

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

	Note			<i>For information purpose only</i>	
		2020 HK\$ Million	2019 HK\$ Million	2020 RMB Million	2019 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	12	(291)	183	(255)	161
(Loss)/profit before taxation	5	(924)	17,978	(847)	15,964
Taxation	7(a)	(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	22(a)	(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	9(a)				
Basic		(HK\$1.13)	HK\$5.01	(RMB1.01)	RMB4.41
Diluted		(HK\$1.13)	HK\$5.01	(RMB1.01)	RMB4.41

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			<i>For information purpose only</i>	
		2020 HK\$ Million	2019 HK\$ Million	2020 RMB Million	2019 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	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		(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

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

	Note	2020		2019	
		HK\$ Million	HK\$ Million	RMB Million	RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties		173,235	168,218	145,654	150,737
Investment properties under development		27,544	27,602	23,181	24,726
Other property, plant and equipment		250	231	210	207
	10	201,029	196,051	169,045	175,670
Interest in joint ventures	12	3,781	4,119	3,173	3,693
Other assets	13	1,436	1,445	1,205	1,295
Deferred tax assets	20(b)	91	4	76	4
		206,337	201,619	173,499	180,662
Current assets					
Cash and deposits with banks	14	6,793	3,660	5,706	3,280
Trade and other receivables	15	3,531	2,298	2,969	2,059
Properties for sale	16	8,009	5,662	6,731	5,075
Assets held for sale	17	69	–	58	–
		18,402	11,620	15,464	10,414
Current liabilities					
Bank loans and other borrowings	18	7,863	3,241	6,604	2,903
Trade and other payables	19	10,853	8,752	9,129	7,842
Lease liabilities	11(a)	26	23	22	21
Current tax payable	20(a)	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
Non-current liabilities					
Bank loans and other borrowings	18	30,907	27,872	25,962	24,967
Lease liabilities	11(a)	302	293	254	262
Deferred tax liabilities	20(b)	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	21	4,065	4,065	3,164	3,164
Reserves	22	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

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			Total	Non-controlling interests	Total equity
	Share capital (Note 21)	Other reserves (Note 22)	Retained profits (Note 22)			
At January 1, 2019	4,065	4,181	78,201	86,447	64,289	150,736
Profit for the year	–	–	6,816	6,816	5,759	12,575
Exchange difference arising from translation to presentation currency	–	(1,202)	–	(1,202)	(948)	(2,150)
Net investment hedge – net gain	–	12	–	12	8	20
Cash flow hedges: net movement in hedging reserve	–	79	–	79	57	136
Net change in fair value of equity investments	–	(1)	–	(1)	(3)	(4)
Total comprehensive income for the year	–	(1,112)	6,816	5,704	4,873	10,577
Final dividend in respect of previous year	–	–	(831)	(831)	–	(831)
Interim dividend in respect of current year	–	–	(258)	(258)	–	(258)
Employee share-based payments	–	20	21	41	26	67
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	191	–	191	(428)	(237)
Dividends paid to non-controlling interests	–	–	–	–	(1,727)	(1,727)
At December 31, 2019 and January 1, 2020	4,065	3,280	83,949	91,294	67,033	158,327
Loss for the year	–	–	(1,541)	(1,541)	(644)	(2,185)
Exchange difference arising from translation to presentation currency	–	3,718	–	3,718	2,966	6,684
Net investment hedge – net loss	–	(47)	–	(47)	(33)	(80)
Cash flow hedges: net movement in hedging reserve	–	(35)	–	(35)	(25)	(60)
Net change in fair value of equity investments	–	(5)	–	(5)	(4)	(9)
Total comprehensive income for the year	–	3,631	(1,541)	2,090	2,260	4,350
Dividends in respect of previous year						
– Special	–	–	(354)	(354)	–	(354)
– Final	–	–	(858)	(858)	–	(858)
Interim dividend in respect of current year	–	–	(258)	(258)	–	(258)
Employee share-based payments	–	(76)	110	34	21	55
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	157	–	157	(323)	(166)
Dividends paid to non-controlling interests	–	–	–	–	(1,757)	(1,757)
At December 31, 2020	4,065	6,992	81,048	92,105	67,234	159,339

