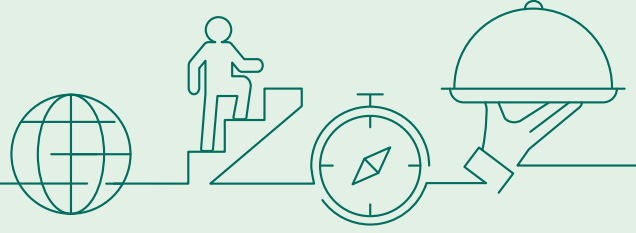


2019 Annual Report

Hang Lung Group Limited

STOCK CODE: 00010







The annual reports of Hang Lung Group Limited (Stock Code: 00010) and Hang Lung Properties Limited (Stock Code: 00101) for the 2019 financial year both embody the Group's Five Overarching Strategies that are integral in driving sustainable business development: Be Customer Centric, Build Hang Lung Branded Experience, Embrace Technology, Disciplined Execution and Uphold Hang Lung Core Values.

The cover images of both reports feature a twinning effect that showcases our two major projects for 2019 – the newly opened Spring City 66 in Kunming, and Peak Galleria in Hong Kong, which was reopened following the completion of its Asset Enhancement Initiative. These are projects that underline the Group's development strategy, both in mainland China and Hong Kong, and the cover designs highlight the symbiotic relationship between beautiful, unique architecture and the people who use it. World-class properties such as these, designed, built and managed by Hang Lung, show our Five Strategies in action, and enable the Group to fulfil and exceed customers' expectations. The reports are exquisitely designed, and detail Hang Lung's concerted effort to strive for excellence and create value for shareholders and stakeholders.

CORPORATE PROFILE

Hang Lung Group Limited (stock code: 00010) is one of the most established listed companies in Hong Kong with more than 50 years of experience in the property development market. Through Hang Lung Properties Limited (stock code: 00101), we have built a leading reputation as a top-tier property developer in Hong Kong and on the Mainland, with a recognized commitment to quality. Our businesses in Hong Kong include property development for sale and lease and our substantial portfolio encompasses well-planned large-scale mall, commercial, office and residential developments in prominent locations.

We made our first investment on the Mainland in the early 1990s as the foremost step in our future business expansion. Adhering to the strategy of developing prime sites in major cities, our portfolio of investment properties currently comprises two large-scale developments in Shanghai – the mall/commercial, office and residential complex Grand Gateway 66, and the commercial and office complex Plaza 66.



ANNIVERSARY

Together with our prime landmark complexes of Parc 66 in Jinan, Center 66 in Wuxi, Riverside 66 in Tianjin, Olympia 66 in Dalian, and Spring City 66 in Kunming, as well as Palace 66 and Forum 66 in Shenyang, we are vigorously building on our successes to develop similar properties in major cities including Wuhan and Hangzhou.

2020 marks the 60th anniversary of our founding, we will continue not only to expand our horizons on the Mainland, but also to invest in our portfolio in Hong Kong, as we aim to become a highly admired national commercial property developer. Joining hands with our subsidiary Hang Lung Properties, we strive to building a sustainable future for our stakeholders and the communities where we live and work.



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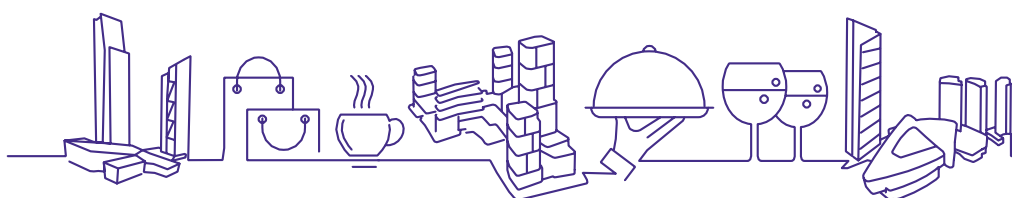
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Achieving
Sustainable Growth
through



Be Customer
Centric

Our Overa Strat



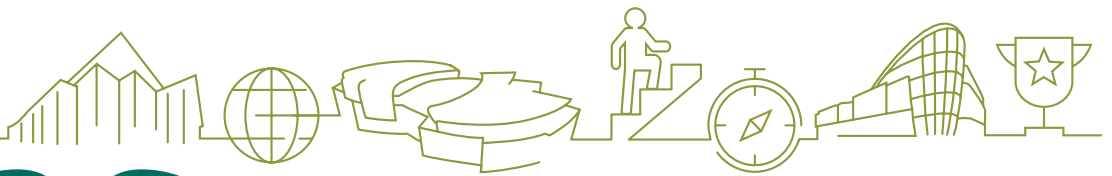
Build Hang Lung
Branded Experience

Embrace
Technology

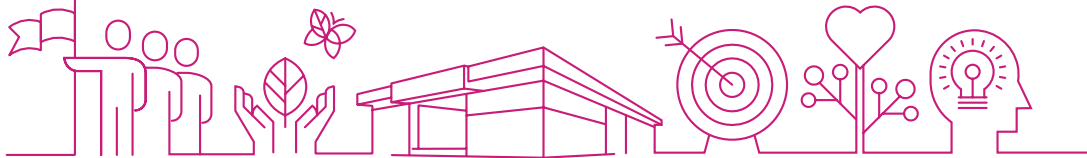


Five Arching Legies

Disciplined
Execution



Uphold Hang Lung
Core Values



6 FINANCIAL HIGHLIGHTS

Results

For the year ended December 31

in HK\$ Million (unless otherwise stated)	2019	2018
Revenue		
Property leasing	9,139	8,784
Mainland China	4,975	4,686
Hong Kong	4,164	4,098
Property sales	296	1,231
Total revenue	9,435	10,015
Net profit attributable to shareholders	6,816	5,285
Property leasing	5,869	4,865
Property sales	947	420
Dividends	1,470	1,089
Shareholders' equity	91,294	86,447
Per share data		
Earnings	\$5.01	\$3.88
Dividends		
Total	\$1.08	\$0.80
Interim	\$0.19	\$0.19
Special	\$0.26	–
Final	\$0.63	\$0.61
Net assets attributable to shareholders	\$67.0	\$63.5
Financial ratio		
Payout ratio		
Total	22%	21%
Property leasing	25%	22%
Net debt to equity ratio	17.3%	12.0%
Debt to equity ratio	19.7%	20.3%

Underlying Results

For the year ended December 31

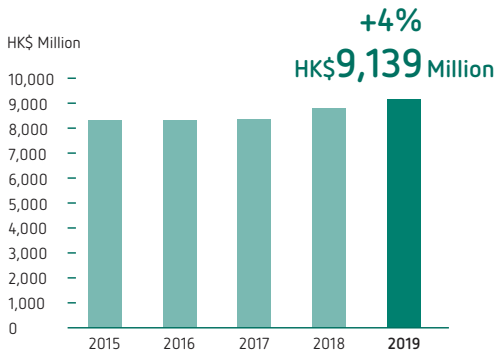
in HK\$ Million (unless otherwise stated)	2019	2018
Underlying net profit attributable to shareholders	3,796	2,631
Property leasing	2,849	2,211
Property sales	947	420
Earnings per share ^(Note 1)	\$2.79	\$1.93
Payout ratio ^(Note 1)		
Total	39%	41%
Property leasing	52%	49%

Note:

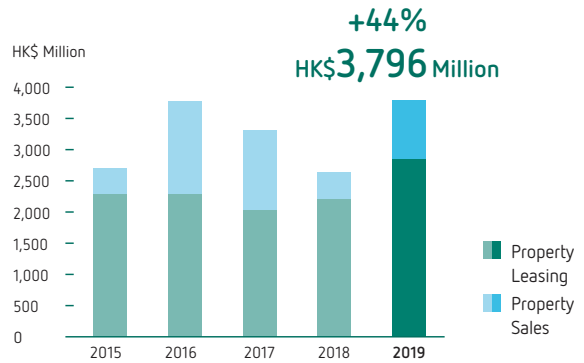
1. The relevant calculations are based on the underlying net profit attributable to shareholders.

Property Leasing Revenue

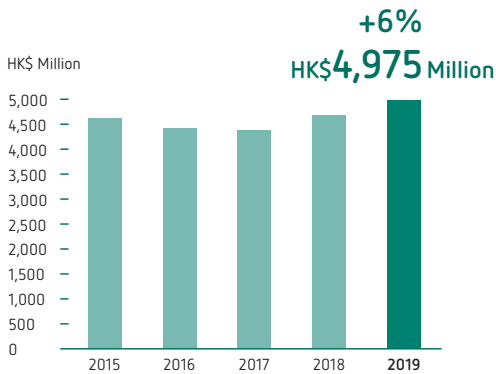
Overall



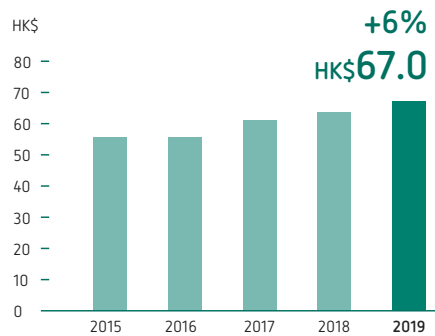
Underlying Net Profit



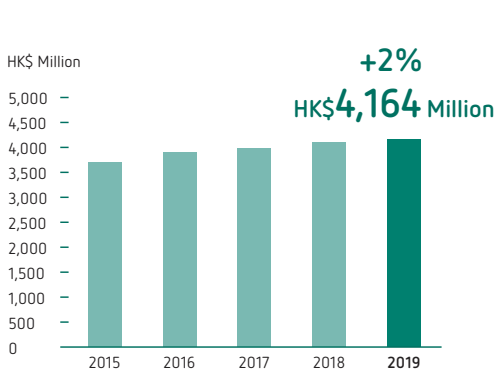
Mainland China



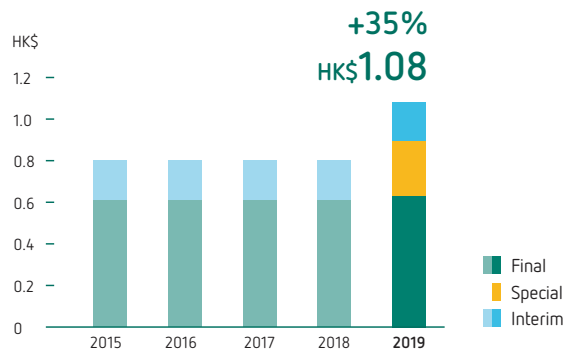
Net Assets Attributable to Shareholders per Share



Hong Kong



Dividends per Share







**BE CUSTOMER
CENTRIC**





Plaza 66, Shanghai



Grand Gateway 66, Shanghai

12 CHAIRMAN'S LETTER
TO SHAREHOLDERS



Ronnie C. Chan
Chairman

Results and Dividend

Revenue decreased 6% to HK\$9,435 million for the year ended December 31, 2019. Net profit attributable to shareholders jumped 29% to HK\$6,816 million. Earnings per share rose likewise to HK\$5.01.

Underlying net profit attributable to shareholders leaped 44% to HK\$3,796 million when excluding all the effects of property revaluation gain. Underlying earnings per share increased similarly to HK\$2.79.

In the past year, we sold an older building in Hong Kong at a good profit. In light of our strong financial position, your Board proposes to pay a special dividend.

The Board declares a special dividend and recommends a final dividend of HK26 cents and HK63 cents per share respectively. If the final dividend is approved by shareholders, total dividends per share for the year ended December 31, 2019 will be HK108 cents. Both the special and final dividends are payable on May 20, 2020 to shareholders of record on May 7, 2020.

Business Review

This year Hang Lung Group (HLG) celebrates its 60th anniversary. On September 13, 1960, the late Mr. T.H. Chan founded Hang Lung Development Co. Ltd. Prior to that, he co-founded another real estate concern in 1955 with a partner and earned his initial capital to start the present company. The only other equity shareholder of Hang Lung at the time was Mrs. T.H. Chan who, as a nurse, had good savings. Mr. Chan's younger brother, Mr. Thomas T.T. Chen, was invited to join as the first colleague.

Upon the death of Mr. T.H. Chan in 1986, Mr. Chen became the company chair. Five years later, I assumed that position. Throughout the 60 years, we only have had five Managing Directors, now called CEOs, before

Mr. Weber Lo, our present CEO, took up the post in July 2018. We are indeed blessed with very stable leadership. Weber was 47 years old when he joined us. Together with our Executive Director Mr. Adriel Chan, who is now 37, the pair should ensure management continuity for at least another 20 to 30 years.

In the past, I have managed to convince the Board as well as the individuals concerned to have our former CEOs stay on as non-executive directors. While always giving younger leaders a free hand, they nevertheless provide critical experience at the board level. Ours is an experience-intensive industry with long market cycles, each lasting many years. Unless someone has gone through two or three such cycles, it is easy to repeat the same mistakes.

That said, your Board is also cognizant of the need to invite people of younger age to join as directors. At least two facts dictate this: everywhere around the world, the average age of shoppers of luxury items has gone down significantly. This is particularly true on mainland China, our primary growth market. Second, the use of technology in our business is becoming critical and will remain so in the foreseeable future. In fact, retailing itself is undergoing revolutionary changes. I want to make sure that the Company is guided by a combination of older people with experience and younger ones with ideas.

To the Chinese, 60 years completes a sexagenary cycle and bears a special meaning. So perhaps it is right that at this point, I should provide a brief history of the Company. As the Chinese say, reviewing the past can illuminate the path to the future. Inevitably, I will touch upon the social surroundings to which we are constantly adapting, and in which we find business opportunities.

After World War II (WWII), China was embroiled in chaos for another 30-some years, until 1978 when it embarked on the Reform and Opening-up Policy. During that time, the little British colony called Hong Kong, or Fragrant Harbor, quietly thrived. When China was closed off to most of the world, it needed Hong Kong. For decades, we were the country's primary, and certainly the most convenient, window to the outside. And when China opened up, it needed us just as much. We provided much needed capital, expertise, and information, as well as adequate air and sea links. Being right next to the Mainland, none was better positioned to help, as well as to benefit therefrom.

The timing and geographic location provided Hong Kong with the first reason for its success. We should also thank the British for their contributions. The use of English was one of them; others included maintaining a relatively peaceful society, an efficient government, and a reasonable judicial system. Corruption was rife until the mid-1970's when the Independent Commission Against Corruption (ICAC) was formed. Things then got a lot better.

An unusual policy however was put in place by the British, at the latest, in the early 1970's. Since land was the only natural resource that the territory possessed, and there was not a lot of it to go round, it must be preserved. Like all colonialists, the main objective was to maximize economic benefits for the home country. After all, Hong Kong was the last major colony still in British hands. But unlike the Spanish, the French, the Portuguese, or the Belgians, the British were always in it for the long haul. They did things in order to keep the colony economically useful for as long as possible. By limiting Hong Kong's developed area to under 25% of its total landmass, it conserved this natural resource longer. I know of no other major metropolises in the world like this. In so doing, the city had to develop vertically. This drove land value up, which suited the colonial master well. They made the same amount of money by selling less, with more to sell for a longer time to come. Brilliant!

Eventually, Hong Kong became known as having the world's most expensive land and buildings. This kept the public coffers full. Land sales and real estate-related revenue such as transaction tax often accounted for over 40% of the annual government income. It enabled Hong Kong to have one of the lowest personal and corporate income taxes in the world. British companies, which dominated our economy for decades, could repatriate most of their profits. As little as possible should be left in the colony. Low taxes also attracted many foreign companies to set up businesses here and, in the process, helped energize our economy.

This was the primary reason real estate became one of the most profitable businesses in this town. Yet the British did not want to tie down their own capital in hard assets in a colony. They preferred other more respectable industries such as trading, shipping, banking, and utilities. This was why only one of the four major British "Hong", i.e. big British corporates, had a sizable property portfolio in the city. The others usually only kept on their books their headquarters building and staff housing.

This gave the local Chinese an opportunity to dominate in residential real estate. Major commercial properties were still mainly controlled by British companies. To the extent that local family businesses owned any, they were mainly used as their own head offices. It was not until the 1970's that the local Chinese property groups ventured into the commercial sphere. We were, in fact, among the first. While we made money, in hindsight, it was a wrong decision as I will explain later.

Here is an interesting sidebar. The only British "Hong" that had a big commercial property portfolio was also the one most suspicious of Beijing and the future after 1997. They were the first to relocate their company registration from Hong Kong, and also moved their public listing elsewhere. They did not expand here, nor did they enter the mainland China market in any significant way, even to this day. On the other hand, in the late 1970's, another major "Hong" saw the opportunities enjoyed by the local Chinese and jumped



Mr. and Mrs. T.H. Chan (1st from right and 2nd from left), with their two sons Mr. Ronnie C. Chan (2nd from right) and Mr. Gerald L. Chan (1st from left)

in. They have since performed superbly in Hong Kong commercial and residential real estate, and later entered the Mainland market with equal success. Over the decades, Hang Lung had business dealings with all of them and so we knew some of the stories. Fortunate for the first “Hong” mentioned above, they have done spectacularly well outside Hong Kong and mainland China.

Starting in the mid-1950s, local Chinese residential developers began to emerge. Our founder, Mr. T.H. Chan, was one of them. Hang Lung quickly became quite a force in this new field. By some accounts, in the mid-1960’s we were already one of the biggest real estate concerns in terms of total assets, next only to the British “Hong” mentioned above with many commercial properties. At the time of our public listing in 1972, we had one of the largest market capitalizations. There was another company which was marginally bigger because it was a merger of five or six families. Our growth in the 1960’s was indeed phenomenal.

But that was the end of our glory. In the 1970’s, we made several strategic mistakes that greatly slowed down our progress. First, having made money early, we became conservative. We bought commercial real estate for long-term hold and did not build much

housing for sale. Some investment properties which we owned in the early 1970’s are still in our portfolio today.

Second, our management at that time did not trust the future of Hong Kong, and so altogether underestimated the residential boom of the 1970’s and 1980’s. For the same reason, we did not believe in the potential of the New Territories, which was leased by China’s Qing Dynasty in 1898 to the British for 99 years, hence the 1997 timeline. We had very few development projects throughout the 1970’s, and the ones that we had did not make much money.

When we awakened in the early 1980’s and jumped into the market, we were caught in the Sino-British negotiations in 1982 over the future fate of the territory. The market tanked, and we were lucky to have survived, thanks to the investment properties we had, which provided steady streams of rents. Even then, we still needed help from the banks to stay afloat. One might say that venturing into commercial property was part of our mistake, but the rents therefrom eventually helped to bail us out. It was only by 1986 to 1987 were we out of the woods, and it took us many more years to nurture ourselves back to financial health.

History showed that Hong Kong's residential boom of the 1970's, all the way to the end of the colonial era and beyond, was one of the biggest business opportunities that the city has ever seen. We entered the right industry but did not perform well at that time. We totally missed it. Instead, we tied down our capital in commercial real estate.

Here are the reasons why the residential sector fared better then. First, housing prices rose far more than those of commercial properties. The 1970's was a time of fast economic growth. Hong Kong's population ballooned, as many from the Mainland moved here to escape the Cultural Revolution. The U.S., Japan, and Europe were growing fast, and Hong Kong as an entrepôt benefited greatly. The rapid rise in salaries had also enabled our citizens to buy private housing. Together with the land policy described above, home prices and land prices both climbed briskly.

Something else happened that added impetus. By the early 1980's, London knew that it had no choice but to return Hong Kong to China in 1997. To the British, two conditions were high on their consideration in the Sino-British negotiations. The same was always true when they had to forgo any colony. Namely, they wanted an honorable retreat (not that there is anything honorable about colonialism), and they wanted to preserve their economic interests for as long as possible. One way to accomplish the former was to ensure high residential prices up until June 30, 1997. Anything happening thereafter would not be their business. So they did everything possible to keep the prices up.

Beijing was aware of this and so stipulated in their negotiations that only a defined amount of land could be sold annually before 1997. China was afraid that by selling too much at exorbitant prices and sending the money away, it would use up the land resource and leave the coffers of the Hong Kong Special Administration Region (HKSAR) government, come July 1, 1997, empty. Nevertheless, limiting the land supply must have helped prices remain high, something that the British had also wanted.

But the British had another reason to keep real estate prices up. They wanted to create an atmosphere of prosperity at the time of their departure. Having very high housing prices was one excellent way. The wealth effect thus produced among the locals would be powerful.

What then should be done with the huge sums of money from land sales? Increase social welfare spending! It jumped significantly in the last few years before the British had to leave. For decades, Hong Kong was known to be a model of laissez-faire government. Conservative Nobel Prize economist, Milton Friedman, thought that it was paradise on earth. The government did the minimal and let the people fend for themselves. So why, in the early 1990's, did London reverse this policy?

The combination of the wealth effect from high housing prices and the increase in social spending was to ensure that the Hong Kong people appreciated the British. If the territory continued to thrive after the return to Chinese rule, Britain would at least have retreated "honorably," having left the former colony in great shape. But if Hong Kong flopped, so much the more our citizens would appreciate the former colonial master as they reminisced about the good old days. Of late, we have seen this on our streets. I witnessed with my own eyes an elderly woman waving a big Union Jack in front of an HKSAR government building. There were also students doing the same, but they were probably unaware of the history.

Interestingly, June 30, 1997 indeed saw the peak in Hong Kong real estate prices, both for residential and commercial. In fact, we were competing for an office building whose bidding process closed that day. In hindsight, we are so pleased that we did not win. On July 2, the Asian Financial Crisis (AFC) hit and prices started to plummet in December that year. It took many years for the market to recover. Thankfully, because Hong Kong's return to China was successful for some time, real estate prices eventually recovered and in fact reached new heights.

If we had won the bid on June 30, 1997, it would have drastically changed our financial position for the worse. I doubt if we would have been prepared to buy all the residential land on the cheap during the AFC in 1999 and 2000, which eventually made us some HK\$30 billion in profit. This in turn enabled us to buy Mainland commercial land outside Shanghai beginning in 2005. It extended our winning streak, the financial benefits of which we are just beginning to reap. This shows how treacherous the industry is. A single wrong move can send us back a decade or more.

There is another reason that holding commercial real estate would underperform those who churn their capital by building and selling residential properties. The boom-bust cycle in housing is usually shorter than that in commercial. Those who caught each cycle correctly, say from 1971 to 1997, would have benefited far more than those who, like us, held the property for the whole period. Even if commercial prices moved up in tandem with home prices, the summation of all the cycles from the bottom to the peak is far greater than the simple price differential between 1971 and 1997.

To be sure, not many caught those cycles perfectly, but a few came close. They are, today, the biggest players. Several others made one or more mistakes, with a few of those almost went bankrupt. But as long as they survived, they are still doing well today. In general terms, our overall performance in that period was among the second group. We were partly helped by having capitalized on the opportunities provided by China's opening-up policy. If we had not, we might well not be in this league today.

How did we catch up to the extent we did? After missing the bull market in the 1970's and 1980's, I took over the chairmanship in January 1991. A year later, I asked Mr. Nelson Yuen, now still an Independent Non-Executive Director of Hang Lung Properties (HLP), to become Managing Director. By then, our finances had already recovered but were not strong. Worse was

our market positioning. We did not have any cheap land bank like many others, so we had to be extra careful when buying land. We had nothing with which to average down prices if we bought expensive. We had to make every decision correctly. Fortunately, we did.

By the mid-1990's, we were financially quite healthy and were ready for the big break. We strengthened our balance sheet greatly starting around 1995 and waited. To do nothing was not easy. The opportunity arrived in 1997 in the form of the AFC. We had prepared ourselves well, we bought land well, and eventually we sold the residential units well.

The other big break was our entering the Mainland market in 1992. Our timing was auspicious, the chosen location (Shanghai) was correct, and the strategy was sound. Together with the huge profits made from selling Hong Kong housing units, we were able to move to Phase 2 of our Mainland business – buying land outside Shanghai – beginning in 2005.



The opening ceremony of Grand Gateway 66 in Shanghai held in December 1999



Plaza 66, Shanghai

Eighteen years into my chairmanship, I wrote in January 2008 to the shareholders of HLP that we could roughly divide my tenure into three stages of seven years each—the Preparatory Phase, the Catch Up Phase, and the Take Off Phase. Between 1991 and 1997, we strengthened our financial position and waited for the big opportunity. From 1998 to 2004, we took advantage of the aftermath of the AFC to catch up. We made good money in Hong Kong residential and were encouraged by the initial successes in Shanghai. From 2005 to 2011, our two Shanghai properties roared ahead and we bought much land on the cheap in several Mainland cities for future growth. Then I concluded my presentation by speculating that what followed might be a golden era for reaping the benefits of previous decisions.



Palace 66, Shenyang

Well, it did not arrive – at least not in the time frame that I had hoped for. In 2008, I could not have foreseen the bear market that descended upon us in 2011, one which lasted until the end of 2017 or the beginning of 2018. In July 2011, I first noticed the chill and notified our shareholders. The golden era that I was hoping for turned out to be a long, harsh Winter. In the interim, we had to greatly upgrade our management team. This we have done.

Because our strategy was sound, Summer might be delayed but it would sooner or later come. In 2018, it arrived, six or seven years late! The harvest phase has now been with us for two years, and should last for many more years to come. Shanghai is still carrying the weight for us. Our six complexes elsewhere that opened between 2010 and 2016 are now performing well. One after another, they begin to blossom. Our pipeline of projects to be completed in the seven years from 2019 to 2025 is very strong. In the coming few years, we should enjoy much organic growth in the form of improving net profit, while newly added space will provide top-line increase that will later translate to bottom-line rise.

Our performance in 2019 bears out that point. Our Mainland properties in Shanghai and elsewhere both performed well, some very well. I will single out Plaza 66 in Shanghai, Palace 66 in Shenyang, Center 66 in Wuxi, and Olympia 66 in Dalian. Grand Gateway 66 in Shanghai is still undergoing Asset Enhancement Initiative (AEI), but even so, it has performed strongly. Parc 66 in Jinan is a solid development which has always contributed steadily. Even the two weaker properties, Forum 66 in Shenyang and Riverside 66 in Tianjin, are improving, albeit slowly. Spring City 66 in Kunming which opened last August has been well received by the public. For a fuller discussion of our performance, I refer readers to my Letter to Shareholders of HLP. It can be found online at <http://www.hanglung.com/en-US/media-center/publications/chairmans-letter-to-shareholders>.

Our Hong Kong investment properties were doing well until the street riots broke out in June last year. Gains made in the first half were partially given back in the second. An assessment of the cause, the impact, and the long term future of Hong Kong can also be found in my HLP letter.

There are two particular events in 2019 that affected our results. First, we sold two mature properties and pocketed very rewarding profit. On the other hand, we parted with (through HLP) far fewer residential units in Hong Kong than in the year before.



Center 66, Wuxi



Olympia 66, Dalian

Prospects

Looking ahead, I see a divergence of the two main portfolios of our business – Mainland rental and Hong Kong rental. The latter operates in a rather mature market, and so we expect around 3% annual growth if the market conditions remain approximately the same as the past two to three years. However, the social unrest may change this, at least for as long as trouble lasts.

What is more worrisome is the long-term future of our city. For the past two decades, the primary cause for the success of our economy in general, and the retail business in particular, was the increased interactions with the Mainland. There is the world's second largest economy, and is over 35 times that of ours. (Interestingly, in 1997 their GDP was only about five times ours.) They have been growing at more than 6% per annum for decades, whereas ours has been less than 3% in recent years. Alienating the citizens therefrom is definitely not a good idea. It is like a shopkeeper, or someone by his door, hitting at every other potential customer who walks in. Bankruptcy will be his or her fate.

As such, some retail outlets in Hong Kong will close down. What is amazing is that many of these shop owners participated in the recent riots themselves. If so, they deserve to lose their customers. But what about the many innocent retailers? They will become collateral damage.

I fear that the long-held positive sentiments which many Mainlanders had for Hong Kong had disappeared. In the future, only those who need to be here will come. Once their business, whatever it may be, is done, they will leave, instead of spending say a weekend here to shop and dine. For why should they?! Such an attitude, once formed, will not be easily dispelled. I do not know what can be done to reverse the damage, nor do I know how long their apprehension will last.

Another concern of mine is that the social schism in Hong Kong has been greatly accentuated by the recent turmoil. The pro-Beijing and anti-Beijing camps will further divide our community. This is what the latter group has always wanted to do since our return to China. Their decade-long efforts have scored a great success of late. This is very bad for our economy.

Before 1997, Hong Kong, as primarily a commercial city, concentrated on business with little distractions. This created much wealth for our citizens. The livelihood of the average person was greatly enhanced in the post-WWII decades. Of course, we were not perfect but things were overall moving in the right direction. For example, the 1953 great fire in a district called Shek Kip Mei forced the then government to build public housing, which basically addressed the housing problem. The riots in 1967 ushered in more socialistic policies to improve the living standards of the less privileged. The shocking corruption cases relating to the police force in the 1950's to the 1970's prompted the establishment of the ICAC in 1974.

All these changes occurred in the absence of so-called democracy. This shows that a particular form of government is not a prerequisite for social progress. Neither did we have to pay the hefty price associated with democracy. In those years, Hong Kong was consistently lauded as having one of the cleanest and most efficient governments. Even today, Singapore does not have the Western notion of democracy, yet it is praised as one of the best success stories of governance. Some people, primarily because of a deep-seated mistrust for Beijing, have decided to fight the Central Government. They want to alter our relationship with Beijing, as governed by the Basic Law, our mini constitution, which was extolled and accepted by all countries in the world when it was first promulgated. Such people think that election democracy is the panacea, but look at Taiwan. The island went through the same process in the past three decades, and its economy has gone from being very vibrant before to an economic nonentity today, with no good prospects in sight.

For Hang Lung, over half of our business is now on the Mainland, whose society is certainly not a utopia but may well remain as one of the world's most stable places in the coming decades. Their economy will likely grow at twice the rate of the West. They have the two most important qualities that make a country a good place to do business: stability and growth. As long as Beijing can avoid social unrest, the Mainland will remain an auspicious place to make money for shareholders.

Having been in business for 40-some years, I have learned two things. The most critical factor for achieving sustainable success is not how smart, knowledgeable or well-connected one is. The number one factor is to find the right place in which to do business. We cannot fight the macro environment in which we operate. As an ethnic Chinese in the post-WWII decades, where was the best place to make money? With the benefit of hindsight, I would say Hong Kong until now, and thereafter perhaps mainland China.

Taiwan was not bad in the past, except that it has become politicized 20 years before us. As such, its successful economic streak was cut short by that much. It is also considerably more corrupt than Hong Kong, before or after it became democratic. Where should successful businesses go today as the island turned political is a big question. Mainland China welcomes them, but they have to be careful how the Taiwan government would view them. Nowadays, big businesses there can no longer stay out of politics.

Hang Lung's tradition from the beginning is to stay out of politics. One should understand it, but not get involved in it. Keep a distance! For the past 60 years, we have successfully stayed on this path. Even on the Mainland today, a sizable enterprise like us can stay out of politics and still succeed. Our experience in the past almost 30 years has amply proven that.

Singapore enjoys stability and good governance. The only problem there is that the public sector is too big. Government-Linked Companies are all too powerful, leaving little room for the private sector to expand. With the population comprising predominantly ethnic Chinese and Indian, both being very entrepreneurial, there is a myriad of vibrant small- to medium-sized enterprises. But to grow to a size matching Hong Kong's top 50 or even top 100 family-owned companies is very difficult. There, you do not want to cross hairs with the government or government-controlled entities.

The other major Southeast Asia nations all have a combination of several problems: racial strife, political instability, corruption, and poor governance with weak public finance. A few others are outright dictatorships or communistic, which make the survival of private enterprises impossible. Such places are usually among the poorest.

Of all the bigger ASEAN (Association of Southeast Asian Nations) countries, Thailand is, relatively speaking, better, but the corruption there is still serious. Periodic political upheavals are also a nuisance. Malaysia has racial and corruption problems. The Philippines, while the most democratic, is probably the most corrupt. By far the biggest, Indonesia can produce, and has produced, very large businesses, but again no one wants to deal with the corruption and racial issues there. The latter can get ugly.

In the end, all these countries have poor governance standards and weak public finance. After making a lot of money over decades, an event such as the AFC can set a business empire back by a decade or more. Currency devaluation alone is sufficient to destroy big and powerful enterprises. In fact, a number of my friends in Indonesia had to flee for their lives. Even those who eventually returned had settled their families in Singapore. This is a testament to their fear for their physical security. That is no way to live!

So all things considered, Hong Kong has been the best place to do business after WWII, especially if one is an ethnic Chinese. We had a good run of 70-some years of peace and stability for enterprises to thrive. But has it ended?

Besides choosing the right city or country, the next most important question, in my experience, is what business one should engage in. Some industries require much capital or very specific expertise. Others are government regulated and need special connections. Yet others are inherently too small, such that even if one becomes the biggest and the best, it is still not that significant in the community.

In this light, real estate is a very good choice. One may rightly say that the industry is capital intensive. True, but back in the 1950's and 1960's, regulations were not half as stringent as they are today. As long as one could muster up some capital through family, friends, or banks, one could start such a business. Before Mr. T.H. Chan founded Hang Lung, he used his family savings to start his first real estate company. Similar stories were probably true of the founders of many property concerns of that generation.

Why is Hong Kong real estate a particularly good business? I can think of several reasons. First, conceptually it is not a complicated industry. Anyone with an average intelligence can learn it. Second, it is potentially a big business. Experiences in the U.S. and Australia show that the biggest percentage of the 100 or 200 most substantive families made their money through real estate. Either in Hong Kong where the unit price is among the highest in the world, or in mainland China where the population and the landmass are for all practical purposes limitless, enterprises there can become world-class in size.

Third, as explained earlier, British companies did not want to be in it. Local developers faced no discrimination and had little interference. Fourth, also as mentioned above, the then colonial government wanted housing prices to remain high. As long as one

did not get caught wrong-footed in reading market cycles, just by doing a few projects one could already make a lot of money. And for the dozen or so ambitious developers, half of them now rank among the world's wealthiest.

Fifth, demand so far has always outstripped supply. Before 1997, immigration from the Mainland never waned, so housing was always in shortage. After 1997, the same still holds, but there is one more unexpected booster to home prices. It is truly ironic. The anti-government camp always opposed any government proposal, including its various schemes to increase land supply. As a result, land prices kept going up and so did home prices. Inasmuch as this was not the wish of most of the socially conscientious developers like us, it was beyond our control. We were aware of this development several years ago, and so took our time to sell our completed apartments, leading to very satisfactory profits. The anti-government crowd was shuffling money into our pockets.

This narrative amply shows why our founder made the two most significant decisions correctly: choosing Hong Kong and real estate. He was an ambitious man who wanted to be successful in business. When he first arrived Hong Kong in 1949, it was not clear what the fate of the territory might be. In those years, many Chinese used this city as a stepping stone to go somewhere else. Our founder studied that possibility as well and even lived overseas for a year. It was fortunate that he decided to return to Hong Kong. He was welcomed back to the bank where he had worked before.

A few years later in August 1955, he and a friend, also from the Mainland, co-founded Tai Lung Construction & Investment Co. Ltd. Later they were joined by two other partners. It grew and did very well. It pioneered what was then considered high-rise residential with elevators – now considered at best mid-rise with around 10 stories. Their quality was among the best, and some of those buildings are still proudly standing today. Many longtime participants in or observers of the industry would know some of them.

Being the poorest of the four partners but the most hardworking, our founder saw no point in remaining there. In 1960, he set out on his own and, with the profits he made previously, founded Hang Lung Development Co. Ltd. (In 2001, the name was changed to the present one.) The rest is history, as one would say.

Inasmuch as Hong Kong was one of the best places in Asia to do business post-WWII, it was not without challenges. There were international events before 1997, like the stock market crashes in 1973, 1987, and 1994. There were also local and Mainland troubles that affected Hong Kong real estate: the bank run in 1964 to 1965, the decade-long Cultural Revolution which started in 1966, the Sino-British negotiations in the early 1980's, and the June 4, 1989 student movement on the Mainland.

Each of those incidents, whether international or local, saw property prices plummet and scared many to forsake Hong Kong, especially the wealthy. A good number of them simply sold their businesses and moved overseas. Yet our city recovered each time and went on to thrive even more. Almost all of those who left could only look back with envy and regret. Later some wanted to move back but could no longer afford our much more expensive housing prices.

The two biggest events in the past 60 years must be the Reform and Opening-up of China, and the return of Hong Kong to her Motherland. Both turned out to yield superb opportunities for our business, although at times it did not appear to be so.

The first 30 years of China under the present ruling party was so horrific that many people did not believe in its eventual opening up, which began in December 1978. It took some 13 years before I was convinced, and only partially, that perhaps the reform was irreversible. It was good that we made the right decision.

Absence from the Mainland market in the past 20 to 30 years would mean that one has missed out on one of the greatest economic opportunities mankind has seen in close to a century. In modern history, there were only a few such cases. In the last few decades of the 19th century, the U.S. was fast developing its western territories which were gained not long before. Remember the Noon Day Gun where one could grab land for free and as much as one could take. Another big opportunity was the rebuilding after WWII, especially in the U.S., Western Europe, and Japan.

Then came the opening-up of China. Being an ethnic Chinese in Hong Kong, this was truly an opportunity of a lifetime. Having missed the residential price surge of the 1970's and the 1980's, we could not afford to miss this one as well. Not everyone is given two chances in life but we were. At least we took advantage of the second.

The other momentous event in the past 60 years must be Hong Kong's return to Chinese rule in 1997. The process was long and tortuous; it began around 1978 to 1979 and took almost 20 years. Many locals including ourselves were worried. Beginning in the fall of 1985, I had to confront the issue while working for our founder. Unfortunately, he died a few months later in March 1986 and I had to make the decision without him on whether to remain in Hong Kong. At that point, there was still time to plan for alternatives. Again fortunately, we made the decision to stay and, indeed a little later in 1992, to enter the Mainland market. This gave us the chance to completely reorient the Company to an area that bears great potential – commercial properties for investment.

