherwise stated)

RESULTS

	2020			2019		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue	**9,464**	**62**	**9,526**	9,139	296	9,435
- Mainland China	**5,694**	**-**	**5,694**	4,975	-	4,975
- Hong Kong	**3,770**	**62**	**3,832**	4,164	296	4,460
Operating profit	**6,836**	**44**	**6,880**	6,736	162	6,898
- Mainland China	**3,757**	**(8)**	**3,749**	3,226	(2)	3,224
- Hong Kong	**3,079**	**52**	**3,131**	3,510	164	3,674
Gain on disposal of investment properties	**-**	**2**	**2**	-	869	869
Underlying net profit attributable to shareholders	**2,812**	**22**	**2,834**	2,849	947	3,796
Net (decrease)/increase in fair value of properties attributable to shareholders	**(4,375)**	**-**	**(4,375)**	3,020	-	3,020
Net (loss)/profit attributable to shareholders	**(1,563)**	**22**	**(1,541)**	5,869	947	6,816

	At December 31, 2020	At December 31, 2019
Shareholders' equity	**92,105**	91,294
Net assets attributable to shareholders per share (HK$)	**$67.6**	$67.0

Earnings and Dividend (HK$)

	2020	2019
(Loss)/earnings per share		
- based on underlying net profit attributable to shareholders	**$2.08**	$2.79
- based on net (loss)/profit attributable to shareholders	**($1.13)**	$5.01
Dividend per share	**$0.82**	$1.08
- Interim	**$0.19**	$0.19
- Special	**Nil**	$0.26
- Final	**$0.63**	$0.63

Financial ratio

	2020	2019
Payout ratio (based on net profit attributable to shareholders)		
- Total	**N/A**	22%
- Property leasing	**N/A**	25%
- Property leasing (after deducting amount of interest capitalized)	**N/A**	29%
Payout ratio (based on underlying net profit attributable to shareholders)		
- Total	**39%**	39%
- Property leasing	**40%**	52%
- Property leasing (after deducting amount of interest capitalized)	**52%**	71%

	At December 31, 2020	At December 31, 2019
Net debt to equity ratio	**20.1%**	17.3%
Debt to equity ratio	**24.3%**	19.7%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

For the financial year ended December 31, 2020, total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") edged up by 1% to HK$9,526 million, and operating profit stayed flat at HK$6,880 million.

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

The underlying net profit attributable to shareholders fell by 25% to HK$2,834 million due to a one-off disposal gain recognized in 2019 regarding a non-core property. Underlying earnings per share correspondingly decreased to HK$2.08.

After including a net revaluation loss of properties attributable to shareholders of HK$4,375 million, the net loss attributable to shareholders was HK$1,541 million (2019: net profit of HK$6,816 million). The loss per share was HK$1.13 (2019: earnings per share of HK$5.01).

Revenue and Operating Profit

	Revenue			Operating Profit		
	2020	2019	Change	**2020**	2019	Change
	HK$ Million	HK$ Million		**HK$ Million**	HK$ Million	
Property Leasing	**9,464**	9,139	4%	**6,836**	6,736	1%
Mainland China	**5,694**	4,975	14%	**3,757**	3,226	16%
Hong Kong	**3,770**	4,164	-9%	**3,079**	3,510	-12%
Property Sales	**62**	296	-79%	**44**	162	-73%
Total	**9,526**	9,435	1%	**6,880**	6,898	-

DIVIDEND

The Board of Directors has recommended a final dividend of HK63 cents per share for 2020 (2019: HK63 cents) to be paid by 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 HK19 cents per share (2019: HK19 cents), the full year dividends for 2020 amounted to HK82 cents per share (2019: HK108 cents, including a special dividend of HK26 cents per share).

PROPERTY LEASING

The Group's overall leasing revenue increased by 4% to HK$9,464 million during the year. As COVID-19 spread in early 2020, both the Group's Mainland and Hong Kong portfolios experienced business shocks. However, the results in the two locations were very different as the year drew to a close. The Mainland portfolio recorded a robust year-on-year revenue growth of 15% in RMB terms and 14% in HKD terms, in contrast to a 9% decline reported by the Hong Kong portfolio.

The unprecedented public health efforts in the Mainland have contained the spread of COVID-19 effectively. Consumer confidence recovered progressively starting from April 2020 which brought a V-shaped rebound to the business. Spending on luxury goods increased, and overall retail sales in 2020 surpassed the previous year. Comparatively, Hong Kong experienced ups and downs in waves throughout the year since the pandemic. A fourth-wave outbreak in late November led to tightening of social distancing measures, further affecting the business of retail sector.