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				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits	Total		
At January 1, 2019	3,164	7,530	65,132	75,826	56,386	132,212
Profit for the year	–	–	6,009	6,009	5,116	11,125
Exchange difference arising from translation to presentation currency	–	663	–	663	393	1,056
Net investment hedge – net gain	–	11	–	11	7	18
Cash flow hedges: net movement in hedging reserve	–	70	–	70	50	120
Net change in fair value of equity investments	–	(1)	–	(1)	(3)	(4)
Total comprehensive income for the year	–	743	6,009	6,752	5,563	12,315
Final dividend in respect of previous year	–	–	(728)	(728)	–	(728)
Interim dividend in respect of current year	–	–	(235)	(235)	–	(235)
Employee share-based payments	–	18	19	37	23	60
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	171	–	171	(384)	(213)
Dividends paid to non-controlling interests	–	–	–	–	(1,526)	(1,526)
At December 31, 2019 and January 1, 2020	3,164	8,462	70,197	81,823	60,062	141,885
Loss for the year	–	–	(1,376)	(1,376)	(581)	(1,957)
Exchange difference arising from translation to presentation currency	–	(1,756)	–	(1,756)	(1,021)	(2,777)
Net investment hedge – net loss	–	(39)	–	(39)	(30)	(69)
Cash flow hedges: net movement in hedging reserve	–	(31)	–	(31)	(22)	(53)
Net change in fair value of equity investments	–	(4)	–	(4)	(3)	(7)
Total comprehensive income for the year	–	(1,830)	(1,376)	(3,206)	(1,657)	(4,863)
Dividends in respect of previous year						
– Special	–	–	(325)	(325)	–	(325)
– Final	–	–	(789)	(789)	–	(789)
Interim dividend in respect of current year	–	–	(228)	(228)	–	(228)
Employee share-based payments	–	(67)	97	30	19	49
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	142	–	142	(292)	(150)
Dividends paid to non-controlling interests	–	–	–	–	(1,588)	(1,588)
At December 31, 2020	3,164	6,707	67,576	77,447	56,544	133,991

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2020

	Note			<i>For information purpose only</i>	
		2020 HK\$ Million	2019 HK\$ Million	2020 RMB Million	2019 RMB Million
Operating activities					
Cash generated from operations	23	5,236	6,634	4,612	5,833
Tax paid					
Hong Kong Profits Tax paid		(896)	(104)	(797)	(92)
Mainland China Income Tax paid		(579)	(832)	(527)	(730)
Net cash generated from operating activities		3,761	5,698	3,288	5,011
Investing activities					
Payment for property, plant and equipment		(3,125)	(12,316)	(2,780)	(10,849)
Net sale proceeds from disposal of a subsidiary	24	–	1,175	–	1,039
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		148	183	133	158
Dividends received from joint ventures		47	44	42	39
Repayment from joint ventures		–	60	–	53
Dividend received from equity investments		–	2	–	1
Decrease in bank deposits with maturity greater than 3 months		716	1,874	636	1,653
Net cash used in investing activities		(2,208)	(8,766)	(1,964)	(7,720)
Financing activities					
Proceeds from new bank loans and other borrowings	25	19,130	12,735	17,021	11,414
Repayment of bank loans and other borrowings	25	(12,273)	(12,018)	(10,916)	(10,771)
Capital element of lease rentals paid	25	(8)	(8)	(7)	(7)
Interest and other borrowing costs paid		(1,377)	(1,486)	(1,224)	(1,307)
Interest element of lease rentals paid	25	(15)	(16)	(14)	(14)
Dividends paid		(1,470)	(1,089)	(1,342)	(963)
Dividends paid to non-controlling interests		(1,757)	(1,727)	(1,588)	(1,526)
Decrease in non-controlling interests in subsidiaries		(166)	(237)	(150)	(213)
Net cash generated from/(used in) financing activities		2,064	(3,846)	1,780	(3,387)
Increase/(decrease) in cash and cash equivalents		3,617	(6,914)	3,104	(6,096)
Effect of foreign exchange rate changes		164	(61)	(24)	8
Cash and cash equivalents at January 1		1,727	8,702	1,547	7,635
Cash and cash equivalents at December 31	14	5,508	1,727	4,627	1,547

The accompanying notes form part of these financial statements.

NOTES TO THE 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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).

NOTES TO THE FINANCIAL STATEMENTS

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, advances to unlisted investee companies and amounts due from joint ventures), 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.

NOTES TO THE FINANCIAL STATEMENTS

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).

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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))	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

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.

**NOTES TO THE
FINANCIAL STATEMENTS**

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

**NOTES TO THE
FINANCIAL STATEMENTS**

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 (Note 24)	–	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 (Note)	(1,296)	(1,429)
Finance costs	222	144
Net interest (expense)/income	(152)	16

Note:

The borrowing costs were capitalized at an average rate of 4.5% (2019: 4.7%) per annum to properties under development.

**NOTES TO THE
FINANCIAL STATEMENTS**

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
Auditors' remuneration		
– audit services	13	14
– non-audit services	2	3
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK\$2,628 million (2019: HK\$2,403 million)	6,836	6,736

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 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 Directors' 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.