In my 2004-2005 Annual Letter to Shareholders of HLP, I wrote extensively on why experienced and financially powerful Hong Kong developers had missed the huge Mainland residential market in the past 30 years. The conclusion was that even if they had tried, they might not have been able to compete with the locals. At the beginning, corruption was rife and building standards

were very low, but the market was almost limitless. All this gave the Mainland developers the opportunity to grow quickly and, in some cases, wildly. Today, the market is totally dominated by Mainland entities, almost all of which are less than 30 years old.

The one Mainland market segment that Hong Kong developers could compete in successfully without being encumbered by corruption was high-end commercial properties. This was the field we chose. In some ways, we were a pioneer – back in the 1990's, we were probably the first to build large, truly five-star complexes for long-term hold. Such a strategy has served us well, and we are still expanding it.

In fact, I would argue that on the Mainland, the only property sector worth investing is ours and not residential. It does not mean that there are no more opportunities to make money in the latter, but on a risk-adjusted basis, we prefer commercial. China's economy is still projected to grow faster than most if not all Western countries. Increase in consumer spending should outstrip GDP rise, with the former growing perhaps close to 10% per annum for the coming many years. People's buying habits will continue to change, namely from quantity to quality. Owning something is no longer a major concern for the burgeoning middle-class; it is how well you own that matters. Quality goods will be in demand, such as branded items sold and bought at prestigious locations. This can only be good for our malls.

As I have written before, I believe that the best days for building and selling homes on the Mainland may be over. In the past 30 years, this sector has produced two to three dozen humongous companies that are among the biggest in the world. They are now well entrenched and powerful. If not careful, some of them may still fall, but otherwise the strong participants will become stronger. It will be difficult for new players to break in big time. They can only thrive in niche areas.

A similar situation exists in Hong Kong. In fact, it has been like that for the past few decades. The big boys of the 1970's and 1980's are still here. There has hardly been a new name in the major league since then. About 10 to 15 developers dominate the residential market. It is not a sector that is particularly growing, so I expect that this status quo will continue for the foreseeable future.

Will Hong Kong home prices increase going forward? This will mainly depend on land supply. Domestic housing demand has been steady, but thanks to the anti-government camp, land supply may remain tight. If it had not been for the recent riots and the animosity towards the Mainlanders, there would have been a good chance that, over time, more of them would come and buy homes. But now this is more unlikely. In fact, I will not be surprised if some Hong Kong citizens would decide to sell their homes and emigrate. Probably it will not be a huge exodus, so the impact may not be that significant.

There will always be a market for commercial properties. As rents come down, capital value may fall even more, given the uncertain future, and in turn the rise in capitalization rate. What exactly will happen is too early to tell, for no one knows if the street turmoil will resume or die down. There is no need to overreact at this stage. So far, transaction volume has fallen, and we will just have to wait and see. Suffice to say that it is hard to contemplate how the recent social unrest can be good for commercial real estate prices.

If my above analyses of the real estate industry on the Mainland and in Hong Kong are not too far from the truth, then we must have positioned ourselves well in the past. Two to three years ago, we had sold out almost all our Hong Kong inventory, with 10 units remaining at year-end 2019. The money received was ploughed back into our Mainland high-end commercial properties, which should do well for some time to come.

There are other reasons for retail to further boom on the Mainland. Amazingly, China with its huge population is now facing a shortage of labor, both blue-collar workers and the professional class. As the economy continues to enlarge and improve in quality, the need for a well-educated and well-trained workforce can only grow. This will put pressure on salaries. In the past two to three decades, income, especially of the professional class, has never stopped rising anyway, and this may continue for some time. These people are our potential customers. As they consume more, retailers will make more money and pay us higher rent. We are indeed in a sweet spot of the economy.

As I have explained in the past, high-end retail tenants are stickier and more inelastic than office tenants. If a neighboring building offers lower rent, the latter will easily be tempted to move. Much less so for the former. Once a mall has successfully gathered top fashion names, it is rather difficult for them to relocate. They like to flock together, for this gives every brand a better chance to sell more. As long as the landlord is reasonable and reasonably competent, these tenants will not easily move out. The steadily rising rent that follows will give the property a higher asset value. Such is the beauty of this real estate sub-segment that we have chosen.

There is another reason that quality commercial real estate will increase in value in the coming years. There is simply too much money in the world today. Funds everywhere chase after top assets in stable economies around the world. If the "deglobalization" I described six months ago does not happen, then good Chinese commercial properties will become very desirable. Companies from around the world will like to own a piece of it. And even if the world becomes somewhat bifurcated, such that Western corporates would not or could not own Chinese real estate, there will still be plenty of local commercial entities that would desire to have such assets on their books.

Today the globe is awash with cash. Since WWII ended, the world has been a relatively peaceful place. Wars have been basically limited to a few areas around the globe like the Middle East. The prolonged prosperity, first in the West and now even in the East, means a lot of accumulated wealth. This pool of money is mainly kept as cash savings or investments. The economic prosperity these owners help create is usually reflected in the stock and bond markets. In turn, people may invest in these instruments for further gains. The more successful an economy is, the bigger the investable pool of money. Consider the U.S., Japan, and Germany, etc. The numbers are big!

These astronomical sums are today lodged for the most part in banks, insurance companies, pension funds, investment houses, and the like. They have one thing in common: they all have huge liabilities, many of which with a reasonably long tenure. They need correspondingly longer-dated assets to match their books. Quality commercial buildings are one such type of asset class.

In the past, the West had a near monopoly on such huge pools of investable funds. After the oil shocks in 1973 and 1979, resource-rich countries in the Middle East joined them. For some time, only Japan in Asia had such big amounts. Singapore, although not as significant given its small population, nevertheless has concentrated its citizens' savings in a few sizeable government-managed entities. (Hong Kong's wealth is much more diversified in the hands of individuals, but there are nevertheless a few big pools.)

Then came the new boy on the block who became very big – China. Forty years of extraordinary economic climb has created much wealth. What is particularly impressive is not just its absolute size but also its speed of accumulation, which is still ongoing. It has been phenomenal. This is why even if the world becomes deglobalized and bifurcated, the domestic wealth in China is already big enough not to be taken lightly.

Then there are two other sources which indirectly contribute to enlarging the global pool of investible funds. First is quantitative easing or QE. In the past two decades or so, especially since the 2008 Global Financial Crisis, many countries have been printing money like mad. There may have been a legitimate reason in the beginning, such as to combat a financial crisis, but eventually governments have become addicted to it. It becomes a driver of GDP growth that is not accompanied by improvements in productivity. The biggest culprit here may be China, although certain Western countries may receive more headlines. Whatever the case, few major countries have proved the exception, so the world today is even more awash with money. People's wealth further ballooned and needs to be invested. Some of it will likely end up buying commercial properties.

The other source of new funds is what some call "funny money." These are financial instruments like derivatives which can give people a false sense of wealth. With the advancement of computers which are ever increasing in speed, all kinds of "funny money" is being "created." The huge velocity of money gives a false sense of having a lot of it. In 2008, it was precisely these purely financial instruments which helped wreak havoc on the world's financial system. It almost brought down the global economy, and was terrifying. Before the cataclysmic end arrived, some had benefitted greatly from such instruments. To them, it was real wealth – just as there must be corresponding real money losers – that needs to be further invested. Here again, commercial real estate may come into the picture.

It is possible that a day will come when Chinese companies, and possibly also international ones, will enter big time into the Mainland commercial property sector. Such a market is still nascent in China but can

only expand over time. Of particular value to such investors will be high quality assets like ours. Whether or not we will sell is another thing. We will cross that bridge when we get there. As hard-core business people, conceptually, everything is for sale. It is just a matter of price. But for now, it is good to know that many suitors may one day knock on our doors.

In my Letter to Shareholders of HLP of even date, I wrote in considerable length about our semi-annual revaluation of assets. That is on a micro level. What I have written above presents a macro view, which also indicates that the value of our properties should only go up even if we hold all things else constant. Rising demand from the increased supply of money may by itself raise assets prices. Such is another beauty of our business. Nevertheless, for now Management does not count on such a factor in our decision-making. Instead, we will concentrate on making our properties more productive, as will be reflected in the sustained rent increase.

It is not in the genes of this Company to do much beyond what is necessary. As such, we seldom celebrate anniversaries as some others do. Ten years ago when we turned 50, we held a small closed-door event and invited former key staff from around the world to gather in Hong Kong for a day of fellowship. It was a meaningful and lovely time, but we may have to wait another 40 years from now to do it again. Until then, we will hunker down and do what we do best – create value for shareholders. We love doing that!

Nevertheless, we should take this somewhat auspicious 60th anniversary to affirm some of the values that our founder held dear. If alive today, he would turn 100 later this year. Since he is my father, I have some knowledge with which to speak.



Mr. T.H. Chan (4th from right), and his younger brother Mr. Thomas T. T. Chen (3rd from right), Mr. Ronnie C. Chan (2nd from right), and Mr. Nelson Yuen (3rd from left)

Over the years, I have only once spoken publicly about him. That was on May 27, 2015, at the portrait unveiling ceremony of the Harvard T.H. Chan School of Public Health in Cambridge, Massachusetts. I outlined the virtues of the man that he was. With the permission of my fellow directors, I have reprinted the short speech here (enclosed at the end of this letter). I think it is meaningful and serves as a reminder to Management of the values to which we should adhere.

A company is comprised of individuals. Only when each of us does our best to live and work in a virtuous manner will the corporate entity be honorable. Rules and regulations are necessary, but they will not work well without decent and honest people. The virtues detailed in my 2015 speech remain the guiding principles of Hang Lung today. Knowing my late father, he would have been most pleased to know that the Company he founded is not only financially successful today, but still cleaves to the values that he held dear and lived by so well.

I will conclude this discussion with an anecdote. It is a two-part story, of which the first was told to me by our founder, and the second was my personal experience.

In the early 1970's, Hang Lung was interested in a big piece of well-located land in Hong Kong that was being sold by a British company. My late father with a lawyer flew to London to negotiate. Everything was in order except that the counter-party privately asked for a bribe. My father refused and we lost that piece of land.

Almost exactly 20 years later, we were offered a beautiful piece of land in Beijing. The price was agreed upon. I even suggested to turn the road in front into a pedestrian street, and Hang Lung designed it with the help of an architect who was a schoolmate of mine. The scheme was accepted but there was a catch. I was asked to meet a government official at a hotel lobby and I dutifully did. It was an embarrassing meeting for I soon figured out what she wanted. I refused to open my mouth – like my father – and we eventually lost that piece of land. That woman later ended up in prison. Interestingly, the same company that beat my father also beat me.

Genes can hardly change, for better or worse. Ethics can be seen not only in what one does but also in what one does not do. A corporate culture must be built on proper values that are infused into every part of the organization.

At Hang Lung we have an unspoken policy of not hiring former government officials in order to avoid the appearance of impropriety. It is fairly safe to say that of all the similarly sized property companies in Hong Kong, we may be the only exception. We abide by this in Hong Kong and we do likewise on the Mainland.

Where does this come from? Our founder. I do not recall, throughout the years when he and I worked together, that he had any contact with Hong Kong government officials. He never hosted them nor was he hosted by them. Frankly he hardly knew them; he purposely stayed away from them. This was another reason we did not grow as fast as our peers, but we did fine. After all, being less successful in Hong Kong in the 1970's and 1980's might have made us more careful between 1986 and 1992 in evaluating the Mainland as a possible destination for investment. That opportunity served us well and will, I believe, serve us even better in the years to come.

No one is perfect and neither are we, but we try very hard – in business and in ethics. We are not the most successful real estate company I know, but we are constantly improving. One thing however I am sure and am very proud of, is that for 60 years we have kept the tradition of being among the cleanest real estate companies in Hong Kong, and now on the Mainland as well. Our first generation of leaders, Mr. T.H. Chan and later his brother and my uncle, Mr. Thomas T.T. Chen, represent the highest standards of ethics in both their personal and business lives. So is the second generation. The two previous CEOs whom I appointed – Mr. Nelson Yuen from 1992 to 2010 and Mr. Philip Chen

from 2010 to 2018 – are both upright and respectable. On the other hand, the senior executives that over the years I had to personally dismiss were all for ethical reasons. I know that the third-generation leaders under Mr. Weber Lo and Mr. Adriel Chan are equally honorable. They fully subscribe to the values practiced by their predecessors.

For now, we will keep working hard to make money for our shareholders. It is fun. In the process, we contribute to the economy and help make the society a better place.

In the coming 12 months, we should do well on the Mainland. The success of 2019 should continue. I would not be surprised if we perform even better than last year in Shanghai, partly due to Grand Gateway 66 completing its AEI, although its full effects will not be felt until 2021. Outside Shanghai, I anticipate more good news in the rise of tenant sales, rents received, and rental margin. Room for advancement in all these areas is plentiful.

How well our Hong Kong business will fare will depend to a great extent on how the social unrest will end. No one can predict the outcome at this time. But as I have written in my Letter to Shareholders of HLP, our dependence on Hong Kong rental has diminished a lot in the past decade. This trend will continue.

So to Hang Lung, Happy 60th Anniversary! I should also take this opportunity to thank all my colleagues, past and present, who have contributed to our success so far. Our past was not bad, and I am sure that even better days are ahead.

Ronnie C. Chan

Chairman

Hong Kong, January 21, 2020

In 2014, the Morningside Foundation, founded by the family of the late Mr. T.H. Chan, founder of the Hang Lung Group, donated US\$350 million to support the research and teaching at the Harvard School of Public Health, which celebrated its 100th Anniversary that year. In recognition of this transformational gift, the School has been renamed the Harvard T.H. Chan School of Public Health. Mr. Ronnie C. Chan, the eldest son of Mr. T.H. Chan and the current Chairman of Hang Lung Group and Hang Lung Properties, attended the unveiling ceremony of Mr. T.H. Chan's portrait at the School in May 2015. He made the following remarks in memory of his father.

**Speech by Mr. Ronnie C. Chan
at the
Harvard T.H. Chan Portrait Unveiling Ceremony
Krege Atrium, Harvard T.H. Chan School of Public Health
May 27, 2015**

On behalf of my family, I want to thank you for attending this portrait unveiling ceremony. Some of you met my mother who was here last September 8 when we announced the gift. She was 94 then and is now 95. I want to report that she is doing very well, although she sends her regrets for not being with us today. The reason is that next week in Hong Kong, our company, Hang Lung, will celebrate the 50th anniversary of a joint venture with a Japanese enterprise called Hakuyosha. Over half a century ago, my mother indirectly introduced the Tokyo-based firm to my late father Mr. T.H. Chan. It resulted in a wonderful collaboration which saw the friendship between five generations of the Igarashi family and four of the Chan's. Although Hang Lung Hakuyosha today accounts for less than 0.03% of my company's total profit, we keep its operations going. My family values friendship, especially long standing ones.

From today onward, everyone entering this building will see the wonderful portrait of my late father, Mr. T.H. Chan. One may well ask: who is he? He was a very private man, and although well-known to the Hong Kong community, local newspapers were unable to find a photograph of him at the time of his untimely death in 1986. In that tradition, I have never spoken publicly about him. But now with his name on the School and on the wall, perhaps it is appropriate that I should say a word today. It will probably be the only time that you will hear about him.

Mr. T.H. Chan was a VIRTUOUS man. There are many in this world who have wealth and many others who have virtue. Usually those with the latter do not have much of the former; the reverse is also, sadly, more often than not, true. There are, however, a few who have both, and Mr. T.H. Chan was one of them.

One of his virtues was that he understood the value of money. Like all businessmen, he enjoyed making money, but seldom did he use it for self-aggrandizement or unnecessary personal pleasure. He lived a simple life and always knew that he would basically give all his money away. A few weeks before his death, he told me



Mr. Ronnie C. Chan (1st from left) and his younger brother Mr. Gerald L. Chan (1st from right), with Dr. Julio Frenk (2nd from right), the then Dean of the Harvard T. H. Chan School of Public Health

that he would like to leave a small sum of money for each of his three sons. I was surprised, for I was brought up expecting nothing of that sort. I thanked him, but said that I did not need it. With him having given us a good academic education and, even more importantly, a strong moral education at home by words and deeds, I had what was necessary for whatever life might bring. But since I could not speak for my two brothers, I said I would check with them. Happily, they all shared my view. So, father and son together with my mother, we made the decision to, over time, give all his wealth away. This gift is just one gesture in that process.

I will mention several other virtues of my late father. There is nothing earth-shattering; I will use anecdotes to illustrate. I believe that every one of those virtues should be shared by all public health professionals.

Mr. T.H. Chan is an HONORABLE person. He has extraordinarily high integrity. I do not recall a single time that my father brought home or otherwise hosted a government official. When corruption was a common practice in those yesteryears, this was rare indeed for a significant business leader. He must have been one of the very few in that group who ran his business – Hang Lung – from day one basically in a clean way. As I drive around the city of Hong Kong today, I can point to buildings here and there which should have belonged to him. Because he was unwilling to pay bribes, he lost some deals. Losing good opportunities is never easy for a determined and ambitious businessman, but Mr. Chan kept a good conscience. He could sleep very well every night.

Mr. Chan was a COMPASSIONATE person. Looking at me, you may be surprised that Mr. T.H. Chan was a big man – he stood almost 6 feet tall and was strong. As a young man in China where buildings of four or five stories did not have elevators, he was known to have volunteered to carry, on his back, sick relatives and friends up many flights of stairs. He was always ready to help the needy.

Mr. Chan treated everyone with RESPECT. About a week before his death, my mother and I, early in the morning, took him to the hospital from where he never returned home. I was seated with the driver in front and my parents were at the back. After the car drove past the gate of the compound where we lived, my father said to me in a very weak voice, “Why did you not greet the doorman?” Thank God that my mother saw me wave at him and told my father so. What a strong and principled man, who while dying, was still concerned that his son should treat everyone with respect.

HUMILITY was another virtue of his. He never considered himself superior to others. Perhaps two decades after his passing, I was invited one day to the private dining room of the chairman of the bank where Mr. Chan worked in the early 1950s. The head waiter greeted me warmly with a big smile. He told everyone present that he had known my late father since he himself joined the bank as a young waiter, when my father was a junior officer. No one at the bank, he said, treated him as well as Mr. Chan. One day, many years later, when my father was already wealthy and well-known, the waiter was walking on the streets of Hong Kong and heard someone loudly calling out his name with a warm greeting. My humble late father never forgot his humble friends.

Mr. Chan was a GENEROUS man. As my brother Gerald said at the announcement of this gift, he never turned away young people requesting help to further their education. I know of a story which took place during World War II. Upon noticing that a visiting friend did not have a watch on his wrist, he simply took off his own and gave it to him. Those were the years when everything was in shortage, not to mention that my father did like nice watches!

Mr. T.H. Chan was a SENSITIVE man. After his only visit in the 1970s to the Harvard School of Public Health which now bears his name, he flew to San Francisco and stayed with an old banker friend Mr. S.P. Wong. While obviously proud that his son was studying for a doctorate at Harvard, he told Mr. Wong that he was troubled. "Why should Gerald receive money from the University when we can afford it? It takes away opportunities from needy students!" We can forgive him for not knowing the difference between a fellowship and a scholarship but what a sensitive and caring person he was!

Finally, my late father was a very FOCUSED man. He focused on his business and on his family. He only had one wife and three sons and went home for dinner every day. He seldom entertained or agreed to be entertained. Trying not to be overweight – he was already a big man – he ate fish and vegetable every day and was only allowed a little red meat. Nevertheless, he had his vices – he liked cheese. My mother who, as a nurse, injected neighborhood kids with vaccines in our kitchen, also took care of my father's health. At home she would hide the cheese, so he kept it in his office. I was always delighted when he offered me a piece. Like father like son, I have the same vice today – I still like my cheese!

Today we gather here to unveil the portrait of the late Mr. T.H. Chan. I want to thank the wonderful painter Mr. Ray Kinstler for a job well done. There is a Chinese saying that one's countenance emanates from one's heart. There must be certain truths in that statement. On that count, Mr. Kinstler has done an excellent job portraying a man who is virtuous and kind at heart. Mr. Chan's many virtues came through well in this beautiful piece.

I also want to thank Dean Julio Frenk for organizing this wonderful portrait to be painted and now to be hung for posterity. Once again, I thank all of you for gracing us with your presence.

Addendum to Chairman's Letter to Shareholders

Our last Board meeting was held on January 21, which was also the date of my year-end letter to shareholders. I mentioned in my Hang Lung Properties (HLP) letter the new coronavirus disease or COVID-19 which has already been spreading in Wuhan. At that time, people did not fully recognize its seriousness. However, only a few days later, in fact right before Chinese New Year (January 25), China and indeed the world woke up to the severity of the epidemic. Since then, a lot of bad news has been reported, not just from the epicenter but also beyond. Doubtless, it will negatively impact our business, hence this Addendum.

My plan was to write this Addendum as late as possible, right before we have to go to print, with the hope that more information will be forthcoming. Unfortunately, there is still no end in sight to the problem. Perhaps the only good news is that some experts believe that the spread of the epidemic may be peaking. Whatever the case, being for long years associated with the field of public health, I have of late been in touch with many top experts from around the world and do my part to help, especially in the two places where we operate our business – mainland China and Hong Kong.

Wuhan, where Heartland 66 is being built, has for a while now been sealed off from the outside world. Most transport links between mainland China and other countries have also been cut, and that includes Hong Kong as a Special Administrative Region. Retail everywhere in China has fallen. A mall is considered

lucky if footfall does not drop by 80% or more. Luxury sales on the Mainland tumbled in the past month. On January 25, we announced to our Mainland retail tenants an across-the-board cut of 50% base rent for three weeks. But the situation is still very fluid. We will work with our tenants to alleviate the potential impacts on both sides.

As mentioned in my HLP letter, since the fourth quarter of last year, in Hong Kong we had to give some rent relief on a case-by-case basis. This was due to retail slowdown brought on by the social unrest. Just as that trouble appeared to have moderated, we found ourselves hit with the novel coronavirus outbreak. The only positive outcome of the latter is that it would make large-scale street riots less likely. However, the impact of the invisible virus on retail is expected to be greater, although more short-lived, than the visible social turmoil.

In my letter to HLP shareholders, I presented a "somewhat harsh scenario where Hong Kong rents would fall by 5% per annum for the next two years." This was based on the assumption of prolonged social turmoil. If the epidemic is over by April, then I am hopeful that our Hong Kong rents for 2020 would not drop by that much, although it is not beyond the realms of possibility. As before, we will negotiate as needed with each tenant regarding rents. Past experiences here and elsewhere show that there should be a rebound once a public health threat is over. The negative effect also will not extend to a second year.

When the 2020 budget was formulated late last year, we were projecting a very good year on the Mainland. The performance in January was indeed strong until the last week of the month. Since no one knows when and how the epidemic will end, it is impossible, at this stage, to project full year results. It is possible that the anticipated rental growth in the high teen numbers may be halved or even more.

Construction projects everywhere will slow down, especially in Wuhan. At the media and analyst conferences right after announcing profit (on January 21), I commented that we needed to watch out if construction workers would return to Wuhan to work after Chinese New Year. Since then, Beijing has extended the holiday season for the entire country to February 16. Construction everywhere, however, has yet to resume work until the government gives its permission. In some cities like Wuxi and Tianjin, all malls (and other places where people congregate) were ordered to close. Only today will Center 66 in Wuxi reopen. We are currently applying for Riverside 66 in Tianjin to do business again.

Our hope is that, instead of the third quarter, Heartland 66 in Wuhan can still open before the end of the year. The Asset Enhancement Initiative (AEI) at Grand Gateway 66 in Shanghai may also be slightly delayed, as will other projects under construction, like our residential developments. As well, we will need to see how luxury brands will react after the COVID-19 epidemic is over. We hope that negotiations on new leases will not be too much affected.

I am gratified to report that under the capable leadership of our CEO, Mr. Weber Lo, the morale of our colleagues everywhere is high. Of our 200 or so staff in Wuhan, a little over two dozen are Hong Kong citizens. The leader in fact volunteered to stay there with his team. I salute all of them! Needless to say, we at the head office are in constant contact with them, and will do our utmost to support them.

Whilst the epidemic, which has brought with it tragic loss of life and a profound impact on business, is deeply regretful, nevertheless history tells us that the market will recover once it is over. We firmly believe that this short-term setback will not affect our longer-term prospects. Our future is still bright.

Ronnie C. Chan

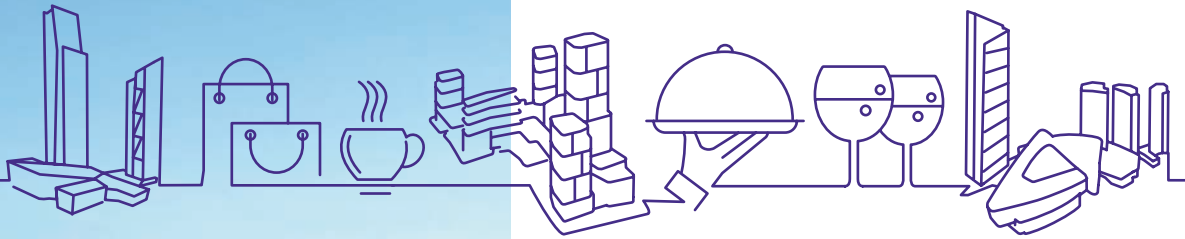
Chairman

Hong Kong, February 21, 2020



Spring City 66, Kunming

BUILD HANG LUNG BRANDED EXPERIENCE





Westlake 66, Hangzhou

Artist's Impression for Reference Only



REVIEW OF OPERATIONS

Our Robust Property Leasing Portfolio

- 40 Portfolio Key Facts and Figures
- 49 Mainland China Property Leasing
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- 72 Major Properties of the Group



Fashion Walk



Hang Lung Centre



Peak Galleria



Kornhill Plaza



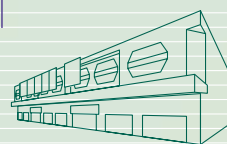
Standard Chartered Bank Building



Grand Plaza



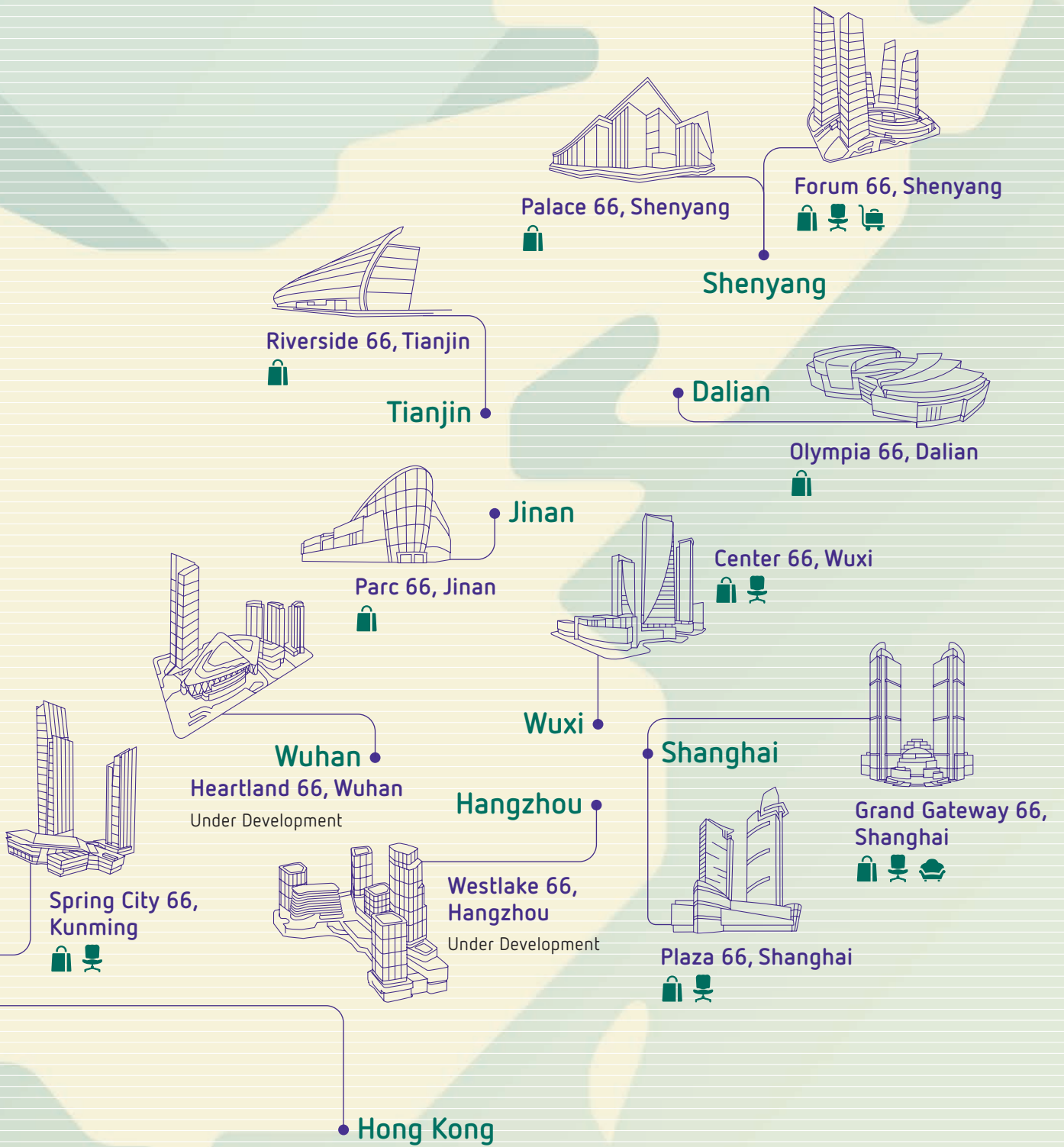
Gala Place



Amoy Plaza



Kunming



- Commercial
- Office
- Residential & Serviced Apartments
- Hotel

PORTFOLIO KEY FACTS AND FIGURES

Mainland China Property



Brief on Properties

Plaza 66, Shanghai

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

The two office towers at Plaza 66 combine a prime location with top-notch design and premium facilities, attracting prominent multinational and local corporations, information technology companies and fashion labels as tenants.

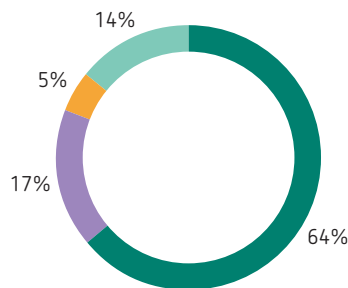
Grand Gateway 66, Shanghai

Located atop the metro station of the premium Xuhui district, Grand Gateway 66 showcases over 340 top labels and popular brands such as Balenciaga, Chloé, Burberry, Gucci, Jimmy Choo, Tiffany & Co., Zara, Starbucks Reserve Princi Bakery Café and others to fit a contemporary luxury demographic.

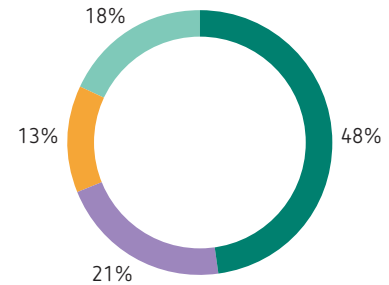
The office tower houses numerous world-class corporations listed on Fortune Global 500 while the high-end serviced apartments offer more than 600 suites with a luxurious array of private clubhouse facilities that have long been the residential choice for expatriate executives in global enterprises.

Commercial Segment Distribution (by Leased Floor Area)

- Fashion & Accessories
- Food & Beverage
- Lifestyle & Entertainment
- Others



Commercial Segment Distribution (by Leased Floor Area)



Key Statistics

Gross floor area (sq.m.)		53,700
		159,555
		N/A
		N/A
Number of car parking spaces		804
		752
		91%
		96%
Occupancy rate (at year-end)		99%
		93%
		N/A
		N/A
Number of shopping mall tenants (at year-end)		131
		342

Gross floor area (sq.m.)		122,262
		67,223
		83,942
		N/A
Number of car parking spaces		752
		91%
		96%
		88%
Occupancy rate (at year-end)		99%
		93%
		N/A
		N/A
Number of shopping mall tenants (at year-end)		131
		342

Commercial Office Residential & Serviced Apartments Hotel



Palace 66, Shenyang

Situated in the city's financial hub, Palace 66 showcases over 240 popular brands that span across fashion, leisure & entertainment, beauty & cosmetics, food & beverage and more, acting as the nexus of the young and trendy consumers. Tenants include Air Jordan, adidas, UNIQLO and more.



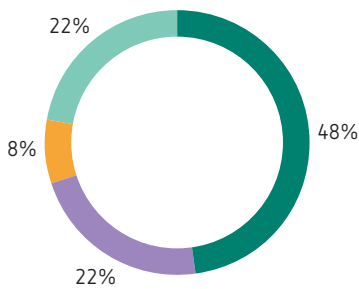
Forum 66, Shenyang

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

The office tower is currently the tallest office building in northeast China, with numerous multinational corporation tenants under its belt.

Being the first hotel in the Company's portfolio on the Mainland, the newly opened five-star Conrad Shenyang resides on the top 19 floors of the office tower with 315 rooms.

**Commercial Segment Distribution
(by Leased Floor Area)**



109,307

N/A

N/A

N/A

844

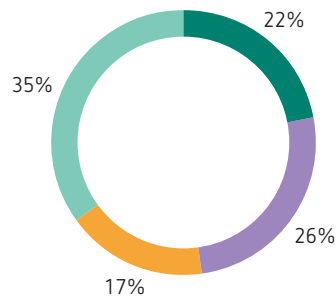
95%

N/A

N/A

245

**Commercial Segment Distribution
(by Leased Floor Area)**



101,960

131,723

N/A

60,222

2,001

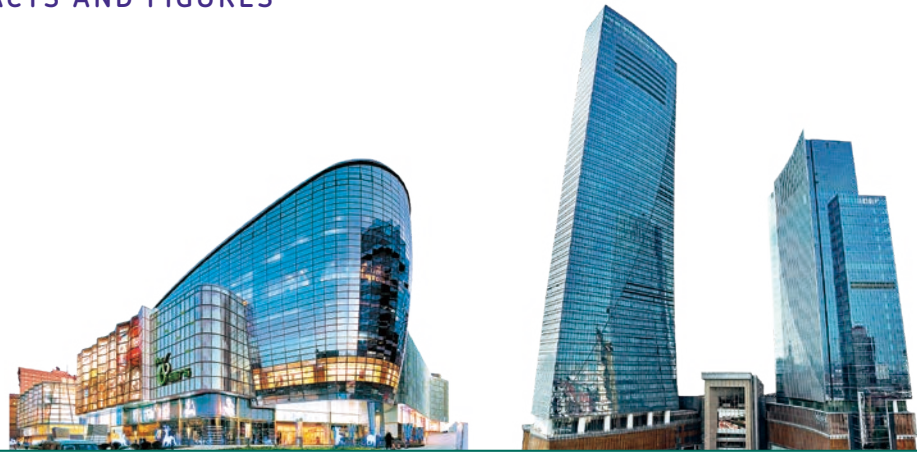
94%

87%

N/A

145

Mainland
China
Property



Brief on
Properties

Parc 66, Jinan

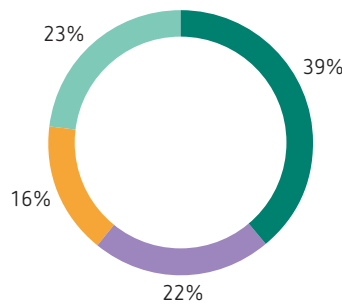
As one of the largest and most prestigious malls in Jinan, Parc 66 is a contemporary lifestyle hub offering over 350 stores of various genres, including global luxury, chic fashion, children’s education and amusement, upscale cinema, boutique supermarket and international gourmet.

Center 66, Wuxi

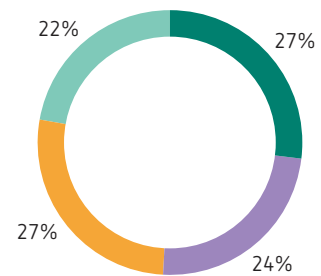
Located in the most prosperous commercial district in downtown Wuxi, the mall is the “Center” of luxury featuring close to 200 quality retail stores with a line-up of global luxury labels including Gucci, Burberry, Salvatore Ferragamo, Montblanc and more, while the two office towers at Center 66 are home to a number of multinational corporations looking for impeccable design and premium facilities.

*Commercial Segment Distribution
(by Leased Floor Area)*

- Fashion & Accessories
- Food & Beverage
- Lifestyle & Entertainment
- Others



*Commercial Segment Distribution
(by Leased Floor Area)*



Key Statistics

Gross floor area (sq.m.)		171,074
		N/A
		N/A
		N/A
Number of car parking spaces		785
		N/A
		N/A
		N/A
Occupancy rate (at year-end)		98%
		N/A
		N/A
		N/A
Number of shopping mall tenants (at year-end)		380

Gross floor area (sq.m.)		118,066
		137,699
		N/A
		N/A
Number of car parking spaces		1,292
		N/A
		N/A
		N/A
Occupancy rate (at year-end)		95%
		65%
		N/A
		N/A
Number of shopping mall tenants (at year-end)		198

Commercial Office Residential & Serviced Apartments Hotel



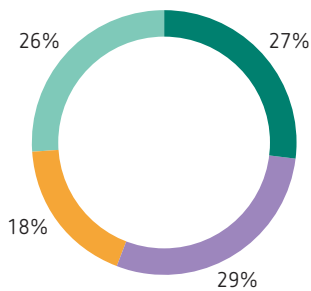
Riverside 66, Tianjin

Strategically located in the heart of Tianjin's Haihe Central Business District, Riverside 66 is the trend-setting lifestyle destination with over 250 international and local brands that offer a full-fledged modern consumer experience of shopping, dining, leisure and entertainment.