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

Revenue of the Mainland leasing portfolio advanced by 15% to RMB5,045 million, and overall operating profit grew by 17%. The average rental margin was 66%. After 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 rose by 10% on a comparable basis.

On the Mainland, along with the ease of the spread of COVID-19, the luxury goods market started to boom since April 2020. Overseas travel restrictions led to the repatriation of luxury goods spending. 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.

On the other hand, the recovery of the lifestyle malls, namely Palace 66 in Shenyang, Parc 66 in

Jinan, Riverside 66 in Tianjin and Olympia 66 in Dalian, was gradual, caused by weaker spending in the non-luxury sector. Although annual negative growth was recorded for these retail properties, the overall retail sales of these properties returned to the same level in the fourth quarter of 2020 compared with the same period in 2019, demonstrating evidence of a recovery.

The entire mall portfolio generated 19% more revenue at a total of RMB3,731 million. Without counting the new Spring City 66 mall in Kunming that opened in August 2019, the leasing income of our remaining eight Mainland malls grew by 15% year-on-year.

After including 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 some contribution from the Heartland 66 office tower in Wuhan that opened in November 2020, annual revenue growth of the office portfolio was 2%. Revenue from the existing five office towers declined 3% compared with the previous year, reflecting strong competition in this sector.

Mainland China Property Leasing Portfolio

Name of Property and City	**Revenue** (RMB Million)			**Occupancy Rate***	
	2020	2019	Change	Mall	Office
Plaza 66, Shanghai	**2,032**	1,696	20%	99%	93%
Grand Gateway 66, Shanghai	**1,354**	1,232	10%	98%	99%
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	**5,045**	4,382	15%		
Total in HK$ Million equivalent	***5,694***	*4,975*	*14%*		

* 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*

Total revenue at Plaza 66 rose sharply by 20% to RMB2,032 million, mainly driven by a higher contribution from the mall.

The mall's rental revenue climbed by 34% against 2019, while retail sales surged by 60%. The mall's established firm position as the Home to Luxury synergized with the ongoing development of our nationwide customer relationship management (CRM) program HOUSE 66. We will continue to develop brand loyalty by providing exclusive privileges to our members and increasing collaborations with our tenants.

Income generated by the two office towers fell by 4% year-on-year due to some COVID-19-related voids. Meanwhile, we grasped this opportunity to enhance the overall quality of our tenant mix by accommodating the expansion of large international groups. Plaza 66 maintained its long-term competitiveness in the market with its high quality of tenant-customer engagement programs, customer service and premium hardware, despite competition from newly opened offices in non-core areas. The occupancy rate remained stable at 93% at the end of 2020.

- *Grand Gateway 66, Shanghai*

Rental growth of 10% to RMB1,354 million was recorded at Grand Gateway 66.

The Grand Gateway 66 mall completed its three-year Asset Enhancement Initiative (AEI) in the third quarter of 2020. Revenue from the mall jumped 15% to RMB984 million and retail sales grew significantly by 42%. Good results are expected in normalized years of operation from 2021 onwards.

The project was relaunched as the "GATEWAY TO INSPIRATION". A grand party was held in late November 2020, featuring various entertainment and sales-driven activities involving celebrities and extensive collaborations with tenants. The AEI successfully repositioned the Grand Gateway 66 mall as a regional lifestyle center with a rich luxury content, in which shoppers can find a constellation of top international luxury brands, a strong collection of contemporary fashion and beauty, and a large variety of food and entertainment. The AEI provides a solid foundation for future rental growth for years to come.

Revenue from the office tower increased by 1% to RMB243 million. Occupancy rate rose three points to 99% by the end of 2020. The major upgrade of the mall and the completion of the AEI are expected to provide synergy for the office tower.

Income from residential and serviced apartments decreased by 8%. The occupancy rate declined by two points to 86% owing to softened demand from expatriates.

- *Palace 66, Shenyang*

Hit by the COVID-19 outbreak and extensive public roadworks along the pedestrianized zone outside the mall, Palace 66 experienced a 10% decline in revenue to RMB175 million while retail sales dropped by 15% year-on-year. In the fourth quarter of 2020, we witnessed the return of shoppers and improvement in shopping sentiment after the completion of the public roadworks. Despite these difficult circumstances, we took the opportunity to strengthen the mall's position as the city's trendiest lifestyle destination by introducing more competitive and unique brands. Occupancy rate slipped by seven points to 88% as of December 31, 2020.