**NOTES TO THE
FINANCIAL STATEMENTS**

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	2.1	28.6	10.3	2.9	43.9	43.0
Adriel Chan	1.5	7.3	3.5	0.5	12.8	12.6
Weber W.P. Lo	1.5	19.2	13.8	1.0	35.5	36.9
H.C. Ho	1.5	5.5	4.1	0.5	11.6	11.4
Non-Executive Directors						
Gerald L. Chan	0.7	–	–	–	0.7	0.7
George K.K. Chang	0.9	–	–	–	0.9	0.9
Roy Y.C. Chen	0.7	–	–	–	0.7	0.7
Independent Non-Executive Directors						
Simon S.O. Ip	1.2	–	–	–	1.2	1.2
P.W. Liu	1.1	–	–	–	1.1	1.1
L.C. Tsui	0.9	–	–	–	0.9	0.9
Martin C.K. Liao	0.9	–	–	–	0.9	0.9
2020	13.0	60.6	31.7	4.9	110.2	110.3
2019	13.0	58.8	33.8	4.7	110.3	

(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 Hang Lung Properties Limited (HLP), details of which are disclosed in note 27(b).

**NOTES TO THE
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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	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 (Note 20(b))	(10)	4,198
Total income tax expense	1,261	5,403

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\$24 million (2019: HK\$29 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	(924)	17,978
Notional tax on (loss)/profit before taxation at applicable rates	2	4,181
Tax effect of non-taxable income	(250)	(468)
Tax effect of non-deductible expenses	781	273
Tax effect of unrecognized temporary differences	305	1,081
Tax effect of unrecognized tax losses	421	335
Under-provision in prior years	2	1
Actual tax expense	1,261	5,403

**NOTES TO THE
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8 Dividends

(a) Dividends 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).

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	(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

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

**NOTES TO THE
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10 Property, Plant and Equipment

HK\$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2019	144,583	31,186	773	176,542
Exchange adjustment	(1,898)	(698)	(25)	(2,621)
Additions (Note 10(b))	1,187	14,491	80	15,758
Disposals (Note 10(b))	(430)	–	(23)	(453)
Net increase/(decrease) in fair value	11,673	(1,519)	–	10,154
Transfer in/(out)	14,254	(14,254)	–	–
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	168,218	27,602	805	196,625
Exchange adjustment	6,459	1,789	25	8,273
Additions	540	4,691	57	5,288
Disposals	(4)	–	(7)	(11)
Net decrease in fair value	(4,906)	(1,950)	–	(6,856)
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	173,235	27,544	880	201,659
Accumulated depreciation:				
At January 1, 2019	–	–	560	560
Exchange adjustment	–	–	(21)	(21)
Charge for the year	–	–	50	50
Written back on disposals	–	–	(15)	(15)
At December 31, 2019 and January 1, 2020	–	–	574	574
Exchange adjustment	–	–	14	14
Charge for the year	–	–	48	48
Written back on disposals	–	–	(6)	(6)
At December 31, 2020	–	–	630	630
Net book value:				
At December 31, 2020	173,235	27,544	250	201,029
At December 31, 2019	168,218	27,602	231	196,051
Cost or valuation of the property, plant and equipment is made up as follows:				
December 31, 2020				
Valuation	173,235	27,544	–	200,779
Cost	–	–	880	880
	173,235	27,544	880	201,659
December 31, 2019				
Valuation	168,218	27,602	–	195,820
Cost	–	–	805	805
	168,218	27,602	805	196,625

**NOTES TO THE
FINANCIAL STATEMENTS**

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 the disposals of investment properties included assets sold through disposal of a subsidiary (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	–	173,235	–
Investment properties under development	–	–	27,544
<hr/>			
HK\$ Million	Fair value measurement at 2019		
	Level 1	Level 2	Level 3
Investment properties	–	168,218	–
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.

NOTES TO THE FINANCIAL STATEMENTS

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.

**NOTES TO THE
FINANCIAL STATEMENTS**

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)	22,486	23,872	483	500
Outside Hong Kong				
– long-term leases (over 50 years)	–	–	23	812
– medium-term leases (10 to 50 years)	110,793	101,639	27,038	26,290
	173,235	168,218	27,544	27,602

- (e) The net book value of other property, plant and equipment of the Group included long-term leases of HK\$9 million (2019: HK\$10 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	4	4
	19	20

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).