Olympia 66, Dalian

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

**Commercial Segment Distribution
(by Leased Floor Area)**



152,831

N/A

N/A

N/A

800

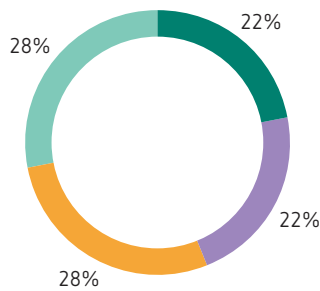
89%

N/A

N/A

256

**Commercial Segment Distribution
(by Leased Floor Area)**



221,900

N/A

N/A

N/A

1,214

82%

N/A

N/A

327

Mainland
China
Property



Brief on
Properties

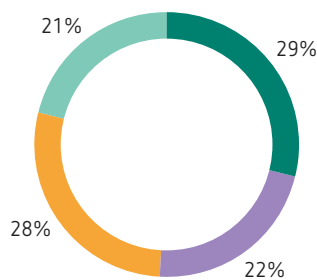
Spring City 66, Kunming

As the Company’s first development project in the southwest region of mainland China opened in August 2019, Spring City 66 is home to a portfolio of prestigious international and local brands, offering a comprehensive suite of premium experiences in shopping, dining and entertainment.

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

Commercial Segment Distribution
(by Leased Floor Area)

- Fashion & Accessories
- Food & Beverage
- Lifestyle & Entertainment
- Others



Key Statistics

Gross floor area (sq.m.)		166,754
		167,580
		N/A
		N/A
Number of car parking spaces		1,629
		82%
		13%
		N/A
Occupancy rate (at year-end)		228
Number of shopping mall tenants (at year-end)		

Commercial Office Residential & Serviced Apartments Hotel

Hong Kong Property



Brief on Properties

Fashion Walk

Causeway Bay

Featuring numerous innovative concept stores and flagships of renowned global brands, Fashion Walk is a distinctive shopping destination spanning three main local areas, namely Paterson, Kingston and Food Street, offering the latest trends in fashion, gastronomy and lifestyle in a magnificent setting.

Hang Lung Centre

Causeway Bay

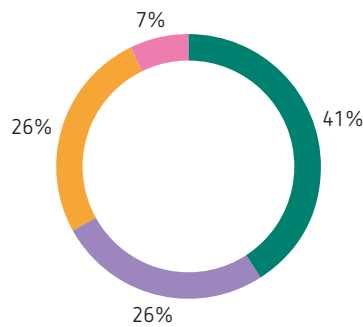
Offering a wide range of travel, fashion wholesale and medical services, Hang Lung Centre, a key element of Fashion Walk, is a retail and commercial complex enviably situated at the heart of Causeway Bay.

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

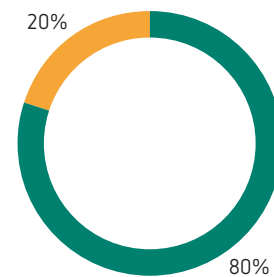
Key Statistics

Gross floor area (sq.m.)	
Number of car parking spaces	
Occupancy rate (at year-end)	
Number of shopping mall tenants (at year-end)	

Commercial Segment Distribution (by Leased Floor Area)



Commercial Segment Distribution (by Leased Floor Area)



Gross floor area (sq.m.)	31,072
	N/A
	7,935
Number of car parking spaces	N/A
Occupancy rate (at year-end)	97%
	N/A
	89%
Number of shopping mall tenants (at year-end)	87

Gross floor area (sq.m.)	8,777
	22,131
	N/A
Number of car parking spaces	126
Occupancy rate (at year-end)	100%
	89%
	N/A
Number of shopping mall tenants (at year-end)	3

- Commercial
- Office
- Residential & Serviced Apartments

Hong Kong Property



Brief on Properties

Peak Galleria

The Peak

Ideally located atop the famous attraction in Hong Kong, Victoria Peak, Peak Galleria is renowned as a major tourist landmark. Having undergone a major facelift for two years, the mall has now reopened in August 2019 with a fresh new look and an enhanced tenant mix. Welcoming over 40 new tenants, many making their Hong Kong debuts, including the world's first Monopoly-themed pavilion, Monopoly Dreams Hong Kong, 37 Steakhouse & Bar and Mina House from Japan, Candylicious candy store from Singapore, and the popular Nayuki fruit tea and bakery café, Peak Galleria is a must-visit destination for local and tourists alike.

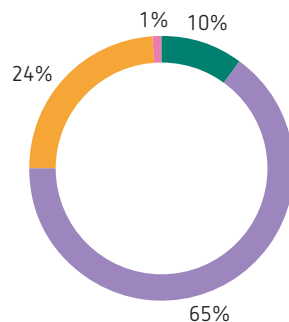
Kornhill Plaza

Quarry Bay

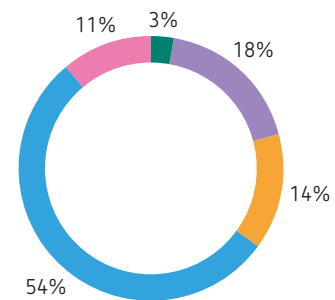
Conveniently located in the east of Hong Kong Island atop the MTR Tai Koo Station, Kornhill Plaza is positioned as a community mall serving nearby residents and workers with the largest Japanese department store in Hong Kong, AEON STYLE, with diversified food and beverage offerings, a cinema with 4DMX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

Commercial Segment Distribution
(by Leased Floor Area)

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



Commercial Segment Distribution
(by Leased Floor Area)



Key Statistics

Gross floor area (sq.m.)	12,446
	N/A
	N/A
Number of car parking spaces	493
Occupancy rate (at year-end)	91%
	N/A
	N/A
Number of shopping mall tenants (at year-end)	45

Gross floor area (sq.m.)	53,080
	10,577
	35,275
Number of car parking spaces	1,069
Occupancy rate (at year-end)	100%
	100%
	56%
Number of shopping mall tenants (at year-end)	117

■ Commercial
■ Office
■ Residential & Serviced Apartments



Standard Chartered Bank Building Central

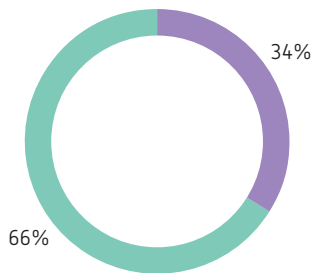
A prestigious Grade A building located in the heart of the financial district in Central and distinguished by its superb architectural design that melds the artistic with the practical – located adjacent to the MTR Central Station and the interchange station of the Island Line and Airport Express railway.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

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

Grand Plaza Mongkok

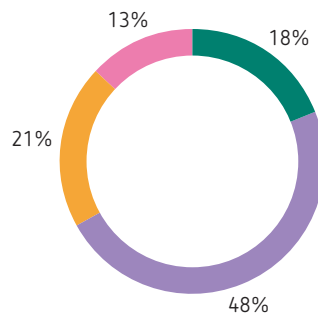
Enviably located right next to the MTR Mong Kok Station on Nathan Road, Grand Plaza houses two office towers and a commercial podium. It is home to a stellar line-up of international watch and jewelry brands, concept stores as well as fashion, lifestyle and sports labels. The dedicated dining floor features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

**Commercial Segment Distribution
(by Leased Floor Area)**



4,814
23,730
N/A
16
85%
100%
N/A
2

**Commercial Segment Distribution
(by Leased Floor Area)**



20,905
31,251
N/A
40
100%
92%
N/A
26

Hong Kong Property



Brief on Properties

Gala Place Mongkok

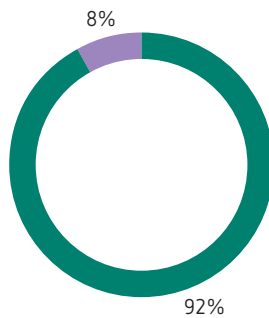
Located at the junction of Dundas Street and Nathan Road with affluent footfall, Gala Place houses a diverse array of merchants. In addition to the 4,500-plus-square-foot Starbucks thematic store and the triple-story H&M full-concept flagship store, the largest in Kowloon, it also showcases an expertly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

Amoy Plaza Ngau Tau Kok

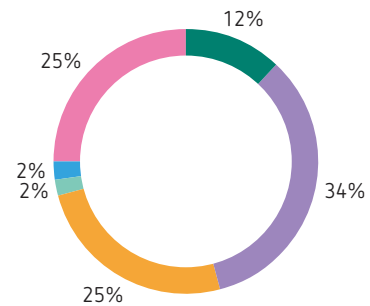
Conveniently located near the MTR Kowloon Bay Station, Amoy Plaza is an integrated mall in Kowloon East, comprising stores offering trendy fashions, beauty products and electronic gadgets. Together with more than 40 restaurants serving local and international cuisines, the mall offers a full selection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

Commercial Segment Distribution
(by Leased Floor Area)

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



Commercial Segment Distribution
(by Leased Floor Area)



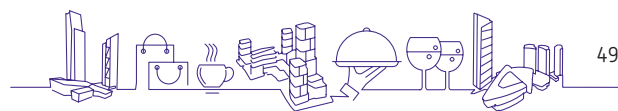
Key Statistics

Gross floor area (sq.m.)	7,454
	30,205
	N/A
Number of car parking spaces	478
Occupancy rate (at year-end)	100%
	95%
	N/A
Number of shopping mall tenants (at year-end)	2

	49,006
	N/A
	N/A
	620
	98%
	N/A
	N/A
	253

■ Commercial
■ Office
■ Residential & Serviced Apartments

MAINLAND CHINA PROPERTY LEASING



Our Mainland portfolio recorded sequential growth in both retail sales and revenue, mainly resulting from strong luxury spending and new revenue streams from properties commencing operations in the reporting year.

Market Landscape

Despite slowing national GDP growth and broader market uncertainties due to the ongoing US-China trade dispute, the commercial leasing sector in mainland China had seen strong growth, largely attributable to the repatriation of spending, especially on high-end luxury items. Efforts on the part of international luxury brands to narrow the price gap between products sold on the Mainland and overseas, the depreciation of the Renminbi, and favorable central government policies, including a reduction in import duties, tightening of customs controls at points-of-entry, and the enactment of an e-commerce law to combat parallel imports, have contributed to the rise in the domestic consumption of luxury goods.

According to the Bain & Company Luxury Study released in November 2019, the global personal luxury goods market grew 4% to 281 billion euros in 2019, with mainland China's luxury market grew the most by 26% at constant exchange rates to reach 30 billion euros. Chinese customers accounted for 35% of the total value of luxury goods globally.

The office leasing sector, however, faced its own headwinds with over-supply and moderated demand, particularly among multinational corporations in many of the Mainland's first-and second-tier cities.

Business Overview

The sequential growth in retail sales and revenue of our mainland China portfolio in 2019 was largely due to the strategic positioning and continuing expansion of our properties across the nation. The brand value and emphasis on customer-centricity, service excellence, and relationship building has further strengthened the positioning of our developments. In our malls, the focus on deepening tenant engagement and customer loyalty through marketing initiatives and the introduction of HOUSE 66, our Customer Relationship Management (CRM) program, to a total of six projects in the year served as a significant pull factor in attracting interest from new quality brands and promoting expansions from our existing tenants.

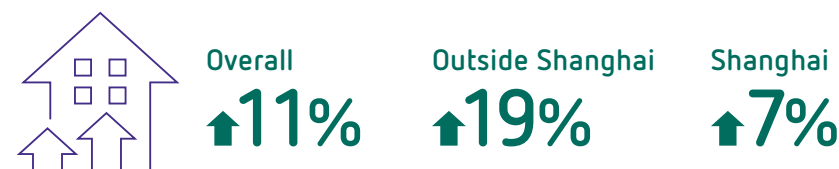
For our office towers and serviced apartments, stable growth was achieved despite softening demand. Situated at prime locations with state-of-the-art facilities, our properties remained the preferred choice among multinational corporations and industry leaders in the domestic market. The opening of Conrad Shenyang at Forum 66 in Shenyang, the first hotel in our mainland China portfolio, serves as a catalyst for growth at the adjacent mall and office tower at Forum 66 and will further strengthen their prime positioning.

MAINLAND CHINA PROPERTY LEASING

2019 also signified a major milestone for Hang Lung with the commencement of construction at the Westlake 66 site in Hangzhou, the Company's 11th project in mainland China. Situated in the prime location of Bai Jing Fang in the Xiacheng District of Hangzhou, Westlake 66 will be developed into a landmark commercial complex comprising a world-class shopping mall, five Grade A office towers, and a luxury hotel. The project is scheduled for completion in phases from 2024, involving an estimated investment of around RMB 16 billion.

At the close of 2019, our mainland China portfolio had fared exceptionally well in the face of a competitive environment and economic jitters. It is well positioned to continue its growth trajectory with a focus on the core elements that have established it as a significant and successful presence in markets across the Mainland.

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



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



* For a detailed breakdown of gross floor area of our completed properties, please refer to table "C. Major Investment Properties" on page 75

For a detailed breakdown of gross floor area of our properties under developments, please refer to table "A. Major Properties under Development" on page 72



Over 70 of the world's most coveted brands showcased exclusive, limited edition products and activities available only to the inner circle of luxury at the Home to Luxury Party

Plaza 66, Shanghai Shopping Mall

Home to over 100 global luxury and dining brands in Shanghai, Plaza 66 experienced another stellar year of growth following the completion of the major asset enhancement program in 2017. During the reporting year, the mall further strengthened its positioning as the Home to Luxury with the enhancement of its portfolio of prestigious tenants, along with deepening engagement with its most loyal customers through the HOUSE 66 CRM program, leveraging positive market sentiment to push revenue to new heights.

In 2019, major reshuffling of brands on the basement and the third floors was implemented to improve tenant mix and sales performance, with the former being upgraded to feature top luxury brands while the latter was fine-tuned to be more designer fashion-label driven. A total of 22 new brands established their presence at the mall, including CELINE (Men's store)'s first standalone boutique on the Mainland, Byredo and Yves Salomon's debut in mainland China, Pronovias' Asia flagship store, and the first Stella McCartney Kids boutique in eastern China. The opening of regionally- or nationally-exclusive pop-up stores such as those by Balenciaga and Maison Kitsune also attracted interest from the market.

MAINLAND CHINA PROPERTY LEASING

Since its launch in September 2018, the HOUSE 66 program has presented opportunities for customer engagement and tenant cooperation on new exciting levels with a positive impact on retail sales. Among the many privileges of membership for the mall's most distinguished patrons was an invitation to the exclusive annual Home to Luxury Party, which saw close to 3,000 guests enjoying a night of sophistication, entertainment, and luxury. Leveraging technology to enhance customer engagement, the mall made use of a WeChat mini-program as a personal party guide for guests to find their way through the maze of exciting activities, which included twice-hourly lucky draws and vending machines dispensing special gifts prepared by tenants.

Looking ahead, Plaza 66 will continue to enhance its customer-centric initiatives to maximize growth. Despite increased competition in the local market with new projects in both Pudong and Puxi, the well-established positioning of Plaza 66 provides a solid foundation to sustain its momentum with continuing efforts to attract new brands and tailor the tenant mix to keep pace with market demand, supported by HOUSE 66 to foster customer loyalty. The opening-up of additional retail space through leasable area optimization will provide room for further expansion. Plans are also in place to grasp opportunities for cross-promotion between retail and office tower tenants in order to maximize synergies.

Office Tower

The twin Grade A office towers continued to attract quality tenants from renowned multinational corporations and leading domestic firms in the fields of financial services, retail, and professional services. The occupancy rate remained strong amid uncertain economic conditions, standing at 93% at the end of 2019. New lettings had been secured from the professional services sector and the in-house expansion of major anchor tenants like the LVMH Group. Pressure on rental prices is set to continue into

2020 and the effects of decentralization, particularly in the more price-conscious tenant market, will undoubtedly be felt despite limited office supply in Jing'an District. Nonetheless, being the landmark mixed development in Shanghai and having completed an enhancement of buildings and facilities in 2017, Plaza 66 shall maintain its competitive edge.

Grand Gateway 66, Shanghai Shopping Mall

Grand Gateway 66 maintained its leading position in the market despite undergoing a major facelift, which commenced in late 2016 and is making good progress. The phased reopening of the shopping mall (the North Building in the fall of 2018 and the basement in mid-2019), has seen new brands taking up residence, leveraging buoyant market sentiment, resulting in increased footfall and retail sales since mid-2019. Retail sales achieved double-digit growth of 17% in the second half of 2019 versus first-half figures, while the occupancy rate rose to 91% with the addition of luxury anchor tenants in the South Building including Louis Vuitton, Gucci, Tiffany & Co., Bottega Veneta, and CELINE.

Grand Gateway 66 has also shaped its tenant mix to fit a contemporary luxury demographic. Significant effort has been made to acquire new unique merchants including the Starbucks Reserve Princi Bakery Café, which opened its first and only outlet in China in February 2019, as well as 15 international brands in the new cosmetic zone on the basement, and leading fashion retailers like Zara and i.t that are popular among younger customers.

Meanwhile, an increasing number of top luxury brands will establish their presence at the mall in 2020. Together with the launch of HOUSE 66 in December 2019 and the addition of a host of contemporary designer brands, the outlook for Grand Gateway 66 is promising in the long run.

Office Tower

The office tower achieved resilient performance during the reporting year mainly due to positive rental reversions that helped to lift growth in leasing revenue into positive territory. In addition to lease renewals, new tenants from the quality professional services, trading, and telecommunications, media and technology sectors have kept the year-end occupancy rate stable at 96%.

New office supply in the Xuhui Bund District (which is yet to be fully absorbed) and softened market demand continue to put pressure on rental income. To maintain growth into 2020, optimization of the tenant mix will continue, with a focus on the acquisition of new quality tenants.

Serviced Apartments

The weakening of global economic sentiment had seen a softening in leasing demand with fewer expatriate arrivals. Yet, occupancy at the Grand Gateway 66 serviced apartments remained strong at 88% and the

customer base shifted from expatriates to domestic corporate tenants. Renewal rates remained high and the property also benefited from more short-leases from corporate tenants.

Although the market outlook for 2020 remains challenging with new supply exceeding demand, the Grand Gateway 66 serviced apartments are known for the provision of high-quality services and will maintain its competitive edge. Strengthening digital and social media marketing efforts and exploring collaborations with social media channels will enhance exposure and engagement beyond the current customer base to reach domestic enterprises and entrepreneurs from the Cao He Jing Hi-Tech Industrial Zone, West Bund, and Hongqiao, while efforts to form stronger alliances with multinational corporations in the West Bund will also be a priority in the year ahead. Leveraging the synergies within the entire Grand Gateway 66 project can also highlight the complete lifestyle experience that the mall, office tower, and serviced apartments provide.



The Grand Gateway 66 mall's entire Asset Enhancement Initiative will be completed in the third quarter of 2020



Palace 66 is a meeting point for a broad cross-section of the Shenyang population

Palace 66, Shenyang

Healthy performance was recorded in 2019, thanks to Palace 66's efforts in successfully positioning itself as the leading contemporary lifestyle mall on the Zhongjie Lu in Shenhe District in Shenyang. Retail sales and occupancy rate advanced 20% and seven points respectively as a result of enhancing engagement with tenants, and identifying innovative ways to help them promote their businesses.

Enrichment of the mall's tenant mix with the combination of new acquisitions including Air Jordan and FILA, and the optimization of the kids' zone helped position the mall to suit the tastes and needs of the market. Existing tenant upgrades also demonstrated a high level of confidence in the mall as a meeting point for a broad cross-section of the city's population.

Palace 66 will focus its attention on further refinement of its tenant mix in the areas of premium cosmetics brands and ladies' fashion and accessories. Reputable

brands will also be acquired to fit the evolving needs of customers. With the newly integrated CRM systems combining MALLCOO, IMS and SmartPOS, the mall will be able to leverage the data captured by the system concerning customer preferences, interests, and shopping behavior to improve the overall customer experience.

Forum 66, Shenyang

Shopping Mall

The overall performance of the mall has been enhanced by large-scale city-level investments that raised the profile of Shenyang, but the competition in the local retail market continued to affect growth in footfall and spending. Efforts to reshuffle the tenant portfolio and diversify the trade mix with a focus on the needs of families have yielded positive results with the addition of new food and beverage, services, and entertainment outlets. Retail sales and the occupancy rate increased by 6% and one point respectively.

Marketing events during the course of the reporting year also enhanced recognition among current and prospective customers.

The opening of Conrad Shenyang in the third quarter of 2019 is expected to contribute to an increase in traffic and sales at the mall in the year ahead. Upcoming major tenant additions such as Burberry, Gucci Timepiece, and Huawei will continue to enhance the mall’s competitive advantage.

Office Tower

With the in-house expansion of Bank of China as well as the addition of various quality tenants such as ANA, 360, OSSTEM, and Shengheng Law Firm this year, market acceptance and recognition of Forum 66’s positioning as a much sought-after address among multinational corporations and reputable domestic firms in Shenyang has been further reinforced. The opening of Conrad Shenyang presents opportunities for continued upgrading of the office tower’s tenant mix as well as growth in occupancy. Engagement with tenants will be a priority in the coming year with measures to actively seek input on improving services and addressing customer needs.

Hotel

Officially opened in September 2019, the 315-room, five-star Conrad Shenyang residing on the top 19 floors of the Office Tower, is the first hotel in our Mainland portfolio. Conveniently located in the city center, the hotel is designed with the highest level of guest services, state-of-the-art amenities, and innovative dining options, raising the bar of modern luxury in hospitality for business and leisure guests.

Conrad Shenyang’s revenue met targets with a healthy split between rooms at 43% of revenue, food and beverage at 54%, and other sources representing 3%. To date, the guestrooms business has seen good support from the leisure segment at 62% of room nights sold, corporate guests at 30%, and group business clients at 8%. Although the overall market remains somewhat challenging, the opening of Conrad Shenyang realizes Hang Lung’s determination to further strengthen the luxury positioning of Forum 66 as the best retail, dining, lifestyle, and business center in northeast China.



The year-end Luminous Winter marketing campaign achieved significant increases in footfall and retail sales

Parc 66, Jinan

Parc 66 is one of the largest and most prestigious malls in Jinan. Despite intensifying competition from other shopping malls in the city and neighboring cities, it remains the first choice for mid-to-upmarket brands, capitalizing on the competitive advantage of its location and positioning in the market.

During the reporting year, significant effort was directed towards upgrading the tenant portfolio and zoning with a good mix of new contemporary luxury brands including FOSS and Karl Lagerfeld, and new flagship stores including Tommy Hilfiger, Starbucks Reserve, and Heytea Lab (which made their debuts in Shandong Province) on the first floor, while the upper floors featured themed zones including a sports zone housing leading brands such as Nike Beacon and

adidas MEGA, and a family and children zone on the fourth and fifth floors where the newly opened Toys "R" Us was situated. Enriched food and beverage offerings were added to the seventh floor, which is the top floor.

With the high development potential of Jinan, the outlook is optimistic for Parc 66. The mall will continue to upgrade its tenant mix, with major upcoming tenants such as Lululemon, Under Armour and various international cosmetics brands. The planned revamp of the first floor will introduce more varieties of international fashion brands to our customers. Integrated marketing initiatives leveraging themed marketing campaigns will drive cross-category sales and boost online-to-offline conversion. Meanwhile, the expansion of HOUSE 66 will continue to improve sales and promote customer loyalty while curating one-of-a-kind Hang Lung branded experiences.



The third YAO Music Festival at Parc 66 collaborated with close to 100 cross-category tenants, successfully heightening the mall's status as Jinan's contemporary lifestyle hub



More international luxury brands are establishing their presence at Center 66

Center 66, Wuxi Shopping Mall

Strong performance was recorded at Center 66 with the mall benefiting from an enriched tenant mix and improved the occupancy rate. Retail sales improved year-on-year with international luxury brands such as Gucci migrating to Center 66, and the opening of popular brands such as Heytea and Lady M. The occupancy rate improved with the opening of a new cinema and the migration of luxury brands. Marketing events also helped to boost footfall. In particular, the LEGO campaign in conjunction with the Lunar New Year celebrations saw a collaboration with LEGO and over 50 tenants to provide themed exhibitions and workshops, with exclusive gifts and promotions. Footfall soared 37% during the campaign period and retail sales at the mall increased by 32%.

Looking to 2020, the migration of top luxury brands such as CELINE, and the upgrading of the overall tenant mix is expected to continue. The mall will also benefit from the opening of the intercity express railway and a future Metro line, which is expected to

commence operations by the end of 2023. Leveraging targeted promotions and CRM systems, we expect that more customized and interactive engagement with customers can be realized.

Office Tower

Center 66's leading position in the Wuxi office market was maintained amidst a challenging year due to economic uncertainty. The opening of Office Tower 2 in August 2019 presented opportunities for Center 66 to attract new, quality, sizable tenants such as Taikang Life Insurance, Kuaishou, and Sichuan Trust. Various existing tenants such as Huawei and PingAn Securities also expanded at Office Tower 1. Tenant mix continued to be optimized, comprising some 46% multinational corporations and leading domestic companies.

In the face of aggressive leasing strategies from competitors, it will be necessary to reinforce the image and positioning of Center 66, as well as its competitive advantage. Center 66 will continue to secure quality tenants across different industries for long-term sustainable growth.



The Starbucks Reserve flagship store, situated at the century-old heritage building, Zhejiang Xingye Bank, is a stone's throw from Riverside 66

Riverside 66, Tianjin

The solid and appealing tenant portfolio at Riverside 66 has had the chain effect of attracting similar quality tenants, which has in turn provided the basis for stable growth amidst a market that was lagging behind national averages in terms of GDP growth and economic buoyancy during the reporting year. The unveiling of the Starbucks Reserve flagship store at the historic Zhejiang Xingye Bank Building served as a magnet for both footfall and leasing interest while the mall welcomed other new anchor tenants such as adidas, SWC, FILA and LEGO. Retail sales increased by 5% while the occupancy rate fell one point to 89% in 2019 as tenant mix refinement continues. The completion of improvement works at the Binjiang Dao Pedestrian Street also helped to direct traffic to the mall, and marketing events played a role in raising the mall's profile and appeal.

Looking ahead, Riverside 66 will continue to upgrade the mall's food and beverage offerings and rezone other floors and boost footfall along with the Tianjin government's initiative to upgrade Heping Road. The launch of HOUSE 66 in the second quarter of 2020 will also present new opportunities to enhance the customer experience and boost customer loyalty through relationship building and targeted collaborations with tenants. Existing MALLCOO members will be transferred to HOUSE 66 with several special events to generate interest and growth in membership.

Olympia 66, Dalian

Against flat economic and population growth in Dalian, Olympia 66 achieved remarkable growth in both revenue and retail sales during the reporting year. The occupancy rate increased three points as a result of concerted efforts to create a complementary tenant mix comprising popular contemporary lifestyle brands and food and beverage concepts. The mall's established anchor tenants, Palace Cineplex and Ole' Supermarket, have benefited from additional footfall generated by the opening of the CNSC duty free concept flagship store in June 2019 and the NIKE Kicks Lounge in October 2019, both of which achieved high retail sales.

To sustain further growth in coming years, the positioning of Olympia 66 will be upgraded from a regional lifestyle hub to a regional hub with both lifestyle and luxury elements. Top international luxury brands such as Balenciaga, Bvlgari, CELINE, and Saint Laurent will be introduced with the opening of the Level 1 Atrium and Level 1 of the West Zone starting from 2020, along with plans to upgrade existing food and beverage offering with the introduction of new brands and cuisines. With the launch of HOUSE 66 in April 2020, a more engaging customer experience and improved customer loyalty is expected to be achieved. Footfall at the mall is also expected to increase following the completion of the tunnel that connects the mall and the subway station scheduled by early 2021.



Olympia 66's HI YA B.Duck marketing campaign involved 146 tenants and was hugely successful in boosting retail sales and footfall



The popular teamLab event at Spring City 66

Spring City 66, Kunming

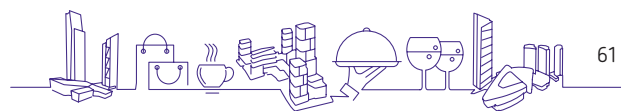
Shopping Mall

The opening of the mall at Spring City 66 in late August 2019, our first project in the southwest region of mainland China, received an overwhelming response from the market. Positioned as a premium lifestyle center showcasing the best international labels and luxury brands, Spring City 66 was 91% leased or had rental contracts being finalized as at the end of 2019 and is home to a portfolio of prestigious international brands including Gucci, Jimmy Choo, Qeelin, GGDB, Blancpain, Chopard, IWC, and Jaeger-LeCoultre. The world-renowned teamLab exhibition, being hosted for the first time in China's southwest region at Spring City 66, is drawing crowds from across the Yunnan region.

Looking to 2020, the mall targets to expand its offering with brands that complement the luxury portfolio. Upcoming major tenant additions include Piaget, Bottega Veneta, and Dior Beauty.

Office Tower

The Spring City 66 Office Tower, which was opened in late August 2019, stands as Kunming's premium location and offers the unique quality combination of design, amenities, and services for which Hang Lung is known throughout mainland China. The accessible location and suite of facilities and services gives the office tower the edge in capitalizing on upgrade demand as well as in establishing itself as the home to multinationals and prestigious domestic enterprises seeking to grow their presence in Kunming. Despite the overall softened office market, the occupancy rate at the office tower is set on a stable growth trajectory and various multinational corporations and leading domestic firms like Ernst & Young, Schneider, Hitachi, FILA, JD, 51Job, Haitong Securities, among others, have confirmed their leases, reflecting the premium positioning and quality of the office tower.



HONG KONG PROPERTY LEASING

In Hong Kong, the performance of our core leasing properties demonstrated resilience despite the adverse impact of the social unrest.

Market Landscape

During the reporting year, overall retail performance, already weakened by the drop in domestic spending due to the US-China trade dispute, took a battering amidst the prolonged social unrest which created disruptions to inbound tourism and consumption-related activities. Hong Kong’s retail sales dropped 11.1% in value year-on-year to HK\$431.2 billion* in 2019. Retailers situated in districts popular with tourists directly impacted by the demonstrations such as Causeway Bay and Mongkok saw even sharper declines in sales.

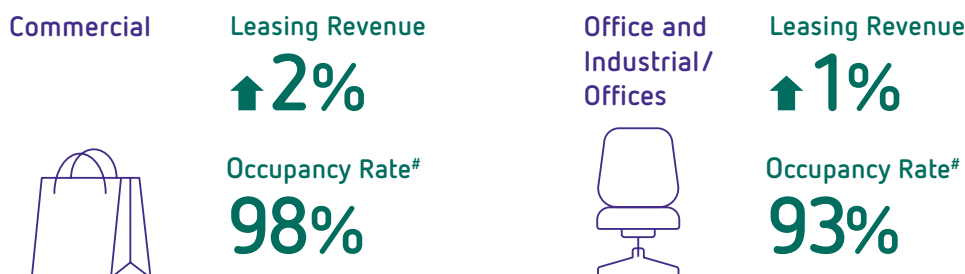
Similarly, the overall Grade A office leasing demand was weakened by the challenging macroeconomic environment and the social unrest in Hong Kong, with some companies deferring their expansion plans. During the reporting year, office rents declined and vacancy rates in Hong Kong increased.

Business Overview

Our balanced portfolio comprises shopping malls tailored to the needs of a diverse group of consumers as well as office buildings at prime locations where quality semi-retail companies and local key industry players are our key tenants. This has enabled us to maintain stable occupancy rates and leasing revenues in 2019. Our focus on refining the trade mix by recruiting unique and attractive concepts across the portfolio coupled with enhanced engagement with shoppers allows us to provide a better and more customized consumer experience, which is key to lifting spending and footfall in times of tough retail sentiment.

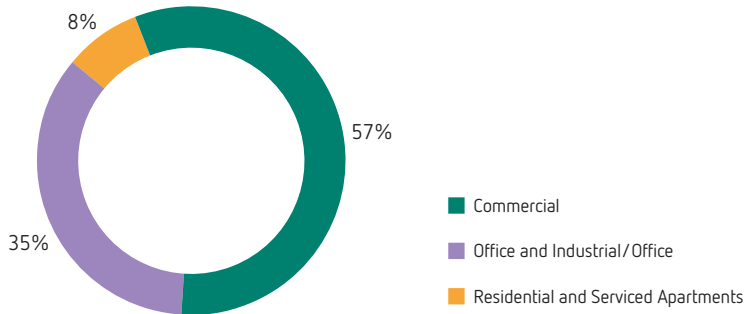
* Source: Census and Statistics Department

Year-on-Year Growth of Our Hong Kong Leasing Revenue and Occupancy



All occupancy rates stated therein were as of December 31, 2019

Distribution of Revenue of Our Hong Kong Property Leasing Portfolio in 2019



Fashion Walk

Fashion Walk presents a fashionable neighborhood with an exciting medley of the hottest shopping, dining, and entertainment offerings in town. Over 100 renowned global brands and 40 flagships and concept stores are featured, where fashion aficionados discover the latest trends in a unique indoor and outdoor

environment. Paterson Street has completed its makeover and been transformed into a new beauty boulevard with the introduction of exclusive boutiques such as the Chanel Beauty Studio, the Asia flagship of GOUTAL PARIS with a beautifully-designed Sensory Lounge, the KÉRASTASE Hair Spa by La Vie, and the flagship of SkinCeuticals.



Fashion Walk is the destination for trendsetters



The leasing performance of our Central portfolio remained solid in 2019

A select collection of new fashion labels and food and beverage outlets was also added to the Fashion Walk tenant portfolio, including much heralded firsts such as the debut of the world's largest seafood chain restaurant, Red Lobster. Special collaborations with market leaders ensured the continuation of marketing events and promotions for which Fashion Walk is famed. Impactful customer experiences were curated with the hosting of the Coco Flash Club pop-up store by Chanel Beauty, the global launch of Star Wars' Triple Force Friday in collaboration with Disney, and the global launch of Polaroid Lab by Polaroid Original. Celebrity appearances also drew enthusiastic crowds with visits by David Beckham, Manchester City Football Club, Laurinda Ho and Leanne Li, among many others.

Joint mall promotional campaigns, such as Fortune Walk, which was held in collaboration with Sesame Street, were successful in increasing both footfall and retail sales during the promotional period. With its effective use of online-to-offline marketing strategies,

the Fortune Walk campaign garnered three awards at the PR Awards 2019, being named Campaign of the Year – Silver; Best Result-driven Campaign – Silver; and Best Experiential Campaign – Bronze.

As a key element of Fashion Walk, Hang Lung Centre continues to be a highly popular destination for leading operators in the travel, fashion wholesale and medical sectors with stable occupancy rates.

Central Portfolio

Our Central portfolio which comprises four office buildings including Standard Chartered Bank Building, 1 Duddell Street, Printing House and Baskerville House, continued to deliver stable rental growth in 2019. Mott 32, Duddell's, Foxglove, Wolfgang's Steakhouse, Sushi Sase, and Sushi Sase Hanare are some of the unique and renowned dining concepts that we have in our portfolio. Our office leasing performance remained solid with high occupancy rates throughout the reporting year.



Monopoly Dreams Hong Kong is one of the new tenants making its debut in Hong Kong at Peak Galleria

Peak Galleria

Peak Galleria unveiled a fresh new look and an enhanced tenant mix in August 2019 following the completion of a two-year extensive Asset Enhancement Initiative. It is poised to be a must-visit destination for both locals and international travelers. The occupancy rate stood at 91% as of December 2019, taking into account withdrawals and delays from prospective opening tenants. However, the occupancy rate is expected to increase as momentum builds, with food and beverage tenants in particular reporting highly satisfactory revenues as local consumers seek high-quality dining experiences in one of the territory's best-loved scenic venues. In addition, over 40 new tenants including a number of first-in-Hong Kong food and beverage offerings such as 37 Steakhouse & Bar and Mina House from Japan, and Nayuki fruit tea and bakery café, have been introduced to Peak Galleria, while other debut also helped draw footfall among young families, such as the popular Monopoly Dreams Hong Kong, which is the world's first Monopoly-themed pavilion.



Kornhill Plaza remained fully let at the end of 2019

Kornhill Plaza

As a community mall serving nearby residents and office workers with the largest Japanese department store in Hong Kong, AEON STYLE, diversified food and beverage offerings, a cinema with 4DMX technology, and an all-in-one education hub, Kornhill Plaza recorded sound performance and remained fully let at the end of 2019.

Looking ahead, continuing refinement of the tenant mix will keep the mall in tune with the needs and expectations of local residents. This will stimulate retail demand and create additional revenue streams. Communication channels with tenants and customers will also be enhanced to better understand changes in retail sentiment and consumer behavior.

Mongkok Portfolio

Shopping Malls

Mongkok was one of the areas that was most severely affected by the prolonged social unrest. However, our malls in this area, Gala Place, Grand Plaza, and Hollywood Plaza, demonstrated resilience with stable occupancy rates due to the fine-tuning of tenant mix, which further strengthened their positioning as fashion, lifestyle, and dining hubs.

Looking ahead, the malls will continue to strengthen their fashion and lifestyle and food and beverage appeal through further enhancement of tenant mix. Digital platforms will be more broadly used to deepen consumer engagement and raise brand awareness.

Office Towers

Stable occupancy rates were achieved in 2019 amidst the challenging socio-economic environment. During the reporting year, we were able to maintain stable rental income by optimizing the usage of the premises. At Gala Place, the eighth floor was converted from a typical office floor to a food and beverage hub which offers unique dining experiences, and new semi-retail tenants were recruited to generate higher rental income. Grand Plaza, which is home to players in the medical field, continued to attract more medical tenants such as the Quality Healthcare Specialty Centre, with existing medical tenants expanding their businesses in 2019.