- *Forum 66, Shenyang*

The Forum 66 portfolio achieved remarkable revenue growth of 16% to RMB299 million, mainly attributed to the new income stream from the Conrad Shenyang hotel that opened in September 2019.

Forum 66 mall revenue retreated by 7% year-on-year as affected by the COVID-19 outbreak in the first half of 2020 and fierce competition in the city's luxury market. Occupancy fell by five points to 89%. Retail sales increased 9% year-on-year. Sales in the luxury segment rebounded notably from May 2020, which narrowed the decline in revenue against last year's. Customer experience and loyalty were enhanced and tenants' sales were driven by the nationwide CRM program HOUSE 66 launched in August 2020.

Income from the office tower dropped slightly by 2%. The strong positioning of Forum 66 in the competitive Shenyang office market uplifted its occupancy rate to 90%, up three points against the prior year.

Conrad Shenyang generated revenue of RMB80 million during the financial year ended December 31, 2020. The travel restrictions caused by COVID-19 restrained the demand for hotel rooms and catering services in the first half of 2020, but revenue has gradually recovered since May 2020 once business and domestic trips resumed.

- *Parc 66, Jinan*

Parc 66 revenue fell by 8% to RMB297 million and its retail sales reduced by 18% due to COVID-19. In the fourth quarter of 2020, retail sales showed a sign of recovery with a 2% period-on-period growth. The occupancy rate was high at 94% by the end of 2020 despite the unfavorable trading conditions, reflecting our efforts in brand improvement. 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*

Total revenue of the Center 66 portfolio advanced by 26% to RMB363 million compared to 2019.

After the migration of top luxury brands from other locations in Wuxi to Center 66, the mall became the heart of luxury in the city. This resulted in a boost in revenue and retail sales by 30% and 72% respectively. The growth momentum continued in the second half of 2020, with retail sales soaring by 125% compared with the same period a year ago. Through its HOUSE 66 program, the mall will continue to drive solid and sustainable growth in luxury sales.

Revenue from the two office towers improved by 16% to RMB96 million. 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% in total at 2020 year-end. The growth was primarily driven by the new lettings concluded from different sectors such as insurance, technology and the new economy, including some tenants who moved from other Grade A premises. In addition, the launch of our first multifunctional workspace, HANGOUT, in September 2020 has opened our market to potential tenants who need world-class flexible work-spaces.

- *Riverside 66, Tianjin*

Income from the mall lowered by 10% to RMB168 million and retail sales were down by 23%. The mall reopened in March 2020 after a government-ordered five-week business suspension in response to the COVID-19 outbreak. We kept working together with our tenants to lure shoppers back and drive retail sales up. The mall has been promoting its lifestyle content by introducing popular sports brands, fashion and accessories, and high-quality food & beverage offerings. Customer loyalty was further enhanced with the launch of the HOUSE 66 program in July 2020.

- *Olympia 66, Dalian*

Affected by the adverse impacts of COVID-19, Olympia 66 recorded a decline in revenue of 11% to RMB136 million. Retail sales reduced by 18% for the year. HOUSE 66 was successfully launched in June 2020, which coincided with the introduction of top-end luxury offerings starting in the third quarter of 2020. This positioning upgrade will continue in 2021, along with the gradual opening of a complete line-up of the world's leading brands.

- *Spring City 66, Kunming*

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

With a successfully executed pre-leasing program, the mall was well-positioned as the hub of prime luxury in the city from its startup and collected RMB183 million in rents. There was substantial growth in the second half of 2020 after a minor setback by the COVID-19 outbreak at the beginning of the year. The occupancy rate was 91% at the end of 2020.

Revenue from the office tower reached RMB37 million for 2020, and the occupancy rate was 41% at the year-end. Our prime location and premium facilities won quality tenants from fast-growing industries across Southwest China.

- *Heartland 66, Wuhan*

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

Hong Kong

The Hong Kong economy continues to suffer from the adverse impacts of the COVID-19 pandemic in 2020. Revenue dropped 9% to HK$3,770 million while operating profit declined by 12% to HK$3,079 million. The rental margin was at 82%.