**NOTES TO THE
FINANCIAL STATEMENTS**

11 Leases (Continued)

(a) As a lessee (Continued)

Amounts included in the cash flow statement:

HK\$ Million	2020	2019
Within operating cash flows	(4)	(6)
Within financing cash flows	(23)	(24)
	(27)	(30)

(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	7,362	7,656
Variable not depending on an index or rate	1,024	488
	8,386	8,144

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	6,410	5,880
After 1 year but within 2 years	4,071	3,786
After 2 years but within 3 years	2,362	2,163
After 3 years but within 4 years	1,394	1,343
After 4 years but within 5 years	829	780
After 5 years	882	1,311
	15,948	15,263

**NOTES TO THE
FINANCIAL STATEMENTS**

12 Interest in Joint Ventures

HK\$ Million	2020	2019
Share of net assets	3,126	3,464
Amounts due from joint ventures	662	662
Amounts due to joint ventures	(7)	(7)
	3,781	4,119

Amounts due from joint ventures 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.

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

At December 31, 2020, the Group had financial guarantees payable on demand of an amount not exceeding HK\$500 million (2019: HK\$500 million) issued to a bank in respect of a banking facility granted to a joint venture. This guarantee is not recognized in the Group's statement of financial position as its fair value is considered immaterial and the initial transaction price was nil.

Details of principal joint ventures are set out in note 36. 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	4,227	4,634
Current assets	400	338
Non-current liabilities	(1,238)	(1,214)
Current liabilities	(263)	(294)
Net assets	3,126	3,464

HK\$ Million	2020	2019
Revenue	234	260
(Loss)/profit and total comprehensive income for the year	(291)	183

13 Other Assets

HK\$ Million	2020	2019
Investments in unlisted equity instruments (Note 13(a))	96	105
Advance to unlisted investee companies	158	158
Intangible assets (Note 13(b))	1,182	1,182
	1,436	1,445

- (a) Investments in unlisted equity instruments were measured at fair value through other comprehensive income. These equity instruments are primarily of Ever Light Limited, a company engaged in property leasing, and are expected to be held for long-term strategic purposes.
- (b) Intangible assets represent goodwill arising from the Group's additions in equity interests in its subsidiary, HLP, for transactions before July 1, 2009.

**NOTES TO THE
FINANCIAL STATEMENTS**

14 Cash and Deposits with Banks

HK\$ Million	2020	2019
Cash at banks	1,591	831
Time deposits	5,202	2,829
Cash and deposits with banks in the consolidated statement of financial position	6,793	3,660
Less: Bank deposits with maturity greater than 3 months	(1,285)	(1,933)
Cash and cash equivalents in the consolidated cash flow statement	5,508	1,727

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	2,631	2,102
Hong Kong Dollar equivalent of:		
Renminbi	4,021	1,449
United States Dollars	141	109
	6,793	3,660

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)	38,770	31,113
Less: Cash and deposits with banks	(6,793)	(3,660)
Net debt	31,977	27,453

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	116	24
1 – 3 months past due	26	27
More than 3 months past due	11	2
	153	53

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).

**NOTES TO THE
FINANCIAL STATEMENTS**

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 HLP 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		
– Completed properties for sale	4	4
– Properties under development for sale	3,735	1,604
	3,739	1,608
In Hong Kong		
– Completed properties for sale	983	951
– Properties under development for sale	3,287	3,103
	4,270	4,054
	8,009	5,662

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.

**NOTES TO THE
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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	2,194	2,809
After 1 year but within 2 years	2,804	2,032
After 2 years but within 5 years	13,049	11,337
Over 5 years	1,627	1,572
	19,674	17,750
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
	38,932	31,268
Less: unamortized front end fees	(162)	(155)
Total bank loans and other borrowings	38,770	31,113
Amount due within 1 year included under current liabilities	(7,863)	(3,241)
	30,907	27,872

**NOTES TO THE
FINANCIAL STATEMENTS**

18 Bank Loans and Other Borrowings (Continued)

- (a) All bank loans are interest-bearing at rates ranging from 0.7% to 5.5% (2019: 2.9% 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\$16,538 million (2019: HK\$14,627 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))	7,968	6,001
Contract liabilities (Note 19(b))	64	66
Deposits received (Note 19(c))	2,821	2,685
	10,853	8,752

- (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.

**NOTES TO THE
FINANCIAL STATEMENTS**

19 Trade and Other Payables (Continued)

- (b) Contract liabilities represent building management fees and other income from property leasing received in advance of HK\$64 million (2019: HK\$66 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\$1,562 million (2019: HK\$1,586 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	4,424	4,125
Due after 3 months	2,040	838
	6,464	4,963

20 Taxation in the Consolidated Statement of Financial Position

(a) Current taxation

HK\$ Million	2020	2019
Hong Kong Profits Tax	140	635
Mainland China Income Tax	519	212
	659	847

(b) Deferred taxation

HK\$ Million	2020	2019
Deferred tax liabilities	14,790	13,884
Deferred tax assets	(91)	(4)
	14,699	13,880