Going forward, more effort will be made to consolidate the trade mix into sectors that are more resilient to changes in the macroeconomic environment. Upon the completion, in the first quarter of 2020, of the Asset Enhancement Initiative to convert more floors for medical use at Grand Plaza, its appeal to medical players will be increased and is expected to attract more tenants from this sector. There are also plans to

actively recruit new tenants from the international education, emigration consultancy, and international property sectors.

Amoy Plaza

The popular Kowloon East mall maintained solid performance due to the strategic reshuffling of its tenant mix and interactive marketing campaigns. As a shopping mall focused on daily life and necessities, which are more resilient to socio-economic upheaval, Amoy Plaza had enriched its offering in the provision of food and beverage, grocery shopping, and education outlets, with new tenants recruited such as Watami, MOS Café, DS Groceries, Bricks Exchange, Babington, Dunn's Education, and Techbob Academy, and has successfully maintained the appeal of the mall and stabilized footfall.

Amoy Plaza will continue to enhance its attractiveness to families with the introduction of tenants from the entertainment, lifestyle, food and beverage, education, and kidult and toy segments. Looking to the opening of the East Kowloon Cultural Centre in 2021, the mall is in a position to benefit from additional traffic. Keeping abreast of changing market dynamics, customer demands, and local demographics will be key to shaping the tenant mix for the future.



Grand Plaza is home to professionals in the medical field



The enhanced range of offerings at Amoy Plaza has successfully maintained its appeal to customers

HONG KONG PROPERTY SALES AND DEVELOPMENT

Depending on market conditions, we will continue to sell down residential units in Hong Kong and look for opportunities to unlock more value from our property portfolio through the disposal of non-core properties.

After a strident start to the year with rising prices and sales volume in the first half of 2019, Hong Kong's residential property market began to slow in the third quarter with demand impacted by socioeconomic conditions. Sentiment was influenced by the ongoing US-China trade dispute and the social unrest in Hong Kong but had been buoyed by low interest rates. The luxury residential market, however, has remained largely resilient with capital values generally flat while buyers adopted a wait-and-see stance.

Property Sales

Our property sales business in Hong Kong focuses primarily on luxury residential projects. One duplex unit at The Long Beach (a high-end development of eight towers of apartments in southwest Kowloon offering spectacular sea view), and nine houses at

23-39 Blue Pool Road (a development of 18 luxurious semi-detached houses in one of Hong Kong's most exclusive locations), remain available for sale.

During the reporting year, one unit at 23-39 Blue Pool Road was sold. We also disposed of certain non-core investment properties in Hong Kong, including 111 car parking spaces at Laichikok Bay Garden.

Property Development

Two redevelopment projects had commenced construction in Hong Kong during the reporting year.

In collaboration with our subsidiary, HLP, we began a redevelopment project at 226-240 Electric Road in North Point. The site will be developed into a Grade A office tower with a gross floor area of 9,754 square meters inclusive of a retail area on the podium floors. The project is expected to be completed in 2022.

In April 2019, the entire ownership of the Amoycan Industrial Centre in Ngau Tau Kok was consolidated through the Compulsory Sale for Redevelopment Order. The site will be redeveloped into residential units for sale with commercial use on the podium floors, taking advantage of an excellent location close to MTR Kowloon Bay Station and the future East Kowloon Cultural Centre. The project is slated for completion in 2023.

We will continue to consider strategic disposal opportunities for our residential properties, which are well-positioned in the luxury segment. Together with the two redevelopment projects which are targeted for completion in 2022 and 2023 respectively, we remain optimistic about our overall performance in the years ahead.



23-39 Blue Pool Road won the International Architecture Award from The Chicago Athenaeum 2019



Against the backdrop of uncertainties relating to the US-China trade dispute, RMB depreciation, the socio-political conditions and the recent outbreak of the novel coronavirus in Hong Kong, we maintained prudent but optimistic towards our property leasing business as a whole. While the current epidemic would have an adverse impact on our near-term financial performance, the organic growth of our Mainland retail portfolio and contributions from new properties are expected to drive revenue growth in the medium to long term.

The repatriation of luxury spending will continue to benefit our malls in mainland China. Our Mainland portfolio has gathered pace in bolstering its roll of luxury tenants. The opening of new shops by luxury brands will continue well into 2020 and beyond, in both existing properties including Plaza 66 and Grand Gateway 66 in Shanghai, Center 66 in Wuxi, and Olympia 66 in Dalian, as well as extending to new projects such as Spring City 66 in Kunming and Heartland 66 in Wuhan.

The roll-out of our nationwide CRM program, HOUSE 66, provides further opportunities for collaboration with tenants on the strength of quality data mining to become increasingly customer focused.

In order to engage with our shoppers, office workers, and their clients more directly, we commit ourselves to staying ahead in technology-assisted customer experience and improving service in malls, car parks, and other touchpoints.

Depending on market conditions, we will continue to sell down the residential inventory in Hong Kong and to unlock value from non-core properties.

On the property development side, the two redevelopment projects in Hong Kong have already commenced. On the Mainland, we intend to sell luxurious serviced apartments in our four mixed-use projects. Construction work for serviced apartments in our Wuhan project has started, while construction at our Wuxi, Kunming and Shenyang projects is set to begin in phases.

As the Company is celebrating its 60 years of establishment in 2020, we will continuously look for opportunities to expand its portfolio in Hong Kong and mainland China, ultimately delivering sustainable value to our shareholders and stakeholders.




NEW PROJECTS UNDER DEVELOPMENT

Mainland China

Heartland 66, Wuhan

Conveniently located on Jinghan Avenue in the bustling Qiaokou District, the commercial and business heart of Wuhan, with mass transit railway accessibility, this large-scale commercial development will house a premier shopping mall, a 61-story Grade A office tower and serviced apartments.



Heartland 66 has attained the "Precertification under Leadership in Energy and Environmental Design (LEED) for Core and Shell Development – Gold Level" issued by the U.S. Green Building Council.

Location	Total gross floor area*
Jinghan Avenue, Qiaokou District, Wuhan	460,000 square meters
Main Usage	Expected year of completion
  	2020 onwards



Center 66, Wuxi (Phase 2)

Phase 2 of the development comprises two towers of luxury serviced apartments and a boutique hotel. Phase 1 comprises a shopping mall (completed and opened in September 2013), and Office Tower 1 and 2 (opened in October 2014 and September 2019 respectively).

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





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

 Commercial  Office  Residential & Serviced Apartments  Hotel



Spring City 66, Kunming




Situated at the heart of Kunming, Spring City 66 is seamlessly connected to two Metro lines. The remaining development comprises a five-star hotel and luxury serviced apartments. The project’s shopping mall and office tower were opened in late August 2019.

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



Westlake 66, Hangzhou

Westlake 66 is the Company’s 11th large-scale commercial development on the Mainland, situated at a prime location in the city. The development comprises a world-class shopping mall, five Grade A office towers, and a luxury hotel.

Location	Total gross floor area*
Bai Jing Fang Lane, Xiacheng District, Hangzhou	194,100 square meters
Main Usage   	Expected year of completion
	2024 onwards

Mainland China

Forum 66, Shenyang

The remaining phases of the development is made up of offices, apartments and a retail area.

Location

Qingnian Da Jie, Shenhe District,
Shenyang

Total gross floor area*

502,660 square meters

Main Usage



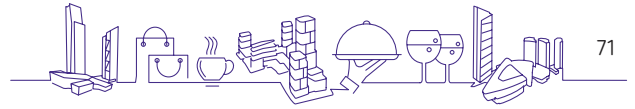
Expected year of completion

2024 onwards



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



Commercial Office Residential & Serviced Apartments Hotel



Hong Kong



Electric Road Redevelopment Project

Jointly developed with HLP, the site will be redeveloped into a Grade A office tower with a retail area on the podium floors.

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

Amoycan Industrial Centre Redevelopment Project















The site will be redeveloped into residential units for sale with commercial use on the podium floors.

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

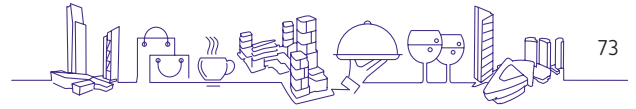
MAJOR PROPERTIES OF THE GROUP

A. Major Properties under Development

At December 31, 2019

	Location	Site Area (sq.m.)	Main Usage	Total Gross Floor Area (sq.m.)	% Held by the Group	Stage of Completion	Expected Completion Year
MAINLAND CHINA							
WUHAN							
Heartland 66	Jinghan Avenue, Qiaokou District	82,334	  	460,000	57.9%	Superstructure	2020 onwards
WUXI							
Center 66 (Phase 2)	Jiankang Lu, Liangxi District	16,767	 	108,982	57.9%	Foundation	2023 onwards
KUNMING							
Spring City 66	Dongfeng Dong Lu/ Beijing Lu, Panlong District	56,043	 	98,054	57.9%	Superstructure	2023 onwards
HANGZHOU							
Westlake 66	Bai Jing Fang Lane, Xiacheng District	44,827	  	194,100	57.9%	Planning	2024 onwards
SHENYANG							
Forum 66	Qingnian Da Jie, Shenhe District	92,065	  	502,660	57.9%	Foundation	2024 onwards
HONG KONG							
NORTH POINT							
Electric Road Redevelopment Project	226-240, Electric Road, IL 1618	650	 	9,754	71.9%	Demolition	2022
NGAU TAU KOK							
Amoycan Industrial Centre Redevelopment Project	7, Ngau Tau Kok Road, NKIL 1744	1,923	 	16,226	57.9%	Ground Investigation	2023

 Commercial  Office  Residential & Serviced Apartments  Hotel



B. Residential Properties Completed for Sale

At December 31, 2019

	Location	Site Area (sq.m.)	Total Saleable Area (sq.m.)	% Held by the Group	No. of Residential Unit for Sale	No. of Car Parking Spaces for Sale
HONG KONG						
23-39 Blue Pool Road	23-39 Blue Pool Road, IL 5747	7,850	3,835	57.9%	9	18
The Long Beach	8 Hoi Fai Road, KIL 11152	20,200	136	57.9%	1	–

C. Major Investment Properties

At December 31, 2019

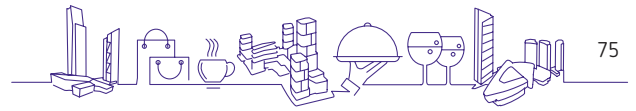
	Location	Lease Expiry	Total Gross Floor Area (sq.m.)			Residential and Serviced Apartments	No. of Car Parking Spaces
			Commercial	Office and Industrial/ Office			
HONG KONG							
CENTRAL							
Printing House	6 Duddell Street, IL 339	2848	1,709	5,980	–	–	
1 Duddell Street	1 Duddell Street, IL 7310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

MAJOR PROPERTIES OF THE GROUP

C. Major Investment Properties

At December 31, 2019

	Location	Lease Expiry	Total Gross Floor Area (sq.m.)			No. of Car Parking Spaces
			Commercial	Office and Industrial/ Office	Residential and Serviced Apartments	
HONG KONG						
KORNHILL (QUARRY BAY)						
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	–	–	35,275	–
THE PEAK AND MID-LEVELS						
Peak Galleria	118 Peak Road, RBL 3	2047	12,446	–	–	493
The Summit	41C Stubbs Road, IL 8870	2047	–	–	15,225	54
HONG KONG SOUTH						
Burnside Villa	9 South Bay Road, RBL 994	2072	–	–	9,212	89
MONGKOK						
Grand Plaza	625 & 639 Nathan Road, KIL 10234 & KIL 10246	2060	20,905	31,251	–	40
Hang Tung Building	1112-1120 Canton Road, KIL 9708	2045*	–	–	–	1,000
Gala Place	56 Dundas Street, KIL 9590	2044*	7,454	30,205	–	478
TSIM SHA TSUI AND WEST KOWLOON						
Grand Centre	8 Humphreys Avenue, KIL 7725 & KIL 8026	2038	3,688	7,198	–	–
Hanford Commercial Centre	221B-E Nathan Road, KIL 10619 & KIL 8132	2037	1,444	4,891	–	–
AquaMarine	8 Sham Shing Road, NKIL 6338	2050	22,350	–	–	413
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	20,174	–	–	93
NGAU TAU KOK						
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	49,006	–	–	620
CHEUNG SHA WAN AND KWAI CHUNG						
9 Wing Hong Street	9 Wing Hong Street, NKIL 6229	2047	–	35,223	–	95
Laichikok Bay Garden	Shops 1A1, 1A2, 5A, 6A & 6B, Lai King Hill Road, Lot 3336 of SD 4	2047	2,973	–	–	–
TUEN MUN						
Tai Hing Gardens	11 Tsun Wen Road and 10A Ho Hing Circuit, Tuen Mun, TMTL 312	2047	10,970	–	–	387
Luen Cheong Can Centre	8 Yip Wong Road, Tuen Mun, Lot1169 in DD131	2047	–	7,856	–	37



Location	Lease Expiry	Total Gross Floor Area (sq.m.)#				No. of Car Parking Spaces	
		Commercial	Office and Industrial/ Office	Hotel	Residential and Serviced Apartments		
MAINLAND CHINA							
SHANGHAI							
Grand Gateway 66 Gardens 1 & 2	2118 Hua Shan Lu, Xuhui District	2063	–	–	–	65,587	–
Grand Gateway 66	1 Hong Qiao Lu, Xuhui District	2043	122,262	67,223	–	18,355	752
Plaza 66	1266 Nanjing Xi Lu, Jing'an District	2044	53,700	159,555	–	–	804
SHENYANG							
Palace 66	128 Zhongjie Lu, Shenhe District	2057	109,307	–	–	–	844
Forum 66	1 Qingnian Da Jie, Shenhe District	2058	101,960	131,723	60,222	–	2,001
JINAN							
Parc 66	188 Quancheng Lu, Lixia District	2059	171,074	–	–	–	785
WUXI							
Center 66 (Phase 1)	139 Renmin Zhong Lu, Liangxi District	2059	118,066	137,699	–	–	1,292
TIANJIN							
Riverside 66	166 Xing'an Lu, Heping District	2061	152,831	–	–	–	800
DALIAN							
Olympia 66	66 Wusi Lu, Xigang District	2050	221,900	–	–	–	1,214
KUNMING							
Spring City 66	21-23 Dongfeng Dong Lu/ 433 Beijing Lu, Panlong District	2051	166,754	167,580	–	–	1,629

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

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

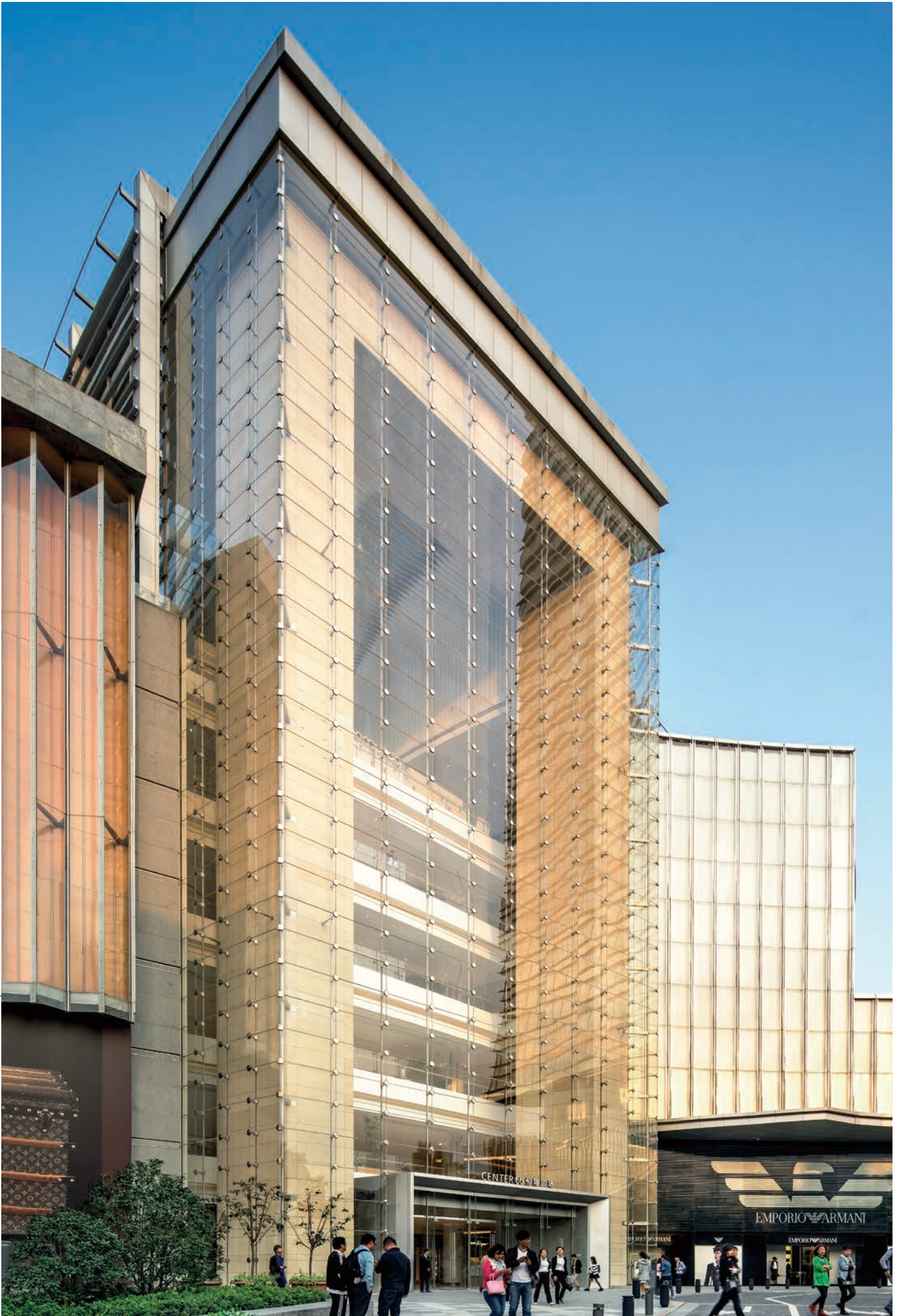




ing City
恒隆广场

EMBRACE TECHNOLOGY





Center 66, Wuxi





Forum 66, Shenyang



Consolidated Results

For the financial year ended December 31, 2019, the total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (the Group) declined 6% to HK\$9,435 million owing to a 76% drop of property sales income to HK\$296 million. With the robust growth and continuing expansion of our Mainland portfolio and the resilient performance of the Hong Kong portfolio, the revenue of our core property leasing business grew 4% year-on-year, in spite of a 4.3% Renminbi (RMB) depreciation against Hong Kong Dollar. Total operating profit decreased 5% to HK\$6,898 million in the reporting period.

Net profit attributable to shareholders increased 29% to HK\$6,816 million after taking into account the revaluation gain on investment properties. Earnings per share increased correspondingly to HK\$5.01. Excluding the property revaluation gain and all related effects, underlying net profit attributable to shareholders increased 44% to HK\$3,796 million while underlying earnings per share increased similarly to HK\$2.79.

Revenue and Operating Profit

	Revenue			Operating Profit		
	2019 HK\$ Million	2018 HK\$ Million	Change	2019 HK\$ Million	2018 HK\$ Million	Change
Property Leasing	9,139	8,784	4%	6,736	6,484	4%
Mainland China	4,975	4,686	6%	3,226	3,034	6%
Hong Kong	4,164	4,098	2%	3,510	3,450	2%
Property Sales	296	1,231	-76%	162	765	-79%
Total	9,435	10,015	-6%	6,898	7,249	-5%

Dividend

The Board of Directors has resolved to declare a special dividend of HK26 cents per share for 2019 (2018: Nil), taking into account the gain on disposal of certain non-core properties in Hong Kong by the Company in 2019. The Board of Directors has also recommended a final dividend of HK63 cents per share for 2019 (2018: HK61 cents). Both the special dividend and final dividend will be paid by cash on May 20, 2020 to shareholders whose names appeared on the register of members on May 7, 2020.

Therefore the full year dividends for 2019 amounted to HK108 cents per share (2018: HK80 cents), being:

1. interim dividend of HK19 cents per share (2018: HK19 cents);
2. special dividend of HK26 cents per share (2018: Nil); and
3. final dividend of HK63 cents per share (2018: HK61 cents).

Property Leasing

Against the backdrop of the US-China trade dispute and the social unrest in Hong Kong, total property leasing revenue grew 4% to HK\$9,139 million, of which 54% was attributable to Mainland operations. Our mainland leasing properties achieved a revenue growth of 11% against last year in RMB terms. The performance of our Hong Kong leasing portfolio was over-shadowed by the ongoing social unrest and recorded a 2% growth in revenue.

Even before the social unrest began in June 2019, the market sentiment of Hong Kong had been soft with the retail market recording negative growth since February of the year. With a drastic drop in tourist arrivals since the third quarter, the retail market shrank 23.6% year-on-year in November 2019. Entering the second half of 2019, retail sales lost momentum, especially in popular tourist districts such as Causeway Bay and Mongkok. Inevitably, the rental performance of Hong Kong portfolio was adversely affected.

Across the border, GDP growth in mainland China for the first three quarters of 2019 was 6.2%, while total retail sales advanced 8.2%. Domestic consumption is expected to rise with supportive government measures and a weaker RMB relative to 2018, resulting in shift of spending from abroad to domestic market. Robust growth in the sale of luxury goods in mainland China might partly due to diversion of sales from Hong Kong as the social situation dampened visitors from mainland China.

Customer Engagement

We put our customer-centric strategy at the very heart of our operations and continuously invest in initiatives to enhance customer experience and loyalty. Having successfully launched HOUSE 66 in 2018 at Shanghai Plaza 66, and Jinan Parc 66, this nationwide Customer Relationship Management (CRM) program has been subsequently launched in four more projects, namely Wuxi Center 66, Kunming Spring City 66, Shanghai Grand Gateway 66 and Shenyang Palace 66 in 2019. Members of the program enjoy an array of personalized services and invitations to exclusive events which have been instrumental in enhancing customer loyalty and our relationships with customers and tenants. In addition, we continued to leverage technology to enhance customer experience by launching car-finding and paperless car park payment system during the reporting year. SmartPOS, our integrated point-of-sale system which was fully rolled out across Mainland malls in 2019, enables mobile payments and allows seamless HOUSE 66 reward points registration and targeted marketing promotion.

Constantly measuring customer satisfaction is instrumental in improving customer experience. Ongoing online customer surveys and referencing our Net Promoter Score to gauge satisfaction level of members of HOUSE 66 are some of the tools we use to engage customers.

Mainland China

Our leasing properties in mainland China recorded strong performance in the year. Total revenue of the entire portfolio grew 11% to RMB4,382 million. Various new leasing properties commenced business in the third quarter of 2019, namely the mall and office tower at Kunming Spring City 66, the second office tower at Wuxi Center 66, and Conrad Shenyang at Shenyang Forum 66. Excluding these new properties, total revenue grew 9% year-on-year. After taking into account ramp-up losses of these new properties, operating profit increased 11% while average margin for the period stood at 65%.

The growth momentum of the Mainland portfolio continued. Revenue in RMB terms achieved growth rates at 7% and 15% in the first half and second half of 2019. In particular, revenue of properties outside Shanghai grew 19% for the year, with a 24% growth for the second half. Revenue of the two Shanghai properties also advanced 7% year-on-year, with the second half year achieving a 11% increase.

The robust revenue advancement at our eight existing malls and the fresh income stream from the new mall opened in August 2019 in Kunming fuelled the overall revenue growth of our Mainland portfolio. Altogether, revenue from our Mainland malls was up 14% to RMB3,129 million. In Shanghai, revenue from retail properties rose 11% year-on-year, with strong revenue and retail sales growth of 14% at Plaza 66 and moderate growth of 6% at Grand Gateway 66 due to temporary rental interruption resulting from renovation. Outside of Shanghai, the overall revenue growth of 14% was contributed by our existing malls that reported positive growth.

Our office portfolio in mainland China collected 3% growth in revenue for a total of RMB1,086 million in 2019 as compared to the previous year. The office towers at Shanghai Plaza 66 and Grand Gateway 66 together recorded a stable growth of 2%, amid keen competition and new office supply in Shanghai. Revenue from all office towers accounted for 25% of our total Mainland leasing revenue.

Mainland China Property Leasing Portfolio

City and Name of Property	Revenue			Occupancy Rate*	
	2019 RMB Million	2018 RMB Million	Change	Mall	Office
Shanghai Plaza 66	1,696	1,554	9%	99%	93%
Shanghai Grand Gateway 66	1,232	1,176	5%	91%	96%
Shenyang Palace 66	194	162	20%	95%	N/A
Shenyang Forum 66 [#]	257	216	19%	94%	87%
Jinan Parc 66	322	292	10%	98%	N/A
Wuxi Center 66 [#]	289	252	15%	95%	65%
Tianjin Riverside 66	186	179	4%	89%	N/A
Dalian Olympia 66	152	119	28%	82%	N/A
Kunming Spring City 66 [#]	54	–	N/A	82%	13%
Total	4,382	3,950	11%		
Total in HK\$ Million equivalent	4,975	4,686	6%		

* All occupancy rates stated herein were as of December 31, 2019.

[#] New properties opened in 2019: Conrad Shenyang at Shenyang Forum 66, Office Tower Two at Wuxi Center 66, and the mall and office tower at Kunming Spring City 66.

Shanghai Plaza 66

Total revenue at Plaza 66 increased 9% to RMB1,696 million, mainly resulting from robust growth at the mall.

The Plaza 66 mall has firmly established its positioning as the Home to Luxury following the completion of the major asset enhancement program in 2017 and the debut launch of HOUSE 66 in 2018. In 2019, we continued to leverage on House 66 to strengthen customer loyalty and drive tenant sales, with the highlight being the Home to Luxury Party. The party has also strengthened the mall's engagement with our valued business partners and customers. As a result,

double-digit growth in revenue and sales, at 14% and 21% respectively, had been reported for the third consecutive year. The mall was almost fully let at the end of 2019.

The Plaza 66 offices recorded a 1% revenue growth to RMB630 million in the face of new supply of Grade A offices in nearby areas. The occupancy rate fell two points to 93% at the end of 2019.

Shanghai Grand Gateway 66

Total revenue at Grand Gateway 66 increased 5% year-on-year to RMB1,232 million, mainly driven by good performance at the mall.

Benefited largely from the full year effect of the reopening of the North Building since September 2018 and its basement in June 2019, the Grand Gateway 66 mall achieved a revenue growth of 6% to RMB853 million. Comprising a mix of lifestyle brands and a refurbished cinema, the North Building has become a popular hub for young, affluent customers. Greater variety in food and beverage offerings has also been a factor in successful positioning. The second phase of the renovation covering the bulk of the South Building and its basement is on schedule. The newly renovated basement was energized by a new cosmetics zone housing top global brands and fast fashion retailers. In December 2019, several luxury flagship stores at the main atrium of the South Building commenced business. The entire South Building renovation is scheduled to be completed in the third quarter of 2020.

Revenue from the office tower at Grand Gateway 66 rose 2% year-on-year to RMB241 million with the occupancy rate advancing to 96%. Competitive position of the office tower was enhanced after the completion of renovation works at the mall's North Building in 2018, attracting more quality tenants such as multinational corporations and large domestic enterprises.

Income from residential and serviced apartments at Grand Gateway 66 grew 1% year-on-year. The occupancy rate was satisfactory at 88%.

Shenyang Palace 66

Driven by higher occupancy rate and growth in sales rent, revenue from the Palace 66 mall surged 20% year-on-year to RMB194 million. The mall's successful positioning as the leading contemporary lifestyle mall in the Zhongjie district and Shenyang city boosted retail sales by 20%. In the second quarter, the revamped kids' zone on the third floor was opened, further enhancing the tenant mix and increasing family footfall. International sports brands and popular

lifestyle fashion brands recorded remarkable sales performance during the reporting year. The occupancy rate rose seven points to 95%. In December 2019, HOUSE 66 was also launched at Palace 66.

Shenyang Forum 66

Benefiting from the opening of the Conrad Shenyang and the revenue growth of the office tower, total revenue at Forum 66 increased 19% year-on-year to RMB257 million.

Amid strong competition in the luxury retail sector of the local market, revenue and retail sales from the Forum 66 mall edged up 3% and 6% respectively. Some international brands made their debuts into the Shenyang market with pop-up stores on the first floor of the mall. The occupancy rate rose one point to 94%, as a result of introducing new quality food and beverage tenants and shops targeting families and children.

The office tower at Forum 66 recorded a revenue growth of 8% to RMB127 million, with the first full-year income reported for the six floors of high-zone office commencing leasing in the second half of 2018. The year-end occupancy rate slipped one point to 87% amid plentiful supply of new offices in the market.

Conrad Shenyang, the 315-room five-star hotel residing on the top 19 floors of the office tower, commenced operations in September 2019. In its first four months of operations, the hotel contributed RMB29 million in revenue. Being the first hotel in our mainland China portfolio, Conrad Shenyang is positioned at the pinnacle of Shenyang's high-end market and is expected to be a focal point for business and social gatherings in the city. It will further reinforce Forum 66's positioning as an upscale shopping destination and prestigious address for businesses.

Jinan Parc 66

Revenue at the Parc 66 mall increased 10% to RMB322 million, a result of favorable rental reversions and the uplift of the occupancy rate by two points to 98%. Retail sales rose 6%. With the tenant profile upgrade introducing a good brand mix on the first floor as well as new contemporary luxury brands, the Starbucks Reserve and Heytea flagship stores, the mall achieved improvement in both unit rents and sales. The upper floors were also upgraded with specific themes such as a sports zone on the fourth floor and new food and beverage options on the top floor.

Since its launch in December 2018, HOUSE 66 at Parc 66 has been well received. Through tenant collaborations offering exclusive promotions and events to members, tenant sales as well as turnover rents were boosted.

Wuxi Center 66

Total revenue of the entire Center 66 portfolio recorded a remarkable growth of 15% year-on-year to RMB289 million.

Revenue of the mall recorded a 22% growth, which was attributable to the increase in sales rent as a result of tenant reshuffling, favorable rental reversions and higher occupancy. HOUSE 66 was launched in May 2019, and retail sales grew 21% with the occupancy rate advancing six points to 95%. Some luxury brands consolidated their shops elsewhere in Wuxi after opening their stores at Center 66. We anticipate more brands will migrate to Center 66 in the coming year.

In August 2019, Office Tower Two at Center 66, with a total floor area of 54,000 square meters, was opened. The combined income of the two office towers stayed flat at RMB83 million during the reporting period. Occupancy rate at Office Tower One rose four points to 90%.

Tianjin Riverside 66

Income at the Riverside 66 mall increased 4% to RMB186 million. In August 2019, Starbucks opened a unique flagship store inside the iconic and historic Zhejiang Xingye Bank Building. The overall trade mix of the mall was further refined with more sportswear and lifestyle tenants. Part of the fourth floor was also converted into a themed zone to attract the younger generations. As a result, retail sales increased 5% while the occupancy rate fell one point to 89% during the process of tenant mix refinement.

Dalian Olympia 66

Riding on the business growth among popular contemporary lifestyle and food and beverage tenants, the Olympia 66 mall delivered strong performance in 2019 with revenue and retail sales jumping 28% and 29%, respectively. The occupancy rate increased three points to 82%. Phase two of the mall is scheduled to open in stages during 2020 with more luxury labels joining the tenant portfolio.

Kunming Spring City 66

Spring City 66, our first project in the southwestern region of mainland China, commenced operation in late August 2019. Comprising a mall and an office tower, the complex contributed RMB54 million in revenue since opening.

Revenue from the mall in 2019 was RMB49 million. Positioned as Kunming's luxury and lifestyle destination of choice, the status of Spring City 66 mall is set to elevate further with the arrivals of more luxury international brands in 2020. The year-end occupancy rate reached 82%.

In the first four months of operations, the 153,000-square-meter office tower collected RMB5 million in rents, with 13% occupancy rate at the end of 2019.

Hong Kong

The performance of our Hong Kong leasing properties, like many businesses in Hong Kong, was adversely affected by the social unrest. Total revenue reported a mild growth of 2% to HK\$4,164 million while both operating profit and rental margin were stable. Rental margin remained at 84%.

The significant decrease in tourist arrivals, transport disruption and shop closures had led to significant drop in the retail sales particularly in the jewelry and watches, beauty and cosmetics, and fashion wholesale sectors. Nevertheless, Peak Galleria was reopened as scheduled after a two-year major Asset Enhancement Initiative, making a positive contribution in both retail sales and leasing revenue in 2019.

Hong Kong Property Leasing Portfolio

	Revenue			Occupancy Rate *
	2019 HK\$ Million	2018 HK\$ Million	Change	
Commercial	2,392	2,344	2%	98%
Offices and Industrial/Offices	1,449	1,429	1%	93%
Residential & Serviced Apartments	323	325	-1%	74%
Total	4,164	4,098	2%	

* All occupancy rates stated therein were as of December 31, 2019.

Commercial

The Hong Kong commercial portfolio achieved a 2% revenue growth to HK\$2,392 million. Total retail sales dropped 5% year-on-year, but sales in the second half of the year slumped 17% compared to the corresponding period in 2018. Occupancy rate at the end of 2019 edged up to 98%, three points above a year ago.

The **Causeway Bay portfolio** was affected the most by the social unrest in Hong Kong. Revenue of the portfolio dropped 1% to HK\$628 million year-on-year. Retail sales declined by 10% with occupancy rate dropping two points to 97%.

Our Mongkok portfolio was also severely hit by the social unrest. Revenue from **Grand Plaza and Gala Place in Mongkok** achieved 6% growth in the first half year. After offset by the significant retail market slow-down, full-year revenue grew slightly by 3%. Retail sales decreased by 1%. Both properties remained fully let at the reporting date.

Kornhill Plaza in Hong Kong East and **Amoy Plaza in Kowloon East** are community malls and they were less affected by socio-political issues. Income of these two malls increased by 2% and 3%, respectively, as supported by the positive rental reversion of AEON STYLE in Kornhill Plaza, and upgrade of food and beverage tenants at Amoy Plaza, which also benefited from the opening of the UA Amoy cinema in August 2018. Retail sales of both malls decreased by 3% year-on-year.

Peak Galleria was reopened in the second half of 2019 after closure for major asset enhancement works since October 2018. Despite reopening at a challenging time, the mall had secured a 91% occupancy rate at the end of 2019.

Offices

Revenue from our Hong Kong office portfolio increased 1% to HK\$1,449 million, mainly attributable to positive rental reversions. The overall occupancy rate slipped two points to 93%. Our offices in Central and Mongkok recorded growth in revenue of 6% and 5% respectively. Revenue from the Causeway Bay portfolio, which has substantial semi-retail element, dropped 4%. Hong Kong office rental accounted for 35% of total Hong Kong leasing turnover.

Residential and Serviced Apartments

Revenue from the apartments dropped 1% to HK\$323 million, mainly caused by lower occupancy at Kornhill Apartments.

Property Sales

During the year, one house at 23-39 Blue Pool Road (2018: three houses at Blue Pool Road, and nine apartments at The Long Beach) was sold. Accordingly, revenue from property sales fell 76% year-on-year to HK\$296 million. The profit margin was 55%.

We also disposed of certain non-core investment properties in Hong Kong. During the reporting period, a gain on disposal of HK\$869 million was included in other income. The disposal of 111 car parking spaces at Laichikok Bay Garden, previously held as investment properties, resulted in a gain of HK\$69 million recognized as part of the fair value gain of properties.

Property Revaluation

As of December 31, 2019, the total value of our investment properties amounted to HK\$168,218 million. The value of the Hong Kong portfolio and the mainland China portfolio was HK\$66,579 million and HK\$101,639 million, respectively. Our investment properties were revalued by Savills, an independent valuer, as of December 31, 2019.

A total revaluation gain of HK\$10,620 million (2018: HK\$4,298 million) was recorded, representing a 6% growth in valuation compared to the value recorded at December 31, 2018.

Investment properties in mainland China recorded an overall gain of HK\$10,545 million (2018: HK\$305 million); revaluation gain of properties in Shanghai supported by robust rental growth and projections and capitalization rates compression by the valuer was partly offset by the revaluation loss of properties in second tier cities in light of the challenging market environment. Investment properties in Hong Kong had a revaluation loss of HK\$391 million, which was offset by the HK\$466 million gain of properties for sales upon transfer to investment properties. As a result, properties in Hong Kong recorded an overall revaluation gain of HK\$75 million (2018: HK\$3,993 million).

Property Development and Capital Commitment

The total values of property development projects on investment properties and properties for sale were HK\$27,602 million and HK\$4,707 million, respectively. These represented mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou and Shenyang, and redevelopment projects in Hong Kong. At the reporting date, our capital commitments for development projects in investment properties amounted to HK\$26 billion.

Mainland China

Wuhan **Heartland 66** will be the next Mainland project to commence operation. The entire complex, with a total gross floor area of 460,000 square meters, will house a premier mall, a Grade A office tower and serviced apartments for sale. Construction of the mall and office tower has been progressing as scheduled and is target for completion in 2020. Leasing activities have commenced with good progress. Construction of the three residential towers commenced in the first quarter of 2019 and is scheduled for completion, in stages, beginning in the last quarter of 2022.

Phase two of Wuxi **Center 66** has a total gross floor area of 108,982 square meters, comprising luxury serviced apartments and a boutique hotel. The master layout plan of the project was approved in March 2019. Excavation works commenced in July 2019 and the project is scheduled for completion from 2023 onwards.