The performance of the Hong Kong portfolio was inevitably affected by the pandemic. Due to the significant decline in tourist arrivals, businesses located in properties in Causeway Bay and Mongkok and the serviced apartments segment were severely affected. The government imposed social distancing measures such as dine-in restrictions, operation halts and capacity caps that directly affected the restaurants, cinemas, education centers, gyms and beauty parlors to different degrees. The community malls like Kornhill Plaza and Amoy Plaza were more resilient, but cinemas, gyms and education centers in these malls inevitably suffered from these measures.

Rent relief was granted to selective tenants according to their circumstances. New lease and renewal terms were mostly concluded at negative reversion rates during the reporting year. Unlike the Mainland portfolio, revenue and retail sales have yet to show signs of recovery. As the pandemic evolves, Hong Kong is certainly taking more time 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 (HK$ Million)			**Occupancy Rate***
	2020	2019	Change	
Commercial	**2,158**	2,392	-10%	96%
Office and Industrial / Offices	**1,349**	1,449	-7%	87%
Residential & Serviced Apartments	**263**	323	-19%	56%
Total	**3,770**	4,164	-9%	

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

- *Commercial*

The Hong Kong commercial portfolio recorded a 10% revenue drop to HK$2,158 million. The overall occupancy rate fell two points to 96%.

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

Our Mongkok portfolio also suffered, given its exposure to tourist-oriented trades. 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 area has been occupied while we are in discussions with a well-established lifestyle brand to take up the remaining space. In the transition, the occupancy rate of Gala Place declined to 62%.

Kornhill Plaza in Hong Kong East and **Amoy Plaza in Kowloon East**, positioned as community malls, were less affected. Revenue at Kornhill Plaza remained flat, while revenue at Amoy Plaza retreated by 8%. The mega department store at Kornhill Plaza performed well despite the 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 reopened in the second half of 2019 after the completion of a two-year extensive AEI. Revenue of the mall increased by 9%, benefiting from the full-year impact. The occupancy rate was 95% at the end of the reporting year. 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. Office downsizing was common under the weak economic environment. During the pandemic, our semi-retail tenants such as beauty parlors, gyms and education centers could not maintain routine services. Revenue of the Hong Kong office portfolio dropped by 7% to HK$1,349 million. The overall occupancy rate fell by six points to 87%.

The office rents of our Central portfolio increased by 2% during the year. Revenue from the Mongkok and Causeway Bay portfolios, which contained heavy semi-retail elements, decreased by 6% and 21% respectively. Hong Kong office rentals accounted for 36% of the total leasing income in Hong Kong.

- *Residential and Serviced Apartments*

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

PROPERTY SALES

We sold the last unit (duplex) of The Long Beach in 2020 (2019: one house at 23-39 Blue Pool Road). Revenue from property sales dropped 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, 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

As of December 31, 2020, the total value of our investment properties and investment properties under development amounted to HK$200,779 million. The value of the mainland China portfolio and the Hong Kong portfolio was HK$137,854 million and HK$62,925 million, respectively. These properties were revalued by Savills, an independent valuer, as of December 31, 2020.

A revaluation loss of HK$6,856 million (2019: gain of HK$10,620 million) was recorded, representing a 4% decrease in valuation compared to the value as of December 31, 2019. As our investment properties are held to earn recurring rental income as long-term investments, the revaluation loss, being non-cash in nature, does not materially affect our cash flows and dividend distribution capability.

The mainland China portfolio recorded a loss of HK$2,627 million (2019: gain of HK$10,545 million), a 2% decrease in valuation against year-end 2019 and stayed flat versus June 30, 2020, respectively, largely reflecting the adverse effect of the pandemic on shopping malls with lesser luxury content and the market conditions of offices.

The Hong Kong portfolio had a revaluation loss of HK$4,229 million (2019: gain of HK$75 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 total 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 represented 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 related to COVID-19. The office tower was completed in November 2020 and 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 third quarter 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, comprising a high-end commercial complex with 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 subsidiary, Hang Lung Properties Limited (Hang Lung Properties), spanning a total gross floor area of approximately 105,000 square feet, inclusive of a retail area across the lower floors. Project completion is planned for 2022.

The former Amoycan Industrial Centre in Ngau Tau Kok, 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, the Group 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 the Group and Hang Lung Properties on December 30, 2020.

FINANCING MANAGEMENT

The primary 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 Group from unexpected external financial shock. We centrally manage and control all financial risk management at the corporate level, including debt re-financing, foreign exchange exposure and interest rate volatility.