**NOTES TO THE
FINANCIAL STATEMENTS**

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	1,999	7,872	(66)	87	9,892
Exchange adjustments	(32)	(171)	–	–	(203)
Charged/(credited) to profit or loss (Note 7(a))	115	4,082	(6)	7	4,198
Disposal of a subsidiary (Note 24)	(7)	–	–	–	(7)
At December 31, 2019 and January 1, 2020	2,075	11,783	(72)	94	13,880
Exchange adjustments	101	738	–	–	839
Charged/(credited) to					
– profit or loss (Note 7(a))	127	(66)	(3)	(68)	(10)
– other comprehensive income	–	–	–	(10)	(10)
At December 31, 2020	2,303	12,455	(75)	16	14,699

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK\$10,065 million (2019: HK\$8,082 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

	At January 1, 2020 and December 31, 2020		At January 1, 2019 and December 31, 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:	1,362	4,065	1,362	4,065

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

**NOTES TO THE
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22 Reserves

(a) The Group

HK\$ Million	Other reserves						Total	Retained profits	Total reserves
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	General reserve	Other capital reserve			
At January 1, 2019	(788)	(80)	69	423	275	4,282	4,181	78,201	82,382
Profit for the year	–	–	–	–	–	–	–	6,816	6,816
Exchange difference arising from translation to presentation currency	(1,202)	–	–	–	–	–	(1,202)	–	(1,202)
Net investment hedge – net gain	12	–	–	–	–	–	12	–	12
Cash flow hedges: net movement in hedging reserve	–	79	–	–	–	–	79	–	79
Net change in fair value of equity investments	–	–	(1)	–	–	–	(1)	–	(1)
Total comprehensive income for the year	(1,190)	79	(1)	–	–	–	(1,112)	6,816	5,704
Final dividend in respect of previous year	–	–	–	–	–	–	–	(831)	(831)
Interim dividend in respect of current year	–	–	–	–	–	–	–	(258)	(258)
Employee share-based payments	–	–	–	20	–	–	20	21	41
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	191	191	–	191
At December 31, 2019 and January 1, 2020	(1,978)	(1)	68	443	275	4,473	3,280	83,949	87,229
Loss for the year	–	–	–	–	–	–	–	(1,541)	(1,541)
Exchange difference arising from translation to presentation currency	3,718	–	–	–	–	–	3,718	–	3,718
Net investment hedge – net loss	(47)	–	–	–	–	–	(47)	–	(47)
Cash flow hedges: net movement in hedging reserve	–	(35)	–	–	–	–	(35)	–	(35)
Net change in fair value of equity investments	–	–	(5)	–	–	–	(5)	–	(5)
Total comprehensive income for the year	3,671	(35)	(5)	–	–	–	3,631	(1,541)	2,090
Dividends in respect of previous year	–	–	–	–	–	–	–	(354)	(354)
– Special	–	–	–	–	–	–	–	(858)	(858)
– Final	–	–	–	–	–	–	–	–	–
Interim dividend in respect of current year	–	–	–	–	–	–	–	(258)	(258)
Employee share-based payments	–	–	–	(76)	–	–	(76)	110	34
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	157	157	–	157
At December 31, 2020	1,693	(36)	63	367	275	4,630	6,992	81,048	88,040

**NOTES TO THE
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22 Reserves (Continued)

(a) The Group (Continued)

The retained profits of the Group at December 31, 2020 included HK\$631 million (2019: HK\$631 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 Group's share of 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	–	(80)	(80)
Effective portion of cash flow hedge recognized in other comprehensive income	–	82	82
Amount reclassified to profit or loss	–	54	54
Effect of share of non-controlling interests	–	(57)	(57)
At December 31, 2019 and January 1, 2020	–	(1)	(1)
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
Effect of share of non-controlling interests	21	4	25
At December 31, 2020	(28)	(8)	(36)

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).

The general reserve was derived from retained profits and is distributable.

The other capital reserve represents any difference between the cost of the additional investment and the carrying amount of the net assets acquired at the date of exchange when acquiring an additional non-controlling interest in an existing subsidiary.

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22 Reserves (Continued)

(b) The Company

HK\$ Million	General reserve	Retained profits	Total reserves
At January 1, 2019	862	16,058	16,920
Profit and total comprehensive income for the year	–	1,718	1,718
Final dividend in respect of previous year	–	(831)	(831)
Interim dividend in respect of current year	–	(258)	(258)
At December 31, 2019 and January 1, 2020	862	16,687	17,549
Profit and total comprehensive income for the year	–	2,751	2,751
Dividends in respect of previous year			
– Special	–	(354)	(354)
– Final	–	(858)	(858)
Interim dividend in respect of current year	–	(258)	(258)
At December 31, 2020	862	17,968	18,830