To complete the development of Kunming **Spring City 66**, a five-star hotel and luxury apartments will be built. The planning permit is expected to be obtained in the first quarter of 2020 and an estimated period of four years is required for the completion of construction.

The development of Hangzhou **Westlake 66**, a high-end commercial complex with a total gross floor area of 194,100 square meters above-ground, has begun since September 2019. The entire project comprises a retail podium with five Grade A office towers and a hotel. Piling works have commenced. The project is scheduled for completion, in phases, from 2024.

The master layout plan of the remaining phases of Shenyang **Forum 66**, consisting of a total gross floor area of 502,660 square meters, was submitted in November 2019. The development comprises offices, apartments and a retail podium. Construction works will commence in phases beginning from 2020.

Hong Kong

During the year, the Group commenced a joint venture project with its subsidiary, Hang Lung Properties Limited (Hang Lung Properties), to redevelop the properties at 226-240 Electric Road in North Point into a Grade A office tower. Total gross floor area of the project is approximately 105,000 square feet inclusive of a retail area on the podium floors. Construction is expected to be completed in 2022.

In April 2019, we have consolidated the entire ownership of the Amoycan Industrial Centre in Ngau Tau Kok through the Compulsory Sale for Redevelopment Order. With its proximity to MTR Kowloon Bay Station and the future East Kowloon Cultural Centre, it will be redeveloped into residential units for sale with commercial areas on the podium floors. The total gross floor area is about 155,000 square feet. The project is targeted to be completed in 2023.

Liquidity and Financial Resources

Our major financial management objective is to maintain an appropriate capital structure with a high degree of agility. This is to ensure access to sufficient financial resources for meeting operational needs and capital commitments, and to seize investment opportunities when they arise for sustaining long-term growth. We also strive to establish multiple channels of debt financing for risk mitigation. All financial risk management, including debt re-financing, foreign exchange exposure, and interest rate volatility, etc., are centrally managed and controlled at the corporate level.

Liquidity and Financing Management

Cash flow position and funding needs are closely monitored and reviewed to ensure that we have a good degree of financial flexibility and liquidity while optimizing net financial costs.

As of December 31, 2019, total cash and bank balances amounted to HK\$3,660 million (December 31, 2018: HK\$12,509 million). All deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis.

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

As part of our ESG (environmental, social and governance) initiatives, we have continued to broaden the channel of obtaining green financing. In 2018, we were the first Hong Kong developer to establish an on-shore green bond issuance platform (Green Panda Bond) with a debut bond issuance of RMB1 billion. As a continuous commitment to sustainable development, our Green Financing Framework was further enhanced in 2019. A green loan facility of HK\$1 billion was procured under that framework during the year.

As of December 31, 2019, total borrowings amounted to HK\$31,113 million (December 31, 2018: HK\$30,651 million), of which about 37% was denominated in RMB. The higher debt balance year-on-year was due to payments for the various projects under development in mainland China and Hong Kong, including the final payment of 50% of the land cost for Hangzhou Westlake 66.

The following table shows the composition of our debt portfolio:

	At December 31, 2019		At December 31, 2018	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Floating rate HKD bank loans	7,204	23.1%	3,653	11.9%
Floating rate RMB bank loans	10,443	33.6%	13,490	44.0%
Fixed rate bonds	13,466	43.3%	13,508	44.1%
Denominated in USD	7,789	25.0%	7,832	25.6%
Denominated in HKD	4,563	14.7%	4,540	14.8%
Denominated in RMB	1,114	3.6%	1,136	3.7%
Total borrowings	31,113	100%	30,651	100%

At the reporting date, the average tenure of the entire loan portfolio was 2.9 years (December 31, 2018: 3.3 years). The maturity profile was well staggered and spread over a period of 6 years. Around 65% of the loans were repayable after 2 years.

	At December 31, 2019		At December 31, 2018	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Repayable:				
Within 1 year	3,241	10.4%	3,360	11.0%
After 1 but within 2 years	7,632	24.5%	4,057	13.2%
After 2 but within 5 years	18,668	60.0%	19,809	64.6%
Over 5 years	1,572	5.1%	3,425	11.2%
Total borrowings	31,113	100%	30,651	100%

As of December 31, 2019, total undrawn committed banking facilities amounted to HK\$14,627 million (December 31, 2018: HK\$20,984 million). The available balances of the USD3 billion Medium Term Note Program and the RMB10 billion Green Panda Bond Program amounted to USD1,408 million and RMB9,000 million, respectively, equivalent to HK\$21,004 million in total (December 31, 2018: HK\$21,297 million).

The undrawn committed banking facilities of the Company and its other subsidiaries, excluding the balances of Hang Lung Properties and its subsidiaries (HLP Group), amounted to HK\$5,228 million (December 31, 2018: HK\$4,760 million).

Gearing Ratios and Interest Cover

At the end of 2019, the net debt balance amounted to HK\$27,453 million (December 31, 2018: HK\$18,142 million). Net debt to equity ratio was 17.3% (December 31, 2018: 12.0%) and debt to equity ratio was 19.7% (December 31, 2018: 20.3%).

Excluding the balances of HLP Group, the net debt balance of the Company and its other subsidiaries amounted to HK\$1,086 million (December 31, 2018: HK\$3,252 million). The corresponding net debt to shareholders' equity ratio (on an attributable net asset basis) was 1.2% (December 31, 2018: 3.8%).

For the year ended December 31, 2019, the total amount of gross borrowing costs increased by 10% to HK\$1,573 million. The net amount charged to the statement of profit or loss for the year decreased by 88% to HK\$144 million due to the capitalization of borrowing costs to projects under development and the adoption of an amendment to the accounting standard on the capitalization of borrowing costs effective on January 1, 2019.

Interest income for the year decreased 66% to HK\$160 million. The decrease was mainly due to a reduction in the average deposit balance after settling the payments on capital expenditures and the Hangzhou land premium.

The amount of net interest income for 2019, i.e. the excess of interest income over finance costs, was HK\$16 million (2018: net interest expense of HK\$715 million). The average effective cost of borrowings for the year was lowered to 4.7% (2018: 4.8%).

Interest cover for 2019 was 5 times (2018: 7 times).

Foreign Exchange Management

Our activities are exposed to foreign exchange risks, mainly arising from operations in mainland China and the two USD500 million bonds issued. Appropriate measures have been taken to mitigate the exposure to foreign exchange risk.

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

	At December 31, 2019		At December 31, 2018	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Denominated in:				
HKD	2,102	57.4%	4,737	37.9%
RMB	1,449	39.6%	7,757	62.0%
USD	109	3.0%	15	0.1%
Total cash and bank balances	3,660	100%	12,509	100%

(a) RMB Exposure

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

As of December 31, 2019, net assets denominated in RMB accounted for about 62% of our total net assets. As the RMB had depreciated by about 2.2% against the HKD between the two balance sheet dates, the re-translation of these net assets denominated in RMB into HKD using the exchange rate as of the reporting date resulted in a re-translation loss of HK\$2,130 million (2018: HK\$3,864 million). The re-translation loss was recognized in other comprehensive income/exchange reserve.

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

(b) USD Exposure

The USD foreign exchange exposure is related to the two USD500 million fixed rate bonds issued, equivalent to HK\$7,789 million at the reporting date. The related currency exchange risk was covered back-to-back by two USD/HKD cross currency swap contracts. The swap contracts were entered into in order to effectively fix the exchange rate between the USD and HKD for future interest payments and principal repayments.

The changes in the fair value of both swap contracts did not materially impact the cash flows and the profit or loss as they qualified for cash flow hedge accounting.

Charge of Assets

Assets of the Group were not charged to any third parties as of December 31, 2019.

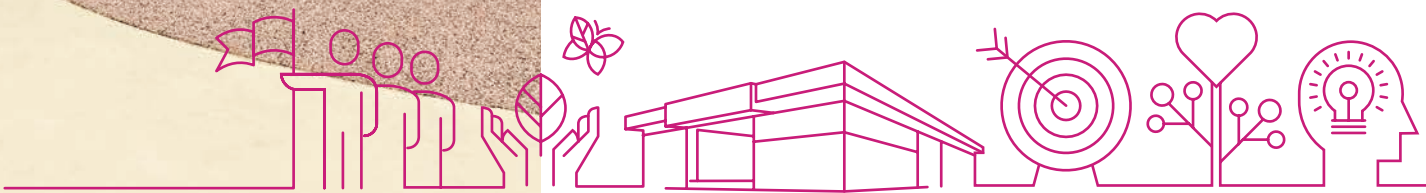
Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2019.





UPHOLD HANG LUNG CORE VALUES



Hang Lung remains steadfast in integrating sustainability into its business value chain. In 2019, we maintained our high standard of integrity and constructed and operated our buildings in a sustainable fashion. Meanwhile, we continued to cultivate our talent and support community development. All these measures exemplify how we uphold our business philosophy – We Do It Right – contributing to economic vibrancy, social development, and protecting the environment as elements of our own sustainable growth.

Reporting Approach and Standards

The Sustainable Development section in this Report serves as a summary of our performance in key sustainability topics in 2019. Comprehensive review of our sustainability policies and performance will be disclosed separately in our standalone Sustainability Report 2019, which will be prepared in accordance with the Global Reporting Initiative (GRI Standards), and the “comply or explain” provisions and “recommended disclosures” of the ESG Guide contained in the Appendix 27 of the Listing Rules.

Deliver Employee-Centric Experience Coveted Workplace

We are committed to providing a coveted workplace to create shared value with our employees. As such, we provide competitive remuneration and benefits packages which are regularly benchmarked against industry peers to sustain a fair and respectful work culture. We also remain committed to providing equal opportunities to our employees and job candidates. As stated in our Equal Employment Opportunities Policy, we prohibit discrimination against our employees or job candidates on any grounds, including gender, age, marital status, family status, pregnancy, disability, race,

ethnic origin, and religion. To ensure that we comply with local employment laws, we include relevant policies in our Code of Conduct and remind our employees about the Company’s discipline practices biannually. In addition, we forbid any unlawful forms of labor, including child labor and forced labor.

As of December 31, 2019, the Company employed 4,732 staff across Hong Kong and mainland China. Total employee costs for the year were HK\$1,624 million.

Learning and Development

We firmly believe that investment in our workforce is a key driver of sustainable business growth. By providing sufficient training and development opportunities for our employees, we enable them to acquire the latest knowledge and skills to adapt to the fast-changing business environment. Total employee training hours in 2019 amounted to over 125,000 hours. In addition to internal training programs, we provide sponsorship for employees applying for professional memberships and pursuing external training programs. With the aim of enabling our employees to explore new job opportunities and challenges within the Group, and to retain talent, we launched CareerConnect, an internal recruitment platform for our staff.



We organized various activities including workshops, yoga classes and Christmas Family Day to promote work-life balance and well being among our employees



Health, Safety and Wellbeing

We place great emphasis on the health, safety and wellbeing of our employees. In 2019, we refined our occupational safety and health management systems for office and frontline operations in Hong Kong through independent third-party safety inspections at sites and conducting corrective actions. Fostering a culture of safety, we provide safety training for our employees and contractors on a regular basis. During the year, we maintained zero fatalities among our staff. At our construction sites in mainland China, we appointed safety consultants to monitor the safety performance of our contractors. We maintained strong safety performance with the overall accident rate of 0.012 accidents per 100,000 man-hours.

We also encourage work-life balance and promote wellbeing among our employees. In 2019, we arranged a series of talks on common diseases in Hong Kong, facilitated by a registered nutritionist. We also arranged a talk to introduce preventive measures of common eye diseases conducted by an optometrist. In addition, we hosted a diverse array of leisure activities, including a mooncake baking class, family photo shooting day, and a movie appreciation activity in Hong Kong, and yoga classes and rope skipping competitions in mainland China. Helping our employees to balance work and family life, we have implemented various family-friendly measures such as providing lactation rooms in all of our offices in Hong Kong and mainland China.

Making Better Places

Sustainable Buildings

As a leading commercial property developer in Hong Kong and mainland China, we aspire to continually raise the bar of sustainable buildings in the region by taking environmental and social impacts into consideration throughout the lifecycle of our buildings. We also provide guidance to our staff, contractors, and suppliers on the construction and management of our buildings in an environmentally friendly fashion through our Environmental Policy. In addition, we design, construct and manage buildings according to international best practices wherever possible. Our effort in implementing green practices in building operations has received commendations, with two of our shopping malls, Riverside 66 in Tianjin and Olympia 66 in Dalian, named Green Malls by the Ministry of Commerce of the People's Republic of China.

Heritage Conservation

Aiming to preserve local culture and architectural history, and add vitality to economy, we have invested substantial resources in the restoration, conservation and integration of onsite historical buildings into our project designs. At Riverside 66 in Tianjin, we incorporated the nearly century-old, traditional European-style Zhejiang Xingye Bank Building into plans for our contemporary retail center at the design stage. We also partnered with a like-minded tenant, Starbucks, on the transformation of the historical landmark into a flagship store for the coffee chain. Through this three-year project, we preserved most of the original interior architectural features of the historical landmark and blended them with a modern customer experience.

Climate Change and Energy Conservation

To begin addressing the potentially damaging physical impacts of climate change on our business, we conducted a preliminary climate risk mapping exercise at the corporate level in 2019. We have also monitored our carbon emissions and appointed an independent consultant to verify our annual Scope 1 and Scope 2 greenhouse gas emissions.



Our shopping malls and tenants co-organized activities to promote green and low carbon lifestyle to local citizens

Since over 90% of our carbon footprint is generated by energy consumption, we make every effort to reduce our carbon footprint through energy conservation. As an example, we have replaced existing equipment with more energy efficient options as a part of our Asset Enhancement Initiative to optimize the energy consumption of our facilities.

Our efforts in energy conservation and carbon reduction have won external recognition. Riverside 66 in Tianjin was presented the Excellence in the Carbon Challenge Award at Greenbuild China 2019. The Carbon Challenge was co-organized by the U.S. Green Building Council and Dow to recognize the building industry's commitment to a sustainable built environment and leadership in reducing carbon emissions.

Water Conservation

Water scarcity is a worldwide challenge that affects many of the cities we operate in. We have implemented a wide range of measures to reduce water consumption at our properties, including the installation of water-efficient fixtures and enhancing awareness about water conservation through regular reminders to our staff, customers, and tenants.

Waste Management

Waste management remains a major environmental issue in Hong Kong and mainland China. As such, the HKSAR Government plans to introduce the Municipal Solid Waste (MSW) Charging Scheme in the near future. To prepare for its implementation, Kornhill Plaza joined the Municipal Solid Waste Charging Trial Project organized by the Environmental Protection Department (EPD) in Hong Kong, from November 2018 to May 2019. Over 70% of our tenants at Kornhill Plaza also participated in the trial project and most of them agreed that it enhanced their awareness about waste reduction.

In mainland China, the Chinese Government has introduced mandatory MSW classification regulations in some of the cities where we operate, including Shanghai. Leading up to and following implementation of these regulations in Shanghai, we maintained close communication with our tenants to ensure that they could adapt to the new waste classification and disposal arrangements.

Green Financing

To govern how green funding is used and allocated in eligible projects, we launched the corporate-level Green Finance Framework, which complies with international standards, including Green Bond

Principles and Green Loan Principles, in June 2019. In December 2019, we also secured our maiden green loan, which can be used to finance our commercial property development projects in mainland China certified or pre-certified under the Leadership in Energy and Environmental Design (LEED) rating system of the U.S. Green Building Council.

Community and Partnership

Hang Lung As One Volunteer Team

Growing with our community is a crucial element in our sustainability strategy, and the Hang Lung As One Volunteer Team is indispensable in realizing this goal. In 2019, our volunteer activities remained focused on three areas: youth development, elderly services, and environmental protection. This year, we organized 104 volunteer activities, devoting over 13,500 volunteer hours in Hong Kong and mainland China.



We organize meaningful activities in collaboration with our community partners along with our staff to support those in need





A wide range of volunteer activities with a focus on environmental protection was held in Hong Kong and mainland China to promote green living

In Hong Kong, working collaboratively with three organizations, namely Walk in Hong Kong, the Evangelical Lutheran Church in Hong Kong, and the Shatin District Community Centre for the Golden-Aged, we organized a guided tram tour for the elderly. We also arranged a guided tour and a blueprint craftsmanship workshop at the Blue House in Wan Chai for underprivileged children from Kwai Tsing as well as a bamboo upcycling camp for a group of primary school students to promote their understanding of upcycling.

In mainland China, our volunteer teams organized diverse activities to support youth development, ranging from a visit to the Forbidden City in Beijing with volunteers from Riverside 66 in Tianjin, to a painting event at a rural school facilitated by

volunteers from Heartland 66 at Wuhan. To promote the message of greening the environment and enhancing awareness about air quality, volunteers from Center 66 in Wuxi and Parc 66 in Jinan hosted planting workshops for local primary school students and explained how plants can help to improve air quality. Our teams also visited nursing homes for senior citizens. Volunteers from Olympia 66 in Dalian made dumplings together with senior citizens while volunteers from Grand Gateway 66 in Shanghai presented sachets of traditional Chinese medicine to the elderly.

Hang Lung Young Architects Program

After receiving an overwhelmingly positive response in 2017, the Hang Lung Young Architects Program returned in 2019 with the theme “Sketch Your Sky”. During the program, 330 students from 66 secondary schools will appreciate the beauty and stories of architecture, and will explore the connection between architecture and our communities through a series of seminars, workshops, and walking tours. The participants will be involved in a creative project competition, and the three winning teams will be awarded overseas architectural tours to broaden their horizons.

Supply Chain Management

Embedding sustainability throughout our value chain requires collaboration. In our Supplier Code of Conduct, we define the basic standard of conduct and the sustainability principles that all our suppliers and contractors must observe. Major areas covered by the Supplier Code of Conduct include compliance with local legislation, prohibitions against child and forced labor, health and safety standards, and protection of the environment. To ensure compliance, we conduct regular

assessments of all suppliers and annual performance reviews with major suppliers. We also maintain the Central Environmental Purchasing Policy to encourage our employees, suppliers, and contractors to procure local and environmentally responsible products and services.

Sustainability Recognition

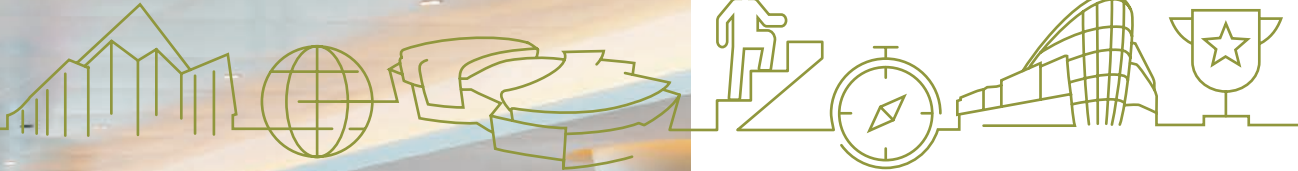
Our sustainability performance and the transparency of our disclosure practices have received both local and international recognition. We have been listed as a constituent of the Hang Seng Corporate Sustainability Index in Hong Kong and the Hang Seng (Mainland and Hong Kong) Corporate Sustainability Index with an “AA” rating for the last decade. In the global arena, we have been selected as a member of the Dow Jones Sustainability Indices Asia Pacific Index for three consecutive years, and maintained a 3-Star performance rating and A-grade disclosure rating under the Global Real Estate Sustainability Benchmark (GRESB). These honors recognize companies with outstanding sustainability performance based on objective assessments of public disclosure, policies adopted, and performance in selected areas.



The Hang Lung Young Architects Program 2019-20 engaged 15 leaders from the construction industry and academia to take up roles as Program Advisors



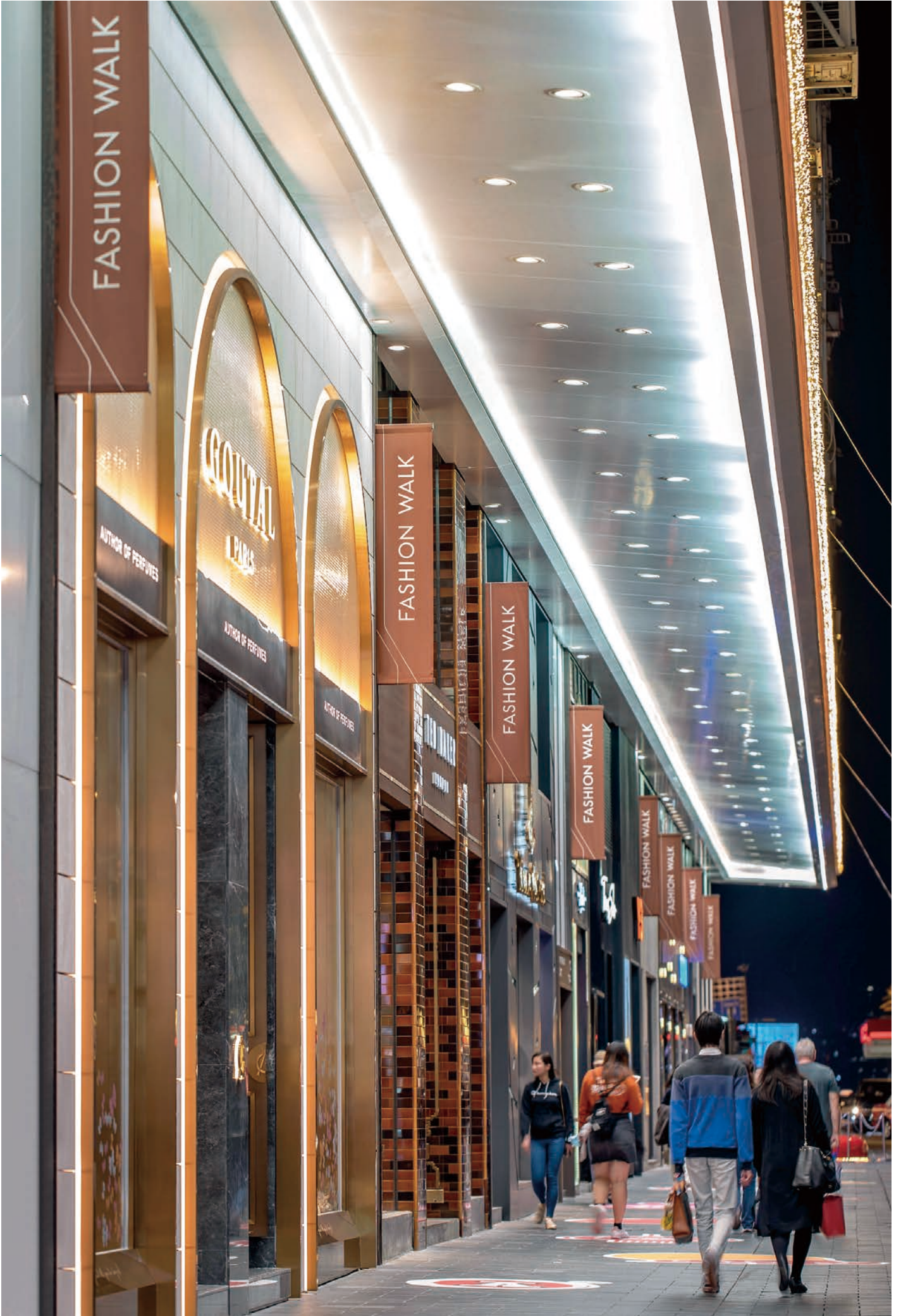
DISCIPLINED EXECUTION







Palace 66, Shenyang



The Corporate Governance Report sets out the details of our risk management and internal control systems. The Company's principal risks in 2019 are listed below:

Property Development Risk

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

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Heavy capital investment coupled with a long investment period and market cycles provide both opportunities and challenges in land acquisition	⇌	<ul style="list-style-type: none"> Set investment strategy, criteria and risk appetite prior to land acquisition Consolidate local market information Conduct appropriate due diligence including third party expert reviews Identify critical resource constraints in funding or manpower for proper planning Undertake structured analyses of business opportunities Exercise financial prudence and continuous monitoring of return on investment
Complexity of design, tight deadlines and fluctuations in materials costs after tender award due to major changes in macro government policies present implementation challenges in delivering projects safely, on budget, on time and in line with the required quality	⇌	<ul style="list-style-type: none"> Establish clear roles and responsibilities for accountability and division of duties among the Development and Design, Project Management, Cost and Controls, Leasing, and Service Delivery departments at various stages of the development cycle Closely monitor project progress and review all aspects of a development's planning and construction Closely monitor the costs and supply of materials, tighten controls on price variation claims, define terms in both the tenders and the contracts, and conduct careful tender analyses to verify the returned tender prices Carry out factory inspections to ensure quality of materials before delivery to site and set up workmanship mock-up for inspection before commencement of works Identification and rectification of any non-compliance cases by the designated safety manager and external safety consultant Establish clear and comprehensive policies and procedures with periodic enhancements to tighten controls Provide regular and comprehensive reports to the Audit Committee and the Board, and strengthen management supervision
Introduction of new government regulations or sudden policy changes without sufficient consultation could adversely affect a project's development	⇌	<ul style="list-style-type: none"> Actively engage with regulatory bodies and professional firms on updates to laws and regulations Monitor the impact of major breaches or noncompliance with regulatory requirements, if any Continue monitoring and assessing the impact of regulatory changes, prepare legal updates on a quarterly basis and conduct legislative trend analyses Maintain proper and sufficient documentation as far as possible

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

Business and Operational Risk

We ensure that our properties remain highly competitive by closely monitoring and responding to the business environment and market trends. However, changing socio-political conditions, the advent of digital technologies, and ever-changing consumer behavior always present new challenges to our business. The social unrest in Hong Kong during the second half of the reporting year led to varying degrees of impact on customer footfall and leasing revenue at our malls, with landlord incentive offers and tenancy terminations beginning in the third quarter of the year.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Social unrest in Hong Kong undermines ongoing business and overall business environment	 <p>Demonstrations and vandalism in Hong Kong trigger rental negotiations, damages of property facilities, and disruptions of business operations</p>	<ul style="list-style-type: none"> • Monitor the development of social unrest closely and flag up alerts in a timely manner • Strengthen safety measures and protocols, step up crisis preparedness, and develop business continuity plans • Track any damage to properties, facilities, and systems, with timely follow-up on repair and maintenance needs, and raise high alert of fire risk • Communicate with tenants in a timely manner, monitor occupancy costs, and provide tailored assistance according to impact • Provide incentives and awards to employees to boost morale and retain existing staff, and increase additional headcount if needed
Changes in economic conditions and a challenging retail market in mainland China could impact our business strategy		<ul style="list-style-type: none"> • Conduct structured market studies and consumer research to understand competitors and customer needs • Clearly define and present three types of malls with different positioning strategies in mainland China • Review and enhance tenant mix regularly at each project site and to engage new brands • Review the asset performance of each property on a regular basis, fine-tune business strategy, including the refinement of positioning and different product lines for existing malls, to remain competitive • Perform tenant and shopper surveys to further improve levels of satisfaction and overall service quality • Undertake project renovations and employ proactive marketing strategies as necessary
Fast-paced technological innovations such as e-commerce and robotic technology, as well as rapidly changing consumer behavior and taste could impact the Company's business model or strategy	 <p>Advances in technology and changes in consumer behavior undermining competitiveness</p>	<ul style="list-style-type: none"> • Study the latest relevant technologies for understanding consumers through data and video analytics, smart retail solutions and artificial intelligence • Explore and adopt appropriate latest technologies such as virtual reality/augmented reality, 3D imaging, innovative digital platform solutions for creating exciting new experiences • Ensure IT infrastructure readiness for anticipated IT developments such as big data and cloud technology • Establish targeted Customer Relationship Management programs to better understand customers, drive sales, and increase customer loyalty
Major external disasters or crises, such as pandemics, pollutions, floods, earthquakes, cyber-crimes, etc., could impact assets or business sustainability		<ul style="list-style-type: none"> • Ensure appropriate insurance coverage for properties and business • Develop business continuity plans for each critical function • Continue to enhance IT security policies and guidelines, e.g. conduct IT disaster recovery drills and penetration tests • Implement crisis management training and drills, including cyber-attack scenarios • Conduct testing on the effectiveness of the design and implementation of crisis management plans • Introduce defense measures against gaps identified by the cyber security assessment



People Risk

Strong competition for talented staff and the tight labor market across the property management sector, especially during times of recent Hong Kong social unrest and public order events, presenting challenges to our frontline operations in ensuring a normal level of services in our Hong Kong malls. Moreover, inadequate supply of qualified and competent manpower at the second tier cities in mainland China continues to affect our new projects.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
<p>Failure to recruit, develop or retain staff with suitable capabilities and the capacity to support expansion/growth of the Company</p>	<p>  Challenges in recruiting/ retaining talents in Hong Kong  in mainland China </p>	<ul style="list-style-type: none"> • Develop a manpower plan to match existing and future human capital resources needs against our business strategy • Promote employer branding to attract and retain talents • Set-up internship program with reputable universities in both Hong Kong and mainland China, and expand sourcing channel for operating staff, e.g. retirees and flexi-workers • Review the competitiveness of our compensation and benefits regularly • Facilitate internal rotation and staff initiated career development under an internal job posting platform "CareerConnect" • Conduct talent review sessions to identify and retain staff with development potential • Provide training to ensure our staff possess the expertise and skills to support our business growth. Provide financial assistance for staff attending recognized professional development programs • Continue to enhance management trainee program in Hong Kong and mainland China • Operate an effective grievance reporting system
<p>Fraud and corrupt activities could result in significant financial losses and/or impact the reputation of the business</p>	<p>  </p>	<ul style="list-style-type: none"> • Strengthen commitment to the highest standards of integrity and accountability • Provide continuous training and reinforce communications with staff on integrity, impartiality, and honesty • Operate an effective whistleblowing mechanism • Review and update Staff Handbook and Code of Conduct periodically to emphasize zero tolerance for unethical behavior

Treasury Risk

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

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Part of the Company's borrowings is floating-rate bank loans, which could expose us to rising interest rates		<ul style="list-style-type: none"> Adopt various measures such as the issuance of fixed rate bonds and loans, the use of derivatives such as interest rate swaps for managing an appropriate mix of fixed/floating debts Maintain a relatively conservative gearing ratio
Our business in mainland China has by nature currency risk from the capital investment, as well as risks from the currency mismatch between revenue and debts		<ul style="list-style-type: none"> Maintain an appropriate level of Renminbi resources for the Company's capital requirements in mainland China Monitor currency risk and perform sensitivity analyses periodically Modify the currency hedging strategy when necessary
Market liquidity may change from time to time and limit our ability to borrow adequate and cost-effective funding		<ul style="list-style-type: none"> Management of cash and financing at corporate level by the treasury team Maintain closer relationships with banks and intermediaries Manage the maturity profile of deposits and loans to minimize refinancing risk Establish and maintain diversified channels of debt financing
Credit/counterparty risk exposure is primarily in rents receivable and deposits placed with banks		<ul style="list-style-type: none"> Undertake comprehensive credit assessments of prospective tenants Require rental deposits and rent in advance, and closely monitor outstanding rents to mitigate rents receivable risk Assign bank exposure limits to mitigate concentration risk on our deposits Only make deposits with banks that have sound financial strength and/or good credit ratings

In addition, to address the principal risk categories faced by the Company, specific emerging risks, such as US-China trade dispute, the environmental impact of climate change, and the latest technological innovation such as artificial intelligence impacting our business model, have been monitored closely and reviewed periodically during the year. The Company recognizes that the potential impact of such emerging risks may become more significant in the future.

To build a sustainable future, we are always mindful of pursuing good corporate governance with a clear vision on sustainability. We recognize that sound corporate governance is a strong foundation for our sustainable business growth and a key to long-term success.

Our Strong Belief in Governance

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

Corporate Governance Structure



A Sound Corporate Culture

As good governance is essential to corporate success, we have always been proud of our We Do It Right business philosophy, which has guided us to operate our business with integrity and honesty. A sound culture of governance has to reach all levels of the organization, and the highest standards of integrity and honesty from every employee in every process is expected. Our professional management together with the Board strive to instill integrity into every aspect of our business in every city where the Company is operating its world-class projects.

Professional and Responsible Board

The Board comprises professionals from different sectors of society, who bring a wide range of business and financial experience and expertise to the Board. The Board includes a balanced composition with a strong independent element which can effectively exercise impartial judgment. To enhance the function of the Board, three Board committees, namely, the Executive Committee, Audit Committee and Nomination and Remuneration Committee have been set up to assume different responsibilities.

Prudent Risk Management

The Company recognizes the various risk factors it will face in its operations and properly deals with them in a manageable manner by setting a good internal control environment and making continuous improvements to suit the changing operational needs. Further explanations are disclosed hereunder and in the Risk Management section of this annual report.

Compliance with Corporate Governance Code

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

The key cases are listed below:

Board & Board Committees

- Six regular Board meetings in 2019
- Four Audit Committee meetings in 2019
- Nomination and Remuneration Committee comprising INEDs only
- Audit Committee members meeting external auditor without the presence of management four times in 2019

Sustainability

- Sustainability framework in place since 2012 with the establishment of Sustainability Steering Committee
- ERM Working Group as a robust forum for risk management
- Well established framework for robust crisis management
- Publication of separate sustainability reports 2017 and 2018, which exceeded the requirements of the ESG Guide and received independent third party assurance
- External independent assessment on the framework of ERM

Accountability

- Publication of results announcement within one month from the end of accounting period
- Adoption of Code of Conduct since 1994
- Well-defined whistleblowing policy
- Whistleblowing cases reported to the Audit Committee on a half-yearly basis
- Confirmation of compliance with the Code of Conduct regarding "Transactions in the Company's Shares" by all executive staff on a half-yearly basis
- Declaration of interest with the Company, subsidiaries or associated companies by all executive staff on a half-yearly basis
- Half-yearly reminder to all staff on the policy governing conflict of interest situations

Communications

- The Chairman's detailed explanation of the business strategies and outlook of the Group in his Letter to Shareholders
- Open and direct dialogue between the Chairman and shareholders in AGM
- Serving of AGM notice with more than 20 clear business days

(I) Effective and Qualified Board

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

Composition

The Board currently comprises 11 members:

- four Executive Board Members
 - Mr. Ronnie C. Chan (Chairman)
 - Mr. Weber W.P. Lo (Chief Executive Officer)
 - Mr. H.C. Ho (Chief Financial Officer)
 - Mr. Adriel W. Chan
- three NEDs
 - Mr. Gerald L. Chan
 - Mr. George K.K. Chang
 - Mr. Roy Y.C. Chen
- four INEDs
 - Mr. Simon S.O. Ip
 - Prof. P.W. Liu
 - Prof. L.C. Tsui
 - Mr. Martin C.K. Liao

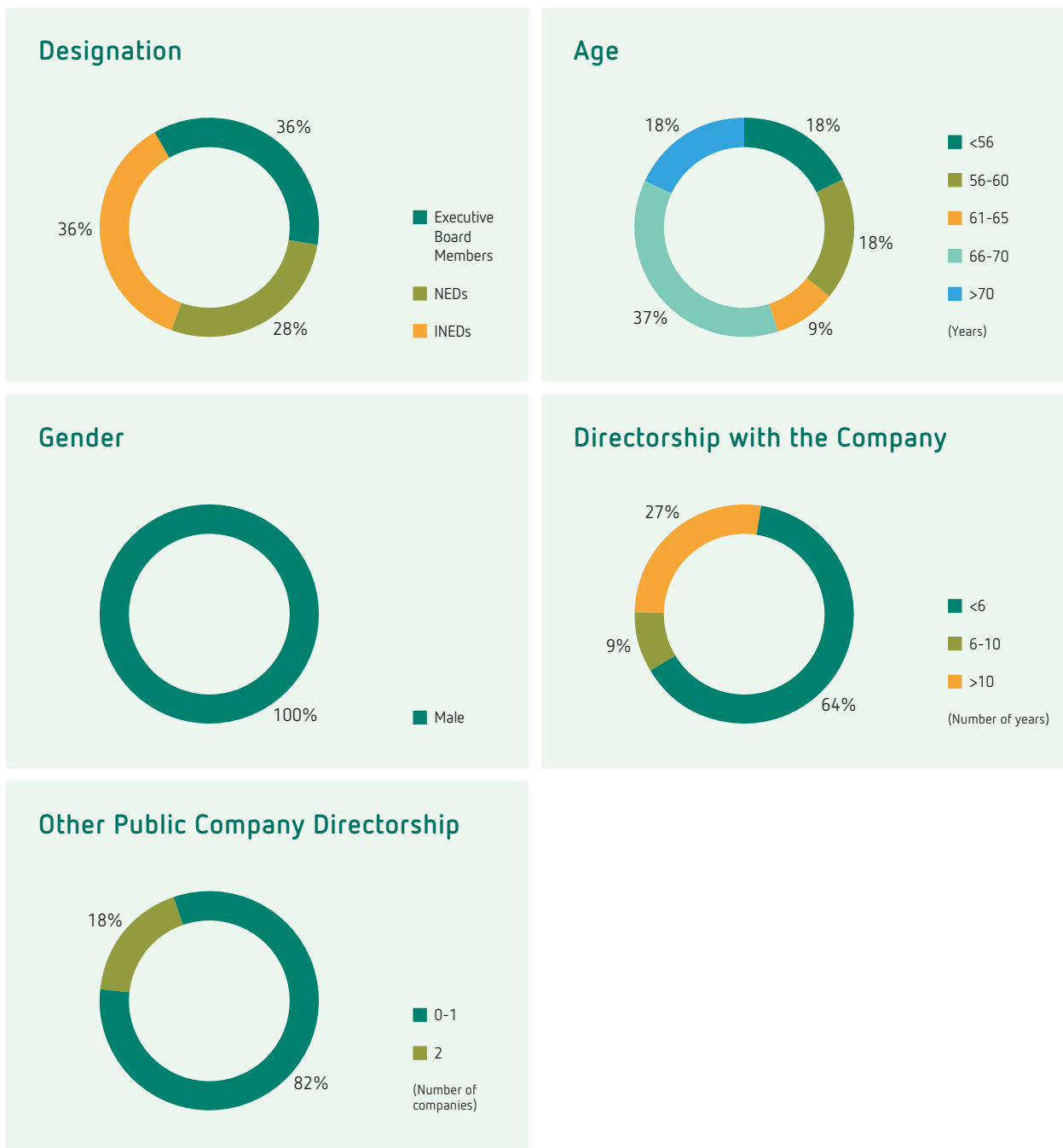
Our NEDs and INEDs possess diverse academic and professional qualifications or related financial management expertise and bring a wide range of business and financial experience to the Board.