Funding needs are closely monitored and regularly revisited to allow a sound 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, the Group continued to make strong progress during the year in sustainable financing. 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 under the Green Finance Framework launched in 2019. 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 11% 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$6,793 million (December 31, 2019: HK$3,660 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	**2,631**	*39%*	2,102	*57%*
RMB	**4,021**	*59%*	1,449	*40%*
USD	**141**	*2%*	109	*3%*
Total cash and bank balances	**6,793**	*100%*	3,660	*100%*

- *Debt Portfolio*

As of December 31, 2020, total borrowings amounted to HK$38,770 million (December 31, 2019: HK$31,113 million), of which 33% was denominated in RMB as an economic hedge to the net investments in mainland China. The increase in debt balance against 2019 was mainly due to payments for construction in mainland China and Hong Kong.

In 2020, the Group 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 61% 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	**25,860**	*67%*	19,556	*63%*
RMB	**12,910**	*33%*	11,557	*37%*
Total borrowings	**38,770**	*100%*	31,113	*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**	*61%*	13,466	*43%*
Floating	**14,998**	*39%*	17,647	*57%*
Total borrowings	**38,770**	*100%*	31,113	*100%*

- *Gearing Ratios*

At the reporting date, the net debt balance amounted to HK$31,977 million (December 31, 2019: HK$27,453 million). Net debt to equity ratio was 20.1% (December 31, 2019: 17.3%) and debt to equity ratio was 24.3% (December 31, 2019: 19.7%). The increases were largely due to capital expenditures in mainland China and Hong Kong.

Excluding the balances of Hang Lung Properties and its subsidiaries (HLP Group), the net debt balance of the Company and its other subsidiaries amounted to HK$379 million (December 31, 2019: HK$1,086 million). The corresponding net debt to shareholders' equity ratio (on an attributable net asset basis) was 0.4% (December 31, 2019: 1.2%).

- *Maturity Profile and Refinancing*

At the reporting date, the average tenure of the entire loan portfolio was 2.8 years (December 31, 2019: 2.9 years). The maturity profile was staggered over more than 10 years. Around 58% 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	**7,863**	*20%*	3,241	*10%*
After 1 but within 2 years	**8,582**	*22%*	7,632	*25%*
After 2 but within 5 years	**19,102**	*50%*	18,668	*60%*
Over 5 years	**3,223**	*8%*	1,572	*5%*
Total borrowings	**38,770**	*100%*	31,113	*100%*

As of December 31, 2020, total undrawn committed banking facilities amounted to HK$16,538 million (December 31, 2019: HK$14,627 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).

Excluding the balances of HLP Group, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$3,975 million (December 31, 2019: HK$5,228 million).

- *Net Finance Costs and Interest Cover*

For the year ended December 31, 2020, the gross finance costs decreased by 3% to HK$1,518 million, mainly driven by the decrease in market interest rates, which outweighed the impact of the increase in total borrowings. After deducting the amount capitalized for projects under development, the net amount charged to the statement of profit or loss for the year increased to HK$222 million, along with the completion and opening of new properties in 2019 and 2020.

Interest income for the year decreased by 56% to HK$70 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$152 million (2019: net interest income of HK$16 million). The average effective cost of borrowings for the year was lowered to 4.4% (2019: 4.7%), benefitting from the lower cost of funds for bank loans and the MTN issued in 2020.

Interest cover for 2020 was 4 times (2019: 5 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 69% 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$6,604 million (2019: loss of HK$2,130 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 internally generated cash flows, 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. We regularly 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 the Group were not charged to any third parties as of December 31, 2020.

- *Contingent Liabilities*

The Group did not have any material contingent liabilities as of December 31, 2020.

OUTLOOK

The revenue growth of our Mainland leasing portfolio is expected to sustain in 2021 by riding on the momentum of the second half of 2020. Not only the opening of the Heartland 66 mall in Wuhan around the end of the first quarter of 2021 and the full-year effect of the office tower will bring additional income in the next reporting year, but the existing portfolio will also supply organic growth. The malls at Center 66 in Wuxi, Olympia 66 in Dalian and Spring City 66 in Kunming are well-positioned to benefit further from the continued development of their luxury contents and market shares. Our portfolio-wide CRM program HOUSE 66 is expected to fuel the growth of tenants' sales and our own rental revenue. Our non-conventional office leasing models, such as the flexible office option, HANGOUT, will expand the offerings of our office and accelerate the pace of leasing for the new towers.

In Hong Kong, our leasing business continues to face challenges. The market recovery will depend on when the pandemic is under control and the travel restrictions are relaxed. In the face of this uncertainty, we will refine our tenant mix to capture local consumers' spending.