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2020 was HK\$18,830 million (2019: HK\$17,549 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 20.1% (2019: 17.3%) and 24.3% (2019: 19.7%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**NOTES TO THE
FINANCIAL STATEMENTS**

23 Cash Generated from Operations

HK\$ Million	2020	2019
(Loss)/profit before taxation	(924)	17,978
Adjustments for:		
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)
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	6,856	(10,620)
Interest income on bank deposits	(70)	(160)
Finance costs	222	144
Share of losses/(profits) of joint ventures	291	(183)
(Increase)/decrease in properties for sale	(318)	83
Increase in trade and other receivables	(1,228)	(228)
Increase in creditors and accrued expenses and contract liabilities	276	218
Increase in deposits received	30	159
Cash generated from operations	5,236	6,634

24 Disposal of a Subsidiary

During the year ended December 31, 2019, the Group disposed of a wholly owned subsidiary with the following amounts of assets and liabilities at the time when the transaction took place:

HK\$ Million	2019
Investment properties	320
Trade and other receivables	1
Trade and other payables	(8)
Deferred tax liabilities	(7)
Net assets disposed of	306
Gain on disposal	869
Cash received on disposal	1,175

**NOTES TO THE
FINANCIAL STATEMENTS**

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	30,651	331	30,982
Cash flows	717	(24)	693
Non-cash changes:			
Unwind of discount and amortization of transaction costs	57	16	73
Exchange adjustment	(312)	(7)	(319)
At December 31, 2019 and January 1, 2020	31,113	316	31,429
Cash flows	6,857	(23)	6,834
Non-cash changes:			
Unwind of discount and amortization of transaction costs	60	15	75
Exchange adjustment	740	20	760
At December 31, 2020	38,770	328	39,098

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	4,727
Authorized but not contracted for	15,049	21,166
	19,353	25,893

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\$14 million (2019: HK\$64 million).

NOTES TO THE FINANCIAL STATEMENTS

27 Employee Benefits (Continued)

(b) Equity compensation benefits

The share option scheme adopted by the Company's subsidiary, HLP, 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 HLP to grant options to selected participants as incentives or rewards for their contributions to HLP group, to attract skilled and experienced personnel, to incentivize them to remain with HLP group and to motivate them to strive for the future development and expansion of HLP group by providing them with the opportunity to acquire equity interests in HLP.

Under the Schemes, the board of directors of HLP is authorized to grant options to selected participants, including employees and directors of any company in HLP group, subject to the terms and conditions such as performance targets as the board of directors of HLP may specify on a case-by-case basis or generally. The exercise price of the options is determined by the board of directors of HLP at the time of grant, and shall not be less than the higher of the nominal value of HLP shares, the closing price of HLP shares at the date of grant and the average closing price of HLP 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 HLP shares subject to each option are determined by the board of directors of HLP at the time of grant.

As of the date of this report, the total number of HLP 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 HLP. The total number of HLP 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 HLP shares in issue.

**NOTES TO THE
FINANCIAL STATEMENTS**

27 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

The movements of share options of HLP during the year are as follows:

(i) 2002 Share Option Scheme

Date granted	Number of share options			Outstanding on December 31, 2020	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2020	Exercised	Forfeited/ Lapsed			
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).

**NOTES TO THE
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27 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme

Date granted	Number of share options			Outstanding on December 31, 2020	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2020	Exercised	Forfeited/ Lapsed			
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 of HLP immediately before the dates of exercise by the employees during the year was HK\$20.60.

The weighted average closing share price of HLP 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) The directors of the Company, who were also directors of HLP, during the year held share options of HLP. The related charge recognized for such options 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); and
- (4) Mr. H.C. Ho, HK\$2.4 million (2019: HK\$2.6 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.

None of the above related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

**NOTES TO THE
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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	14,998	17,647
Total borrowings	38,770	31,113

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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\$83 million (2019: HK\$141 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.

	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	38,770	43,409	9,119	9,536	20,777	3,977
Trade and other payables	10,853	10,853	8,987	1,008	772	86
Lease liabilities	328	491	26	26	79	360
At December 31, 2020	49,951	54,753	18,132	10,570	21,628	4,423

	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	31,113	35,604	4,550	8,668	20,109	2,277
Trade and other payables	8,752	8,752	6,874	910	828	140
Lease liabilities	316	485	23	25	75	362
At December 31, 2019	40,181	44,841	11,447	9,603	21,012	2,779

NOTES TO THE FINANCIAL STATEMENTS

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.

**NOTES TO THE
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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 RMB3,379 million (2019: RMB1,298 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.

**NOTES TO THE
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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\$3,067 million (2019: HK\$2,724 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	96	105	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.