Mr. Ronnie C. Chan is a brother of Mr. Gerald L. Chan, a cousin of Mr. Roy Y.C. Chen and the father of Mr. Adriel W. Chan. Mr. George K.K. Chang is an employee of Morningside Group, which was co-founded by Mr. Ronnie C. Chan and Mr. Gerald L. Chan and is currently chaired by Mr. Gerald L. Chan.

Board Diversity

The Board has a policy setting out the approach to achieve diversity on the Board (the Board Diversity Policy) with the aim of enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge, and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board Diversity Policy is available on our website under Board of Directors of Corporate Governance of the Investor Relations section.

Board composition and diversity as at December 31, 2019 are as follows:



The current Board consists of a diverse mix of Board Members with appropriate skills and experience to lead and oversee the business of the Company, and depending on the needs of our growing business and the availability of competent candidates to fulfill those needs, suitably qualified individuals will be considered in the future for membership.



Functions

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

The Board is responsible for, among other things:

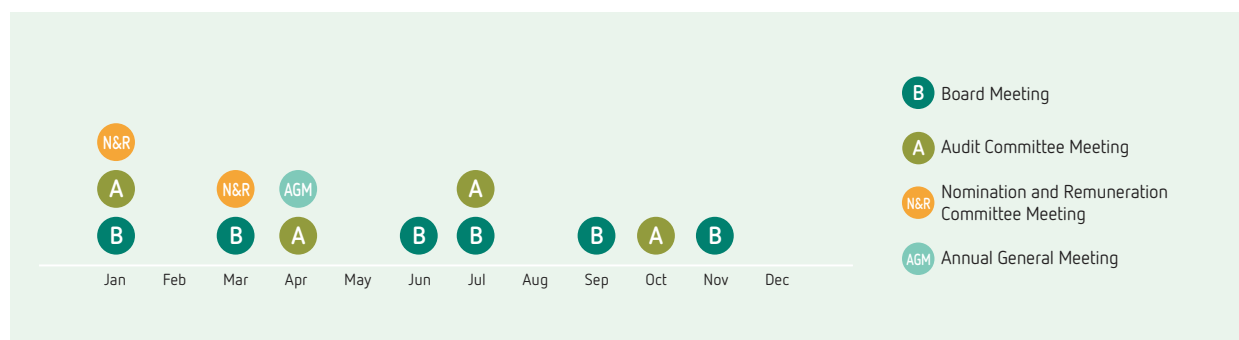
- ensuring continuity of leadership;
- the development of sound business strategies;
- the deployment of adequate capital and managerial resources to implement the business strategies adopted; and
- the adequacy of systems of financial and internal controls, risk management, as well as the conduct of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

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

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

In 2019, six regular Board meetings were held. Two Board meetings were held during two offsite Board trips: (1) a London trip for visits to certain leading mall operators and (2) a Shenyang trip for visits to the Group's properties at Palace 66 and Forum 66 (including the recently completed hotel project – Conrad Shenyang) and competitors' malls.

Timeline for the Board meetings, Committees meetings and AGM held in 2019 is set out below:



In 2019, the average attendance rate of Board Members at Board meetings was 91%. Details of Board Members' attendance records in 2019 are set out below:

Board Members	Meeting Attended/Held			
	Board	Audit Committee	Nomination and Remuneration Committee	2019 AGM
Independent Non-Executive Directors				
Simon S.O. Ip	6/6	4/4	2/2	1/1
P.W. Liu	6/6	4/4	2/2	1/1
L.C. Tsui	5/6	4/4	N/A	1/1
Martin C.K. Liao	6/6	N/A	2/2	0/1
Non-Executive Directors				
Gerald L. Chan	2/6	N/A	N/A	1/1
George K.K. Chang	6/6	4/4	N/A	1/1
Roy Y.C. Chen	5/6	N/A	N/A	1/1
Executive Directors				
Ronnie C. Chan	6/6	N/A	N/A	1/1
Weber W.P. Lo	6/6	N/A	N/A	1/1
H.C. Ho	6/6	N/A	N/A	1/1
Adriel W. Chan	6/6	N/A	N/A	1/1

Board Process and Access to Information

Any Board Member can give notice to the Chairman or the Company Secretary if he intends to include matters on the agenda of a Board meeting. Board or committee papers will be sent to all Board Members or committee members at least three days before the intended date of a Board meeting or committee meeting. Management also supplies the Board and its committees with sufficient information and analyses so as to enable them to make an informed assessment of financial and other information put before the Board and its committees for approval. Management is also invited to join Board meetings where appropriate. The Company Secretary has kept the minutes of Board meetings and committee meetings together with related board or committee papers and materials, which are available for inspection by Board Members.

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

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

In addition, all Board Members have access to the advice and services of the Company Secretary, a full time employee of the Company, who is responsible to the Board for ensuring that procedures are followed and that all applicable laws, rules and regulations are complied with. The Company Secretary supports the Board by ensuring good information flow within the Board and is also a source of advice to the Chairman and to the Board on corporate governance and the implementation of the CG Code. The Company Secretary has confirmed that she took more than 15 hours of relevant professional training to update her skills and knowledge in 2019.

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

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

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

2. Clear Division of Responsibilities between Chairman and Chief Executive Officer

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure a balance of power and authority.

Chairman

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

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

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

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

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

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

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

Chief Executive Officer

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

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

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

To cope with the fast pace of expansion and the ever changing operating environment, management, under the leadership of the Chief Executive Officer, has put great effort into enhancing our operating system as well as our corporate culture with a regular integrity program for our staff. These reflect the way Hang Lung runs its business – We Do It Right.

To become the most admired commercial property developer in Hong Kong and mainland China, the Chief Executive Officer has also formulated and led the management team to implement strategies to strive for sustainable growth.

3. Independence of INEDs

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

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

4. Appointment, Re-election and Removal

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

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

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

5. Continuous Professional Development

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

All Board Members are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Chairman also arranges suitable training for Board Members from time to time. In 2019, the Company organized for the Board Members a seminar on global development on ESG for their better understanding and discussion on climate-related risks as well as the interconnectivity of global risks.

Record of training received by each Board Member in 2019 is summarized below:

Board Members	Types of Training
Ronnie C. Chan	A, B, C
Weber W.P. Lo	A, B, C
Gerald L. Chan	B, C
Simon S.O. Ip	A, B, C
P.W. Liu	A, B, C
L.C. Tsui	A, B, C
Martin C.K. Liao	A, B, C
George K.K. Chang	A, B, C
Roy Y.C. Chen	A, B, C
H.C. Ho	A, B, C
Adriel W. Chan	A, B, C

- A Attending seminar(s)/forum(s) and/or giving talk(s) relating to the business or directors’ duties
- B Reading materials relating to the business or directors’ duties
- C Attending corporate event(s)/visit(s)

(II) Delegation by the Board

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

1. Executive Committee

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

2. Audit Committee

An Audit Committee was established by the Board in 1999. The Committee currently comprises three INEDs and one NED, namely, Mr. Simon S.O. Ip (Chairman of the Committee), Prof. P.W. Liu, Prof. L.C. Tsui and Mr. George K.K. Chang. They possess appropriate academic and professional qualifications or related financial management expertise.

Under the CG Code, it is required that meetings are held at least two times per year with the external auditor. Separate meetings are also held with the external auditor, in the absence of management, as and when required. The Audit Committee has exceeded the CG Code requirements and held four meetings in 2019 for the purpose of, inter alia, discussing the nature and scope of internal audit work and assessing the Company's internal controls. Moreover, the Committee met the external auditor four times in 2019 without the presence of management.

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

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

In 2019, the Audit Committee performed, inter alia, the following:

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

- reviewed and obtained an explanation from management and the external auditor for the interim and annual results, including the changes from the previous accounting period, the effects on the application of new accounting policies, compliance with the Listing Rules and relevant legislation, and any audit issues, before recommending their adoption by the Board;
- considered and proposed to the Board the reappointment of KPMG as the Company's external auditor and approved its terms of engagement;
- reviewed the procedures and guidelines for employing the external auditor to perform non-audit assignments for the Company, and approved the scopes and fees for non-audit assignments;
- received and reviewed the internal audit reports from the Internal Auditor;
- held meetings with the external auditor in the absence of management to discuss any material audit issues;
- held meetings with the Internal Auditor in private to discuss material internal audit issues;
- approved the internal audit plan for 2020; and
- carried out reviews of the effectiveness of the Company's risk management and internal control systems including tax strategy, the structure of senior management, the adequacy of resources, staff qualifications and experience, as well as training for financial reporting and internal audit.

Corporate Governance Functions

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

The Audit Committee also reviewed ESG related risks and confirmed that the ESG risk management and internal control systems were in place and remained effective throughout 2019.

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

3. Nomination and Remuneration Committee

A Nomination and Remuneration Committee, set up in 2003, now comprises entirely INEDs, namely, Prof. P.W. Liu (Chairman of the Committee), Mr. Simon S.O. Ip and Mr. Martin C.K. Liao. Regular reviews of significant changes to the salary structure of the Group and the terms and conditions affecting Executive Board Members and senior management are conducted. The Committee met twice in 2019 to review, inter alia, the composition of Board Members and Board Members' remuneration.

The existing terms of reference of the Committee has contained the criteria and principles for nomination of Board Members. In view of the amendments to the CG Code which took effect from January 1, 2019, the terms of reference of the Committee has been revised to formally regard those criteria and principles as the nomination policy for Board Members. The updated terms of reference of the Committee can be accessed on both our website, under Nomination and Remuneration Committee of Corporate Governance of the Investor Relations section, and the website of HKEx.

The major works performed by the Committee in 2019 included the following:

- reviewed the Board Diversity Policy and its implementation;
- reviewed the structure, size and diversity of the Board;
- assessed the independence of the INEDs;
- made recommendations to the Board on the selection of individuals nominated for directorship with reference to qualifications and related expertise;
- made recommendations to the Board on re-election of retiring Board Members at the AGM;
- made recommendations to the Board on the Company's remuneration policy and structure for all Board Members and senior management;
- determined the remuneration packages for individual Executive Board Members and senior management, including benefits in kind, pension rights, and compensation payments;
- made recommendations to the Board on the remuneration of the NEDs and INEDs; and
- reviewed the Group's share option scheme and grant of share options.

In the nomination policy, the Committee will:

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

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

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

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

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

Details of remuneration payable to members of the senior management (which includes Executive Board Members only) are disclosed in Note 7 to the Financial Statements.

4. Management Functions

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

(III) Securities Transactions and Share Interests

1. Securities Transactions

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

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

2. Share Interests

Details of Board Members' interests in shares of the Company and HLP as at December 31, 2019 are as follows:

Board Members	The Company		Hang Lung Properties Limited	
	Number of Shares	Number of Shares	Number of Shares	Number of Shares under Option
Ronnie C. Chan	11,790,000	16,330,000		24,025,000
Weber W.P. Lo	–	–		12,750,000
Gerald L. Chan	–	–		–
Simon S.O. Ip	–	–		–
P.W. Liu	–	100,000		–
L.C. Tsui	–	–		–
Martin C.K. Liao	–	–		–
George K.K. Chang	–	–		–
Roy Y.C. Chen	–	–		–
H.C. Ho	–	–		13,600,000
Adriel W. Chan ^(Note)	508,421,580	2,634,270,340		4,400,000

Note

Mr. Adriel W. Chan was deemed to be interested in 508,421,580 shares of the Company and 2,634,270,340 shares of HLP as he was a discretionary beneficiary of a family trust. The family trust held 508,421,580 shares (representing 37.34% interests) of the Company and held/was deemed to be interested in 2,634,270,340 shares of HLP.

(IV) Accountability and Audit

1. Financial Reporting

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

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

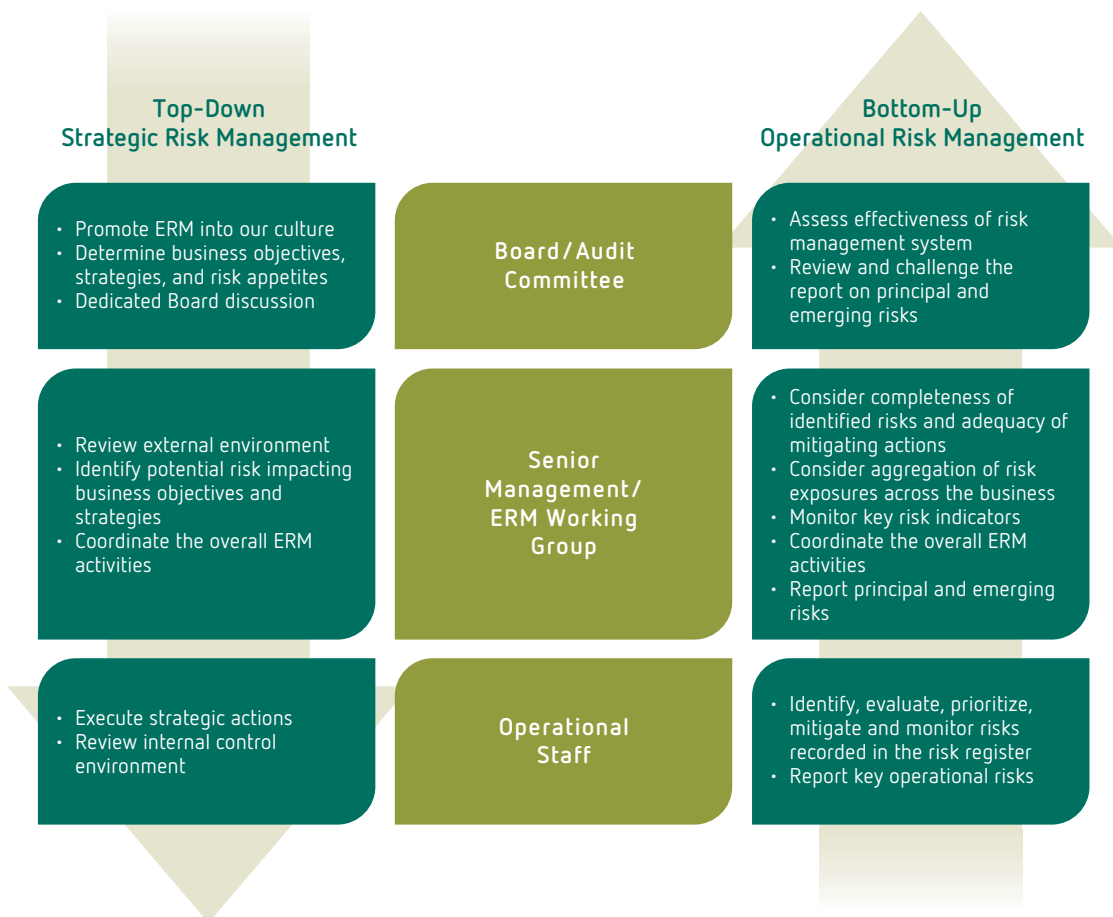
2. Risk Management and Internal Controls

Risk Management Framework

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

Risks are inherent in every sector of our business. It is important to have a risk-aware culture throughout the organization, as well as a systematic approach to identify and assess risks such that they can be reduced, transferred, avoided or understood. We are committed to continuously enhancing our risk management framework, linking it to our corporate strategies as well as integrating it into our day-to-day operations and decision-making. Under its approved terms of reference, the ERM Working Group (comprising an Executive Board Member as Chairman and unit heads from all business units and support divisions) has been established as our second line of defense to coordinate and oversee risk management activities, whilst operational management remains the first line of defense. The Internal Audit Department, who reports directly to the Audit Committee on risk management and internal control matters, acts as the third line of defense in this system.

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



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

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

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

The principal risks that the Company faces may not change significantly from year to year, although the magnitude and significance of these risks can and do vary. Our ongoing review of the principal risks focuses on how changes might arise and how our controls need to be adapted in response to evolving business conditions and organizational changes. The ERM Working Group takes a robust assessment of the principal risks and uncertainties that the Company is exposed to.

The unprecedented social unrest in Hong Kong beginning in June 2019 brought varying degree of property damages and service disruption to our malls, resulting in an immediate to medium-term impact to our leasing revenue and incurring additional expenses. To minimize impact and mitigate risks to our properties and service operations, cross-departmental emergency and crisis handling capabilities have been stepped up to ensure round-the-clock deployment and communications with stakeholders. Safety of stakeholders including our staff remains our highest priority. Crisis management protocols were being stepped up as part of the effort to strengthen preparedness and alertness of our staff. In view of the retail headwind, our leasing team reached out and offered assistance to individual tenants who were impacted by reduced customer footfall and revenue.

The environmental impact of climate change was identified as an emerging risk, and a directors' training titled "Global Development on ESG" was organized for our Board members' better understanding and discussion of climate-related risks, as well as the interconnectivity of global risks. Meanwhile, risks from changing consumer behavior or taste and fast-paced innovation in technology continued to present challenges to our business strategy. These principal risks and their respective mitigating actions are covered in the Risk Management section of this annual report.

As the second line of defense, the ERM Working Group is responsible for overseeing risk management activities across all functions. In 2019, it met four times and achieved the following:

- Reviewed the effectiveness of the Company's ERM framework;
- Reviewed risk assessment criteria to ensure that they were appropriately defined and continued to be relevant in light of the Company's business and risk profile;

- Organized various workshops for management and operational staff to promote the ERM framework and to embed a risk-aware culture for monitoring and reporting risks within the Company;
- Identified and evaluated the Company's principal risks and key emerging risks;
- Evaluated the comprehensiveness of identified risks at operational level;
- Challenged the risk owners on the mitigation controls and their effectiveness;
- Analyzed root causes and checked risk enforcement in key areas where controls were previously inadequate or ineffective;
- Examined crisis management capacity for handling large-scale, sudden operational adversities; and
- Compiled relevant and timely risk reports including "deep-dives" for the Board and the Audit Committee.

ERM Working Group Primary Duties

- Ensure appropriate guidelines and procedures applicable to risk assessment are in place
- Establish risk appetite and tolerance level
- Ensure risk assessment criteria are defined
- Coordinate and maintain a register of principal risks
- Facilitate risk identification, including key new risks and risk changes
- Assist in evaluation of the Company's principal risks and key emerging risks
- Facilitate management in assigning roles and responsibilities for risk control and ownership

During the year, an external independent assessment on our ERM framework was conducted by one of the leading accounting firms, who confirmed that our ERM framework offers a structured approach to risk management and is fit for the Company's size and needs. It further affirms that our ERM framework is generally better established than the market norm, as compared to other non-financial services sector companies listed in Hong Kong, especially in risk assessment, measurement, management, monitoring, reporting and insights.

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

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

Internal Control Framework

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

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

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

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

Our Internal Audit Department is independent from our operations and accounting functions. The Director of Corporate Audit reports directly to the Audit Committee. A risk-based internal audit program is approved by the Audit Committee each year. Based on the audit program, the internal auditors perform assessment of risks and testing of controls across all business and support units of the Company in order to provide reasonable assurance that adequate controls and governance are in operation. In line with the Company's zero tolerance for fraud and bribery, the internal auditors will perform relevant investigations if fraud or irregularities are uncovered or suspected.

In 2019, the Audit Committee met quarterly to discuss internal audit issues with the Internal Auditor, as well as to enquire on financial and internal control matters with the external auditor. The Audit Committee held four direct discussions with the external auditor in the absence of management. The Audit Committee reported to the Board on key issues arising from these meetings.

There were no significant control failings or weaknesses identified in 2019. Our internal audit function has been operating effectively.

Annual Assessment

With the confirmation of the management and the foregoing review by the Audit Committee covering all material controls, including financial, operational and compliance controls, and risk management functions of the Company and its subsidiaries for the financial year ended December 31, 2019, the Board concluded that effective and adequate risk management and internal control systems had been in operation.

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

3. Code of Conduct

The Company adopted a corporate Code of Conduct in 1994 and has maintained it with regular reviews and updates from time to time as necessary.

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

In order to monitor and enforce compliance with the Code of Conduct, functional managers are responsible for ensuring their subordinates fully understand and adhere to the standards and requirements as stipulated. Any violation thereof will result in the employee being disciplined, including termination of employment or reporting to appropriate authorities if necessary. The

Executive Board Members will also answer directly to any Board Member for impartial and efficient handling of complaints received from all shareholders and potential shareholders, customers and consumers, suppliers and contractors, and our employees. As part of our commitment to good governance, all executive staff are required to submit a signed declaration of compliance with the Code of Conduct regarding Transactions in the Company's Shares on a half-yearly basis.

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

All staff are made aware of issues pertaining to integrity and the Company's zero-tolerance policy for misconduct through the Code of Conduct, policies, and procedures. Launched in 2013, the Hang Lung Integrity Program was established to enforce the highest standards of integrity and honesty from every process and every employee in Hong Kong and mainland China. To remind every employee of the importance of integrity, we have launched a new Integrity Digital Learning Program for all employees. In 2019, over 125,000 training hours were delivered to our employees, of which about 4,660 training hours were delivered as part of the program.

In addition, to make sure that all operations are managed in accordance with a high standard of professional practice and corporate governance, all employees are reminded of the policy governing conflict of interest situations every six months. All executive staff are also required to complete and sign a declaration form every six months declaring their

interest (if any), directly or indirectly, with the Company, subsidiaries or associated companies.

4. Inside Information

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

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

5. Independence of External Auditor

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

- the Audit Committee regularly reviews and monitors the independence of KPMG;
- the Audit Committee reviews the audit scope and non-audit services and approves the relevant fees;
- the policy on engaging the external auditor for non-audit services is in place and regularly reviewed by the Audit Committee. KPMG will confirm its independence before accepting the engagement of non-audit services; and

- the Audit Committee considers and proposes to the Board every year for the re-appointment of KPMG as the auditor.

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

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

	Year ended December 31, 2019 HK\$ (in million)	Year ended December 31, 2018 HK\$ (in million)
Statutory audit services	13	12
Non-audit services	3	4

(V) Communication with Stakeholders

1. Shareholders

The Board has a shareholders communication policy setting out strategies to promote effective communication with shareholders, with the aim of ensuring that shareholders are provided with information about the Company to enable them to engage actively with the Company and to exercise their rights as shareholders in an informed manner. The policy is regularly reviewed to ensure its effectiveness.

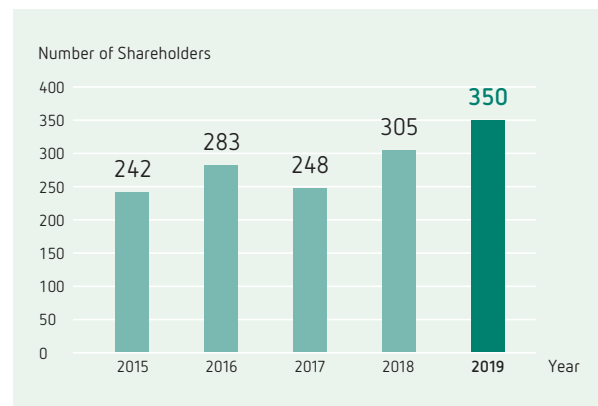
Chairman's Letters to Shareholders & AGMs

Our commitment to improve transparency and enhance communications with shareholders is evidenced by our Chairman's Letters to Shareholders. These Letters are personally written by our Chairman. The Letters are included in the annual reports and interim reports. They have provided an in-depth discussion and analysis on the Group's business, as well as the market and economic outlook.

Our AGM provides a good opportunity for communication between the Board and shareholders. The chairmen of the Board and of its committees are

normally present to answer queries raised by shareholders. The external auditor also attends and reports to shareholders at the AGM every year. Notice of the AGM and related papers are sent to shareholders at least 20 clear business days before the meeting. Each separate issue is proposed by a separate resolution by the Chairman. The meeting enjoys strong participation from shareholders.

Shareholders Participation in AGMs is as follows:



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

2019 AGM

Our last AGM was held on April 30, 2019 at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The meeting was attended by 350 shareholders present in person or by proxy. At the meeting, the Chairman had demanded a poll on each of the resolutions submitted for voting, and the shareholders were provided with detailed procedures for conducting the poll.

The resolutions tabled at the 2019 AGM included:

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

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

There are no changes in the Articles of Association, which is available on our website and the website of HKEx, in 2019.

The Board confirms that there are no changes proposed to the Articles of Association at the forthcoming AGM to be held on April 29, 2020. The important shareholders' dates for the coming financial year, which include the Board meetings for considering the payments of interim and final dividends for the year ending December 31, 2020, and the AGM, are expected to be held in around late July 2020, late January 2021, and in April 2021 respectively.

Procedure for Shareholders to Convene General Meetings

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

Procedure for Shareholders to Put Forward Proposals in General Meetings

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

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

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

- (i) a written notice of such a proposal duly signed by the shareholder(s) concerned; and
- (ii) a written consent duly signed by the Candidate indicating his/her willingness to be elected.

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

Enquiries from Shareholders

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

2. Investors

Details of shareholders by domicile as at December 31, 2019 are as follows:

Domicile	Shareholders		Shareholdings	
	Number	%	Number of Shares	%
Hong Kong	1,898	97.94	994,295,234	73.02
Mainland China	8	0.41	139,375	0.01
Macau	3	0.16	112,700	0.01
Taiwan	2	0.10	2,874	0.00
Australia and New Zealand	4	0.21	16,800	0.00
Canada and United States of America	14	0.72	97,923	0.01
South East Asia	1	0.05	33,000	0.00
United Kingdom	2	0.10	508	0.00
Others	6	0.31	366,919,828	26.95
TOTAL	1,938	100.00	1,361,618,242	100.00

Details of shareholders by holding range as at December 31, 2019 are as follows:

Holding Range	Shareholders*		Shareholdings*	
	Number	%	Number of Shares	%
1 - 1,000 shares	488	25.18	226,342	0.02
1,001 - 5,000 shares	652	33.64	1,968,896	0.14
5,001 - 10,000 shares	297	15.33	2,442,000	0.18
10,001 - 100,000 shares	457	23.58	12,685,711	0.93
Over 100,000 shares	44	2.27	1,344,295,293	98.73
TOTAL	1,938	100.00	1,361,618,242	100.00

* incorporating, in their respective shareholdings range, 263 participants of Central Clearing and Settlement System holding a total of 815,558,661 shares registered in the name of HKSCC Nominees Limited

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

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

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

Moving Forward

To become the most admired commercial property developer in Hong Kong and mainland China, we will continue to strive for sustainable growth by upholding Hang Lung core values – strong governance and the highest standard of integrity and honesty in Hong Kong and every city where the Group is operating its world-class projects. We are confident of offering our stakeholders a highly transparent and well-governed corporation.

PROFILE OF THE DIRECTORS



Mr. Ronnie Chichung Chan GBM

Chairman

Aged 70, Mr. Chan joined the Group in 1972, and became Chairman in 1991. He also serves as Chairman of Hang Lung Properties Limited, the Group's major publicly listed subsidiary. Mr. Chan is Vice-President of The Real Estate Developers Association of Hong Kong, Chairman Emeritus of Asia Society and Chairman of its Hong Kong Center. He is also a former Chairman of the Executive Committee of One Country Two Systems Research Institute, and former Vice President and former Advisor of the China Development Research Foundation in Beijing. Mr. Chan sits on the governing or advisory bodies of several think-tanks and universities, including Peterson Institute for International Economics, The Hong Kong University of Science and Technology, and University of Southern California, USA, where he received his MBA. He is a Fellow of the American Academy of Arts and Sciences. Mr. Chan is the brother of Mr. Gerald Chan, a Non-Executive Director of the Company and the father of Mr. Adriel Chan, an Executive Director of the Company.



Mr. Weber Wai Pak Lo

Chief Executive Officer

Aged 49, Mr. Lo joined the Company and its major listed subsidiary, Hang Lung Properties Limited, as Chief Executive Officer Designate in May 2018, and became Chief Executive Officer in July 2018. Mr. Lo has more than 25 years of experience in business management across the banking and fast-moving consumer goods sectors in Hong Kong and mainland China. Mr. Lo graduated from The University of Hong Kong in 1993 with a Bachelor of Social Sciences degree.



Mr. Gerald Lokchung Chan

Non-Executive Director

Aged 68, Mr. Chan has been a Director of the Company since 1986. As co-founder of Morningside, Mr. Chan has been active in venture capital and private equity investments since 1987. He also serves on the advisory boards of numerous universities including the University of California, Los Angeles, Harvard University and also the Chair of Overseers Committee of Morningside College, The Chinese University of Hong Kong. Mr. Chan received his undergraduate training in engineering at the University of California, Los Angeles, and his Doctor of Science degree from Harvard University. He is the Chairman of Apellis Pharmaceuticals, Inc. and Stealth BioTherapeutics Corp, and was a Non-Executive Director of Aduro Biotech, Inc. Mr. Chan is the brother of Mr. Ronnie Chan, Chairman of the Group.



Mr. Simon Sik On Ip ^{GBS, CBE, JP}

Independent Non-Executive Director

Aged 71, Mr. Ip joined the Board in 1998. He is a solicitor and Notary Public. Mr. Ip has a distinguished record of public service. He is a former Legislative Councillor, past President of the Law Society of Hong Kong, a past member of the Exchange Fund Advisory Committee, a past member of The Advisory Committee on Post-service Employment of Civil Servants and a member of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials. Mr. Ip is also a former Chairman of the Hong Kong Jockey Club. He is the Founding Chairman of the Hong Kong Institute of Education (now known as The Education University of Hong Kong) and holds honorary positions in two local universities and Tsinghua University. Mr. Ip was an Independent Non-Executive Director of 長飛光纖光纜股份有限公司 (Yangtze Optical Fibre and Cable Joint Stock Limited Company). He was awarded the Gold Bauhinia Star in July 2017.



Prof. Pak Wai Liu SBS, JP

Independent Non-Executive Director

Aged 72, Prof. Liu joined the Board as an Independent Non-Executive Director in March 2015. He is Research Professor and was formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong. He was formerly Director of the Institute of Global Economics and Finance and was appointed Distinguished Fulbright Scholar in 2000-01. Prof. Liu serves on many government advisory bodies. He is the Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials and a member of the Judicial Officers Recommendation Commission. Prof. Liu was a past member of the Working Group on Long-Term Fiscal Planning of the HKSAR, the Commission on Strategic Development, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR, the Provisional Minimum Wage Commission, the Independent Commission on Remuneration for the Members of the District Councils of the HKSAR and the Aviation Development Advisory Committee. He is also a Director of the Hong Kong Institute for Monetary and Financial Research of the Hong Kong Monetary Authority and the Shenzhen Finance Institute. He was a Non-Executive Director of the Securities and Futures Commission and Chairman of its Remuneration Committee. Prof. Liu received his AB degree from Princeton University and Ph.D degree from Stanford University in the US. He is an Independent Non-Executive Director of Transport International Holdings Limited and China Zheshang Bank Co., Ltd., and was an Independent Non-Executive Director of Hang Lung Properties Limited, listed subsidiary of the Company. Prof. Liu was awarded the Silver Bauhinia Star (SBS) in 1999, and appointed Justice of Peace (JP) in 2006.



Prof. Lap-Chee Tsui OC, GBM, GBS, JP

Independent Non-Executive Director

Aged 69, Prof. Tsui joined the Board as an Independent Non-Executive Director in November 2014. Prof. Tsui was the fourteenth Vice-Chancellor of the University of Hong Kong. He was a member of the Research Institute at The Hospital for Sick Children in Toronto, Canada since 1981, rising to Geneticist-in-Chief of the Hospital in 1996 and Head of the Genetics and Genomic Biology Program in 1998. Prof. Tsui also held academic appointments at the University of Toronto since 1983, was awarded the title of University Professor in 1994 and has held an Emeritus status since 2006. He was also the President of the Human Genome Organization from 2000 to 2002. Prof. Tsui has received numerous awards for his work, including the Royal Society of Canada Centennial Award in 1989, Gairdner International Award in 1990, Cresson Medal of Franklin Institute in 1992, XII Sanremo International Award for Genetic Research in 1993, the Distinguished Scientist Award from the Medical Research Council, Canada in 2000, Killam Prize of Canada Council in 2002, the European Cystic Fibrosis Society Award in 2009 and the 2018 Warren Alpert Foundation Prize. He was elected as Fellow of the Royal Society of Canada in 1990, Fellow of the Royal Society of London in 1991, Member of Academia Sinica in 1992, Foreign Associate of the National Academy of Sciences of the US in 2004, Foreign Member of the Chinese Academy of Sciences in 2009, and Founding President of The Academy of Sciences of Hong Kong (now known as Hong Kong Academy of Sciences) in 2015. Prof. Tsui obtained a bachelor's degree and master's degree in biology from The Chinese University of Hong Kong in 1972 and 1974 respectively. He also obtained a doctorate degree in biological sciences from the University of Pittsburgh in 1979. Prof. Tsui is an Independent Non-Executive Director of PuraPharm Corporation Limited. He was awarded the Grand Bauhinia Medal in July 2016.



Mr. Martin Cheung Kong Liao GBS, JP

Independent Non-Executive Director

Aged 62, Mr. Liao joined the Board as an Independent Non-Executive Director in November 2014. Mr. Liao is elected Deputy (representing Hong Kong Special Administrative Region ("HKSAR")) to the 11th to 13th National People's Congress of the People's Republic of China. He has been appointed as a Non-Official Member of the Executive Council of the HKSAR since November 2016 and also serves as a Member of the Legislative Council of the HKSAR. Mr. Liao previously served as Chairman of the Anti-Money Laundering and Counter-Terrorist Financing Review Tribunal. He graduated with a Bachelor of Economic Science (Hons) degree and a Master of Laws degree from University College London. Mr. Liao was Called to the Bar in England and Wales in 1984 and was Called to the Bar in Hong Kong in 1985 and is a practising barrister in Hong Kong. He is also an advocate and solicitor admitted in Singapore since 1992. Mr. Liao is an Independent Non-Executive Director of Bank of China Limited. He was awarded the Silver Bauhinia Star in 2014 and Gold Bauhinia Star in 2019, and appointed Justice of the Peace in 2004.



Mr. George Ka Ki Chang

Non-Executive Director

Aged 67, Mr. Chang joined the Board as a Non-Executive Director in March 2015. He is managing director of Morningside Group chaired and co-founded by Mr. Gerald Chan and co-founded by Mr. Ronnie Chan. Mr. Chang started his professional career in a major international accounting firm and has over eight years of experience in public accounting in Hong Kong and Toronto. Prior to joining Morningside Group in 1991, he held senior financial positions in several international manufacturing and trading companies. Mr. Chang received his M.B.A. degree from the University of Wisconsin at Madison and is a member of the American Institute of Certified Public Accountants, Canadian Institute of Chartered Accountants and Hong Kong Institute of Certified Public Accountants. He sits on the board of several private companies in Asia and North America. Mr. Chang formerly served as a board member of the publicly-traded companies and accumulated experience in high technology companies. He is an independent non-executive director of Crystal International Group Limited.



Mr. Roy Yang Chung Chen

Non-Executive Director

Aged 56, Mr. Chen joined the Board as a Non-Executive Director in September 2015. Mr. Chen is the Chairman and Chief Executive Officer of Grace Financial Limited specializing in wealth management. He is also a Director of Sterling Enterprises Limited responsible for managing various investments in global markets. Starting his career as merchant banker in the US and UK until joining Sterling Enterprises Limited since 1993, Mr. Chen has accumulated extensive experience in international banking, finance and investment. Mr. Chen has been actively involved in promoting and improving corporate governance with a special interest in family business situations since 2000 and was appointed the founding director of the Family Business Network Pacific Asia Ltd. (FBNPA) from 2008 to 2012. He is also the Chairman of Seeds Foundation and serves on the grants committee of ZeShan Foundation and Seeds Foundation. He previously served as a member of the Listing Committee of Hong Kong Stock Exchange, Takeovers and Mergers Panel and the Public Shareholders Group of the Securities and Futures Commission of Hong Kong. Mr. Chen received his Bachelor of Arts degree in Economics from Claremont McKenna College, and an MBA from Columbia University in the US.



Mr. Hau Cheong Ho

Chief Financial Officer

Aged 60, Mr. Ho joined the Group in 2008. He was appointed to the Board of the Company and of its publicly listed subsidiary, Hang Lung Properties Limited, in 2010. Mr. Ho possesses over 30 years of management experience covering a wide range of industries in England, Australia, Hong Kong and Mainland China. He qualified as a chartered accountant in England and Wales and Australia and holds an MBA from the University of Melbourne, Australia and a Bachelor of Commerce Degree in Accounting from the University of Birmingham, UK.



Mr. Adriel Wenbwo Chan

Executive Director

Aged 37, Mr. Chan joined the Group in 2010. He was appointed to the Board of the Company and of its major listed subsidiary, Hang Lung Properties Limited, in 2016. He is now mainly responsible for the Development and Design Department, Project Management Department (including its asset assurance & improvement team) and Cost & Controls Department. Mr. Chan is also the chairman of the Sustainability Steering Committee and a member of Enterprise Risk Management Working Group, among his other responsibilities within the Group. Prior to joining the Group, he worked in finance, audit, advisory, and risk management fields. Mr. Adriel Chan is a member of the executive committee of The Real Estate Developers Association of Hong Kong, the advisory council of The Hong Kong University of Science and Technology (the "HKUST") Business School, and oversees committee of Morningside College of The Chinese University of Hong Kong. He holds an Executive Master of Business Administration degree jointly awarded by the Kellogg School of Management at Northwestern University, USA and the HKUST, and a Bachelor of Arts degree in International Relations from University of Southern California, USA. Mr. Chan is a son of Mr. Ronnie Chan, Chairman of the Group.