On the property sale side, we will continue to look for opportunities to recycle capital out of development projects and non-core properties in Hong Kong when the market 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020 (AUDITED)

				For information purpose only	
		2020	2019	**2020**	2019
	Note	**HK$ Million**	HK$ Million	**RMB Million**	RMB Million
Revenue	2(a)	**9,526**	9,435	**8,461**	8,324
Direct costs and operating expenses		**(2,646)**	(2,537)	**(2,346)**	(2,242)
		6,880	6,898	**6,115**	6,082
Other net income	3	**54**	884	**47**	781
Administrative expenses		**(559)**	(623)	**(500)**	(549)
Profit from operations before changes in fair value of properties		**6,375**	7,159	**5,662**	6,314
Net (decrease)/increase in fair value of properties	2(b)	**(6,856)**	10,620	**(6,121)**	9,477
(Loss)/profit from operations after changes in fair value of properties		**(481)**	17,779	**(459)**	15,791
Interest income		**70**	160	**62**	140
Finance costs		**(222)**	(144)	**(195)**	(128)
Net interest (expense)/income	4	**(152)**	16	**(133)**	12
Share of (losses)/profits of joint ventures		**(291)**	183	**(255)**	161
(Loss)/profit before taxation	5	**(924)**	17,978	**(847)**	15,964
Taxation	6	**(1,261)**	(5,403)	**(1,110)**	(4,839)
(Loss)/profit for the year	2(b)	**(2,185)**	12,575	**(1,957)**	11,125
Attributable to:					
Shareholders		**(1,541)**	6,816	**(1,376)**	6,009
Non-controlling interests		**(644)**	5,759	**(581)**	5,116
		(2,185)	12,575	**(1,957)**	11,125
(Loss)/earnings per share	8(a)				
Basic		**(HK$1.13)**	HK$5.01	**(RMB1.01)**	RMB4.41
Diluted		**(HK$1.13)**	HK$5.01	**(RMB1.01)**	RMB4.41

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020 (AUDITED)

			For information purpose only	
	2020	2019	**2020**	2019
	HK$ Million	HK$ Million	**RMB Million**	RMB Million
(Loss)/profit for the year	**(2,185)**	12,575	**(1,957)**	11,125
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	**6,684**	(2,150)	**(2,777)**	1,056
Net investment hedge – net (loss)/gain	**(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	**(9)**	(4)	**(7)**	(4)
Other comprehensive income for the year, net of tax	**6,535**	(1,998)	**(2,906)**	1,190
Total comprehensive income for the year	**4,350**	10,577	**(4,863)**	12,315
Total comprehensive income attributable to:				
Shareholders	**2,090**	5,704	**(3,206)**	6,752
Non-controlling interests	**2,260**	4,873	**(1,657)**	5,563
	4,350	10,577	**(4,863)**	12,315

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2020 (AUDITED)

				For information purpose only	
		2020	2019	**2020**	2019
	Note	**HK$ Million**	HK$ Million	**RMB Million**	RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties	9	**173,235**	168,218	**145,654**	150,737
Investment properties under development	9	**27,544**	27,602	**23,181**	24,726
Other property, plant and equipment		**250**	231	**210**	207
		201,029	196,051	**169,045**	175,670
Interest in joint ventures		**3,781**	4,119	**3,173**	3,693
Other assets		**1,436**	1,445	**1,205**	1,295
Deferred tax assets		**91**	4	**76**	4
		206,337	201,619	**173,499**	180,662
Current assets					
Cash and deposits with banks		**6,793**	3,660	**5,706**	3,280
Trade and other receivables	10	**3,531**	2,298	**2,969**	2,059
Properties for sale		**8,009**	5,662	**6,731**	5,075
Assets held for sale	11	**69**	-	**58**	-
		18,402	11,620	**15,464**	10,414
Current liabilities					
Bank loans and other borrowings		**7,863**	3,241	**6,604**	2,903
Trade and other payables	12	**10,853**	8,752	**9,129**	7,842
Lease liabilities		**26**	23	**22**	21
Current tax payable		**659**	847	**554**	759
		19,401	12,863	**16,309**	11,525
Net current liabilities		**999**	1,243	**845**	1,111
Total assets less current liabilities		**205,338**	200,376	**172,654**	179,551

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued) AT DECEMBER 31, 2020 (AUDITED)