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31 Company-Level Statement of Financial Position

At December 31, 2020

HK\$ Million	Note	2020	2019
Non-current assets			
Interest in subsidiaries	32	23,337	21,810
Current assets			
Cash and deposits with banks		1	–
Trade and other receivables		1	1
		2	1
Current liabilities			
Trade and other payables		16	17
Net current liabilities		14	16
Total assets less current liabilities		23,323	21,794
Non-current liabilities			
Amounts due to subsidiaries	32(b)	428	180
NET ASSETS		22,895	21,614
Capital and reserves			
Share capital	21	4,065	4,065
Reserves	22(b)	18,830	17,549
TOTAL EQUITY		22,895	21,614

Weber W.P. Lo
Chief Executive Officer

H.C. Ho
Chief Financial Officer

**NOTES TO THE
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32 Interest in Subsidiaries

HK\$ Million	2020	2019
Unlisted shares, at cost	166	166
Amounts due from subsidiaries (Note 32(a))	23,171	21,644
	23,337	21,810

Details of principal subsidiaries are set out in note 35.

The following table lists out the information relating to HLP in which the Group has material non-controlling interest (NCI). The summarized financial information presented below represents the amounts before any inter-company elimination.

HK\$ Million	2020	2019
NCI percentage at the end of the reporting period	41.8%	42.1%
Non-current assets	193,441	188,753
Current assets	17,875	11,227
Current liabilities	(19,074)	(12,437)
Non-current liabilities	(44,054)	(39,731)
Net assets	148,188	147,812
Carrying amount of NCI	57,807	58,380
Revenue	8,973	8,852
(Loss)/profit for the year	(2,056)	9,800
Total comprehensive income for the year	4,107	7,902
(Loss)/profit allocated to NCI	(1,075)	2,598
Dividend paid to NCI	1,430	1,430
Net cash flow:		
generated from operating activities	3,413	5,319
used in investing activities	(2,196)	(9,965)
generated from/(used in) financing activities	2,305	(2,482)

- (a) 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.
- (b) 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 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.

34 Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 28, 2021.

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35 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	58.2	–	Property leasing	Hong Kong
AP City Limited	2	58.2	–	Property leasing	Hong Kong
AP Joy Limited	2	58.2	–	Property leasing	Hong Kong
AP Properties Limited				Property leasing	Hong Kong
'A' shares	34	58.2	–		
'B' shares	6	58.2	–		
AP Star Limited*	2	58.2	–	Investment holding	Hong Kong
AP Success Limited	2	58.2	–	Property leasing	Hong Kong
AP Universal Limited*	2	58.2	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	58.2	–	Property leasing	Hong Kong
AP World Limited	2	58.2	–	Property leasing	Hong Kong
Bayliner Investment Ltd.*	US\$ 1	100	100	Investment holding	British Virgin Islands
Believecity Limited*	2	100	–	Investment holding & securities trading	Hong Kong
Bonna Estates Company Limited	1,000,000	58.2	–	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	58.2	–	Property leasing	Hong Kong
Cokage Limited*	2	100	100	Investment holding	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	56.5	–		
'B' share	1	58.2	–		
Country First Enterprises Limited	2	100	–	Investment holding	Hong Kong
Country Link Enterprises Limited	5,000,000	58.2	–	Investment holding	Hong Kong
Curicao Company Limited*	2	100	–	Investment holding	Hong Kong
Dokay Limited*	2	58.2	–	Property leasing	Hong Kong
Dynamia Company Limited	2	100	100	Property development & leasing	Hong Kong

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35 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
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	100	–		
'B' share	1	58.2	–		
Easegood Enterprises Limited	2	58.2	–	Investment holding	Hong Kong
Ever Brilliant Investment Limited	2	100	100	Investment holding	Hong Kong
Fu Yik Company Limited*	3	58.2	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	58.2	–	Investment holding	Hong Kong
Grand Centre Limited	4	58.2	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	58.2	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	1,004,834,694	58.2	–		
'B' shares	6,000,000	58.2	–		
Great Cheer Development Limited	2	100	100	Property development	Hong Kong
Hang Chui Company Limited	2	58.2	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	58.2	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	58.2	–	Property leasing	Hong Kong
Hang Kong Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Kwok Company Limited*	10,000	58.2	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	58.2	–	Management services	Hong Kong
Hang Lung (China) Limited	2	100	100	Investment holding	Hong Kong
Hang Lung (Dalian) Limited	1	58.2	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited	1	58.2	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited	1	58.2	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited	1	58.2	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	58.2	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited	2	58.2	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	58.2	–	Investment holding	Hong Kong