PROFILE OF KEY EXECUTIVE



Ms. Margaret Ka Man Yan

Director – General Counsel & Company Secretary

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

REPORT OF THE DIRECTORS

The Directors of the Board have pleasure in submitting their report together with the audited consolidated Financial Statements for the year ended December 31, 2019.

Principal Activities

The principal activities of the Company are investment holding, and through its subsidiaries, property development for sales and leasing, property investment for rental income, and other investments. The Company and its subsidiaries (collectively referred to as the Group) also operate in car park management and property management, and through its joint ventures, are involved in the provision of dry and laundry cleaning services.

An analysis of the revenue and trading results of the Group by operating segments during the financial year is set out in Note 3 to the Financial Statements.

Principal Subsidiaries and Joint Ventures

A list of principal subsidiaries and joint ventures, together with their places of operations and incorporation and particulars of their issued share capital/registered capital is set out in Notes 38 and 39 to the Financial Statements.

Financial Results

The results of the Group for the year ended December 31, 2019 are set out in the consolidated Financial Statements on pages 151 to 217.

Dividends

The Board now declares a special dividend of HK26 cents per share and recommends a final dividend of HK63 cents per share which, together with the interim dividend of HK19 cents per share paid on September 26, 2019, makes a total of HK108 cents per share in respect of the year ended December 31, 2019. The proposed final dividend, if approved by the shareholders

at the AGM on April 29, 2020, will be paid on May 20, 2020 together with the special dividend to shareholders whose names appear on the register of members on May 7, 2020.

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

Business Review

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year along with the material factors underlying its results and financial position are included in the Review of Operations and Financial Review sections from pages 38 to 75 and pages 81 to 91, respectively, of this annual report. A description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Risk Management section from pages 105 to 108. The particulars of important events affecting the Company which have occurred since the end of the financial year 2019, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed in the Review of Operations section from pages 38 to 75 of this annual report.

An analysis of the Group's performance using financial key performance indicators is provided in the Financial Highlights and Financial Review sections from pages 6 to 7 and pages 81 to 91, respectively, of this annual report. A discussion of the Company's environmental policies and performance and an account of the Company's relationships with its key stakeholders are provided in the Sustainable Development section from pages 94 to 99 of this annual report.

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

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

Ten-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 218 and 219.

Major Suppliers and Customers

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

Distributable Reserves

The Company's reserves available for distribution to shareholders as at December 31, 2019 amounted to HK\$17,549 million (2018: HK\$16,920 million).

Donations

Donations made by the Group during the year amounted to HK\$17 million (2018: HK\$15 million).

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at December 31, 2019 are set out in Note 19 to the Financial Statements.

Borrowing Costs Capitalization

Borrowing costs capitalized by the Group during the year amounted to HK\$1,429 million (2018: HK\$251 million).

Major Group Properties

Details of major properties of the Group as at December 31, 2019 are set out on pages 72 to 75.

Share Capital

During the year, the Company did not issue any shares (2018: Nil).

Details of the movement in share capital of the Company during the year are set out in Note 23 to the Financial Statements.

Share Capital of the Company's Listed Subsidiary

During the year, the Company's listed subsidiary, HLP did not issue any shares (2018: 143,000 shares, fully paid, were issued for a total consideration of HK\$2,482,480 as a result of the exercise of share options under HLP's share option scheme).

Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Directors

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

Mr. Ronnie C. Chan
 Mr. Weber W.P. Lo
 Mr. Gerald L. Chan
 Mr. Simon S.O. Ip
 Prof. P.W. Liu
 Prof. L.C. Tsui
 Mr. Martin C.K. Liao
 Mr. George K.K. Chang
 Mr. Roy Y.C. Chen
 Mr. H.C. Ho
 Mr. Adriel W. Chan

The brief biographical details of the Directors of the Board are set out on pages 131 to 136. Details of their remuneration are set out in Note 7 to the Financial Statements.

In accordance with article 103 of the Articles of Association, Mr. Gerald L. Chan, Prof. L.C. Tsui, Mr. Martin C.K. Liao and Mr. Adriel W. Chan will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at <http://www.hanglunggroup.com> under Corporate Governance of the Investor Relations section.

Directors' Service Contracts

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

Directors' Interests in Transaction, Arrangement or Contract

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

Permitted Indemnity

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

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

As at December 31, 2019, the interests or short positions of each of the Directors of the Board in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO are as follows:

Name	Capacity	The Company (Long Position)		Hang Lung Properties Limited (Long Position)		
		Number of Shares	% of Number of Issued Shares	Number of Shares	% of Number of Issued Shares	Number of Shares under Option (Note 2)
Ronnie C. Chan	Personal	11,790,000	0.87	16,330,000	0.36	24,025,000
Weber W.P. Lo	Personal	–	–	–	–	12,750,000
Gerald L. Chan	–	–	–	–	–	–
Simon S.O. Ip	–	–	–	–	–	–
P.W. Liu	Personal & Family	–	–	100,000	–	–
L.C. Tsui	–	–	–	–	–	–
Martin C.K. Liao	–	–	–	–	–	–
George K.K. Chang	–	–	–	–	–	–
Roy Y.C. Chen	–	–	–	–	–	–
H.C. Ho	Personal	–	–	–	–	13,600,000
Adriel W. Chan	Personal & Other ^(Note 1)	508,421,580	37.34	2,634,270,340	58.57	4,400,000

Notes

1. Other interests included 508,421,580 shares of the Company and 2,634,270,340 shares of HLP held/deemed to be held by a trust of which Mr. Adriel W. Chan was a discretionary beneficiary. Accordingly, Mr. Adriel W. Chan was deemed to be interested in such shares under the SFO.

2. Movements of Options under the Share Option Schemes of Hang Lung Properties Limited

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

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option			Exercise Price per Share (HK\$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
		As at Jan 1, 2019	Exercised during the Year	As at Dec 31, 2019			
02/08/2010	Ronnie C. Chan	6,500,000	–	6,500,000	\$26.46	02/08/2012 : 10% 02/08/2013 : 20% 02/08/2014 : 30% 02/08/2015 : 40%	02/07/2020
09/29/2010	H.C. Ho	2,000,000	–	2,000,000	\$36.90	09/29/2012 : 10% 09/29/2013 : 20% 09/29/2014 : 30% 09/29/2015 : 40%	09/28/2020
06/13/2011	Ronnie C. Chan H.C. Ho	4,500,000 3,000,000	– –	4,500,000 3,000,000	\$30.79	06/13/2013 : 10% 06/13/2014 : 20% 06/13/2015 : 30% 06/13/2016 : 40%	06/12/2021

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

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

Save as disclosed above, none of the Directors of the Board had, as at December 31, 2019, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

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

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

As at December 31, 2019, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Note	Number of Shares or Underlying Shares Held (Long Position)	% of Number of Issued Shares (Long Position)
Chan Tan Ching Fen	1	508,421,580	37.34
Cole Enterprises Holdings (PTC) Limited	1	508,421,580	37.34
Merssion Limited	1	508,421,580	37.34
Adriel W. Chan	1	508,421,580	37.34
Kingswick Investment Limited	2	102,092,000	7.50
Dodge & Cox	3	134,650,000	9.89
Silchester International Investors LLP	3	110,342,000	8.10

Notes

1. These shares were the same parcel of shares held by Merssion Limited which was held under a trust. As Ms. Chan Tan Ching Fen was the founder, Cole Enterprises Holdings (PTC) Limited was the trustee and Mr. Adriel W. Chan was a discretionary beneficiary of the trust, they were deemed to be interested in such shares under the SFO.
2. This company was a wholly-owned subsidiary of Merssion Limited. Its interests were included in 508,421,580 shares held by Merssion Limited.
3. These shares were held in the capacity of investment managers.

Save as disclosed above, as at December 31, 2019, no other interests or short positions in the shares or underlying shares of the Company required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

Related Party Transactions

Details of the material related party transactions undertaken in the usual course of business are set out in Note 30 to the Financial Statements. None of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

Management Contracts

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

Purchase, Sale or Redemption of Listed Securities

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

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 109 to 130.

Auditor

The consolidated Financial Statements for the year ended December 31, 2019 have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Company until the conclusion of the next AGM is to be proposed at the forthcoming AGM.

By Order of the Board

Margaret Ka Man Yan

Company Secretary

Hong Kong, January 21, 2020



Independent auditor's report to the members of Hang Lung Group Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Hang Lung Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 151 to 217, which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Valuation of investment properties and investment properties under development

(Refer to note 11 (property, plant and equipment) and note 1(f) (accounting policy))

The Key Audit Matter

The aggregate fair values of the Group's investment properties and investment properties under development as at December 31, 2019 amounted to HK\$195,820 million, representing 92% of the Group's total assets as at that date.

The net increase in fair values of the Group's investment properties and investment properties under development recorded in the consolidated statement of profit or loss for the year ended December 31, 2019 amounted to HK\$10,154 million.

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

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

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

How the matter was addressed in our audit

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

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

Assessing the development costs of investment properties under development in Mainland China

(Refer to note 11 (property, plant and equipment) and note 1(f) (accounting policy))

The Key Audit Matter

The fair value of the Group's investment properties under development is determined using the direct comparison valuation methodology, with reference to comparable market transactions, to derive the fair value of the property assuming it was completed and, where appropriate, after deducting (1) the estimated development costs to be expended to complete each property development project and (2) the estimated profit margin.

Therefore, any increase in the estimated development costs to be expended to complete each property development project compared with the original management approved budgets could have a significant negative impact on the fair value of the Group's investment properties under development and, hence, the results for the year.

The Group's investment properties under development, which are located in different cities in Mainland China, comprise shopping malls, office premises and residential premises.

We identified the assessing the development costs of the Group's investment properties under development as a key audit matter because the determination of estimated development costs involves significant management judgement and estimation, in particular in relation to project feasibility studies, estimating future development costs to be expended to complete each property development project and the estimated profit margin.

How the matter was addressed in our audit

Our audit procedures to assess the development costs of investment properties under development in Mainland China included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over the preparation and monitoring of management budgets and forecasts of construction costs for each investment property under development;
- discussing the valuations of investment properties under development with the external property valuer in a separate private session and challenging key estimates adopted in the valuations including those relating to market selling prices, by comparing them with available market data, taking into consideration comparability and other local market factors;
- performing a retrospective review for all investment properties under development by comparing the actual construction costs incurred during the current year with those included in the prior year's forecasts in order to assess the accuracy of the Group's budgeting process;
- conducting site visits to all investment properties under development and discussing with management and the in-house quantity surveyor the development progress and the development budgets reflected in the latest forecasts for each property development project; and
- comparing, on a sample basis, the quantity surveyor's reports for the construction costs incurred for property development projects with the underlying payment records and other documentation relevant to the construction cost accruals and/or payments.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained all of the other information prior to the date of this auditor's report apart from "Chairman's Letter to Shareholders". The remaining information is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Wing Han, Ivy.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

January 21, 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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For the year ended December 31, 2019

	Note	2019	2018	<i>For information purpose only</i>	
		HK\$ Million	HK\$ Million	2019 RMB Million	2018 RMB Million
Revenue	3(a)	9,435	10,015	8,324	8,426
Direct costs and operating expenses		(2,537)	(2,766)	(2,242)	(2,324)
		6,898	7,249	6,082	6,102
Other net income	4	884	100	781	83
Administrative expenses		(623)	(707)	(549)	(597)
Profit from operations before changes in fair value of properties		7,159	6,642	6,314	5,588
Net increase in fair value of properties	3(b)	10,620	4,298	9,477	3,639
Profit from operations after changes in fair value of properties		17,779	10,940	15,791	9,227
Interest income		160	465	140	390
Finance costs		(144)	(1,180)	(128)	(996)
Net interest income/(expense)	5	16	(715)	12	(606)
Share of profits of joint ventures	13	183	435	161	366
Profit before taxation	3(b) & 6	17,978	10,660	15,964	8,987
Taxation	8(a)	(5,403)	(1,364)	(4,839)	(1,145)
Profit for the year		12,575	9,296	11,125	7,842
Attributable to:					
Shareholders	24	6,816	5,285	6,009	4,459
Non-controlling interests		5,759	4,011	5,116	3,383
		12,575	9,296	11,125	7,842
Earnings per share	10(a)				
Basic		HK\$5.01	HK\$3.88	RMB4.41	RMB3.27
Diluted		HK\$5.01	HK\$3.88	RMB4.41	RMB3.27

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, 2019

	Note	2019	2018	<i>For information purpose only</i>	
		HK\$ Million	HK\$ Million	2019 RMB Million	2018 RMB Million
Profit for the year		12,575	9,296	11,125	7,842
Other comprehensive income	8(d)				
Items that are or may be reclassified subsequently to profit or loss:					
Movement in exchange reserve:					
Exchange difference arising from translation to presentation currency		(2,150)	(3,864)	1,056	2,873
Net investment hedge – net gain	31(d)	20	–	18	–
Movement in hedging reserve:					
Effective portion of changes in fair value		82	(4)	72	(7)
Net amount transferred to profit or loss		54	(5)	48	(1)
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		(4)	3	(4)	3
		(1,998)	(3,870)	1,190	2,868
Total comprehensive income for the year		10,577	5,426	12,315	10,710
Total comprehensive income attributable to:					
Shareholders		5,704	3,176	6,752	6,189
Non-controlling interests		4,873	2,250	5,563	4,521
		10,577	5,426	12,315	10,710

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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At December 31, 2019

	Note	2019	2018	<i>For information purpose only</i>	
		HK\$ Million	HK\$ Million	2019 RMB Million	2018 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties		168,218	144,572	150,737	126,818
Investment properties under development		27,602	31,186	24,726	27,325
Other property, plant and equipment		231	213	207	187
	11	196,051	175,971	175,670	154,330
Interest in joint ventures	13	4,119	4,040	3,693	3,548
Other assets	14	1,445	1,449	1,295	1,273
Deposits with banks	15	–	1,853	–	1,628
Deferred tax assets	22(b)	4	3	4	3
		201,619	183,316	180,662	160,782
Current assets					
Cash and deposits with banks	15	3,660	10,656	3,280	9,350
Trade and other receivables	16	2,298	2,061	2,059	1,807
Properties for sale	17	5,662	2,463	5,075	2,163
Assets held for sale	18	–	101	–	89
		11,620	15,281	10,414	13,409
Current liabilities					
Bank loans and other borrowings	19	3,241	3,360	2,903	2,947
Trade and other payables	20	8,752	6,411	7,842	5,623
Lease liabilities	12 & 36	23	22	21	19
Current tax payable	22(a)	847	581	759	509
Liabilities directly associated with assets held for sale	18	–	3	–	3
		12,863	10,377	11,525	9,101
Net current (liabilities)/assets		(1,243)	4,904	(1,111)	4,308
Total assets less current liabilities		200,376	188,220	179,551	165,090
Non-current liabilities					
Bank loans and other borrowings	19	27,872	27,291	24,967	23,946
Lease liabilities	12 & 36	293	298	262	261
Deferred tax liabilities	22(b)	13,884	9,895	12,437	8,671
		42,049	37,484	37,666	32,878
NET ASSETS		158,327	150,736	141,885	132,212
Capital and reserves					
Share capital	23	4,065	4,065	3,164	3,164
Reserves	24	87,229	82,382	78,659	72,662
Shareholders' equity		91,294	86,447	81,823	75,826
Non-controlling interests		67,033	64,289	60,062	56,386
TOTAL EQUITY		158,327	150,736	141,885	132,212

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, 2019

HK\$ Million	Shareholders' equity			Total	Non-controlling interests	Total equity
	Share capital (Note 23)	Other reserves (Note 24)	Retained profits (Note 24)			
At January 1, 2018	4,065	5,104	73,968	83,137	66,419	149,556
Profit for the year	–	–	5,285	5,285	4,011	9,296
Exchange difference arising from translation to presentation currency	–	(2,105)	–	(2,105)	(1,759)	(3,864)
Cash flow hedges: net movement in hedging reserve	–	(5)	–	(5)	(4)	(9)
Net change in fair value of equity investments	–	1	–	1	2	3
Total comprehensive income for the year	–	(2,109)	5,285	3,176	2,250	5,426
Final dividend in respect of previous year	–	–	(831)	(831)	–	(831)
Interim dividend in respect of current year	–	–	(258)	(258)	–	(258)
Employee share-based payments	–	18	37	55	16	71
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	1,168	–	1,168	(2,610)	(1,442)
Dividends paid to non-controlling interests	–	–	–	–	(1,786)	(1,786)
At December 31, 2018 and 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	4,065	3,280	83,949	91,294	67,033	158,327

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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For the year ended December 31, 2019

For information purpose only

RMB Million

	Shareholders' equity			Total	Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits			
At January 1, 2018	3,164	4,786	61,540	69,490	55,516	125,006
Profit for the year	–	–	4,459	4,459	3,383	7,842
Exchange difference arising from translation to presentation currency	–	1,733	–	1,733	1,140	2,873
Cash flow hedges: net movement in hedging reserve	–	(4)	–	(4)	(4)	(8)
Net change in fair value of equity investments	–	1	–	1	2	3
Total comprehensive income for the year	–	1,730	4,459	6,189	4,521	10,710
Final dividend in respect of previous year	–	–	(673)	(673)	–	(673)
Interim dividend in respect of current year	–	–	(226)	(226)	–	(226)
Employee share-based payments	–	14	32	46	14	60
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	1,000	–	1,000	(2,192)	(1,192)
Dividends paid to non-controlling interests	–	–	–	–	(1,473)	(1,473)
At December 31, 2018 and 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	3,164	8,462	70,197	81,823	60,062	141,885

156 **CONSOLIDATED CASH FLOW STATEMENT**

For the year ended December 31, 2019

	Note	2019 HK\$ Million	2018 HK\$ Million	<i>For information purpose only</i>	
				2019 RMB Million	2018 RMB Million
Operating activities					
Cash generated from operations	25	6,634	7,224	5,833	6,104
Tax paid					
Hong Kong Profits Tax paid		(104)	(498)	(92)	(420)
Mainland China Income Tax paid		(832)	(622)	(730)	(517)
Net cash generated from operating activities		5,698	6,104	5,011	5,167
Investing activities					
Payment for property, plant and equipment		(12,316)	(13,014)	(10,849)	(11,091)
Disposal of a subsidiary	26(a)	1,175	–	1,039	–
Acquisition of subsidiaries	26(b)	–	(1,200)	–	(1,054)
Net sale proceeds from disposal of property, plant and equipment		117	161	103	137
Net sale proceeds from disposal of assets held for sale		95	565	83	459
Interest received		183	482	158	403
Dividends received from joint ventures		44	45	39	38
Repayment from joint ventures		60	–	53	–
Advance to unlisted investee companies		–	(1)	–	(1)
Dividend received from equity investments		2	4	1	3
Decrease in bank deposits with maturity greater than 3 months		1,874	7,905	1,653	6,665
Net cash used in investing activities		(8,766)	(5,053)	(7,720)	(4,441)
Financing activities					
Proceeds from new bank loans and other borrowings	27	12,735	11,505	11,414	9,790
Repayment of bank loans and other borrowings	27	(12,018)	(8,294)	(10,771)	(6,992)
Capital element of lease rentals paid	27	(8)	(3)	(7)	(3)
Interest and other borrowing costs paid		(1,486)	(1,340)	(1,307)	(1,132)
Interest element of lease rentals paid	27	(16)	(16)	(14)	(14)
Dividends paid		(1,089)	(1,089)	(963)	(899)
Dividends paid to non-controlling interests		(1,727)	(1,786)	(1,526)	(1,473)
Decrease in non-controlling interests in subsidiaries		(237)	(1,442)	(213)	(1,192)
Net cash used in financing activities		(3,846)	(2,465)	(3,387)	(1,915)
Decrease in cash and cash equivalents		(6,914)	(1,414)	(6,096)	(1,189)
Effect of foreign exchange rate changes		(61)	(374)	8	56
Cash and cash equivalents at January 1		8,702	10,490	7,635	8,768
Cash and cash equivalents at December 31	15	1,727	8,702	1,547	7,635

The accompanying notes form part of these financial statements.

1 Significant Accounting Policies

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial adoption of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements 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 32.

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

1 Significant Accounting Policies (Continued)

(c) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

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

1 Significant Accounting Policies (Continued)

(d) Joint ventures

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

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

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

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Unrealized profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date.

Goodwill is stated at cost less accumulated impairment losses and is tested regularly for impairment (Note 1(n)).

Any excess of the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date over the cost of a business combination is recognized immediately in profit or loss as a gain on a bargain purchase.

On disposal of an entity, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 Significant Accounting Policies (Continued)

(f) Investment properties and investment properties under development

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

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss.

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease, and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 1(i).

(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

Policy applicable from January 1, 2019

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.

Policy applicable on or before December 31, 2018

(i) Classification of assets leased to the Group

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred substantially all the risks and benefits of ownership are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

1 Significant Accounting Policies (Continued)

(i) Leases (Continued)

1. As a lessee (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating leases charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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).

(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

1 Significant Accounting Policies (Continued)

(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 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.

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.

1 Significant Accounting Policies (Continued)

(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.

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.

1 Significant Accounting Policies (Continued)

(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.

(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)).

1 Significant Accounting Policies (Continued)

(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).

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.

1 Significant Accounting Policies (Continued)

(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 obtain substantially all of the remaining benefits of the property.

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.

1 Significant Accounting Policies (Continued)

(w) Revenue and other income (Continued)

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.

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.

1 Significant Accounting Policies (Continued)

(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.

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.

1 Significant Accounting Policies (Continued)

(z) Related parties (Continued)

- (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.

(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).

1 Significant Accounting Policies (Continued)

(ab) Employee benefits (Continued)

2. Share-based payments (Continued)

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 Changes in Accounting Policies

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group. Except for HKFRS 16, *Leases*, and Amendments to HKAS 23, *Borrowing costs*, the adoption of these new or amended HKFRSs does not have significant impact on the Group's financial statements.

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

HKFRS 16

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*.

The key changes to the Group's accounting policies resulting from the adoption of HKFRS 16 are summarized below.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases under HKAS 17 based on an assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under HKFRS 16, the Group is required to capitalize all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17.

The Group decided to apply recognition exemptions to short-term leases that have a lease term of 12 months or less and leases of low-value assets. For leases of other assets, the Group recognized right-of-use assets and lease liabilities.

As a lessor

HKFRS 16 does not substantially change how a lessor accounts for leases under HKAS 17.

Disclosure

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Group.

Transition

The Group applied HKFRS 16 with the date of initial application of January 1, 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in the opening balances at January 1, 2019.

2 Changes in Accounting Policies (Continued)

HKFRS 16 (Continued)

Transition (Continued)

(a) Leases previously classified as operating leases under HKAS 17

At transition, lease liabilities are measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17:

- applied the exemption not to recognize right-of-use assets and liabilities for leases with a remaining lease term of less than 12 months as of January 1, 2019; and
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(b) Leases previously classified as finance leases under HKAS 17

For leases that were previously classified as finance leases under HKAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under HKAS 17 immediately before that date. The accounting caption of "finance lease obligations" is changed to "lease liabilities".

Impacts on the consolidated financial statements

On transition to HKFRS 16, HK\$320 million were reclassified from finance lease obligations to lease liabilities, and the Group recognized an additional HK\$11 million of right-of-use assets and HK\$11 million of lease liabilities. Such right-of-use assets are presented within investment properties. There was no impact on the opening balance of equity.

When measuring these lease liabilities, the Group discounted lease payments using the incremental borrowing rate as of January 1, 2019. The weighted-average rate applied was 5%.

Annual Improvements to HKFRSs 2015 – 2017 cycles: Amendments to HKAS 23

The Amendments to HKAS 23 clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

Impacts on the consolidated financial statements

In accordance with the transitional provisions, the Group has applied those amendments to borrowing costs incurred on or after January 1, 2019, the date of initial application. Consequently, additional borrowing costs of HK\$607 million were capitalized to properties under development for the year ended December 31, 2019.

However, the additional capitalization neither materially impacted the overall profit for the year nor carrying value of properties under development which was stated at fair value.

3 Revenue and Segment Information

The Group manages businesses according to the nature of services and products provided. Management has determined four reportable operating segments for the measurement of performance and the allocation of resources. The segments are property leasing in mainland China, property leasing in Hong Kong, property sales in mainland China and property sales in Hong Kong.

Property leasing segments include property leasing operation. The Group's investment properties portfolio, which mainly consists of retail, office, residential, serviced apartments and car parks, are primarily located in mainland China and Hong Kong. Property sales segment includes development and sale of the Group's trading properties in mainland China and Hong Kong.

Management evaluates performance primarily based on profit before taxation.

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, cash and deposits with banks and assets held for sale. The investment properties of the Group are included in segment assets at their fair values whilst the changes in fair value of properties are not included in segment profits. No segment liabilities analysis is presented as the Group monitors and manages liabilities on a group basis.

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

HK\$ Million	2019	2018
Under the scope of HKFRS 16 (2018: HKAS 17), Leases:		
Rental income (Note 12(b))	8,144	7,803
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Sales of completed properties	296	1,231
Building management fees and other income from property leasing	995	981
	1,291	2,212
	9,435	10,015

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.

3 Revenue and Segment Information (Continued)

(b) Revenue and results by segments

HK\$ Million	Revenue		Profit before taxation	
	2019	2018	2019	2018
Segment				
Property leasing				
– Mainland China	4,975	4,686	3,226	3,034
– Hong Kong	4,164	4,098	3,510	3,450
	9,139	8,784	6,736	6,484
Property sales				
– Mainland China	–	–	(2)	–
– Hong Kong	296	1,231	164	765
	296	1,231	162	765
Segment total	9,435	10,015	6,898	7,249
Other net income			884	100
Administrative expenses			(623)	(707)
Profit from operations before changes in fair value of properties			7,159	6,642
Net increase/(decrease) in fair value of properties			10,620	4,298
– property leasing in Hong Kong (Note)			(391)	3,993
– property leasing in mainland China (Note)			10,545	305
– properties for sale in Hong Kong upon transfer to investment properties			466	–
Net interest income/(expense)			16	(715)
– interest income			160	465
– finance costs			(144)	(1,180)
Share of profits of joint ventures			183	435
Profit before taxation			17,978	10,660

Note:

The overall increase in the external independent professional valuation of the mainland investment properties reflected an increase in valuation of Shanghai properties due to the increased rental and operating performance and projections adopted in the valuation of Shanghai properties. The capitalization rates for Shanghai properties adopted by the professional valuer were also compressed by 1% to 2% with the resulting capitalization rates falling within the range of 5.5% - 6.25% following the asset enhancement programme, the reduction in risk premium given the security of new leases and to be in line with market expectations. The revaluation gain of the Shanghai properties was partly offset by a revaluation loss of properties in the second tier cities. The rental projections adopted in the valuation of properties in the second tier cities have been decreased to reflect the challenging market environment, in particular the increase in supply and competitions of offices in these regions. The decrease in value of the Hong Kong investment properties reflected the subdued outlook of rental growth against the backdrop of social unrest.

3 Revenue and Segment Information (Continued)

(c) Total assets by segments

HK\$ Million	Total assets	
	2019	2018
Segment		
Property leasing		
– Mainland China	131,104	109,121
– Hong Kong	67,243	68,910
	198,347	178,031
Property sales		
– Mainland China	1,608	–
– Hong Kong	4,056	2,464
	5,664	2,464
Segment total	204,011	180,495
Interest in joint ventures	4,119	4,040
Other assets	1,445	1,449
Deferred tax assets	4	3
Cash and deposits with banks	3,660	12,509
Assets held for sale	–	101
Total assets	213,239	198,597

4 Other Net Income

HK\$ Million	2019	2018
Gain on disposal of a subsidiary (Note 26(a))	869	–
Dividend income from equity investments measured at FVTOCI	5	4
Ineffectiveness on cash flow hedges	1	(1)
Gain on disposal of investment properties	–	71
Gain on disposal of assets held for sale	–	27
Others	9	(1)
	884	100

5 Net Interest Income/(Expense)

HK\$ Million	2019	2018
Interest income on bank deposits	160	465
Interest expense on bank loans and other borrowings	1,483	1,350
Interest on lease liabilities	16	16
Other borrowing costs	74	65
Total borrowing costs	1,573	1,431
Less: Borrowing costs capitalized (Note)	(1,429)	(251)
Finance costs	144	1,180
Net interest income/(expense)	16	(715)

Note:

The borrowing costs were capitalized at an average rate of 4.7% (2018: 4.8%) per annum to properties under development.

6 Profit Before Taxation

HK\$ Million	2019	2018
Profit before taxation is arrived at after charging:		
Cost of properties sold	121	374
Staff costs (Note)	1,391	1,399
Depreciation	50	46
Auditors' remuneration		
– audit services	14	13
– non-audit services	3	4
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK\$2,403 million (2018: HK\$2,300 million)	6,736	6,484

Note:

The staff costs included employee share-based payments of HK\$67 million (2018: HK\$71 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized to investment properties under development, were accounted for, staff costs would have been HK\$1,624 million (2018: HK\$1,658 million).

7 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.

(a) Directors' emoluments

Details of directors' emoluments are summarized below:

HK\$ Million							
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Gratuity	The Group's contributions to retirement scheme	2019	2018
Executive Directors							
Ronnie C. Chan	2.1	27.8	10.3	–	2.8	43.0	39.7
Weber W.P. Lo (Appointed on May 16, 2018)	1.5	18.6	15.9	–	0.9	36.9	26.6
H.C. Ho	1.5	5.3	4.1	–	0.5	11.4	10.2
Adriel W. Chan	1.5	7.1	3.5	–	0.5	12.6	10.0
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	1.1
P.W. Liu	1.1	–	–	–	–	1.1	1.0
L.C. Tsui	0.9	–	–	–	–	0.9	0.9
Martin C.K. Liao	0.9	–	–	–	–	0.9	0.8
Ex-Director							
Philip N.L. Chen (Retired as executive director on July 16, 2018)	–	–	–	–	–	–	55.6
2019	13.0	58.8	33.8	–	4.7	110.3	148.2
2018	12.4	62.9	27.8	40.0	5.1	148.2	

7 Emoluments of Directors and Senior Management (Continued)

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2018: five) are existing directors of the Company whose emoluments are disclosed in note 7(a). The emoluments in respect of the remaining one individual in 2019 are as follows:

HK\$ Million	2019
Salaries, allowances and benefits in kind	5.6
Discretionary bonuses	2.9
The Group's contributions to retirement schemes	0.4
	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 29(b).

8 Taxation in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

- (a) Taxation in the consolidated statement of profit or loss represents:

HK\$ Million	2019	2018
Current tax		
Hong Kong Profits Tax	476	493
Under-provision in prior years	1	8
	477	501
Mainland China Income Tax	728	698
Total current tax	1,205	1,199
Deferred tax		
Changes in fair value of properties	4,082	63
Other origination and reversal of temporary differences	116	102
Total deferred tax (Note 22(b))	4,198	165
Total income tax expense	5,403	1,364

Provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2018: 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% (2018: 5%).

- (b) Share of joint ventures' taxation for the year ended December 31, 2019 of HK\$29 million (2018: HK\$25 million) is included in the share of profits of joint ventures.

8 Taxation in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

(c) Reconciliation between actual tax expense and profit before taxation at applicable tax rates is as follows:

HK\$ Million	2019	2018
Profit before taxation	17,978	10,660
Notional tax on profit before taxation at applicable rates	4,181	1,943
Tax effect of non-taxable income	(468)	(714)
Tax effect of non-deductible expenses	273	50
Tax effect of tax losses utilized and other deductible temporary differences	1,081	(111)
Tax effect of unrecognized tax losses	335	188
Under-provision in prior years	1	8
Actual tax expense	5,403	1,364

(d) There was no tax effect relating to the components of other comprehensive income for the years ended December 31, 2019 and 2018.

9 Dividends

(a) Dividends attributable to the year

HK\$ Million	2019	2018
Interim dividend declared and paid of HK19 cents (2018: HK19 cents) per share	258	258
Special dividend of HK26 cents (2018: Nil) per share declared after the end of the reporting period	354	–
Final dividend of HK63 cents (2018: HK61 cents) per share proposed after the end of the reporting period	858	831
	1,470	1,089

The dividends declared or proposed after the end of the reporting period have not been recognized as a liability at the end of the reporting period.

(b) The final dividend of HK\$831 million (calculated based on HK61 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2018 was approved and paid in the year ended December 31, 2019 (2018: HK\$831 million).

10 Earnings Per Share

(a) The calculation of basic and diluted earnings per share is based on the following data:

HK\$ Million	2019	2018
Earnings for calculation of basic and diluted earnings per share (net profit attributable to shareholders)	6,816	5,285
	Number of shares	
	2019	2018
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	1,361,618,242	1,361,618,242

Note:

Diluted earnings per share were the same as the basic 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	2019	2018
Net profit attributable to shareholders	6,816	5,285
Effect of changes in fair value of properties	(10,620)	(4,298)
Effect of corresponding income tax	4,158	63
Effect of changes in fair value of investment properties of joint ventures	(44)	(289)
	(6,506)	(4,524)
Non-controlling interests	3,486	1,870
	(3,020)	(2,654)
Underlying net profit attributable to shareholders	3,796	2,631

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

	2019	2018
Basic	HK\$2.79	HK\$1.93
Diluted	HK\$2.79	HK\$1.93

11 Property, Plant and Equipment

HK\$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2018	142,406	21,592	748	164,746
Exchange adjustment	(3,625)	(896)	(15)	(4,536)
Additions	1,102	11,085	49	12,236
Disposals	(103)	–	(9)	(112)
Net increase in fair value	4,298	–	–	4,298
Transfer in/(out)	595	(595)	–	–
Transfer to assets held for sale (Note 18)	(101)	–	–	(101)
At December 31, 2018, as previously reported	144,572	31,186	773	176,531
Impact of initial adoption of HKFRS 16 (Note 2)	11	–	–	11
At January 1, 2019, restated	144,583	31,186	773	176,542
Exchange adjustment	(1,898)	(698)	(25)	(2,621)
Additions (Note 11(b))	1,187	14,491	80	15,758
Disposals (Note 11(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 17)	(1,819)	(1,604)	–	(3,423)
Transfer from properties for sale (Note 17)	668	–	–	668
At December 31, 2019	168,218	27,602	805	196,625
Accumulated depreciation:				
At January 1, 2018	–	–	530	530
Exchange adjustment	–	–	(8)	(8)
Charge for the year	–	–	46	46
Written back on disposals	–	–	(8)	(8)
At December 31, 2018 and 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	–	–	574	574
Net book value:				
At December 31, 2019	168,218	27,602	231	196,051
At December 31, 2018	144,572	31,186	213	175,971
Cost or valuation of the property, plant and equipment is made up as follows:				
December 31, 2019				
Valuation	168,218	27,602	–	195,820
Cost	–	–	805	805
	168,218	27,602	805	196,625
December 31, 2018				
Valuation	144,572	31,186	–	175,758
Cost	–	–	773	773
	144,572	31,186	773	176,531

11 Property, Plant and Equipment (Continued)

- (a) The investment properties include right-of-use assets (2018: properties held under finance lease).
- (b) 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. The disposals of investment properties included assets sold through disposal of a subsidiary (Note 26(a)).

(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 2019		
	Level 1	Level 2	Level 3
Investment properties	–	168,218	–
Investment properties under development	–	–	27,602
HK\$ Million	Fair value measurement at 2018		
	Level 1	Level 2	Level 3
Investment properties	–	144,572	–
Investment properties under development	–	–	31,186

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 between investment properties under development and investment properties upon their completion or commencement of re-development, there were no transfers between levels of fair value hierarchy (2018: Nil).

The Group's investment properties and investment properties under development were revalued as of December 31, 2019 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.

11 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 assuming it was completed 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 construction.

The main Level 3 unobservable inputs used by the Group are as follows:

The total estimated development costs of each of the Group's investment properties under development ranged from HK\$0.2 billion to HK\$13.6 billion (2018: HK\$1.7 billion to HK\$17.2 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 during the year in the balances of these Level 3 fair value measurements are as follows:

HK\$ Million	Investment properties under development	
	2019	2018
At January 1	31,186	21,592
Exchange adjustment	(698)	(896)
Additions	14,491	11,085
Decrease in fair value	(1,519)	–
Transfer to investment properties	(14,854)	(595)
Transfer from investment properties	600	–
Transfer to properties for sale	(1,604)	–
At December 31	27,602	31,186
Total loss for the year included in profit or loss	(1,519)	–

Fair value adjustments of investment properties and investment properties under development is recognized in "Net increase in fair value of properties" in the consolidated statement of profit or loss.

11 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	
	2019	2018	2019	2018
In Hong Kong				
– long-term leases (over 50 years)	42,707	42,519	–	–
– medium-term leases (10 to 50 years)	23,872	25,825	500	–
Outside Hong Kong				
– long-term leases (over 50 years)	–	–	812	912
– medium-term leases (10 to 50 years)	101,639	76,228	26,290	30,274
	168,218	144,572	27,602	31,186

- (e) The net book value of other property, plant and equipment of the Group included long-term leases of HK\$10 million (2018: HK\$10 million) in respect of land and buildings held in Hong Kong, medium-term leases of HK\$4 million (2018: HK\$5 million) and long-term leases of HK\$31 million (2018: HK\$33 million) in respect of land and buildings held outside Hong Kong.