			For information purpose only	
	2020	2019	**2020**	2019
	HK$ Million	HK$ Million	**RMB Million**	RMB Million
Non-current liabilities				
Bank loans and other borrowings	**30,907**	27,872	**25,962**	24,967
Lease liabilities	**302**	293	**254**	262
Deferred tax liabilities	**14,790**	13,884	**12,447**	12,437
	45,999	42,049	**38,663**	37,666
NET ASSETS	**159,339**	158,327	**133,991**	141,885
Capital and reserves				
Share capital	**4,065**	4,065	**3,164**	3,164
Reserves	**88,040**	87,229	**74,283**	78,659
Shareholders' equity	**92,105**	91,294	**77,447**	81,823
Non-controlling interests	**67,234**	67,033	**56,544**	60,062
TOTAL EQUITY	**159,339**	158,327	**133,991**	141,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The financial information relating to the years ended December 31, 2020 and 2019 included in this announcement of annual results does not constitute the statutory annual consolidated financial statements of Hang Lung Group Limited (the "Company") and its subsidiaries (collectively the "Group") for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622). The Company has delivered the consolidated financial statements for the year ended December 31, 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended December 31, 2020 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified and they did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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 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.

1. Basis of preparation (Continued)

The significant accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2019.

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 on the same basis as 2019 as if the presentation currency is Renminbi.

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	**8,386**	8,144
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	**1,078**	995
	1,140	1,291
	9,526	9,435

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	**5,694**	**-**	**5,694**	4,975	-	4,975
- Hong Kong	**3,770**	**62**	**3,832**	4,164	296	4,460
	9,464	**62**	**9,526**	9,139	296	9,435
Profit from operations before changes in fair value of properties						
- Mainland China	**3,471**	**(8)**	**3,463**	2,930	(2)	2,928
- Hong Kong	**2,858**	**54**	**2,912**	3,198	1,033	4,231
	6,329	**46**	**6,375**	6,128	1,031	7,159
Net (decrease)/increase in fair value of properties	**(6,856)**	**-**	**(6,856)**	10,620	-	10,620
- Mainland China	**(2,627)**	**-**	**(2,627)**	10,545	-	10,545
- Hong Kong	**(4,229)**	**-**	**(4,229)**	75	-	75
Net interest (expense)/income	**(152)**	**-**	**(152)**	16	-	16
- Interest income	**70**	**-**	**70**	160	-	160
- Finance costs	**(222)**	**-**	**(222)**	(144)	-	(144)
Share of (losses)/profits of joint ventures	**(291)**	**-**	**(291)**	183	-	183
(Loss)/profit before taxation	**(970)**	**46**	**(924)**	16,947	1,031	17,978
Taxation	**(1,252)**	**(9)**	**(1,261)**	(5,377)	(26)	(5,403)
(Loss)/profit for the year	**(2,222)**	**37**	**(2,185)**	11,570	1,005	12,575
Net (loss)/profit attributable to shareholders	**(1,563)**	**22**	**(1,541)**	5,869	947	6,816

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	**140,137**	**3,739**	**143,876**	131,104	1,608	132,712
Hong Kong	**64,422**	**4,340**	**68,762**	67,243	4,056	71,299
	204,559	**8,079**	**212,638**	198,347	5,664	204,011
Interest in joint ventures			**3,781**			4,119
Other assets			**1,436**			1,445
Deferred tax assets			**91**			4
Cash and deposits with banks			**6,793**			3,660
			224,739			213,239

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
Gain on disposal of a subsidiary	**-**	869
Dividend income from equity investments measured at FVTOCI	**-**	5
Others	**30**	9
	54	884

4. Net interest (expense)/income

HK$ Million	**2020**	2019
Interest income on bank deposits	**70**	160
Interest expense on bank loans and other borrowings	**1,429**	1,483
Interest on lease liabilities	**15**	16
Other borrowing costs	**74**	74
Total borrowing costs	**1,518**	1,573
Less: Borrowing costs capitalized	**(1,296)**	(1,429)
Finance costs	**222**	144
Net interest (expense)/income	**(152)**	16

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)	**1,313**	1,391
Depreciation	**48**	50

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$1,575 million (2019: HK$1,624 million).

6. Taxation in the consolidated statement of profit or loss

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%).