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35 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 (Wuhan) Limited	1	58.2	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	58.2	–	Investment holding	Hong Kong
Hang Lung Enterprises Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Financial Services Limited	2	100	100	Financial services	Hong Kong
Hang Lung Gala Place Limited	2	58.2	–	Property leasing	Hong Kong
Hang Lung Investments Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Project Management Limited*	10,000	58.2	–	Project management	Hong Kong
Hang Lung Properties Limited	39,916,351,442	58.2	–	Investment holding	Hong Kong
Hang Lung Property Management Limited*	100,000	58.2	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	58.2	–	Property agencies	Hong Kong
Hang Lung Treasury Limited	2	100	100	Financial services	Hong Kong
Hang Top Limited*	3	72.1	–	Investment holding	Hong Kong
Hang Wise Company Limited*	200	72.1	–	Property development	Hong Kong
Hebo Limited	2	100	100	Property development	Hong Kong
HL Enterprises Limited*	2	100	100	Investment holding	Hong Kong
HL Mortgage (HTG) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NH) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NP) Limited*	2	100	100	Financial services	Hong Kong
HLP (China) Administrative Limited	1	58.2	–	Management services	Hong Kong
HLP (China) Limited	2	58.2	–	Investment holding	Hong Kong
HLP Finance Limited#	US\$1	58.2	–	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	58.2	–	Financial services	Hong Kong
HLP Treasury Limited	2	58.2	–	Financial services	Hong Kong
HLP Treasury Services Limited*	2	58.2	–	Financial services	Hong Kong
Hoi Sang Limited*	2	58.2	–	Investment holding	Hong Kong

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35 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
Kindstock Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	58.2	–	Property development	Hong Kong
Luckyson Investments Limited	10,000	100	–	Investment holding	Hong Kong
Lungsun Mortgage (PV) Limited*	20	89.7	–	Financial services	Hong Kong
Mansita Limited*	2	58.2	–	Property leasing	Hong Kong
Modalton Limited	2	58.2	–	Property leasing	Hong Kong
Nikco Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	58.2	–	Property leasing	Hong Kong
Passion Success Limited*	1	58.2	–	Investment holding	Hong Kong
Pocaliton Limited	2	58.2	–	Property leasing	Hong Kong
Prosperland Housing Limited	1,560,000	100	100	Investment holding	Hong Kong
Purotat Limited*	2	100	100	Investment holding	Hong Kong
Rago Star Limited	2	58.2	–	Property leasing	Hong Kong
Scotat Limited	2	89.7	–	Investment holding	Hong Kong
Stanman Properties Limited	20	100	100	Property development & leasing	Hong Kong
Stooket Limited	2	58.2	–	Property leasing	Hong Kong
Success Cosmos Development Limited*	2	100	100	Property development	Hong Kong
Superlane Development Limited	1,000	72.1	–	Property development	Hong Kong
Tegraton Limited	2	58.2	–	Property leasing	Hong Kong
Topnic Limited	2	100	100	Property leasing	Hong Kong
Total Select Limited	1	58.2	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	58.2	–	Property leasing	Hong Kong
Yangli Limited*	2	58.2	–	Property leasing	Hong Kong
Yee Fly Investment Limited*	1,000	100	100	Investment holding & securities trading	Hong Kong

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35 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	58.2	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,767,500,000	58.2	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB7,900,000,000	58.2	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB8,055,634,075	58.2	–	Property development & leasing	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB8,040,096,324	58.2	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US\$385,000,000	58.2	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US\$349,990,000	58.2	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK\$5,329,600,000	58.2	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB4,691,746,261	58.2	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB960,716,180	58.2	–	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	56.2	–	Property development & leasing	Mainland China
Shanghai Heng Cheng Real Estate Development Co., Ltd.	17,766,000	70	–	Property development	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	54.8	–	Property development & leasing	Mainland China

Operated in Hong Kong

* Not audited by KPMG

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.

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36 Principal 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
Daily Win Development Limited	400	25	–	Property leasing	Hong Kong
Hang Lung-Hakuyosha Dry Cleaning Limited	519,000	50	–	Dry and laundry cleaning	Hong Kong
Metro Classic Holdings Limited	US\$1	20	–	Property development	British Virgin Islands
Metro Trade International Limited	US\$60	20	–	Property development	British Virgin Islands
Newfoundworld Finance Limited	100,000	20	–	Financial services	Hong Kong
Newfoundworld Holdings Limited	2,000,000	20	–	Investment holding	Hong Kong
Newfoundworld Investment Holdings Limited	US\$5	20	–	Investment holding	British Virgin Islands
Newfoundworld Limited	2,000,000	20	–	Property development	Hong Kong
Pure Jade Limited	1,000,000	20	–	Property development	Hong Kong
Star Play Development Limited	3	19.3	–	Property leasing	Hong Kong

The above companies are not audited by KPMG.

The above list gives the principal joint ventures of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.