12 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	2019
Interest on lease liabilities	16
Expenses relating to short-term leases	4
	20

Lease liabilities recognized in the consolidated statement of financial position:

HK\$ Million	2019
Current liabilities	23
Non-current liabilities	293
	316

A maturity analysis of lease liabilities is disclosed in note 31(b).

12 Leases (Continued)

(a) As a lessee (Continued)

Amounts included in the cash flow statement:

HK\$ Million	2019
Within operating cash flows	(6)
Within financing cash flows	(24)
	(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	2019	2018
Operating leases		
Fixed or variable depending on an index or rate	7,656	7,371
Variable not depending on an index or rate	488	432
	8,144	7,803

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	2019	2018
Within 1 year	5,880	5,863
After 1 year but within 2 years	3,786	3,809
After 2 years but within 3 years	2,163	2,234
After 3 years but within 4 years	1,343	791
After 4 years but within 5 years	780	445
After 5 years	1,311	921
	15,263	14,063

13 Interest in Joint Ventures

HK\$ Million	2019	2018
Share of net assets	3,464	3,325
Amounts due from joint ventures	662	722
Amounts due to joint ventures	(7)	(7)
	4,119	4,040

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, 2019, the Group had financial guarantees payable on demand of an amount not exceeding HK\$500 million (2018: 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 39. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

HK\$ Million	2019	2018
Non-current assets	4,634	4,398
Current assets	338	286
Non-current liabilities	(1,214)	(1,151)
Current liabilities	(294)	(208)
Net assets	3,464	3,325

HK\$ Million	2019	2018
Revenue	260	247
Profit and total comprehensive income for the year	183	435

14 Other Assets

HK\$ Million	2019	2018
Investments in unlisted equity instruments at FVTOCI	105	109
Advance to unlisted investee companies	158	158
Intangible assets (Note)	1,182	1,182
	1,445	1,449

Note:

Intangible assets represent goodwill arising from the Group's additions in equity interests in its subsidiary, HLP, for transactions before July 1, 2009.

14 Other Assets (Continued)

The investments in equity securities at FVTOCI comprise the following individual investments:

HK\$ Million	2019	2018
Investment in Ever Light Limited	87	93
Others	18	16
	105	109

The FVTOCI designation was made because the investments are expected to be held for long-term strategic purposes.

15 Cash and Deposits with Banks

HK\$ Million	2019	2018
Cash at banks	831	1,032
Time deposits recoverable within 1 year	2,829	9,624
	3,660	10,656
Time deposits recoverable after 1 year	–	1,853
Cash and deposits with banks in the consolidated statement of financial position	3,660	12,509
Less: Bank deposits with maturity greater than 3 months	(1,933)	(3,807)
Cash and cash equivalents in the consolidated cash flow statement	1,727	8,702

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 2.3% (2018: 2.5%) per annum. The currencies of cash and deposits with banks at the year end date were as follows:

HK\$ Million	2019	2018
Hong Kong Dollars	2,102	4,737
Hong Kong Dollar equivalent of:		
Renminbi	1,449	7,757
United States Dollars	109	15
	3,660	12,509

After deducting cash and deposits 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	2019	2018
Bank loans and other borrowings (Note 19)	31,113	30,651
Less: Cash and deposits	(3,660)	(12,509)
Net Debt	27,453	18,142

16 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	2019	2018
Not past due or less than 1 month past due	24	14
1 – 3 months past due	27	5
More than 3 months past due	2	2
	53	21

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which are calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for expected credit losses is therefore insignificant. The details on the Group's credit policy are set out in note 31(c).

- (b) Included in other receivables of the Group is a deposit of land acquisition in mainland China of HK\$279 million (2018: HK\$285 million).

17 Properties for Sale

HK\$ Million	2019	2018
In mainland China		
– Completed properties for sale	4	4
– Properties under development for sale	1,604	–
	1,608	4
In Hong Kong		
– Completed properties for sale	951	1,256
– Properties under development for sale	3,103	1,203
	4,054	2,459
	5,662	2,463

During the year ended December 31, 2019, properties for sale with a carrying amount of HK\$202 million (2018: Nil) 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, 2019, investment properties and investment properties under development with a carrying amount of HK\$3,423 million (2018: Nil) were transferred to properties for sale upon the change in intended use (Note 11).

The amounts of properties under development for sale are expected to be recovered after more than one year.

18 Assets Held for Sale

HK\$ Million	2018
Investment properties	101
Deferred tax liabilities	3

The balance at December 31, 2018 represented the following:

- a residential unit and several car parking spaces at Garden Terrace in Hong Kong which were disposed of in April 2019; and
- an investment property of a car parking space at The Long Beach in Hong Kong which was disposed of in February 2019.

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 11(c)(i)) as there was no significant unobservable input.

19 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	2019	2018
Bank loans (Note 19(a))		
Within 1 year or on demand	2,809	3,408
After 1 year but within 2 years	2,032	3,630
After 2 years but within 5 years	11,337	7,729
Over 5 years	1,572	2,463
	17,750	17,230
Other borrowings (Note 19(b))		
Within 1 year or on demand	435	–
After 1 year but within 2 years	5,615	435
After 2 years but within 5 years	7,468	12,178
Over 5 years	–	970
	13,518	13,583
	31,268	30,813
Less: unamortized front end fees	(155)	(162)
Total bank loans and other borrowings	31,113	30,651
Amount due within 1 year included under current liabilities	(3,241)	(3,360)
	27,872	27,291

19 Bank Loans and Other Borrowings (Continued)

- (a) All bank loans are interest-bearing at rates ranging from 1.5% to 5.7% (2018: 1.2% to 5.7%) per annum during the year.

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, 2019, the Group had HK\$14,627 million (2018: HK\$20,984 million) of undrawn committed banking facilities.

- (b) The Group has a USD3 billion (2018: USD3 billion) Medium Term Note Program and a RMB10 billion (2018: RMB10 billion) green bond program. These bonds were issued with coupon rates ranging from 2.95% to 5.00% (2018: 2.95% to 5.00%) per annum.

20 Trade and Other Payables

HK\$ Million	2019	2018
Creditors and accrued expenses (Note 20(a))	6,001	3,786
Contract liabilities (Note 20(b))	66	56
Deposits received (Note 20(c))	2,685	2,569
	8,752	6,411

- (a) Creditors and accrued expenses include retention money payable of HK\$291 million (2018: HK\$323 million) which is not expected to be settled within one year.
- (b) Contract liabilities represent building management fees and other income from property leasing received in advance of HK\$66 million (2018: HK\$56 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\$1,586 million (2018: HK\$1,507 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	2019	2018
Due within 3 months	4,125	1,992
Due after 3 months	838	866
	4,963	2,858

21 Lease Liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities:

HK\$ Million	2019			2018		
	Present value of minimum lease payments	Interest expense in future periods	Total minimum lease payments	Present value of minimum lease payments	Interest expense in future periods	Total minimum lease payments
Payable within 1 year	23	–	23	22	–	22
Payable after 1 year but within 5 years	86	14	100	79	12	91
Payable after 5 years	207	155	362	219	175	394
	316	169	485	320	187	507

22 Taxation in the Consolidated Statement of Financial Position

(a) Current taxation

HK\$ Million	2019	2018
Hong Kong Profits Tax	635	262
Mainland China Income Tax	212	319
	847	581

(b) Deferred taxation

HK\$ Million	2019	2018
Deferred tax liabilities	13,884	9,895
Deferred tax assets	(4)	(3)
	13,880	9,892

22 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, 2018	1,953	8,182	(42)	78	10,171
Exchange adjustments	(69)	(373)	–	1	(441)
Charged/(Credited) to profit or loss (Note 8(a))	118	63	(24)	8	165
Transfer to liabilities directly associated with assets held for sale (Note 18)	(3)	–	–	–	(3)
At December 31, 2018 and January 1, 2019	1,999	7,872	(66)	87	9,892
Exchange adjustments	(32)	(171)	–	–	(203)
Charged/(Credited) to profit or loss (Note 8(a))	115	4,082	(6)	7	4,198
Disposal of a subsidiary (Note 26(a))	(7)	–	–	–	(7)
At December 31, 2019	2,075	11,783	(72)	94	13,880

Included in "Others" are mainly deferred tax liabilities recognized in respect of undistributed profits of foreign investment enterprises in mainland China.

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK\$8,082 million (2018: HK\$7,087 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, 2019. 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.

23 Share Capital

	2019		2018	
	Number of shares Million	Amount of share capital HK\$ Million	Number of shares Million	Amount of share capital HK\$ Million
Ordinary shares, issued and fully paid:				
At January 1 and December 31	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.

24 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, 2018	1,317	(75)	68	405	275	3,114	5,104	73,968	79,072
Profit for the year	-	-	-	-	-	-	-	5,285	5,285
Exchange difference arising from translation to presentation currency	(2,105)	-	-	-	-	-	(2,105)	-	(2,105)
Cash flow hedges: net movement in hedging reserve	-	(5)	-	-	-	-	(5)	-	(5)
Net change in fair value of equity investments	-	-	1	-	-	-	1	-	1
Total comprehensive income for the year	(2,105)	(5)	1	-	-	-	(2,109)	5,285	3,176
Final dividend in respect of previous year	-	-	-	-	-	-	-	(831)	(831)
Interim dividend in respect of current year	-	-	-	-	-	-	-	(258)	(258)
Employee share-based payments	-	-	-	18	-	-	18	37	55
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	-	-	-	-	-	1,168	1,168	-	1,168
At December 31, 2018 and 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	(1,978)	(1)	68	443	275	4,473	3,280	83,949	87,229

24 Reserves (Continued)

(a) The Group (Continued)

The retained profits of the Group at December 31, 2019 included HK\$631 million (2018: 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 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 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.

(b) The Company

HK\$ Million	General reserve	Retained profits	Total reserves
At January 1, 2018	862	15,221	16,083
Profit and total comprehensive income for the year	–	1,926	1,926
Final dividend in respect of previous year	–	(831)	(831)
Interim dividend in respect of current year	–	(258)	(258)
At December 31, 2018 and 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	862	16,687	17,549

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2019 was HK\$17,549 million (2018: HK\$16,920 million).

24 Reserves (Continued)

(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 and debt to equity) 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, 2019 (Note 15). Net debt to equity ratio and debt to equity ratio as of December 31, 2019 were 17.3% (2018: 12.0%) and 19.7% (2018: 20.3%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 Cash Generated from Operations

HK\$ Million	2019	2018
Profit before taxation	17,978	10,660
Adjustments for:		
Gain on disposal of a subsidiary	(869)	–
Dividend income from equity investments measured at FVTOCI	(5)	(4)
Ineffectiveness on cash flow hedges	(1)	1
Gain on disposal of investment properties	–	(71)
Gain on disposal of assets held for sale	–	(27)
Loss on disposal of other property, plant and equipment	1	1
Employee share-based payments	67	71
Depreciation	50	46
Net increase in fair value of properties	(10,620)	(4,298)
Interest income on bank deposits	(160)	(465)
Finance costs	144	1,180
Share of profits of joint ventures	(183)	(435)
Decrease in properties for sale	83	371
Increase in trade and other receivables	(228)	(16)
Increase in creditors and accrued expenses and contract liabilities	218	70
Increase in deposits received	159	140
Cash generated from operations	6,634	7,224

26 Disposal and Acquisition of Subsidiaries

- (a) 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

- (b) During the year ended December 31, 2018, the Group acquired a group comprising several subsidiaries. The fair values of assets acquired and liabilities assumed were as follows:

HK\$ Million	2018
Loan from the vendor of the acquired companies	(787)
Trade and other receivables (Note)	96
Properties for sale	1,200
Net assets acquired	509
Acquisition of a loan from the vendor of the acquired companies	787
Total consideration	1,296
Less: consideration payable in future included in trade and other payables (Note)	(96)
Cash outflow on acquisition	1,200

Note:

According to the terms and conditions of the sale and purchase agreement, the consideration payable will be settled when the trade and other receivables balance amounting to HK\$96 million is received by the Group.

27 Reconciliation of Liabilities Arising from Financing Activities

HK\$ Million	Bank loans and other borrowings (Note 19)	Lease liabilities (Note 21)	Total
At January 1, 2018	28,039	338	28,377
Cash flows	3,211	(19)	3,192
Non-cash changes:			
Unwind of discount and amortization of transaction costs	49	16	65
Exchange adjustment	(648)	(15)	(663)
At December 31, 2018, as previously reported	30,651	320	30,971
Impact of initial adoption of HKFRS 16 (Note 2)	–	11	11
At January 1, 2019, restated	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	31,113	316	31,429

28 Commitments

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

HK\$ Million	2019	2018
Contracted for	4,727	14,267
Authorized but not contracted for	21,166	20,568
	25,893	34,835

The above commitments include mainly the land costs and construction related costs to be incurred in respect of the Group's development of investment properties in various cities in mainland China.

29 Employee Benefits

(a) Retirement benefits

The Group operates a defined contribution provident fund scheme for its employees. The assets of the scheme 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\$34 million (2018: HK\$34 million) and forfeited sums refunded to the Group amounted to HK\$4 million (2018: HK\$3 million).

A master trust Mandatory Provident Fund Scheme (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\$7 million (2018: HK\$7 million).

As the Group's provident fund scheme is an MPF Exempted Occupational Retirement Scheme (the "ORSO Scheme"), eligibility for membership of the ORSO and MPF schemes is identical. New employees are offered a one-off option to join either the ORSO or the MPF scheme.

Staff in the Company's subsidiaries operating in mainland China 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\$64 million (2018: HK\$68 million).

29 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 188,529,753 shares, representing 4.19% 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.

29 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				Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2019	Exercised	Forfeited / Lapsed	Outstanding on December 31, 2019		
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	30,990,000	–	(650,000)	30,340,000	July 29, 2012 to June 12, 2021	30.79 – 36.90
Total	44,370,000	–	(650,000)	43,720,000		

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, 650,000 (2018: 340,000) options were forfeited upon cessations of grantees' employments and no option (2018: 12,109,000) 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:

	2019		2018	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	30.28	44,370,000	27.71	56,962,000
Exercised	–	–	17.36	(143,000)
Forfeited	30.79	(650,000)	26.05	(340,000)
Lapsed	–	–	18.47	(12,109,000)
Outstanding at December 31	30.27	43,720,000	30.28	44,370,000
Exercisable at December 31	30.27	43,720,000	30.28	44,370,000

The weighted average remaining contractual life of options outstanding at the end of the reporting period was 0.8 year (2018: 1.8 years).

29 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme

Date granted	Number of share options				Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2019	Granted	Forfeited / Lapsed	Outstanding on December 31, 2019		
June 4, 2013	27,350,000	–	(1,300,000)	26,050,000	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	23,622,000	–	(1,162,000)	22,460,000	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	39,495,000	–	(3,922,500)	35,572,500	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	–	55,492,000	(2,296,000)	53,196,000	June 28, 2021 to June 27, 2029	18.58
Total	100,467,000	55,492,000	(8,680,500)	147,278,500		

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.

In respect of options granted during 2019, the closing price of the shares immediately before the date of grant was HK\$18.52.

During the year, 8,680,500 (2018: 6,473,000) 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:

	2019		2018	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	22.73	100,467,000	23.06	96,940,000
Granted	18.58	55,492,000	18.98	10,000,000
Forfeited	21.19	(8,680,500)	21.81	(6,473,000)
Outstanding at December 31	21.26	147,278,500	22.73	100,467,000
Exercisable at December 31	25.22	52,067,950	26.29	41,523,200

The weighted average remaining contractual life of options outstanding at the end of the reporting period was 7.2 years (2018: 6.9 years).

29 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme (Continued)

The fair value of share options granted was estimated at the date of grant using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. In respect of the share options granted during the year, the fair value, terms and conditions, and assumptions are as follows:

Fair value at grant date	HK\$2.45
Share price at grant date	HK\$18.58
Exercise price	HK\$18.58
Risk-free interest rate	1.39%
Expected life (in years)	6
Expected volatility	23.38%
Expected dividends per share	HK\$0.75

The expected volatility is based on the historical volatility and the expected dividends per share are based on historical dividends. Changes in the above assumptions could materially affect the fair value estimate.

(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, 2019, estimated in accordance with the Group's accounting policy in note 1(ab)(2) was as follows:

- (1) Mr. Ronnie C. Chan, HK\$4.0 million (2018: HK\$5.2 million);
- (2) Mr. Weber W.P. Lo, HK\$8.5 million (2018: HK\$4.9 million);
- (3) Mr. H.C. Ho, HK\$2.6 million (2018: HK\$3.5 million); and
- (4) Mr. Adriel W. Chan, HK\$2.1 million (2018: HK\$1.6 million).

30 Material Related Party Transactions

Except for the emoluments to directors and key management personnel disclosed in notes 7 and 29(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.

31 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 addition, the Group maintains the Medium Term Note Program and a green bond program which facilitate the Group to mitigate future interest rate volatility and re-financing risks.

The interest rates of interest-bearing financial assets and liabilities are disclosed in notes 15 and 19.

Based on the simulations performed at year end in relation to the Group's bank deposits and borrowings, 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 decrease the Group's profit after taxation and total equity by approximately HK\$131 million (2018: HK\$50 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 borrowings; and
- all other financial assets and liabilities are held constant.

The analysis was performed on the same basis for 2018.

31 Financial Risk Management Objectives And Policies (Continued)

(b) Liquidity risk

The Group manages surplus cash centrally and the liquidity risk of the Company and subsidiaries at the corporate level. The Group maintains adequate amount of cash and undrawn committed bank facilities to meet all funding requirements. Significant flexibility is achieved through diverse sources of committed credit lines for capturing future expansion opportunities.

HK\$ Million	Contractual undiscounted cash flow					
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	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

HK\$ Million	Contractual undiscounted cash flow					
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	30,651	36,074	4,788	5,296	21,821	4,169
Trade and other payables	6,411	6,411	4,580	908	766	157
Lease liabilities	320	507	22	22	69	394
At December 31, 2018	37,382	42,992	9,390	6,226	22,656	4,720

31 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). The allowance for expected credit losses is insignificant.

(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 (2018: 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.

31 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	Carrying amount of hedging instruments included in		Change in fair value used for measuring hedge ineffectiveness		Hedge ineffectiveness* recognized in profit or loss – other net income/(loss)	Change in fair value of hedging instruments recognized in other comprehensive income	Amount reclassified from hedging reserve to profit or loss that are charged/(credited) to		
	Notional amount of hedging instruments	Trade and other receivables	Trade and other payables	Hedging instruments			Hedged items	Finance costs	Other net income/(loss)
2019									
	7,750	67	–	83	82	1	82	12	42
2018									
	7,750	1	(10)	(5)	(4)	(1)	(4)	11	(16)

* 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 RMB1,298 million (2018: RMB6,804 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.

During 2019, the Group's Renminbi denominated green bond in Hong Kong has been designated 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 bond at December 31, 2019 was 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 gain of HK\$20 million was recognized in the Group's other comprehensive income for the year on translation of the bond to Hong Kong dollars.

Management estimated that a 5% (2018: 5%) appreciation/depreciation of Renminbi against Hong Kong dollar would increase/decrease the Group's equity attributable to shareholders by HK\$2,724 million (2018: HK\$2,376 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 2018.

31 Financial Risk Management Objectives And Policies (Continued)

(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*

Derivative financial instruments – cross currency swaps

The fair value of cross currency swaps as of December 31, 2019 of HK\$67 million recorded under "Trade and other receivables" (2018: HK\$1 million recorded under "Trade and other receivables" and HK\$10 million recorded under "Trade and other payables") in Level 2 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 counterparties.

Investment in equity instruments

The fair value of non-publicly traded equity investments as of December 31, 2019 of HK\$105 million (2018: HK\$109 million) in Level 3 is determined by reference to the net asset value of these investments.

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 (2018: Nil). 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 assets and liabilities 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, 2018 and 2019.

32 Significant Accounting Estimates and Judgments

Key sources of estimation uncertainty

Notes 11(c), 29(b) and 31(e) contain information about the assumptions and their risk relating to valuation of investment properties and investment properties under development, fair value of share options granted and derivative financial instruments. Other key sources of estimation uncertainty are as follows:

(a) *Properties for sale*

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.

(b) *Income taxes*

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and judgment is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(c) *Recognition of deferred tax assets*

The amount of the deferred tax assets included in the consolidated statement of financial position of the Group is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilized. The recognition of deferred tax assets requires the Group to make judgments based on the assessment of future financial performance, the amount of future taxable profits and the timing of when these will be realized.

33 Company-Level Statement of Financial Position

At December 31, 2019

HK\$ Million	Note	2019	2018
Non-current assets			
Interest in subsidiaries	34	21,810	21,579
Current assets			
Trade and other receivables		1	–
Cash and deposits with banks		–	5
		1	5
Current liabilities			
Trade and other payables		17	16
Net current liabilities		(16)	(11)
Total assets less current liabilities		21,794	21,568
Non-current liabilities			
Amounts due to subsidiaries	34(b)	180	583
NET ASSETS		21,614	20,985
Capital and reserves			
Share capital	23	4,065	4,065
Reserves	24	17,549	16,920
TOTAL EQUITY		21,614	20,985

Weber W.P. Lo
Chief Executive Officer

H.C. Ho
Chief Financial Officer

34 Interest in Subsidiaries

HK\$ Million	2019	2018
Unlisted shares, at cost	166	181
Amounts due from subsidiaries (Note 34(a))	21,644	21,398
	21,810	21,579

Details of principal subsidiaries are set out in note 38.

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	2019	2018
NCI percentage at the end of the reporting period	42.1%	42.4%
Non-current assets	188,753	171,354
Current assets	11,227	15,099
Current liabilities	(12,437)	(8,946)
Non-current liabilities	(39,731)	(33,913)
Net assets	147,812	143,594
Carrying amount of NCI	58,380	58,326
Revenue	8,852	9,408
Profit for the year	9,800	8,652
Total comprehensive income for the year	7,902	4,993
Profit allocated to NCI	2,598	3,425
Dividend paid to NCI	1,430	1,470
Net cash flow:		
generated from operating activities	5,319	5,738
used in investing activities	(9,965)	(5,259)
used in financing activities	(2,482)	(1,926)

- (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.

35 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2019 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 results of operations and financial position.

36 Comparative Figures

The Group initially applied HKFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. As a result, lease liabilities as of December 31, 2018 or before represent the amounts in respect of finance leases under HKAS 17 only.

The Group applied Amendments to HKAS 23 at January 1, 2019 using a prospective approach according to the transitional provisions. Comparative information is not restated.

Further details of the changes in accounting policies are disclosed in note 2.

37 Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 21, 2020.

38 Principal Subsidiaries

At December 31, 2019

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	57.9	–	Property leasing	Hong Kong
AP City Limited	2	57.9	–	Property leasing	Hong Kong
AP Joy Limited	2	57.9	–	Property development & leasing	Hong Kong
AP Properties Limited				Property development & leasing	Hong Kong
'A' shares	34	57.9	–		
'B' shares	6	57.9	–		
AP Star Limited*	2	57.9	–	Investment holding	Hong Kong
AP Success Limited	2	57.9	–	Property leasing	Hong Kong
AP Universal Limited*	2	57.9	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	57.9	–	Property leasing	Hong Kong
AP World Limited	2	57.9	–	Property development & leasing	Hong Kong
Bayliner Investment Ltd.*	US\$1	100	100	Investment holding	British Virgin Islands
Believacity Limited*	2	100	–	Investment holding & securities trading	Hong Kong
Bonna Estates Company Limited	1,000,000	57.9	–	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	57.9	–	Property leasing	Hong Kong
Cokage Limited*	2	100	100	Investment holding	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	56.3	–		
'B' share	1	57.9	–		
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	57.9	–	Property leasing	Hong Kong
Dynamia Company Limited	2	100	100	Property development & leasing	Hong Kong

38 Principal Subsidiaries (Continued)

At December 31, 2019

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	57.9	–		
Easegood Enterprises Limited	2	57.9	–	Investment holding	Hong Kong
Ever Brilliant Investment Limited	2	100	100	Investment holding	Hong Kong
Fu Yik Company Limited*	3	57.9	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	57.9	–	Investment holding	Hong Kong
Grand Centre Limited	4	57.9	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	57.9	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	1,004,834,694	57.9	–		
'B' shares	6,000,000	57.9	–		
Great Cheer Development Limited	2	100	100	Property development	Hong Kong
Hang Chui Company Limited	2	57.9	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	57.9	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	57.9	–	Property leasing	Hong Kong
Hang Kong Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Kwok Company Limited*	10,000	57.9	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	57.9	–	Management services	Hong Kong
Hang Lung (China) Limited	2	100	100	Investment holding	Hong Kong
Hang Lung (Dalian) Limited	1	57.9	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited	1	57.9	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited	1	57.9	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited	1	57.9	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	57.9	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited	2	57.9	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	57.9	–	Investment holding	Hong Kong

38 Principal Subsidiaries (Continued)

At December 31, 2019

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Hang Lung (Wuhan) Limited	1	57.9	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	57.9	–	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	57.9	–	Property leasing	Hong Kong
Hang Lung Investments Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Project Management Limited*	10,000	57.9	–	Project management	Hong Kong
Hang Lung Properties Limited	39,914,512,500	57.9	–	Investment holding	Hong Kong
Hang Lung Property Management Limited*	100,000	57.9	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	57.9	–	Property agencies	Hong Kong
Hang Lung Treasury Limited	2	100	100	Financial services	Hong Kong
Hang Top Limited	3	71.9	–	Investment holding	Hong Kong
Hang Wise Company Limited*	200	71.9	–	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	57.9	–	Management services	Hong Kong
HLP (China) Limited	2	57.9	–	Investment holding	Hong Kong
HLP Finance Limited#	US\$1	57.9	–	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	57.9	–	Financial services	Hong Kong
HLP Treasury Limited	2	57.9	–	Financial services	Hong Kong
HLP Treasury Services Limited*	2	57.9	–	Financial services	Hong Kong
Hoi Sang Limited*	2	57.9	–	Investment holding	Hong Kong

38 Principal Subsidiaries (Continued)

At December 31, 2019

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	57.9	–	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	57.9	–	Property leasing	Hong Kong
Modalton Limited	2	57.9	–	Property leasing	Hong Kong
Nikco Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	57.9	–	Property leasing	Hong Kong
Passion Success Limited*	1	57.9	–	Investment holding	Hong Kong
Pocaliton Limited	2	57.9	–	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	57.9	–	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	57.9	–	Property leasing	Hong Kong
Success Cosmos Development Limited*	2	100	100	Property development	Hong Kong
Superlane Development Limited	1,000	71.9	–	Property development	Hong Kong
Tegraton Limited	2	57.9	–	Property leasing	Hong Kong
Topnic Limited	2	100	100	Property leasing	Hong Kong
Total Select Limited	1	57.9	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	57.9	–	Property leasing	Hong Kong
Yangli Limited*	2	57.9	–	Property leasing	Hong Kong
Yee Fly Investment Limited*	1,000	100	100	Investment holding & securities trading	Hong Kong

38 Principal Subsidiaries (Continued)

At December 31, 2019

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	57.9	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,767,500,000	57.9	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB7,900,000,000	57.9	–	Property development	Mainland China
Kunming Hang Ying Properties Ltd.	RMB7,384,884,075	57.9	–	Property development & leasing	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB7,340,096,324	57.9	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US\$385,000,000	57.9	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US\$349,990,000	57.9	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK\$5,329,600,000	57.9	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB4,691,746,261	57.9	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB960,716,180	57.9	–	Property development & leasing	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	56.0	–	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	54.7	–	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.

39 Principal Joint Ventures

At December 31, 2019

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 Hing Mortgage (TH) Limited	2	50	–	Financial services	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.

in HK\$ Million (unless otherwise stated)	For the years ended December 31			
	2019	2018	2017	2016
CONSOLIDATED STATEMENT OF PROFIT OR LOSS				
Revenue				
Property leasing	9,139	8,784	8,354	8,326
Property sales	296	1,231	3,420	5,322
	9,435	10,015	11,774	13,648
Operating profit				
Property leasing	6,736	6,484	6,074	6,129
Property sales	162	765	2,238	3,209
	6,898	7,249	8,312	9,338
Underlying net profit attributable to shareholders				
Effect of changes in fair value of properties	3,796	2,631	3,314	3,772
	3,020	2,654	2,000	(59)
Net profit attributable to shareholders				
Dividends for the year/period	6,816	5,285	5,314	3,713
	(1,470)	(1,089)	(1,089)	(1,089)
Retained profits for the year/period				
	5,346	4,196	4,225	2,624
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Net assets employed (Note 2)				
Investment properties	168,218	144,572	142,406	133,005
Investment properties under development	27,602	31,186	21,592	17,282
Properties for sale	5,662	2,463	1,634	2,374
Other assets	8,097	7,867	7,933	9,184
	209,579	186,088	173,565	161,845
Other liabilities	(23,799)	(17,210)	(18,193)	(17,237)
	185,780	168,878	155,372	144,608
Financed by				
Shareholders' equity	91,294	86,447	83,137	75,658
Non-controlling interests	67,033	64,289	66,419	62,355
Net debt/(cash)	27,453	18,142	5,816	6,595
	185,780	168,878	155,372	144,608
Number of shares issued (in million)				
	1,362	1,362	1,362	1,362
PER SHARE DATA				
Basic earnings (HK\$)	\$5.01	\$3.88	\$3.90	\$2.73
Dividends (HK cents)	108¢	80¢	80¢	80¢
Interim	19¢	19¢	19¢	19¢
Final	63¢	61¢	61¢	61¢
Special	26¢	–	–	–
Net assets attributable to shareholders (HK\$)	\$67.0	\$63.5	\$61.0	\$55.5
Dividend payout ratio	22%	21%	20%	29%
Underlying dividend payout ratio	39%	41%	33%	29%
FINANCIAL INDICATORS				
Net debt to equity	17.3%	12.0%	3.9%	4.8%
Debt to equity	19.7%	20.3%	18.7%	22.5%
Interest cover (times)	5	7	10	14
Return on average shareholders' equity	7.7%	6.2%	6.7%	4.9%

Notes:

- In November 2011, the Board of Directors approved the change of the Group's financial year end date from June 30 to December 31. Thus, the Group has a six-month financial period from July 1 to December 31, 2011.
- Net assets employed are presented by excluding net debt/cash.

For the years ended December 31				July–December	For the years ended June 30	
2015	2014	2013	2012	2011 (Note 1)	2011	2010
8,330	7,792	7,216	6,711	3,168	5,711	5,069
1,198	9,814	2,518	1,275	193	3	7,511
9,528	17,606	9,734	7,986	3,361	5,714	12,580
6,110	5,987	5,731	5,313	2,503	4,574	4,096
845	7,419	1,521	847	150	2	5,256
6,955	13,406	7,252	6,160	2,653	4,576	9,352
2,700	5,730	3,071	3,564	1,000	1,733	3,695
511	1,095	1,486	1,698	578	1,796	9,444
3,211	6,825	4,557	5,262	1,578	3,529	13,139
(1,084)	(1,097)	(1,079)	(1,066)	(512)	(1,025)	(1,017)
2,127	5,728	3,478	4,196	1,066	2,504	12,122
137,338	128,357	115,818	106,102	101,833	94,003	88,633
16,709	25,611	30,478	24,482	23,613	21,524	15,326
3,852	4,068	5,717	6,139	6,145	5,994	5,886
6,325	7,014	7,248	5,997	5,348	5,572	4,815
164,224	165,050	159,261	142,720	136,939	127,093	114,660
(18,074)	(20,582)	(17,533)	(15,643)	(14,226)	(14,269)	(13,377)
146,150	144,468	141,728	127,077	122,713	112,824	101,283
75,470	76,026	70,572	65,224	60,510	58,972	52,973
64,832	68,670	65,836	64,391	60,658	61,225	49,372
5,848	(228)	5,320	(2,538)	1,545	(7,373)	(1,062)
146,150	144,468	141,728	127,077	122,713	112,824	101,283
1,355	1,355	1,350	1,350	1,348	1,348	1,339
\$2.37	\$5.04	\$3.38	\$3.90	\$1.17	\$2.62	\$9.83
80¢	81¢	80¢	79¢	38¢	76¢	76¢
19¢	19¢	19¢	19¢	–	19¢	19¢
61¢	62¢	61¢	60¢	38¢	57¢	57¢
–	–	–	–	–	–	–
\$55.7	\$56.1	\$52.3	\$48.3	\$44.9	\$43.7	\$39.6
34%	16%	24%	20%	32%	29%	8%
40%	19%	35%	30%	51%	59%	28%
4.2%	0.0%	3.9%	0.0%	1.4%	0.0%	0.0%
26.6%	27.7%	33.0%	29.0%	22.9%	17.4%	10.5%
14	25	23	60	44	63	33
4.2%	9.3%	6.7%	8.4%	5.3%	6.3%	28.1%

Financial Terms

Finance costs	Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized
Total borrowings	Total of bank loans & other borrowings, net of unamortized other borrowing costs
Net debt	Total borrowings net of cash and deposits with banks
Net profit attributable to shareholders	Profit for the year (after tax) less amounts attributable to non-controlling interests
Underlying net profit attributable to shareholders	Net profit attributable to shareholders excluded changes in fair value of properties net of related income tax and non-controlling interests

Financial Ratios

Basic earnings per share	=	$\frac{\text{Profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$	Debt to equity	=	$\frac{\text{Total borrowings}}{\text{Total equity}}$
Net assets attributable to shareholders per share	=	$\frac{\text{Net assets attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$	Net debt to equity	=	$\frac{\text{Net debt}}{\text{Total equity}}$
Interest cover	=	$\frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$			

General Terms

AGM	annual general meeting of the Company
Articles of Association	the articles of association of the Company
Board	board of directors of the Company
Board Member(s)	director(s) of the Board
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Hang Lung Group Limited
ERM	enterprise risk management
ESG	environmental, social and governance
ESG Guide	Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules
Executive Board Members	executive directors of the Board
Group	the Company and its subsidiaries
HKEx	Hong Kong Exchanges and Clearing Limited
HKSAR	the Hong Kong Special Administrative Region of the People's Republic of China
HLP	Hang Lung Properties Limited (the Company's listed subsidiary)
INED(s)	independent non-executive director(s)
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
NED(s)	non-executive director(s)
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited

Directors

Ronnie C. Chan *GBM (Chairman)*
Weber W.P. Lo *(Chief Executive Officer)*
Gerald L. Chan[#]
Simon S.O. Ip *GBS, CBE, JP**
P.W. Liu *SBS, JP**
L.C. Tsui *OC, GBM, GBS, JP**
Martin C.K. Liao *GBS, JP**
George K.K. Chang[#]
Roy Y.C. Chen[#]
H.C. Ho *(Chief Financial Officer)*
Adriel W. Chan

[#] *Non-Executive Director*

^{*} *Independent Non-Executive Director*

Audit Committee

Simon S.O. Ip *GBS, CBE, JP (Chairman)*
P.W. Liu *SBS, JP*
L.C. Tsui *OC, GBM, GBS, JP*
George K.K. Chang

Nomination and Remuneration Committee

P.W. Liu *SBS, JP (Chairman)*
Simon S.O. Ip *GBS, CBE, JP*
Martin C.K. Liao *GBS, JP*

Authorized Representatives

Weber W.P. Lo
Margaret K.M. Yan

Company Secretary

Margaret K.M. Yan

Registered Office

28th Floor, Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel: 2879 0111
Fax: 2868 6086
Website: <http://www.hanglunggroup.com>
Email: HLGroup@hanglung.com

Auditor

KPMG

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

2019

July

Announcement of interim results July 30, 2019

September

Interim dividend paid September 26, 2019

2020

January

Announcement of annual results January 21, 2020

April

Latest time for lodging transfers
(for attending and voting at annual general meeting) 4:30 p.m. on April 23, 2020

Closure of share register
(for attending and voting at annual general meeting) April 24 to 29, 2020 (both days inclusive)

Annual general meeting 11:00 a.m. on April 29, 2020
(Details are set out in the notice of annual general meeting accompanying this annual report)

May

Latest time for lodging transfers (for special dividend and final dividend) 4:30 p.m. on May 6, 2020

Closure of share register (for special dividend and final dividend) May 7, 2020

Declared special dividend and proposed final dividend payable May 20, 2020

224 LISTING INFORMATION

At December 31, 2019

1,361,618,242 shares listed on The Stock Exchange of Hong Kong Limited

Stock Code

Hong Kong Stock Exchange: 00010

Reuters: 0010.HK

Bloomberg: 10 HK

Board Lot Size (Share)

1,000

American Depositary Receipt (ADR)

Sponsored Level-1 (Over the Counter)

CUSIP Number/Ticker Symbol: 41043E102/HNLGY

ADR to Underlying Share Ratio: 1:5

Depository Bank: The Bank of New York Mellon

Website: <http://www.adrbnymellon.com>

Share Registrar

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East, Wan Chai, Hong Kong

Tel : 2862 8555

Fax : 2865 0990

Investor Relations Contact

C.F. Kwan

Email: ir@hanglung.com

SHARE INFORMATION

	Share Price		Total Trading Volume Number of Shares (‘000)	Share Price		Total Trading Volume Number of Shares (‘000)
	High HK\$	Low HK\$		High HK\$	Low HK\$	
2019						
First quarter	25.25	19.24	73,609	31.50	25.60	56,623
Second quarter	26.15	20.00	210,658	25.95	21.70	86,176
Third quarter	22.65	18.62	72,962	23.30	19.50	73,741
Fourth quarter	20.50	18.52	157,731	22.15	19.12	95,158
Share Price as at December 31, 2019:			HK\$19.26	Share Price as at December 31, 2018:		HK\$19.94
Market Capitalization as at December 31, 2019:			HK\$26.22 billion	Market Capitalization as at December 31, 2018:		HK\$27.15 billion

STOCK CODE
00010