HK$ Million	**2020**	2019
Current tax		
Hong Kong Profits Tax	**399**	476
Under-provision in prior years	**2**	1
	401	477
Mainland China Income Tax	**870**	728
Total current tax	**1,271**	1,205
Deferred tax		
Changes in fair value of properties	**(66)**	4,082
Other origination and reversal of temporary differences	**56**	116
Total deferred tax	**(10)**	4,198
Total income tax expense	**1,261**	5,403

7. Dividends

(a) Dividend attributable to the year

HK$ Million	**2020**	2019
Interim dividend declared and paid of HK19 cents (2019: HK19 cents) per share	**258**	258
Final dividend of HK63 cents (2019: HK63 cents) per share proposed after the end of the reporting period	**858**	858
Special dividend of HK26 cents per share declared after the year ended December 31, 2019	**-**	354
	1,116	1,470

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 special and final dividends of HK$354 million and HK$858 million (calculated based on special dividend of HK26 cents per share and final dividend of HK63 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2019 were approved and paid in the year ended December 31, 2020 (2019: final dividend of HK$831 million).

8. (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	**(1,541)**	6,816

	Number of shares	
	2020	2019
Weighted average number of shares used in calculating basic and diluted (loss)/earnings per share (Note)	**1,361,618,242**	1,361,618,242

8. (Loss)/earnings per share (Continued)

(a) (Continued)

Note: Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share for the years as there were no dilutive potential ordinary shares in existence during both 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	**(1,541)**	6,816
Effect of changes in fair value of properties	**6,856**	(10,620)
Effect of corresponding income tax	**(66)**	4,158
Effect of changes in fair value of investment properties of joint ventures	**422**	(44)
	7,212	(6,506)
Non-controlling interests	**(2,837)**	3,486
	4,375	(3,020)
Underlying net profit attributable to shareholders	**2,834**	3,796

The earnings per share based on underlying net profit attributable to shareholders were:

	2020	2019
Basic	**HK$2.08**	HK$2.79
Diluted	**HK$2.08**	HK$2.79

9. Investment properties and investment properties under development

(a) Additions

During the year, total additions to investment properties and investment properties under development amounted to HK$5,231 million (2019: HK$15,678 million). 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.

(b) Valuation

The investment properties and investment properties under development of the Group 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.

10. 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	**116**	24
1 - 3 months past due	**26**	27
More than 3 months past due	**11**	2
	153	53

(b) 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.

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.

10. Trade and other receivables (Continued)

(c) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK$297 million (2019: HK$279 million).

(d) 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 Properties 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).

11. 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.

12. Trade and other payables

Included in trade and other payables are trade creditors with the following aging analysis:

HK$ Million	**2020**	2019
Due within 3 months	**4,424**	4,125
Due after 3 months	**2,040**	838
	6,464	4,963

OTHER INFORMATION

Employees

As of December 31, 2020, the number of employees was 4,511 (comprising 1,129 Hong Kong employees and 3,382 mainland China employees). The total employee costs for the year ended December 31, 2020, amounted to HK$1,575 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Group has share option schemes and provides professional and high-quality trainings for employees.

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.

Compliance with Corporate Governance Code

During the year, the Company complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Audit Committee

The annual results for the year ended December 31, 2020, have been reviewed by the Audit Committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, KPMG, and it has issued an unmodified opinion.

Book Close Dates

For ascertaining shareholders' right to attend and vote at the Annual General Meeting (AGM)

Book close dates (both days inclusive)	April 27 to 30, 2021
Latest time to lodge transfers	4:30 pm on April 26, 2021
Record date	April 30, 2021
AGM	April 30, 2021

For ascertaining shareholders' entitlement to the proposed final dividend

Book close date	May 6, 2021
Latest time to lodge transfers	4:30 pm on May 5, 2021
Record date	May 6, 2021
Final dividend payment date	May 20, 2021

On Behalf of the Board
Ronnie C. Chan
Chair

Hong Kong, January 28, 2021

As of the date of this announcement, the board of directors of the Company comprises the following directors:
Executive Directors: Mr. Ronnie C. CHAN, Mr. Adriel W. CHAN, Mr. Weber W.P. LO and Mr. H.C. HO
Non-Executive Directors: Mr. Gerald L. CHAN, Mr. George K.K. CHANG and Mr. Roy Y.C. CHEN
Independent Non-Executive Directors: Mr. Simon S.O. IP, Prof. P.W. LIU, Prof. L.C. TSUI and Mr. Martin C.K. LIAO

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

$$\text{Basic (loss)/earnings per share} = \frac{\text{Net (loss)/profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets attributable to shareholders per share} = \frac{\text{Shareholders' equity}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$$

$$\text{Payout ratio} = \frac{\text{Dividends attributable to the year}}{\text{Net profit attributable to shareholders}}$$